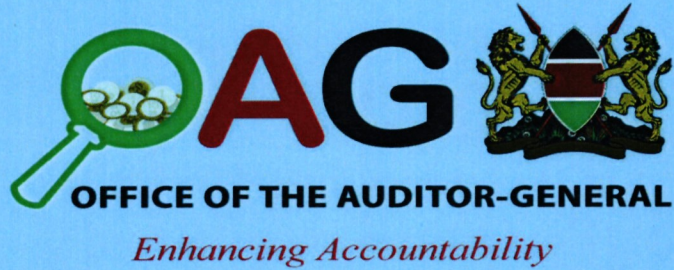


REPUBLIC OF KENYA



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 <b>REPORT</b> NATIONAL ASSEMBLY	
DATE: 23 NOV 2022	DAY: Wednesday
TAKEN BY: <b>OF</b>	Majority Whip
CLERK-AT THE TABLE:	Christine

**THE AUDITOR-GENERAL**

**ON**

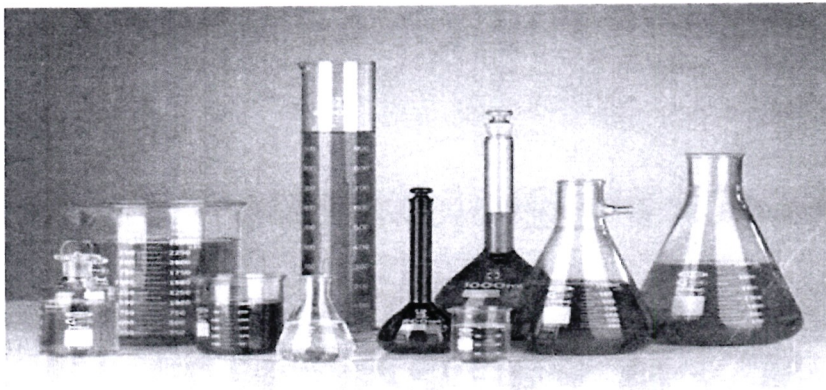
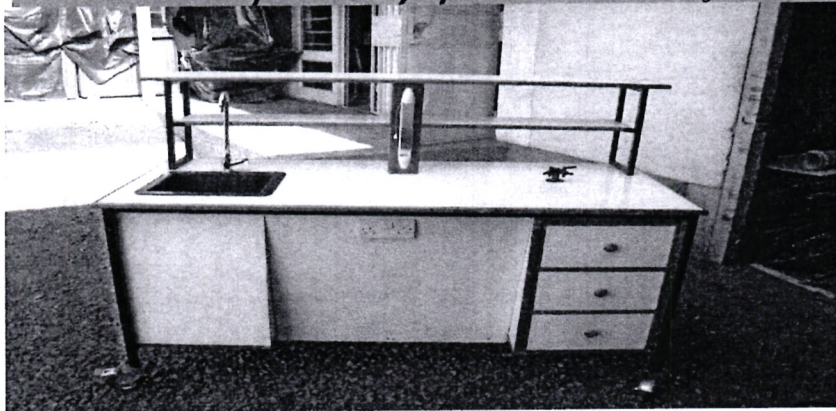
**SCHOOL EQUIPMENT PRODUCTION UNIT**

**FOR THE YEAR ENDED  
30 JUNE, 2021**



# SCHOOL EQUIPMENT PRODUCTION UNIT

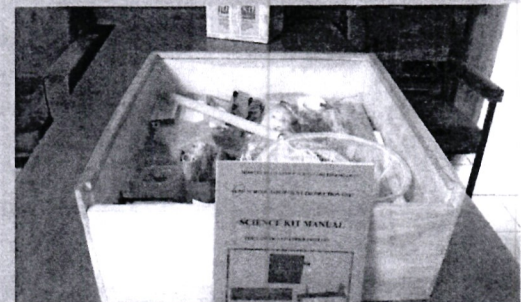
*"Makers of science equipment and teaching aids"*



*Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)*

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY  
29 SEP 2022  
**RECEIVED**

JUNE 30, 2021  
ANNUAL REPORTS AND  
FINANCIAL STATEMENTS



## VISION, MISSION AND CORE VALUES

### VISION

To be the leading provider of quality

Science teaching and learning

Materials in the region

### MISSION

To promote standards and quality  
of science education by producing  
Innovative and competitively priced  
Equipment and materials  
Educational institutions

### CORE VALUES

Quality  
Professionalism  
Integrity  
Fairness  
Innovation & Creativity

## Table of Contents

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<b>Key Entity Information</b>	<b>vi</b>
<b>The board of directors</b>	<b>vii</b>
<b>Management Team</b>	<b>xii</b>
<b>Chairman’s Statement</b>	<b>xv</b>
<b>Report of the Managing Director</b>	<b>xvii</b>
<b>Corporate Governance Statement</b>	<b>xix</b>
<b>Environmental and Sustainability Reporting</b>	<b>xxiii</b>
<b>Report of the Board of Directors</b>	<b>xxvii</b>
<b>Statement of Directors Responsibilities</b>	<b>xxiii</b>
<b>Report of the Independent Auditors on the Entity</b>	<b>xxiv</b>
<b>Statement of Profit and Loss and Other Comprehensive Income</b>	<b>1</b>
<b>Statement of Financial Position</b>	<b>2</b>
<b>Statement of Changes in Equity</b>	<b>3</b>
<b>Statement of Cash Flows</b>	<b>4</b>
<b>Statement of Comparison of Budget and Actual Amounts</b>	<b>6</b>
<b>Notes to the financial statements</b>	<b>7-17</b>
<b>Appendix I: Progress on follow up of Auditors Recommendations</b>	<b>18</b>
<b>Appendix II: Inter - Entity Transfers</b>	<b>19</b>

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## KEY ENTITY INFORMATION

### Background information

School Equipment Production Unit is a State Corporation under the Ministry of Education. It was established as a state corporation under the Companies Act (Cap 486) in December 1976. SEPU is mandated to produce scientific equipment and learning materials to learning institutions. Its vision is to be the leading provider of quality science teaching and learning materials in the Region. The main mission of SEPU is to ensure high quality production and distribution of specialized science teaching and learning materials for educational institutions.

The management of the company is governed by the Companies Act of Kenya, the State Corporations Act among other relevant Acts. School Equipment Production Unit has a board of directors which is charged with the overall mandate of the company.

### Principal Activities

The principal activity of the company is production and distribution of specialized science teaching and learning materials for educational institutions.

### Directors

The Directors who served the company during the financial year were as follows:

- |                             |   |   |
|-----------------------------|---|---|
| 1.) Dr. Solomon Ngahu       | National Treasury                                   | - Member  |
| 2.) Mrs. Truphena Kirongo   | Ministry of Education                               | - Member  |
| 3.) Mrs. Hilda Joyce Omwoyo | Kenya Technical Teachers College (Former & Retired) | - Member  |
| 4.) Mr. Dickson L. Ole Keis | School Equipment Production Unit                    | - Chief Executive Officer/ Secretary to the Board |
| 5.) Representative          |   | - Director General State Corporation              |

## KEY ENTITY INFORMATION

### Corporate Information

#### Board of Directors

Chairman Board of Directors  
Managing Director/ Secretary to the Board

#### Registered Office

SEPU Headquarters, University of Nairobi,  
Kenya Science Campus,  
Ngong Road,  
P.O. Box 25140-00603,  
Nairobi, Kenya.

#### Corporate Bankers

National Bank of Kenya Limited,  
Harambee Avenue Branch,  
P.o Box 41862,  
Nairobi, Kenya.

Kenya Commercial Bank Limited.  
Milimani Branch,  
P.O. Box 69695,  
Nairobi, Kenya.

Co-operative Bank of Kenya Limited,  
Haille Selassie Avenue,  
P.O. Box 48231-00100,  
Nairobi, Kenya.

**Our Auditor**

The Auditor General,  
Anniversary Towers  
P.O. Box 30084-00100,  
Nairobi.

**Principal Legal Advisors**

The Attorney General  
State Law Office & Department of Justice  
Harambee Avenue  
P.O Box 40112  
City Square 00200  
Nairobi, Kenya

## BOARD OF DIRECTORS

### 1. CPA FA Dr. Solomon Thuo Ngahu

Alternate to Principal Secretary National Treasury

CPA FA Dr. Solomon Ngahu, year of birth 1977. He holds PhD in Business administration (Finance Option) from JKUAT, a Master's degree (MBA-Finance) from JKUAT, Master of Science Public Finance from University of London, Bachelor degree (Bcom)-First Class Honors from JKUAT, ESAMI: Preparation and Interpretation of Financial Statements, IMF; Government Financial Statistics Harmonization for EAC-Kigali Rwanda, IMF; Credit Management :Certified Credit Management Professional (CCP)K, Pedagogy Training; Overview to learning Process and Methodology-JKUAT,HIV & AIDS Mainstreaming Course, National Aids Control Council, Induction Training on Government Operations(GTI-Mombasa).Holds three Single Subject Diploma: Accounting Purchasing & Cost control(ICM)UK, Project Management(ICM)UK and Auditing & Taxation (ICM)UK. Finance & Banking; Certified Investment & Security Analyst (CISA) K, Administration; Certified Public Secretary (CPS) K, Certified Public Accountant (CPA) K. He is a member of ICPAK, ICIFA, APSEA and KIM professional bodies. He is also a committee member – Public Policy & Governance of ICPAK, Members Service Committee - ICIFA, Member of Professional Development and Education Committee of APSEA. He is currently the Ag. Deputy Accountant General at the National Treasury.



### 2. Mrs. Truphena Kirongo

Alternate to Principal Secretary, State Department of Education, Ministry of Education,



Mrs. Truphena Kirongo was born in 1962. She has a Bachelor of Education, a Master of Business Administration from Kenyatta University, Nairobi, Kenya and a Master of Education, Leadership and Management from Aga Khan University, Dar es Salaam, Tanzania.

She has a work experience in Teaching service from 1986 - 1998 and in Civil Service as follows; Senior Education officer, Nandi District- 1998-2001.

Deputy Municipal Education Officer, Mombasa Municipality-2001-2003

Municipal Education Officer, Mombasa Municipality- 2004- 2007

Assistant / Senior Assistant Director of Education, Directorate of Primary Education- 2007- 2016

Deputy Director of Education, Directorate of Secondary Education

Deputy Director of Education at Director General's office from 2018- to date.

### 3. Mrs. Hilda Joyce Omwoyo

Principal Kenya Technical Teachers College (Former and Retired)

Mrs. Hilda Joyce Omwoyo was born in 1960. She is a teacher by profession. She has more than thirty years experience in teaching at both Secondary and college level. She has served as a graduate teacher of English and literature in English at Diploma college level, a lecturer, senior lecturer, principal lecturer, senior principal lecturer and senior principal. She is an experienced teacher trainer and a trainer of trainers in Arts, Science and Technical.



Mrs. Hilda has worked for several years worked as an administrator. English in Kenya Science Teachers College (KSTC) and in Kenya Technical Trainers College (KTTC). She also served as a member of the management team in KSTC and KTTC, Teaching Practice Coordinator,

Deputy Principal in charge of Academics for 6 years at KTTC. She served as the Principal of Kenya Technical Trainers College (KTTC) up to August 2020.

Mrs. Hilda is a writer of English Course Books. She has published books for Kenya, Tanzania, Zambia and Malawi. She has greatly been involved in the innovation club and implementation Competency Based Education Training. She has attended and participated in several National and International Conferences and courses in Kenya, Scotland, Nigeria, Uganda and Zambia. She has also visited England, South Africa, Tanzania, Uganda, and Rwanda for personal business.

She served from 1<sup>st</sup> July, 2020 up to 3<sup>rd</sup> December, 2020.

### 4. Mr. Dickson L. Ole Keis

Managing Director / Secretary to the Board

Mr. Dickson L. Ole Keis Mr. Dickson L. Ole Keis, year of birth 1958. He holds a Masters degree in Education Management, Policy and Curriculum studies from Kenyatta University and a Bachelors Degree in Arts from the University of Nairobi. He has served in the following Districts as a District Education Officer; Trans Mara, Turkana and



Kilifi. He has also served as a County Director of Education in Kilifi County and Regional Coordinator of Education in Coast Region.

He also served as a Chief Executive Officer for National Council for Nomadic Education in Kenya (NACONEK). He is the Managing Director – School Equipment Production Unit. He has visited the following Countries on Educational related assignments: Turkey, Bangladesh and Japan & France.

Managing Director with effect from 1<sup>st</sup> August, 2017

## THE MANAGEMENT TEAM

### 1. Mr. Dickson L. Ole Keis

Managing Director



Mr. Dickson L. Ole Keis Mr. Dickson L. Ole Keis, year of birth 1958. He holds a Masters degree in Education Management, Policy and Curriculum studies from Kenyatta University and a Bachelors Degree in Arts from the University of Nairobi. He has served in the following Districts as a District Education Officer; Trans Mara, Turkana and Kilifi. He has also served as a County Director of Education in Kilifi County and Regional Coordinator of Education in Coast Region.

He also served as a Chief Executive Officer for National Council for Nomadic Education in Kenya (NACONEK). He is the Managing Director – School Equipment Production Unit. He has visited the following Countries on Educational related assignments: Turkey, Bangladesh and Japan & France.

Managing Director with effect from 1<sup>st</sup> August, 2017

### 2. Mrs. Perpetua S. Wanaswa, OGW

Sales & Marketing Manager

Mrs. Perpetua Wanaswa, year of birth 1961. Pursuing PhD in Business Administration (Strategic Management option) at UON. She is a holder of (Masters Degree in Business Administration (Strategic Management option) from Daystar University. Bachelor of Business Administration (Finance and Accounting option) from Kenya Methodist University. CPA 1 and ACNC from Institute of Certified public Accountants, and Computer Application from Computer for Schools. Has offered services during the National Elections in Kenya in the year 2002 and 2007 as a Clerk and deputy Presiding Officer respectively in Nairobi County. She is a member of Board of Management for Kivaywa Secondary School, ICIFA and Kim Professional Studies. Has attended various seminars and workshops in various Institutions. Employed by SEPU as a Junior Clerk in Accounts Department and rose up the ranks of Head of Finance Department. In January 2010 was appointed the Acting Managing Director.



Awarded the order of the Grand Worrier of Kenya, (OGW) by His Excellency the President in 2013. For the outstanding performance. She is currently the Sales & Marketing Manager

### 3. CPA Salome Odek

Ag. Head of Finance & Accounts



CPA Salome Odek, year of birth 1982. She holds Certified Public Accountant (CPA) K and a registered member of ICPAK. She holds a Degree in Bachelor of Commerce Finance Option from Kenyatta University. Has attended ESAAG Conference on Public Financial Management Reforms (*Entebbe, Uganda*) Has attended ESAAG Conference on Enhancing the Effectiveness of Public Financial Management Systems (*Livingstone, Zambia*) She is a member of AWAK (Association of Women Accountants

of Kenya)

She is currently the Senior Accountant at SEPU.

### 4. Mr. Philip Onyango

Production Manager

Mr Philip Onyango, year of birth 1976. He has a Diploma in Mechanical Engineering (Production Option) from Jomo Kenyatta University of Agriculture and Technology. He is currently pursuing a Degree in Project Planning and Management from the University of Nairobi. He is the Ag. Production Manager at SEPU.



### 5. Mr. Nicky Ronoh



Mr Nicky Cheruiyot Ronoh, year of birth 1985. He has a Degree in Bachelor of Business Management from Moi University and a Diploma in Business Administration from Institute of Commercial Management. He is the Supply Chain Management Officer at SEPU.

## **CHAIRMAN'S STATEMENT**

### **Introduction**

We are delighted to present the Unit's Annual Report for the Financial Year ended 30 June 2021. The company's performance slowed as COVID – 19 pandemic impact took toll on the economy.

The sales revenue has increased by 0.073% as the market continued with its subdued performance due to the effects of COVID – 19. The Unit was privileged to receive recurrent grants which boosted the Gross income. The Unit's production operations have reduced, leading to plant underutilization.

### **Brief highlight of the key activities during the year**

During the year under review, there were reduced marketing activities due to challenges posed by COVID -19 pandemic especially partnerships with Kenya Secondary Schools Heads Association, Kenya Primary Schools Heads Association and Kenya Private Schools Association in which the Unit gets an opportunity to conduct marketing activities even though this did not materialize.

The net profit during the current financial year 2020/2021 is Kshs. 2,445,032 compared to net loss of Kshs. 30,919,667 in 2019/2020 representing an increase in profit by 107.91%. Gross Income increased from Kshs. 23,317,312 to Kshs. 62,003,416 in 2020/2021 representing an increase in Gross Income by 165.91%.

The Unit implements its draft strategic plan covering the period 2019-2024. This plan determines and guides on the long-term performance of the Unit. The 'Big Four' agenda especially manufacturing takes a center stage in the strategic plan as the Unit plays a big role in ensuring 100% transition in secondary schools through manufacturing of educational scientific equipment to schools which will accelerate attainment of Vision 2030.

### **Successes consolidated**

Despite the challenges posed by COVID- 19 pandemic, the Unit continues to focus on a comprehensive agenda to build a sustainable business as a Post COVID-19 recovery strategy. The Unit has been committed to design, manufacture and distribute high quality science teaching and learning materials for learning institutions. The Unit has developed the Human Resources Instruments and Career Progression Guidelines which are yet to be approved by the relevant Authorities. The staff morale has been relatively high due to motivation through salary increment and promotions. The Unit intends to implement strategies that will continue to raise the staff morale.

### **Challenges**

The Unit is faced by a few challenges which have the potential to impede timely realization of its strategic goals. Some of these challenges include inadequate space for expansion and lack of modern machines in the Production Department. There has been inadequate funding but the Government is reconsidering funding the Unit to meet the Unit's optimal production level.

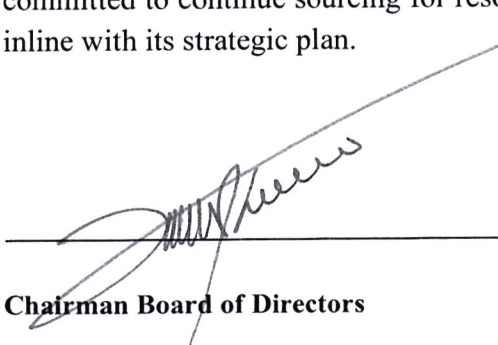
### **Future outlook of the organization**

The outlook for 2022 is favorable with the economic growth targeted at 8% and with the 'Big Four Agenda' the Unit will position itself as a driver of the manufacturing agenda. The Unit intends to manufacture science equipment and materials for both Primary and Secondary schools to meet the demand of the 100% transition and Competency Based Curriculum.

The Unit will support value addition and raise the manufacturing sector share of GDP. We envisage conducive operating environment by upgrading the contents of science kit to support the Competency Based Curriculum to meet its requirement n. The Unit will continue with implementation of the Strategic Plan 2019-2024, Quality Management System and Performance Contracts based on sound leadership, prudent financial management, innovation, creativity and team spirit. Towards enhancing the institutional Human Resource capital the Unit will conduct capacity building for employees within their area of specialization.

### **Appreciation**

The Unit appreciates the great financial support provided by the Government of Kenya, through Ministry of Education, State Department of Early Learning and Basic Education, the Board of Directors for providing Strategic direction and leadership, the management team and entire staff for their commitment to work as well as our Stakeholders, Business Partners and Clients for the business growth. Going forward, the Board is committed to continue sourcing for resources to ensure the Unit achieves its targets over the next financial year inline with its strategic plan.



Chairman Board of Directors

## **REPORT OF THE MANAGING DIRECTOR**

### **Introduction**

The year under review indicates that the School Equipment Production Unit (SEPU) has maintained a strong drive for result across all its Departments. The COVID-19 pandemic posed many challenges in areas of marketing due to closure of schools. During the year under review, the Unit finalized its current strategic plan and the strategies developed are being implemented that will yield positive results which will increase the revenue over the next few years.

In recognition of the critical role played by motivated staff, we continue to invest in human capital development and improvement of the terms and conditions for employees. This will help us to attract and retain highly performing human capital.

### **Performance Review**

The Unit registered a profit of Kshs. 2,445,032 in the financial year 2020/2021 compared to a loss of Kshs. 30,919,667 in 2019/2020. In order to improve on the performance of the Unit, various strategies will be implemented such as advertising through the website and recruiting mainly sales people from different Counties who will work on commission and also advertise the products through different Medias to create awareness of the Unit's products.

Even though the Unit has been facing financial challenges, we are determined to improve on internal operations and generate revenue through effective strategies that have been set. These will be enhanced through sound leadership so that the Unit remains economically viable and contribute to the Country's growth.

### **Business Review**

The Unit continues to grow its product portfolio in different segments through partnership with the Centre for Mathematics, Science & Technology of Education in Africa (CEMASTEA) and Technical and Vocational Education and Training (TVET) to support the teaching of Science, Technology, Engineering, and Mathematics (STEM) subjects and Competency Based Curriculum (CBC). This partnership will ensure improvement in the production, modification and marketing of its science equipment and materials through workshops and seminars for teachers. This will also be extended to other regions. Being a Government Agency which manufactures and supplies science equipment, SEPU has had major achievements in the era of devolution as it has marketed its products through the County Governments and National Government.

The Unit has continued to implement the Government policy toward 30% orders to the Youth, Women and Persons with Disability.

### **Performance Contract and Approved Budgets**

SEPU entered into a negotiated performance contract for 2020/2021 with the Government of Kenya by setting targets in line with Strategic Plan 2019-2024, second medium term 2019-2024 and the approved budgets for the financial Year 2020/2021.

### **Strategies for improving revenue and service delivery:**

- 1) The Unit will uphold its Vision by ensuring that it becomes a leader in providing and supplying quality science teaching and learning materials in the region.
- 2) Finding new customers; the management has ensured that sales promotion and marketing of SEPU products to public schools, private schools and non-profit making organizations among others is done to enhance increase in revenue.
- 3) Reviewing current pricing structure; the Unit is in the process of reviewing the correct prices and costing of products and services accordingly.
- 4) Enhancing Inventory Management; the management is currently engaged in streamlining the business through control of inventory to improve cash flow, avoid money tied in slow- moving Inventory and to avoid losses that might arise as a result of expired or obsolete stock.

### **Appreciation**

The Unit acknowledges the support provided by the Government of Kenya, through the Ministry of Education, State Department of Early Learning and Basic Education by providing us with grants which have made the Unit to continue improving on its operations. We appreciate the Board of Directors for providing Strategic direction and leadership and finally the Management and all staff for working tirelessly to be where we are as well as our Stakeholders and Business Partners including our Clients for the business growth. Going forward, the Management is committed to continue with marketing of SEPU products to ensure the Unit achieves its targets over the next financial year inline with its strategic plan.

  
\_\_\_\_\_  
**Managing Director**

## CORPORATE GOVERNANCE STATEMENT

The Board of Management implements effective governance through processes and policies linked to the core value and ethics as stated in the code of Ethics which was revised based on Leadership and integrity Act 2012. Corporate governance is a key element contributing to School Equipment Production Unit business success.

### The Board

The Board of Directors is responsible for providing overall leadership through oversight, review and guidance in addition to setting the strategic and policy direction. It is the primary decision making organ for all policy matters of the Unit. The Board is endowed with the appropriate knowledge and experience to perform its duties effectively. The areas of expertise of the Directors are as follows:

Name	Name of Institution	Responsibility
1.) Dr. Solomon Ngahu	National Treasury	- Member
2.) Mrs. Truphena Kirongo	Ministry of Education	- Member
3.) Mrs. Hilda Joyce Omwoyo	Kenya Technical Teachers College	- Member
4.) Mr. Dickson L. Ole Keis	School Equipment Production Unit	- Chief Executive Officer/ Secretary to the Board
5.) Representative		- Director General State Corporation

The Board continues to offer oversight and review matters related to their duties including the Unit's strategy, financial performance, corporate governance, ensuring maintenance of sound internal control system and risk management framework, delegation and monitoring of the authority for expenditure and commitments.

**Board Composition.** The Board has five (5) members: The Chairman, Representative of Principal Secretary, Ministry of Education, National Treasury, Chief Principal Kenya Technical Trainers College, Director General National Commission for Science and Technology Innovation, DG Inspectorate of State Corporations, and Managing Director, as per the Company Act Cap 486 of 1976 that established SEPU.

**N/B – The Cabinet Secretary Ministry of Education is in the process of appointing new Board Members and replace the Board members whose tenure had expired.**

### The role of Chairman and Managing Director.

The separate roles of the Chairman/ Chairperson and Chief Executive Officer are clearly defined in the Board Charter as well as for the strategic direction and general policy guidance. The Board has delegated the conduct of the day to day business to the Chief Executive Officer.

## Board Evaluation and Performance

The Annual Board evaluation has been conducted. The purpose of annual evaluation is to assess its effectiveness in discharging its mandate. The process entails a self- evaluation for each Director, the Chairperson to the Board on overall Board interactions and conduct of business, meetings and evaluation of Managing Director.

### Board Committee

The Board has in place three principal committees to ensure effective discharge of its duties. These operate within well-defined terms of reference which are reviewed regularly to ensure compliance with requirements as well as relevance to business strategy. The committees report to the Full Board on all duties assigned. During the period under review, the committees in place included the Board Audit Committee & Board Finance, General Purposes & Human Resource Committee as follows;

#### Board Audit Committee

##### Members

Mrs.Truphena Kirongo	-	Chairperson
CPA Dr.Solomon Ngahu	-	Member
Mr.Dickson L Ole Keis	-	Managing Director/ Secretary

#### Role and function

The Audit Committee is responsible for continually evaluating the effectiveness of the internal control system and receives reports from the finance function on a quarterly basis. It reviews aspects relevant to governance, internal control procedures, risk management and internal audit. It also reviews external Auditor's report and Management responses. The Internal Audit functions reports directly to the full Board through the Board Audit Committee.

#### Attendance

Number of meetings held during 2020/2021

Name	Position	No. of meetings held.
Mrs.Truphena Kirongo	Chairperson	2 out of 4
CPA Dr.Solomon Ngahu	Member	2 out of 4
Mr.Dickson L Ole Keis	Managing Director	2 out of 4

#### Board Finance, General Purposes & Human Resource Committee

##### Members

Mrs.Hilda Omwoyo	-	Chairperson
CPA Dr.Solomon Ngahu	-	Member
Mrs.Truphena Kirongo	-	Member
Mr.Dickson L Ole Keis	-	Managing Director/ Secretary

**Role and functions Finance and General Purposes Committee**

The Finance and General Purposes Committee plays a vital role in assuring the integrity of the financial statements before they are reviewed and approved by the full Board. It reviews and recommends for approval of the quarterly and annual accounts. It also undertakes the monitoring and evaluation of the implementation of strategies, policies, management performance criteria and business plans on a regular basis; ensuring the adequate resources is employed to realize the goals and objectives of the Unit. It is also charged with the role of considering the Unit’s annual and supplementary budgets and recommending them to the Board for approval. The Committee assesses the adequacy and effectiveness of the internal controls and financial management procedures and overall compliance with financial regulations.

**Role and functions of Human Resource Committee**

- i. Ensure effective Human Resource policies and strategies that support the Unit’s Values, Vision, Mission and aspirations.
- ii. Review and where significant, report to the Board best practices, trends, new technologies and current emerging public policy issues in human resource matters including but not limited to Occupational Health and Safety.
- iii. Ensure the review of the position description of the Managing Director and the Board Chair’s performance against corporate and personal objectives.
- iv. Carry out any other related initiatives as may be necessary or desirable to enhance Board performance, including but not limited to Board learning and development.
- v. Annually review the total compensation guidelines and philosophies covering salary, bonus, long term incentives and benefits for Management and the Unit’s staff, and review the market comparator groups.
- vi. Review at least annually, and recommend to the Board for approval, the Managing Director compensation, based on the evaluation of the Managing Directors performance in light of corporate and individual objectives. Periodically review and recommend to the Board of approval, the Board’s Chair total compensation package.
- vii. Assess the learning and development needs of SEPU’s Directors and staff and recommend learning opportunities which can be used by them to meet their needs for development.
- viii. Handle disciplinary cases.
- ix. Review terms of services for staff.
- x. Review and recommend changes in remuneration for Delegates and Directors.
- xi. Carry out Recruitment and Selection.

**Attendance**

Number of meetings held during 2020/2021

Name	Position	No. of meetings held.
Mrs.Hilda Omwoyo	Chairperson	4 out of 4
Mrs.Truphena Kirongo	Member	4 out of 4
CPA Dr.Solomon Ngahu	Member	4 out of 4
Mr.Dickson L Ole Keis	Managing Director/ Secretary	4 out of 4

**NOTE: There were two (4) special committee meetings that were attended by the above board members.**

**Full Board**

**Attendance**

Number of meetings held during 2020/2021

Name	Position	No. of meetings held.
Mrs.Hilda Omwoyo	Chairperson	4 out of 4
Mr.Truphena Kirongo	Member	4 out of 4
CPA Dr.Solomon Ngahu	Member	4 out of 4
Mr.Dickson L Ole Keis	Managing Director/ Secretary	4 out of 4

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT / SUSTAINABILITY REPORTING**

The Unit emphasizes on promoting positive social and environmental change on the community where it operate to uplift the standard of living. It is also committed to social, economic and environmental sustainability.

### **Sustainability strategy and profile**

The Unit focuses its sustainability efforts on addressing environmental, social and governance (ESG) issues, including implementing strong environmental stewardship, putting stakeholders at the center of everything we do and achieving results the right way. These commitments reflect our culture of operational excellence, high ethical standards, strict capital discipline and transparent risk management. They also demonstrate our intent to lead responsibly in any environment by ensuring waste minimization or reduction and proper disposal of wastes.

In carrying out our duties, we intend to put all our efforts towards contributing effectively and efficiently to the achievement of the national development agenda as espoused in the Kenya Vision 2030, keeping in mind the specific priorities of the School Equipment Production Unit. It will also pay special attention to implementation of Post COVID – 19 Recovery strategies and Plans.

### **1. Environmental Performance**

SEPU pursue innovations that improve environmental performance across the production operations. This commitment to sustainability is built into the way we manage our work. Our Operational Excellence Management System establishes standards and objectives that extend from the organization level to the stakeholders, allowing our businesses to focus on the localized risks and potential environmental issues at specific operating locations. We also ensure that our employees benefit from healthier and safer working conditions.

### **2. Employee Welfare**

The Human Resources Policy and Procedures Manual is a set of guidelines designed to assist all SEPU staff undertake their operational responsibilities without impediment or conflict as follows;-

- Polices and Procedures for Attendance
- Employee Conduct
- Use of Company Property
- Harassment and Discrimination
- Health and Safety
- Communication and expenses among others.

SEPU is guided by the Occupational Safety and Health Act (2007). The Unit's goal in Occupational Safety and Health is to proactively take preventive measures to assure employees and other stakeholders of a safe and good working environment, free of accidents injuries and ill- health.

### **3. Market Place Practices**

#### **(a) Responsible Competition Practices**

SEPU ensures expertise in all the fields when dealing with learning institutions.

The Unit has qualified personnel in the three-science subject, who ensures that the right equipment and materials are produced and supplied to schools. Quality products are distributed to schools when required. The procurement department follows the procurement procedures and regulations during the sourcing of raw materials and finished products, and those goods are purchased at fair prices for SEPU, in case of any complaints from clients, it is recorded in a register and action is taken by the relevant officer who ensures that the client is satisfied with the action taken on his or her complain. A good relationship and communication is maintained between SEPU and her competitors and trust is ensured.

#### **(b) Responsible Supply Chain and supplier relations.**

As a Unit, we endeavor to deliver high quality products and services to our customers, and who share our commitment to business conduct that not only complies with all applicable laws and regulations governing their learning activities, but which also conforms to high ethical standards and accountability for quality, reliability, health, safety and the environment.

The discipline of supplier relationship management is observed by the Unit to help procurement officers identify critical partners, take strategic approaches to purchasing, insulate their supply chains from risk, and increase profitability.

#### **(c) Responsible Marketing and Advertisement**

SEPU markets and advertises its products through various forums. For instance, through Education magazines, face to face visits to schools, distribution of brochures with pictures of products and services offered, attending annual conferences i.e Kenya Secondary Schools Heads Association, Kenya Primary Schools Heads Association and Kenya Private Schools Association in which the Unit gets opportunity to do presentations of its product range and services and sensitize the practicing teachers on the latest products in the market recommended to be used in schools.

#### **(d) Product Stewardship**

SEPU ensures an approach to managing the environmental impacts of different scientific products and materials and at different stages in their production, use and disposal. The Unit sees to it that those involved in producing and selling of products have a shared responsibility to ensure that those products or materials are managed in a way that reduces their impact, throughout their lifecycle, on the environment and on human health and safety. This approach focuses on the product itself, and everyone involved in the lifespan of the product is called upon to take up responsibility to reduce its environmental, health, and safety impacts.



## 5. Community Engagements

Our commitment to stakeholders is to improve quality of learning in schools as they are central to our corporate identity. The Unit always endeavor to have a positive impact on society through improving the way teaching is done and especially application of learning and teaching aid in STEM related subjects.

Our CSR programme focuses on education as a key enabler of society transformation.

During financial year 2020/2021, the Unit supported needy schools through partnerships with education stakeholders as indicated below;

- Donation of (6 sets) of School Science kits and assorted chemicals to Bomani Secondary School in Mpeketoni, Lamu County
  - Donation of School Science Kits (30 Sets) to NG.CDF Eldama Ravine
- i.) With 100% transition from Primary to Secondary Schools CSR for communities is key to enable access to quality education by adopting CSR.
- ii.) The Unit has maintained a clean environment by establishing a committee that ensures waste is properly disposed off to enable the environment around to be clean, secure, and sustainable as per the Environmental Management Coordination Act (EMCA).

## REPORT OF THE BOARD OF DIRECTORS

The directors submit their report together with the audited financial statements for the Year ended 30th June 2021 which disclose the state of affairs of the Company

### Principal activities

The Principal activities of the company are Designing, Producing and Selling science educational equipment and Chemicals.

### Results

The results of the company are shown on page 1

The Company's Article of Association prohibits payment of dividends.

### Reserves

The Board of Directors proposes to carry forward the balance of the retained loss amounting to 15,778,855

### Auditors

The Auditor General is responsible for the statutory audit of the Unit in accordance with Article 229 of the Constitution of Kenya and the Public Act 2015.

### Directors

The Directors who served the company during the year were as follows:

- |                             |   |                                      |
|-----------------------------|---|--------------------------------------|
| 1.) Dr. Solomon Ngahu       | National Treasury                             | - Ag. Chairman of the Board          |
| 2.) Mrs. Truphena Kirongo   | Ministry of Education                         | - Member                             |
| 3.) Mrs. Hilda Joyce Omwoyo | Kenya Technical Teachers College              | - Member                             |
| 4.) Mr. Dickson L. Ole Keis | School Equipment Production Unit to the Board | - Chief Executive Officer/ Secretary |
| 5.) Representative          |   | - Director General State Corporation |

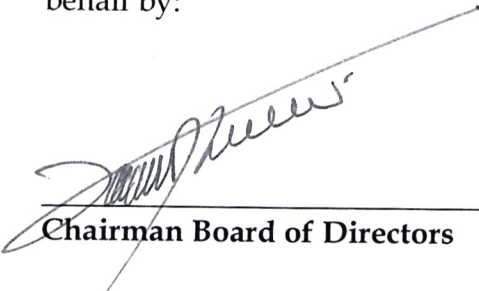
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Companies Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the Operating results of the Company for that year. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the annual financial statements that have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in Conformity with International accounting standards and the requirements of the Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

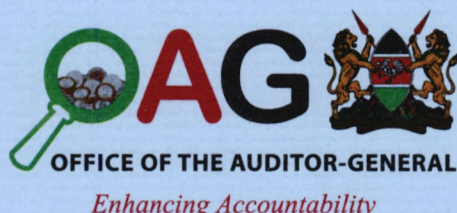
The financial statements were approved by the Board of directors on \_29/09/\_ 2021 and signed on its behalf by:

  
\_\_\_\_\_)  
Chairman Board of Directors

  
\_\_\_\_\_)  
Managing Director/ Secretary to the Board

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
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**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON SCHOOL EQUIPMENT PRODUCTION UNIT FOR THE YEAR ENDED 30 JUNE, 2021**

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### **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 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 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 School Equipment Production Unit set out on pages 1 to 18, which comprise of the statement of financial position as at 30 June, 2021 and the statement of profit or loss and other comprehensive income,

statement of changes in equity and reserves, statement of cash flows and statement of comparison of budgets and actual amounts, 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 the School Equipment Production Unit as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1.0 Encroached Land - Property, Plant and Equipment**

As previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.93,834,470 (2020: Kshs.95,178,293) which as disclosed in Note 14 to the financial statements constitutes a parcel of land at a historical cost of Kshs.63,000,000 which is situated at Industrial Area, Nairobi and registered under the Company's name. However, although the land was allocated in 1996, the Company has not developed it due to encroachment by informal settlers. Management has however sought for assistance from the National Land Commission in order to develop the land. No response has been provided to indicate the progress made by the end of the year.

Further, the balance of Kshs.93,834,470 is net of depreciation charge amounting to Kshs.22,891,100. However, a recomputation of depreciation yielded an amount of Kshs.22,841,679 resulting to a variance of Kshs.49,421 but Management has not explained or reconciled the variances.

In the circumstances, the beneficial value of the land and the accuracy of the property, plant and equipment balance of Kshs.93,834,470 could not be confirmed.

### **2.0 Unsupported Receivables and Prepayments**

As previously reported and as disclosed in Note 16 to the financial statements, the statement of financial position reflects receivables and prepayments net balance of Kshs.78,079,585 (2020: Kshs.78,026,728) which includes trade receivables and staff advances amounting to Kshs.32,420,055 out of which a balance of Kshs.22,680,639 or 70% have been outstanding for more than ten (10) years. However, no supporting documents were provided for audit review. Further analysis of records revealed that an amount of Kshs.75,086,881 or 96% was due from the Ministry of Education - State Department for Early Learning and Basic Education and has been outstanding since financial year 2018/2019 but the same was not reflected as a pending bill in the State Department's financial statements for the year ended 30 June, 2021.

In addition, the receivables and prepayments balance of Kshs.78,079,585 includes staff advances balance of Kshs.1,001,361 out of which Kshs.940,484 or 94% relate to staff advances due from employees who have since left the service while others are deceased.

Management has however, indicated that a fire broke out at the Company's Headquarters in 2007 and destroyed supporting schedules relating to receivables. As a result, recovery of debtors has been affected by lack of evidence. Although a provision for bad and doubtful debts of Kshs.29,427,351 has been provided which represent a decrease of Kshs.1,365,888 from the amount reported in the previous year balance of Kshs.30,793,239, the amount appears insufficient.

In the circumstances, the accuracy and full recovery of the receivables and prepayments balance of Kshs.78,079,585 as at 30 June, 2021 could not be confirmed.

### **3.0 Unsupported Trade and Other Payables**

As previously reported, the statement of financial position reflects trade and other payables balance of Kshs.24,029,434 which, as disclosed in Note 20 to the financial statement includes trade payables balance of Kshs.7,657,450 out of which a balance of Kshs.7,209,566 or 94% has been outstanding for between fourteen (14) years and twenty-six (26) years and whose supporting documents were not provided for audit review. Management indicated that a fire broke out in the Company's Headquarters in 2007 and destroyed supporting schedules relating to the accounts payables. Management had also placed advertisement in the daily newspapers in November, 2016 to inform relevant creditors to present documents supporting the services offered to the Company but with little success.

Further, the balance constitutes balances of Kshs.15,751,984, Kshs.816,066, Kshs.1,500,000 and Kshs.11,681,848 in respect of retirement benefits (pensions), provision for dividend to The National Treasury and provision for corporate tax respectively, which had no movement over the last twelve months.

In the circumstances, accuracy, completeness and the validity of the trade and other payables balance of Kshs.24,029,434 as at 30 June, 2021 could not be confirmed.

### **4.0 Unexplained Variance Cash Book and Financial Statements**

The statement of financial position reflects cash and bank balances of Kshs.4,877,059 which, as disclosed in Notes 17(i) to the financial statements includes an amount of Kshs.4,773,188 held at local commercial bank. However, cash-book for the same account reflects a balance of Kshs.9,982,474 resulting in an unreconciled variance of Kshs.4,556,154.

In the circumstances, the accuracy and completeness of cash and bank balance of Kshs.4,877,059 reflected in the statement of financial position as at 30 June, 2021 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the School Equipment Production Unit 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**

#### **1.0 Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.110,500,000 and Kshs.80,860,696 respectively resulting to an under-funding of Kshs.29,139,304 or 26.3% of the budget. Similarly, the Company expended Kshs.58,510,512 against an approved budget of Kshs.89,400,000 resulting to an under-expenditure of Kshs.30,889,488 or 34% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the stake holders of the Company.

#### **2.0 Unresolved Prior Year Matters**

In the previous audit report, several issues were raised under the Report on Financial Statements and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved a number of issues and no explanation was given on the status of the unresolved issues.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **Irregular Contract of Legal Services**

During the year under review, Management hired a legal firm to represent the Company in court in a case between the Company and another firm over the validity of a contract. It was however established that, the firm was not in the prequalified list of suppliers or a member of the Law Society of Kenya. Notwithstanding these anomalies, Management paid an amount of Ksh.1,200,000 to the firm for offering legal services.

This is contrary to Section 93 of the Public Procurement and Disposal Act, 2015 which requires the procuring entity to conduct a pre-qualification procedure as a basic procedure prior to adopting an alternative procurement method other than open tender for the purpose of identifying the best few qualified firms for the subject procurement.

Consequently, Management was in breach of the law.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing 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

#### 1.0 Irregular Staff Advances

As disclosed in Note 16 to the financial statements, the statement of financial position reflects an amount of Kshs.78,079,585, in respect of receivables and prepayments which includes staff advances amounting to Kshs.1,001,361 which constitutes an amount of Kshs.940,484 representing advances that were issued to officers who are now deceased while others have left the Company's service.

Further, a member of staff took a salary advance of Kshs.600,000 in February, 2021. However, the officer had just completed paying a previous salary advance. This is against the Company's Human Resource Policy Manual which states that an officer cannot take a salary advance immediately after clearing another one but must wait for a period of six months. In addition, the officer ceased to be an employee of the Company in February, 2021 with an outstanding balance of Kshs.100,000. The recoverability of this amount is doubtful.

In the circumstances, the existence of an effective internal control to safeguard against loss of public resources could not be confirmed.

#### 2.0 Lack of Management Reports

The Company does not have an internal audit function despite the fact that the department is provided for in the Company's organizational structure where the Head of the Internal Audit should report directly to the Board of Directors. Management has

however, indicated that an internal advertisement for the vacant post was done and interviews conducted but no applicant was successful. Management has further indicated that it is in the process of re-advertising by opening up to the general public to apply.

Consequently, the effectiveness of internal controls systems and risk management in the Company 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 control, 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.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya Companies Act, 2015, I report based on my audit, that:

- i. 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;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from my examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

### **Responsibilities of Management and Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 overall governance.

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

The Board of Directors are responsible for overseeing the Company'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 overall 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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability as a going concern. 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 Company to cease as a going concern.
- 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 Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL


**Nairobi**

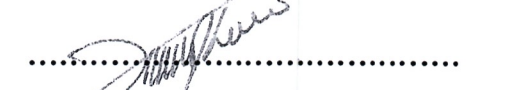
**19 September, 2022**

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021**

<b>REVENUES</b>		<b>2021</b>	<b>2020</b>
	<b>Notes</b>	<b>Kshs</b>	<b>Kshs</b>
Turnover	[2]	25,960,696	25,941,535
		<b>25,960,696</b>	<b>25,941,535</b>
Less cost of Sales	[3]	(18,857,280)	(17,849,686)
<b>Gross Profit</b>		<b>7,103,416</b>	<b>8,091,849</b>
Grants	[4a]	54,900,000	14,900,000
Investment income (Interest on Investment)	[5]	-	325,463
<b>Total Gross Income</b>		<b>62,003,416</b>	<b>23,317,312</b>
<b>EXPENDITURE</b>			
Establishment Expenses	[6]	(1,322,003)	(996,768)
Board Expenses	[7]	(1,679,393)	(2,313,026)
Staff Costs	[8]	(28,620,275)	(28,224,577)
Operating Expenses	[9]	(9,187,795)	(9,721,100)
Other Operating Expenses	[10]	(2,641,767)	(1,832,872)
Selling expenses	[11]	(14,982,930)	(11,049,649)
Finance Costs	[12]	(76,349)	(98,987)
<b>Total Expenses</b>		<b>(58,510,512)</b>	<b>(54,236,979)</b>
<b>Loss/ Profit for the year</b>		<b>3,492,904</b>	<b>(30,919,667)</b>
Less Corporation Tax		(1,047,872)	-
<b>Net Loss/ Profit for the year</b>		<b>2,445,032</b>	<b>(30,919,667)</b>

.....  
  
**Managing Director/ C.E.O**  
 Name: **DICKSON L. OLE KEIS**

.....  
  
**Ag. Head of Finance & Accounts**  
 Name: **SALOME A. ODEK**

.....  
  
**Ag. Chairman Board of Directors**  
 Name: **DR. SOLOMON NGAHU**

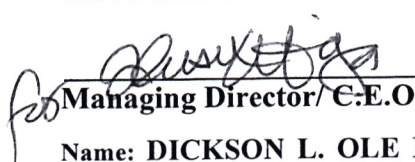
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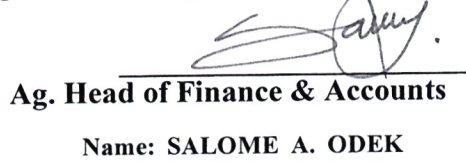
*The significant accounting policies and the notes set out on pages 7 to 19 forms an integral part of these financial statements.*

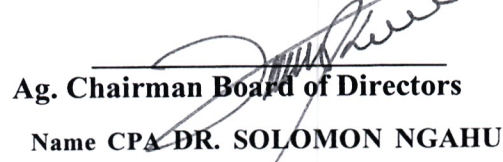
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

ASSETS	NOTE	2021	2020
		Kshs	Kshs
<b>Non current assets</b>			
Property, Plant & Equipment	[14]	93,834,470	95,178,293
		<b>93,834,470</b>	<b>95,178,293</b>
<b>Current assets</b>			
Inventories	[15]	14,190,503	15,048,305
Receivables & Prepayments	[16]	78,079,585	78,026,728
Cash and bank balance	[17]	4,877,059	908,717
Investment (Call Deposit)	[18]	155,070	5,550,687
<b>TOTAL ASSETS</b>		<b>191,136,686</b>	<b>194,712,730</b>
<b>CAPITAL &amp; RESERVES</b>			
Retained Earnings	[19.i]	(15,778,855)	(18,223,887)
Revaluation Reserve	[19.ii]	67,633,650	67,633,650
Capital Reserves	[19.iii]	71,085,064	71,085,064
Deferred Special Grant	[19.iv]	44,167,394	44,167,394
<b>TOTAL CAPITAL AND RESERVES</b>		<b>167,107,253</b>	<b>164,662,221</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & other Payables	[20]	24,029,434	30,050,509
<b>TOTAL CAPITAL RESERVES &amp; LIABILITIES</b>		<b>191,136,686</b>	<b>194,712,730</b>

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors on 31 / 08/ 2021 by:

  
 Managing Director/ C.E.O  
 Name: DICKSON L. OLE KEIS

  
 Ag. Head of Finance & Accounts  
 Name: SALOME A. ODEK

  
 Ag. Chairman Board of Directors  
 Name CPA DR. SOLOMON NGAHU

ICPAK M/NO: 21822

*The significant accounting policies and the notes set out on pages 7 to 19 forms an integral part of these financial statements.*



**SCHOOL EQUIPMENT PRODUCTION UNIT ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE**

**2021**

<b>Balance as at 30.06.2020</b>	<b>(15,778,855)</b>	<b>67,633,650</b>	<b>71,085,064</b>		<b>44,167,394</b>	<b>167,107,253</b>
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**NOTE:**

**Capital reserve represents:**

The accumulated grants and loans received from/ or through the Kenya Government net of accumulated trading losses prior to incorporation in 1976.

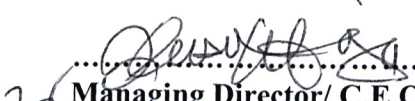
The Profit realised in the current period is Kshs. 2,445,032.00

**The management of SEPU has set up various strategies focused on reducing Company's losses as follows;**

- i.) Reducing overall direct costs by negotiating better prices on raw materials and direct importation of finished goods such as glass wares and other lab equipment.
- ii.) Finding new customers; the management has ensured that sales promotion and marketing of SEPU products to public schools, private schools and non-profit making organization is done to generate additional revenue.
- iii.) Reviewing current pricing structure; the Unit is in the process of reviewing the correct prices and costing of products and services accordingly.
- iv.) Controlling Inventory; the management is currently engaged in streamlining the business through control of inventory to improve cash flow, avoid money tied in slow-moving inventory and to avoid losses that might arise as a result of expired or obsolete stock.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

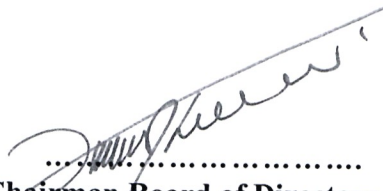
		2021	2020
	Notes	Kshs	Kshs
<b>Loss/ Profit before taxation</b>		<b>2,445,032</b>	<b>(30,919,667)</b>
Add Depreciation for the year	[14]	1,470,892	1,433,020
<b>Cash flows from operating activities</b>		<b>3,915,924</b>	<b>(29,486,647)</b>
Less: Investment Income		-	(325,463)
		<b>3,915,924</b>	<b>(29,812,110)</b>
<b>Changes in Working Capital</b>			
<b>Increase/(Decrease) in operating assets:</b>			
Increase/ Decrease in Receivables & Prepayments		1,284,075	5,921,806
Increase/ Decrease in Payables & Accruals		6,021,075	6,059,410
Increase/(Decrease) in inventory		857,802	2,351,708
		<b>8,162,952</b>	<b>14,332,924</b>
<b>Tax paid</b>			
<b>Net cash flows from operating activities</b>		<b>12,078,876</b>	<b>(15,479,186)</b>
<b>Cash flows from Investing activities</b>			
Purchase of Property plant & Equipment	[14]	-	(303,448)
Add: Investment income	[5]	-	325,463
<b>Net Cash Generated from Investing activities</b>		-	<b>22,015</b>
<b>Cash flows from Financing activities</b>			
Increase/(Decrease) in Deferred Special Grant		-	(2,851,362)
<b>Development Grant</b>		-	-
<b>Net Cash Generated from Financing activities</b>		-	<b>(2,851,362)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,427,276)</b>	<b>(18,308,533)</b>
<b>Cash and cash equivalents at 1st July 2020</b>		<b>6,459,404</b>	<b>24,767,937</b>
<b>Cash and cash equivalents at 30 June, 2021</b>	[17 i.]	<b>5,032,128</b>	<b>6,459,404</b>

  
 .....  
 Managing Director/ C.E.O

Name: DICKSON L. OLE KEIS

  
 .....  
 Ag. Head of Finance & Accounts

Name: SALOME A. ODEK

  
 .....  
 Ag. Chairman Board of Directors

Name CPA DR. SOLOMON NGAHU

ICPAK M/NO: 21822

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget 2020-2021	Adjustments 2020-2021	Final budget 2020-2021	Actual on comparable basis 2020-2021	Performance difference 2020-2021	% Variance	Performance Variance
	Kshs	Kshs	Kshs	Kshs	Kshs	%	
<b>Revenue</b>							
Sale of goods	70,000,000	70,000,000	70,000,000	25,960,696	- 44,039,304	-62.91	Effects of Covid-19
Sale of services	-	-	-	-	-	-	
Transfers from the Government	40,000,000	40,000,000	40,000,000	54,900,000	14,900,000	37.25	Adjustments in Supplementary Budget
Finance Income	500,000	500,000	500,000	-	-	-	
<b>Total income</b>	<b>110,500,000</b>	<b>110,500,000</b>	<b>110,500,000</b>	<b>80,860,696</b>	<b>-29,139,304</b>	<b>-25.66</b>	
<b>Expenses</b>							
Compensation of employees	29,050,000	29,050,000	29,050,000	28,620,275	429,725	1.48	
Use of goods and services	-	-	-	-	-	-	
Finance cost	200,000	200,000	200,000	76,349	123,651	61.83	Over provision of finance costs.
Rent paid	-	-	-	-	-	-	
Taxation paid	-	-	-	-	-	-	
Other Payments	60,150,000	60,150,000	60,150,000	29,813,888	30,336,112	50.43	
Grants and subsidies paid	-	-	-	-	-	-	
<b>Total expenditure</b>	<b>89,400,000</b>	<b>89,400,000</b>	<b>89,400,000</b>	<b>58,510,512</b>	<b>30,889,488</b>	<b>34.55</b>	
<b>Surplus for the period</b>	<b>21,100,000</b>	<b>21,100,000</b>	<b>21,100,000</b>	<b>22,350,184</b>	<b>-1,250,184</b>	<b>-5.93</b>	

## NOTES TO THE FINANCIAL STATEMENTS

### [1.] **Summary of Significant accounting Policies**

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

These policies have been consistently applied to all years presented, unless otherwise stated.

#### **Statement of compliance**

The financial statements have been prepared in accordance with and comply with international Financial Reporting Standards (IFRS) for Small and Medium Sized Entities.

#### **Critical Judgements and Estimates**

In the process of applying the IFRS for SME, the directors are required to use certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on the directors' best knowledge of current events and actions and other factors including expectations of future events that are believed to be reasonable under the circumstances, although actual results may differ from those estimates

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention basis of accounting. The principal accounting policies adopted remain unchanged from previous year and are set out below:

#### **Revenue recognition**

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognized at fair value of consideration received or expected to be received in the ordinary course of the company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the company's activities as described below;

- i) **Revenue from the sale of goods and services** is recognized in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognized in the year in which the company actually receives such grants. Grants for development projects are treated as deferred income as per IAS 20.

#### **Currency**

The accounts are prepared in Kenya shillings (Kshs) which is the official currency of the republic of Kenya.

#### **Accounting period**

The Company prepares its accounts for 12 months period ending 30th June every year

#### **Country of incorporation and registered office**

The company is incorporated in Kenya under the Companies Act and domiciled in Kenya.

**Depreciation**

Fixed assets are stated at historical cost less accumulated depreciation.

Depreciation is calculated on reducing balance method to write off the cost (carrying values) of each asset to their residual values over their estimated useful lives as follows:

**Depreciation rates applicable**

Buildings	2.5%
Motor Vehicles	25%
Computers & Accessories	30%
Machinery & Equipment	15%
Furniture & Fittings	12.5%

**Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand balances and deposits held at call with banks.

**Other Reserves**

The Capital reserves represents the accumulated grants and loans received from/or through the Kenya Government net of accumulated trading losses prior to incorporation in 1976 and after incorporation.

**Inventories**

Stock and work in progress are stated at the lower of cost and net realisable value. Cost comprises the cost of raw materials and attributable to production overheads appropriate to the location and condition of the stock at the balance sheet date. Stock consists of stock taking as at 30<sup>th</sup> June 2021.

**Comparatives**

Comparative figures have been recorded to conform to changes in presentation in the current period.

**Financial risk management objectives and policies**

The company's activities expose it to a variety of financial risks, which involves receivables, payables and cash and cash equivalents. The company's overall risk management programme focuses on the unpredictable conditions by the unit which seeks to minimise potential adverse effects on its financial performance.

**i.) Credit risk**

This is a risk of financial loss to the company whereby a customer of a financial instrument fails to meet its contractual obligations, and arises mainly from the company's receivables with the customers. The amount that best represents the company's maximum exposure to credit risk as at 30<sup>th</sup> June 2021 and 30<sup>th</sup> June 2020 is as shown below:

	<b>30 June, 2021</b> Kshs.	<b>30 June, 2020</b> Kshs.
Receivables & Prepayments	78,079,585	78,026,728
Cash and cash equivalent	5,187,198	6,459,404

**Revenue recognition**

Revenue is recognized only when the unit has substantially completed a revenue generation process that is revenue is recorded when it is earned.

**ii.) Liquidity risk**

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

The unit implements prudent liquidity risk management which involves maintaining sufficient cash to meet company's obligations.

The unit has been experiencing financial problems which have not enabled it to maintain adequate cash balances in the bank.

The amount of trade and other payables of the unit as 30th June 2021 and 30th June 2020 are as below:

	<b>30 June, 2021</b> Kshs.	<b>30 June, 2020</b> Kshs.
Trade & Other Payables	24,029,434	30,050,509

**iii) Market risk**

Market risk is the risk that the value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks; currency risk, interest rate risk and other price risk.

**iv) Interest rate risk**

SEPU's interest rate risk arises from short term bank deposits or investment on call deposit because of changes in market interest rates

**NOTES TO THE FINANCIAL STATEMENTS (Continued.)****v) Currency risk**

Currency risk arises on financial instruments that are denominated in foreign currency. SEPU has no trade receivables, nor trade payables, nor borrowings which are denominated in foreign currency as at the reporting date.

**Related Party Disclosures**

The unit regards a related party as a person with ability to exert control individually or jointly, or to exercise significant influence over the unit or vice versa.

**i.) Government of Kenya**

The government of Kenya is a related party to the unit as it provides the unit with various grants including;

Recurrent grant and Development grant as below:

	30/06/2021 Kshs	30/06/2020 Kshs
Recurrent grant	54,900,000	14,900,000
Development grant	=	=
	<u>54,900,000</u>	<u>14,900,000</u>

**ii.) Directors Remuneration**

Allowance and other expenses	1,679,393	2,313,026
------------------------------	-----------	-----------

**Contingencies**

The unit does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements. Contingent liabilities are assessed by the unit to ensure that the provisions are made after the contingency is valued.

The following is the contingency which exists within the unit that is in progress;

**i.) Imara Daima Land at Industrial Area encroached by squatters**

SEPU was allocated land by the Government of Kenya that has not been developed as a result of financial challenges. This resulted to the land being encroached by squatters. Efforts to evict them have been fruitless as the squatters have resisted to be evicted. The Management of SEPU is in the process of reclaiming the land as the matter is being addressed by the Chairman National Land Commission on behalf of SEPU.

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

	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>[2] Turnover</b>		
Turnover for the year	25,960,696	25,987,135
Less sales Returns	-	(45,600)
<b>Net Turnover</b>	<b><u>25,960,696</u></b>	<b><u>25,941,535</u></b>
<b>[3] Cost of Sales</b>		
Opening stock	15,048,305	17,400,012
Add-purchases	17,999,478	15,497,979
Less- closing Stock	(14,190,503)	(15,048,305)
	<b><u>18,857,280</u></b>	<b><u>17,849,686</u></b>
<b>[4] Government Grants</b>		
a. Recurrent Grant	54,900,000	14,900,000
b. Development Grant	-	-
<b>[5] Investment Income</b>		
Interest earned	-	325,463
	-	<b><u>325,463</u></b>

	<b>2021</b>	<b>2020</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
<b>[6] Establishment Expenses</b>		
Repairs & maintenance of Equipment & Building	370,623	103,199
Motor vehicle running expenses & repairs	<u>951,380</u>	<u>893,569</u>
	<b><u>1,322,003</u></b>	<b><u>996,768</u></b>
<b>[7] Board Expenses</b>		
Sitting Allowance	900,000	1,120,000
Honoraria	-	640,000
Lunch & Snacks	375,393	317,026
Transport	143,000	156,000
Training	<u>261,000</u>	<u>80,000</u>
	<b><u>1,679,393</u></b>	<b><u>2,313,026</u></b>
<b>[8] Staff Costs</b>		
Salaries & wages	25,868,533	25,197,396
Staff welfare	1,909,510	1,513,271
Leave travelling allowance	146,000	144,000
Pension Expenses- employer's contribution	696,232	587,283
Staff medical expense	-	782,627
Insurance premiums (Medical)	<u>-</u>	<u>-</u>
	<b><u>28,620,275</u></b>	<b><u>28,224,577</u></b>
<b>[9] Operating Expenses</b>		
Telephone Expenses	484,660	593,091
Printing and stationery	538,586	443,909
Insurance premiums (Assets)	61,023	176,788
Travelling & subsistence (Local & Foreign)	2,833,800	4,434,865
Subscriptions and Donations	61,850	256,850
Office expenses	2,904,563	2,082,908
Training & recruitment	596,300	198,800
Electricity & water	489,870	415,760
Secondary school science kit	-	-
IT Expenses	375,483	339,855
Security services	625,660	542,274
Team Building & End of Year Party	<u>216,000</u>	<u>236,000</u>
	<b><u>9,187,795</u></b>	<b><u>9,721,100</u></b>

	<u>2021</u> <u>Kshs</u>	<u>2020</u> <u>Kshs</u>
<b>[10] Other Operating Expenses</b>		
Audit fees	-	-
Professional & Legal fees	1,170,875	399,852
Depreciation Expense	1,470,892	1,433,020
	<u>2,641,767</u>	<u>1,832,872</u>
<b>[11] Selling expenses</b>		
Advertising, sales promotion & marketing	12,873,807	10,020,523
Packaging materials (Stores Expenses)	35,740	3,430
Transport-Despatch & postage	2,073,383	1,025,696
	<u>14,982,930</u>	<u>11,049,649</u>
<b>[12] Finance Costs</b>		
Bank charges	76,349	98,987
	<u>76,349</u>	<u>98,987</u>
<b>[13] a.) Corporation Tax</b>		
Loss/ Profit for the year	3,492,904	(30,919,667)
Tax for the year (30%)	1,047,872	-

**N/B;** In this financial year, corporation taxes were not paid due to losses.

**b.) Going Concern**

The profit of **Kshs. 2,445,032** from a loss of Kshs. 30,919,667 was attributed by;

Grants received from the parent ministry (Ministry of Education), and sales revenue.

[14]	PROPERTY, PLANT & EQUIPMENT							
	Land	Buildings	Motor vehicles	Computers & Accessories	Machinery & Equipment	Furniture & Fittings	TOTAL	
	Kshs.	2.50%	25%	30%	15%	12.50%	Kshs.	Kshs.
COST	63,000,000	35,074,533	3,321,155	1,571,998	11,896,656	1,431,810	116,296,152	
Balance as at 01.07.2019								
Additions	-	-	-	303,448	-	-	303,448	
Disposal	-	-	-	-	-	-	-	
Balance as at 30.06.2020	63,000,000	35,074,533	3,321,155	1,875,446	11,896,656	1,431,810	116,599,600	
DEPRECIATION								
Balance as at 01.07.2019		5,947,103	3,063,536	1,179,052	9,421,538	394,433	20,005,662	
Charge for the year		728,186	64,405	199,180	318,835	122,414	1,433,020	
Balance as at 30.06.2020		6,675,289	3,149,409	1,347,457	9,858,275	516,847	21,438,682	
NET BOOK VALUE								
Balance as at 30.06.2020	63,000,000	28,399,244	193,215	480,954	2,125,567	979,313	95,178,293	
Balance as at 30.06.2019	63,000,000	29,127,430	257,620	245,996	146,325	572,867	93,350,238	
COST	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Balance as at 01.07.2020	63,000,000	35,074,533	3,321,155	1,571,998	11,896,656	1,431,810	116,296,152	

**SCHOOL EQUIPMENT PRODUCTION UNIT ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE**

2021

Additions	-	-	-	-	303,448	-	-	303,448
Balance as at 30.06.2021	63,000,000	35,074,533	3,321,155	1,875,446	11,896,656	1,431,810	116,599,600	
DEPRECIATION								
Balance as at 01.07.2019	-	6,675,289	3,149,409	1,347,457	9,858,275	516,847	21,438,682	
Charge for the year	-	709,982	48,304	144,287	318,835	122,415	1,343,823	
Balance as at 30.06.2020	-	7,385,271	3,197,713	1,491,744	10,177,110	639,262	22,891,100	
NET BOOK VALUE								
Balance as at 30.06.2021	63,000,000	27,689,262	144,911	336,667	1,806,732	856,898	93,834,470	
Balance as at 30.06.2020	63,000,000	28,399,244	193,215	480,954	2,125,567	979,313	95,178,293	



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

	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>[15] Inventories</b>		
Chemical Stocks	1,059,554	1,408,186
Equipment stocks	9,460,381	8,926,648
Workshop stocks	2,793,027	2,936,217
Work in Progress (W.I.P)	877,540	1,777,253
	<b>14,190,502</b>	<b>15,048,304</b>
<b>[16] Receivables &amp; Prepayments</b>		
Trade Receivables	31,418,694	32,702,769
<b>Other Current Assets</b>		
Staff Advances	1,001,361	1,030,317
	<b>32,420,055</b>	<b>33,733,086</b>
Less: Provision for doubtful debts	29,427,351	(30,793,239)
	<b>2,992,704</b>	<b>2,939,847</b>
Add Receivable from Ministry of Education	75,086,881	75,086,881
<b>Total Net Debtors</b>	<b>78,079,585</b>	<b>78,026,728</b>
The receivable from Ministry of Education represent the amount of down payment to Vulcan Lab Equipment. After the court ruling, the Kshs. 70,000,000 was transferred to National Treasury.		
<b>[17] Cash &amp; Bank balances</b>		
Kenya Commercial Bank Limited	4,773,188	596,982
National Bank of Kenya Limited	100,971	288,091
Co - operative Bank ( Haba na Haba)	-	444
Cash at Hand	2,900	23,201
	<b>4,877,059</b>	<b>908,717</b>
<b>[17 i.] Cash and Cash Equivalents</b>		
Cash and Cash Equivalents consist of cash on hand, cash at bank and Investments.		
Cash in hand and at bank	4,877,059	908,717
Investment ( Call Deposit) ( 18 )	155,070	5,550,687
<b>Cash and Cash Equivalents</b>	<b>5,032,128</b>	<b>6,459,404</b>

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

	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>[18] Investment ( Call Deposit)</b>		
Co-operative Bank of Kenya Limited	155,070	5,550,687
	<b>155,070</b>	<b>5,550,687</b>
<b>19 i.) Retained Earnings</b>		
Retained Earnings	(18,223,887)	12,589,514
<b>Loss / Profit</b>	2,445,032	(30,813,401)
	<b>(15,778,855)</b>	<b>(18,223,887)</b>
<b>ii.) Revaluation Reserve</b>		
Revaluation Reserve on land	63,000,000	63,000,000
Revaluation Reserve on Buildings	4,633,650	4,633,650
	<b>67,633,650</b>	<b>67,633,650</b>
<b>iii.) Capital &amp; Reserves</b>		
<b>Opening balance</b>	71,085,064	71,085,064
Government Development Grant	-	-
	<b>71,085,064</b>	<b>71,085,064</b>
The accumulated grants and loans received from/ or through the Kenya Government net of accumulated trading losses prior to incorporation in 1976.		
<b>iv.) Deferred Special Grant</b>		
Opening balance	44,167,394	44,167,394
Development Grant utilized	-	-
	<b>44,167,394</b>	<b>44,167,394</b>
<b>[20] Trade &amp; Other Payables</b>		
Trade Payables	7,657,450	12,247,808
Accrued Audit Fees	350,000	350,000
Retirement benefits (pensions)	816,066	816,066
Provision for Dividend to National Treasury	1,500,000	1,500,000
Gratuity for Pension Scheme	1,404,070	1,404,070
National Social Security Funds (Penalty – FY;2004)	320,000	480,000
Provision for Corporate tax	11,681,848	11,681,848
M. Korongo & Advocates	300,000	1,570,717
	<b>24,029,434</b>	<b>30,050,509</b>

### APPENDIX 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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Receivables and Prepayments	The long outstanding debts are waiting to be written off as the management seeks the authority from National Treasury.	Salome A. Odek Head of Finance & Accounts	Not resolved In progress	30 <sup>th</sup> June 2022
2.	Trade and Other Payables	The long outstanding trade and other payables are waiting to be written off as the management seeks the authority from National Treasury.	Salome A. Odek Head of Finance & Accounts	Not resolved In progress	30 <sup>th</sup> June 2022
3.	Land	Management written to Commissioner of Lands concerning land recovery.	Mr. Dickson L. Ole Keis Managing Director	Not resolved In progress	30 <sup>th</sup> June 2022

Managing Director/ C.E.O

Ag. Head of Finance & Accounts

Chairman

Board of Directors

Date.....31/8/2021.....

Date.....31/8/2021.....

Date.....31/8/2021.....

**APPENDIX III: INTER- ENTITY TRANSFERS**

<b>Break Down of Transfers From State Department of Early Learning &amp; Basic Education ( Ministry of Education)</b>				
<b>FY 2020/2021</b>				
<b>a.</b>	<b>Recurrent Grants</b>			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts relate</u>
	Kenya Commercial Bank	11/08/2020	8,725,000.00	2020/2021
	Kenya Commercial Bank	05/11/2020	8,725,000.00	2020/2021
	Kenya Commercial Bank	10/02/2021	8,725,000.00	2020/2021
	Kenya Commercial Bank	12/05/2021	28,725,000.00	2020/2021
		<b>Total</b>	<b>54,900,000.00</b>	
<b>b.</b>	<b>Development Grants</b>			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts relate</u>
	Kenya Commercial Bank	-	-	-
		<b>Total</b>	<b>-</b>	<b>-</b>

The above amounts have been communicated to and reconciled with the parent Ministry.



**Ag. Head of Finance & Accounts (SEPU)**

**Head of Accounting Unit**

Ministry of Education

Date.....31/8/2021.....

Date.....31/8/2021.....