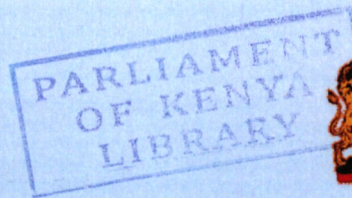


REPUBLIC OF KENYA



Paper laid
By the LHM, the Hon.
Aden Duah, MP on
Wednesday, 27/9/17.
[Signature]

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
MINISTRY OF EDUCATION, SCIENCE
AND TECHNOLOGY**

**FOR THE YEAR ENDED
30 JUNE 2016**

STATE DEPARTMENT OF EDUCATION



MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY
(STATE DEPARTMENT OF EDUCATION)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30, JUNE 2016

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

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY
STATE DEPARTMENT OF EDUCATION
Annual Reports and Financial Statements
For the year ended June 30, 2016

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STATE DEPARTMENT OF EDUCATION
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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Ministry of Education Science and Technology was formed in June 2013 by merging the Ministry of Education and the Ministry of Higher Education Science and Technology. At cabinet level, the Ministry of Education Science and Technology is represented by the Cabinet Secretary for Education Science and Technology, who is responsible for the general policy and strategic direction of the education and training sector.

(b) Key Management

The Ministry of Education Science and Technology day-to-day management is under the following key organs:

- The Principal Secretary State Department of Education;
- The Principal Secretary State Department of Science and Technology; and
- The Ministry's Senior Management (Directors various departments)

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30 June 2016 and who had direct fiduciary responsibility were listed:

- Dr. Belio R. Kipsang, CBS - Principal Secretary
- Leah Rotich (Mrs) MBS - Director General
- Elymarta A. Khaoya - Director Administration
- CPA Florence Keitany - Deputy Accountant General
- Ben Khadiagala - Chief Finance Officer
- Andrew A. Nyanchoka - Director HRM& D
- Susan Angwenyi - Head of Internal Audit
- Julius M Kieni - Head of Procurement

(d) Fiduciary Oversight Arrangements

- Audit and finance committee activities
- Parliamentary committee activities
- Development partner oversight activities
- Budget Implementation Committee
- Ministerial Human Resource advisory Committee
- Ministerial Tender Committee

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY
STATE DEPARTMENT OF EDUCATION
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For the year ended June 30, 2016

(e) State Department Headquarters

P.O. Box 30040-00200
Jogoo House B
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Nairobi, KENYA

(f) State Department of Education Contacts

Telephone: (254) 318581
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Website: www.education.go.ke

(g) State Department of Education Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

(h) Independent Auditors

Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(i) Principal Legal Adviser

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

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY
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II. FORWARD BY THE CABINET SECRETARY

The Ministry of Education (MOEST) is comprised of the State Department of Basic Education; the State department of Vocational and Technical Training; and the State Department of Universities. The vision of the Ministry is to build “a globally competitive education, training, research and innovation system for sustainable development”.

To mission of the Ministry is “to provide, promote and coordinate quality education and training; integration of Science, Technology and Innovation in sustainable socio- economic development processes.” The sector’s overall goal is to increase access to education and training; improve quality and relevance of education, reduce inequality as well as exploit knowledge and skills in science, technology and innovation for global competitiveness.

During the 2015/16 FY the Ministry implemented 8 programmes which included: Primary Education; Secondary Education; Quality Assurance and Standards; University Education, Technical Vocational Education and Training (TVET); Research, Science Technology and Innovations; Youth Training and Development; and General Administration, Planning and Support Services.

During the 2015/16 FY the Government allocated Ksh 67.127 billion to the State Department of Basic Education, of which kshs.58.721 billion was allocated under Recurrent vote and kshs.8.405 billion was allocated under Development vote. The Ministry’s budget performance based on economic classification in the FY under review is provided in the attached Financial Statement.

Performance of Programs in the State Department of Basic Education

Access to pre-primary education (ECDE) continued to grow with an increased enrolment from 3.019 million (1.476 boys and 1.543 girls) in 2014 to 3.168 million (1.607 boys and 1.561 girls) in 2015. The corresponding coverage increased from 73.6% in 2014 to 76.4% in 2015 with an additional 564 ECDE centres through the country between 2014 and 2015.

Primary Enrolment increased by 1.4% from 9.9 million to 10.01 million between 2014 and 2015. The Gross Intake Rate (GIR) improved from 102% in 2014 to 100% in 2015 indicating that the number of non-age-appropriate children accessing class one has reduced. Primary Gross Enrolment remained above the 100% mark marginally gaining 0.1 percentage point to 103.6% in 2015 from 103.5% in 2014. The increase is attributed to the continued implementation of the Free Primary Education Program; the sanitary towels initiative which benefitted 700 thousand girls in 2015/16 across the 47 counties; and the exploits from the growth of the private sector schooling. This was also buoyed by the decision of the Government to begin paying for examination fees for KCPE and KCSE candidates in 2015. To ensure pupils have a friendly environment for learning, the State department awarded a total of Ksh 135 million to 126 schools from the primary schools infrastructure grants for the construction/rehabilitation of classrooms.

In secondary education, schools registered a growth of 8% between 2014 and 2015. Public secondary schools increased by 7.9% from 7,686 in 2014 to 8,297 in 2015. The average size of secondary schools gained four more students to stand at 271 compared to 267 in 2014 indicating the increased uptake of learners from primary schools. Overall, the enrolment in secondary schools increased from 2.332 million in 2014 to 2.559 million in 2015. In public schools, enrolment increased from 2,171,504 in

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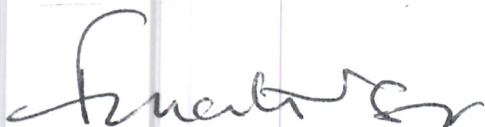
2014 to 2,354,786 in 2015. The growth is again attributed to the sustained implementation of the Free Day Secondary Education program.

In order to spur national cohesion and improve the status of secondary schools, a National Schools' rehabilitation and upgrading program was established in the FY 2010/11. In the year 2015/2016, 43 schools received a total of Ksh 260,000,000 as the second tier to national schools based on quality performance and admission of students across the counties. The initiative of funding top performing extra-county schools is also to assist in decongesting performing secondary schools by giving them funds to rehabilitate and construct new infrastructure to expand existing class streams for admission form one students transiting from primary level to secondary level. Under the secondary schools infrastructure development, Ksh 300 million was disbursed to 238 public secondary schools for rehabilitation of existing infrastructure and to facilitate the expansion of existing facilities in schools. This included Ksh 24 million disbursed to 24 special needs as a one off strategic intervention to persons with disabilities.

To increase access to quality learning materials and ensure networking of best teachers, the Ministry has continued to implement the Secondary Computer Supply Program. During the FY 2015/16, the State Department of Education disbursed a total of KES. 320 million to 166 schools for the procurement of a digital package (11 computers, 11 UPS, 1 laptop and 1 printer). The package is inclusive of Ksh 100,000 provided to schools for installation of a Local Area Network (LAN) for every selected. This brought the total of beneficiary schools to over 1,600 since the program began in 2010/11 as an Economic Stimulus.

To address the curriculum reform as an important issue identified by the Task Force on Alignment of the Sector to the Constitution of Kenya 2010, a proposal on curriculum reform was developed in the FY 2013/14. In 2015/2016 the needs assessment was carried out and a report compiled. The curriculum framework was developed. Stakeholders' engagement on needs assessment and curriculum framework was carried out. The Institute held subject panels for writing pertinent and contemporary issues matrices. In the subsequent years the Institute will carry out the development of curriculum designs, syllabus writing and editing, development of curriculum support materials, preparation of teachers and other field officers, piloting, implementation and monitoring and evaluation.

On examination candidature, the KCPE examination candidatures increased from 880, 486 (443,258 male and 437,228 female) in 2014 to 938,912 (473,259 male and 465,653) in 2015 while the number of examination centres for KCPE increased from 23,362 in 2013 to 24,260 in 2014 and further to 26,613 in 2015. During the same period, KCSE candidature increased from 483,630 candidates (259,746 male and 223,884 female) to 525,893 (280,914 male and 244,979 female) while the number of examination centres for KCSE increased from 8,057 to 9,157.



Fred Matiang'i, PHD, EGH.
Cabinet Secretary

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY
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III STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

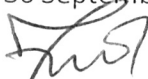
The Accounting Officer in charge of State Department of Education is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department of Education accepts responsibility for the entity'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 Accounting Officer is of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2016, and of the entity's financial position as at that date. The Accounting Officer in charge of the State Department of Education further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

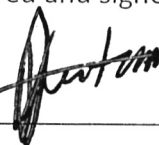
The Accounting Officer in charge of the state department of Education confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The State Department of Education financial statements were approved and signed by the Accounting Officer on 30 September, 2016.



Dr. Belio Kipsang
Principal Secretary



CPA Florence J. Keitany
Deputy Accountant General



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY, STATE DEPARTMENT OF EDUCATION FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Ministry of Education, Science and Technology-State Department of Education (Vote 1061) as set out on pages 1 to 21, which comprise the statement of financial assets as at 30 June 2016, statement of receipts and payments, statement of cash flows, summary statement of appropriation for recurrent and development combined for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution and Section 35 of the Public Audit Act, 2015. I have received all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

The Accounting Officer - Ministry of Education, Science and Technology-State Department of Education is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such 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.

The Accounting Officer 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the

*Report of the Auditor-General on the Financial Statements of the Ministry of Education, Science and Technology –
State Department of Education for the year ended 30 June 2016*

financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis of Qualified Opinion

1. Cash and Bank Balances

Bank Reconciliation Statement – Recurrent Vote

The statement of financial assets as at 30 June 2016 reflects cash and cash equivalents balance of Kshs.211,277,228 which includes recurrent bank balance of Kshs.145,922,554. However, examination of the bank reconciliation statement for the month of June 2016 revealed the following unexplained anomalies:

- i. The bank reconciliation statement for the recurrent cashbook as at 30 June 2016 reflects payments in the cashbook not in the bank statement (unpresented cheques) totalling Kshs.1,286,744,076.40, which includes unexplained cashbook adjustments totalling Kshs.5,981,971.02.
- ii. The bank reconciliation statement also reflects receipts in the bank statement not recorded in the cash book totalling Kshs.70,543,359 which have been outstanding for a long period of time. No reason has been provided for delay in updating and capturing these receipts in the cash book. Further, the reconciliation statement reflects payments in bank not posted in cash book totalling Kshs.11,224,808.45. Similarly, no reason has been provided for the delay in recording these payments in the cash book.
- iii. The bank reconciliation statement also reflects receipts in cashbook not in bank statement balance of Kshs.656,633,242.57 which also includes an unexplained cashbook adjustment of Kshs.12,069,712.22.

Consequently, it has not been possible to confirm that the cash-and-cash equivalent balance of Kshs.211,277,228 as at 30 June, 2016 is not fairly stated.

2. Supply of Desktop Computers to Schools

The statement of receipts and payments for the year ended 30 June, 2016 reflects acquisition of assets figure of Kshs.1,603,072,039 which includes an amount of Kshs.230,740,000 in respect of supply and delivery of 3,320 computers to public secondary schools. The supply of the computers was done through Tender No. NCB/MOEST/010/2015-16 which was awarded on 25 February 2016. It was further noted that the computers were delivered on 24 June 2016 and inspected on 27 June 2016. However, the list of the serialized computers availed for audit review reflected 1,107 computers resulting to a variance of 2,213 computers worth Kshs.153,803,500 which had not been accounted for as at the time of this report.

3. Irregular Expenditures

- i. During the year under review, the Ministry incurred expenditure totalling Kshs.1,000,937 paid to a firm in respect of air tickets for thirteen (13) officers for travel to a retreat held from 1 February to 3 February 2016 against budgetary provision of Kshs.440,000. The excess expenditure of Kshs.560,937 included an amount of Kshs.66,892 incurred on change-of-reservation fee and refund charges for cancelled tickets. No explanation was provided for changes in reservation and how the excess expenditure of Kshs.560,937 was financed.
- ii. A further payment of Kshs.199,895 was made to another firm for the supply of air tickets for five (5) officers for travel to Mombasa between 5th- 7th January 2016. Review of the available records indicated that the booking was for only four officers thus resulting to an excess payment of Kshs.39,979. No explanation has been provided for the anomaly.
- iii. Examination of payment vouchers revealed that a payment of Kshs.1,039,900 was made in a favour of a firm on 10 March 2016 for purchase of return air tickets for two (2) officers for travel to London on 17 January 2015. However, out of this amount, Kshs.528,000 was in respect of changes in air tickets which could have been avoided. No reason has been provided for the changes in flight details that resulted to penalties that could have been avoided.
- iv. A further payment of Kshs.798,820 was made to a tour firm on 30 June 2016 in respect of air tickets for two (2) officials to travel to Brussels, Belgium to attend the Global Partnership for Education Meeting from 25 June to 27 June 2014. However, the Local Service Order nor travel itinerary for the journey were availed for audit review. In addition, the invoice attached to the payment voucher was dated 16 June 2016, two years after the service was offered. No explanation has been provided as to why the payment was made two years after the service was offered and why the amount of Kshs.798,820 did not form part of 2014/2015 pending bills.

Consequently, the propriety of expenditure totalling Kshs.1,927,736 incurred on air tickets during the year under review could not be confirmed.

4. Expired Contract

The statement of receipts and payments for the year ended 30 June, 2016 reflects a figure of Kshs.6,896,580,619 under use of goods and services which includes a sum of Kshs.696,000 in respect of maintenance of the Ministry's lifts. However, examination of the respective payment vouchers revealed that the services were rendered on an expired contract for the period between July 2010 and June 2013. Therefore, services were rendered without a valid contract contrary to Section 88 of the Public Procurement and Disposal Act, 2015 which prescribes how tender validity periods may be extended. In the circumstance, the Ministry was in breach of Government Procedures and regulations.

5. Pending Bills

The Ministry had pending bills amounting to Kshs.32,000,459.17 as at 30 June 2016, out of which bills amounting to Kshs.31,589,959.17 relate to Recurrent Vote while Kshs.410,500.00 relate to Development Vote. The bills were carried forward to the 2016/2017 financial year. Had these bills been paid in the year under review, the statement of receipts and payments would have reflected a surplus of Kshs.320,394,507 instead of the surplus of Kshs.352,394,966 now reflected.

6. Transfers to Other Government Units

6.1 Support for Mobile Schools

The Statement of receipts and payments for the year ended 30 June, 2016 reflects a figure of Kshs.20,151,643,838 against transfers to other government units which includes grants in support of mobile schools of Kshs.31,376,800 disbursed to various schools. The sum of Kshs.31,376,800 was incurred on salaries for mobile school teachers and purchase of instructional materials for 117 mobile schools in Arid and Semi-Arid areas. However, it has not been possible to establish how the various schools in the respective counties were identified and how much was given to each school as no detailed supporting schedules were availed for audit review.

6.2 Expenditure on Schools Co-Curricular Activities

Further, included in the transfers to other Government units figure of Kshs.20,151,643,838 is the sum of Kshs.16,355,200 expended on various co-curricular activities. Review of expenditure under the school co-curricular activities revealed that a firm was paid Kshs.1,355,200 to print badges and booklets to be used at the National Ball Games for Primary, Secondary and Special Needs Schools. However, the Ministry did not present for audit relevant procurement records showing how the firm was

identified and awarded the contract. In the circumstance, it has not been possible to confirm that the expenditure totalling Kshs.1,355,200 was a proper charge on public funds.

7. Overpricing of Goods

The statement of receipts and payments for the year ended 30 June 2016 reflects figure amounting to Kshs.20,151,643,838 and Kshs.6,896,580,619 under transfers to other Government units and use of goods and services respectively, which includes goods procured from various suppliers worth Kshs.21,756,320. Examination of records however, revealed that the Ministry procured goods at prices that were far much higher than prevailing market prices resulting in overpricing of goods by Kshs.5,147,465. This contravened Section 54 of the Public Procurement and Disposal Act 2015 which stipulates that standard goods, services and works with known market prices shall be procured at the prevailing market price.

In the circumstance, it is not possible to confirm that goods worth Kshs.21,756,320 were competitively procured.

8. Unconfirmed Delivery of Goods

The statement of receipts and payments for the year ended 30 June 2016 reflects a figure of Kshs.6,896,580,619 in respect of use of goods and services which includes an amount of Kshs.10,620,600 in respect of various items procured by the Ministry from various suppliers. Although the respective payment vouchers were supported by local purchase orders (LPO's), counter receipt vouchers (S13), invoices and requests for quotations, no supporting stores records such as ledger cards and issue vouchers were availed for audit review. Consequently, it has not been possible to confirm the propriety of expenditures totalling Kshs.10,620,600 incurred on various items during the year under review.

9. Audit of Secondary Schools

The statement of receipts and payments for the year ended 30 June, 2016 reflects subsidies figure of Kshs.30,258,894,767 which includes an amount of Kshs.29,891,807,844 in respect of Free Day Secondary Education (FDSE) funding that was disbursed to various secondary schools. An audit inspection carried out on the Public Day Secondary Schools in Nairobi and Kiambu counties revealed the following unsatisfactory matters:

9.1 Rent Arrears

Examination of schools records revealed that nine (9) secondary schools had outstanding rent arrears amounting to Kshs.6,733,037 due from teachers and other members of staff. It was however noted that the schools had not put in place

appropriate measures to recover the arrears. As at March, 2017 some of the schools had made recoveries totalling Kshs.2,594,053.00 leaving an outstanding balance of Kshs.4,138,984 in six (6) schools as detailed below:

School	Amount Kshs.	Cleared Kshs.	Balance Kshs.
1 Nairobi School	394,255.00	246,108.00	148,147.00
2 Mang'u High	986,500.00	435,000.00	551,500.00
3 Jamhuri High school	3,842,882.00	1,371,945.00	2,470,937.00
4 Alliance Boys	146,000.00	21,000.00	125,000.00
5 Dagoretti High	160,000.00	124,000.00	36,000.00
6 Kenya High	<u>1,203,400.00</u>	<u>396,000.00</u>	<u>807,400.00</u>
TOTAL	6,733,037.00	2,594,053.00	4,138,984.00

It is not clear if and when the outstanding balance of Kshs.4,138,984 will be cleared.

9.2 Institutional Creditors

Examination of records maintained by ten (10) schools revealed that there were accumulated creditors totalling Kshs.52,995,406.42 as at 30 June, 2016. Review of the creditors balances in March 2017 revealed that some schools had settled debts totalling Kshs.42,186,732.92 leaving an outstanding balance of Kshs.10,808,673.50 as detailed below:

School	Amount Kshs.	Cleared Kshs.	Balance Kshs.
1 Kamukunji Secondary	1,516,102.00	100,000.00	1,416,102.00
2 Moi Forces Academy	7,785,345.50	2,067,480.00	5,717,865.50
3 Alliance Boys	9,633,861.92	9,633,861.92	-
4 Lenana High School	11,163,833.00	11,163,833.00	-
5 Dagoretti High	1,262,647.00	-	1,262,647.00
6 Kenya High	353,272.00	-	353,272.00
7 Mangu High	16,396,673.00	16,396,673.00	-
8 Pangani Girls	1,215,439.00	-	1,215,439.00
9 Ngara Girls	3,035,793.00	2,192,445.00	843,348.00
10 Langata High	<u>632,440.00</u>	<u>632,440.00</u>	=
TOTAL	52,995,406.42	42,186,732.92	10,808,673.50

It is not clear and no satisfactory explanation had been provided for failure to promptly pay for goods procured promptly thus causing debts to remain outstanding for long periods of time.

9.3 Land Ownership

Audit inspection revealed that three (3) schools; St. George's Primary School, Kamukunji Secondary School and Highway Secondary School in Nairobi County stands on land whose ownership documents were not availed for audit review contrary to the Presidential directive that school land ownership documents be processed and registered in the names of school committees and management boards.

Further, it was established that part of Buruburu Girls School land was encroached on by a private developer and the matter is under a litigation in the High Court of Kenya. In addition, it was also noted that the Kamukunji High school land was occupied by squatters illegally. Although the school management was aware of the squatters presence, there was no evidence of steps having been taken to safeguard the institutions land. Consequently, ownership of the school land could not be ascertained as at the time of audit.

9.4 Alliance High School

Examination of procurement records during the year under review indicated that the school awarded two contracts for supervision of construction of student's main hostel and the proposed wall and gate house to a private architects instead of engaging the services of Ministry of Public Works as is the practice with Government projects. No satisfactory explanation was provided as for the appointment of the private architects and how they were procured to supervise the two school projects. Further examination of payment records reveal that a sum of Kshs.7,309,036.85 was paid as consultancy fees to the said firm as at 30 June 2016. In the circumstances, it has not been possible to confirm that the sum of Kshs.7,309,036.85 was a proper charge to public resources.

9.5 Jamhuri High School

Examination of rent records on staff quarters revealed that some members of staff had outstanding rents amounting to Kshs.3,842,882 as at 30 June, 2016. However, the balance excludes unquantified rent arrears due from two officers who occupy two staff houses. Examination of Board of management Minutes and other related correspondences indicated that indeed the two houses belonged to Jamhuri High school but had been alienated by other parties.

Further examination of the school records revealed that the school had leased land to a garage owner for the purpose of setting up garages along Limuru Road at an annual rental fee of Kshs.1,800,000. Physical verification revealed that indeed some Jua kali sheds had been erected on the leased land for the purpose of repairing motor vehicles. However, examination of receipts records reveal that the lessee had not paid annual rent totalling Kshs.2,700,000 for the period of 18 months with effect from October, 2015.

9.6 Pangani Girls High School

Examination of expenditure documents revealed that a sum of Kshs.2,800,000 was paid as out-of-pocket allowance to non-teaching staff for an educational trip as a token of appreciation for good work done in 2015. However, no supporting documents such as signed schedules by the payees as well as approval for the same was availed for audit review. In the absence of the signed schedules and other support documents, it has not been possible to confirm the propriety of expenditure totalling Kshs.2,800,000 for the year ended 30 June 2016.

Further examination of the school's correspondence files revealed that Kshs.2,084,703.75 was paid to a supplier in the year 2014 for supply of an electric generator. However, no relevant documents showing how the firm was identified and awarded the contract were availed for audit review. Physical verification/inspection revealed that the generator did not function since the time of installation. Although the management was aware of the anomaly, it provided no evidence of the steps it had taken to recover the amount paid from the supplier. In the circumstance, the school did not get value for its resources and the expenditure of Kshs.2,084,703.75 was not a proper charge on public resources.

10. Unresolved Prior Year Matters

Current Grants, and Transfers to Government Agencies and other Levels of Government

As reported in 2013/2014 financial year, included in other grants and transfers figure of Kshs.67,003,247,753.00 is a sum of Kshs.65,369,305,403.00 in respect of current grants and transfers to government agencies and other levels of government. Included in Kshs.65,369,305,403.00 figure are disbursements totalling Kshs.21,524,382,508.00 to seventeen (17) sampled Universities and other government agencies out of which the institutions confirmed to have received Kshs.21,392,812,896.00. The resultant variance of Kshs.131,569,612 had not been explained as at the date of this report. Consequently, it has not been possible to ascertain the propriety of the disbursements totalling Kshs.131,569,612.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Ministry of Education, Science and Technology-State Department of Education as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Financial Management Act, 2012.

Other Matter

Budgetary Control and Performance

The Ministry of Education, Science and Technology - State Department of Education had a total budget of Kshs.67,127,187,532 voted for the financial year 2015/2016 comprised of Kshs.8,405,782,657 for the development vote and Kshs.58,721,404,875 for the recurrent vote. The budget absorption rate in the department was as follows:-

Item	Budgeted Allocation	Actual	Under Absorption Kshs.	Absorption in %
	2015/2016 Kshs.	2015/2016 Kshs.		
Recurrent	58,721,404,875	57,864,333,440	857,071,435	99%
Development	8,405,782,657	4,431,519,941	3,974,262,716	53%
Total	67,127,187,532	62,295,853,381	4,831,334,151	76%

Therefore, the Ministry attained 99% absorption rate on the recurrent expenditure but failed to utilize Kshs.3,974,262,716 or 47% of the development budget, indicating that some planned development projects were not realized thereby affecting delivery of goods and services to the citizens.

Recurrent Vote

The budget performance analysis for recurrent vote budget totalling Kshs.58,721,404,875, is tabulated below:

Expense Item	Final Budget Kshs.	Actual on Comparable Basis Kshs.	Budget Utilization Difference Kshs.	% of Utilization Difference to Final Budget
Compensation of Employees	3,331,285,506	3,357,427,470	26,141,964	101%
Use of goods and services	6,030,261,566	5,659,694,364	-370,567,202	94%
Subsidies	30,261,823,859	30,258,894,767	-2,929,092	100%
Transfers to Other Government Units	18,933,802,414	18,474,823,991	-458,978,423	98%

Other grants and transfers	30,476,000	13,564,942	-16,911,058	45%
Social Security Benefits	15,000,000	14,669,706	-330,295	
Acquisition of Assets	118,755,530	85,258,199	-33,497,331	72%
Total	58,721,404,875	57,864,333,440	857,071,436	99%

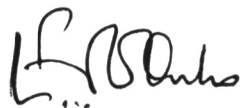
The analysis shows that the absorption rate of other grants and transfers was at 45%, an indication that the Ministry had either over-budgeted on this component or did not offer the envisaged services during the year. Further, the Ministry underutilized the budget on acquisition of assets by Kshs.33,497,331 which implies some planned goods and/or services were not delivered.

Development Vote

The budget performance analysis for the Development vote budget totalling Kshs.8,405,782,657 is tabulated below:

Expense Item	Final Budget Kshs.	Actual on Comparable Basis Kshs.	Budget Utilization Difference Kshs.	% of Utilization Difference to Final Budget
Compensation of Employees	45,000,000	-	-45,000,000	0%
Use of goods and services	1,939,668,682	1,236,886,254	-702,782,428	64%
Transfers to Other Government Units	5,723,971,503	1,676,819,847	-4,047,151,656	29%
Acquisition of Assets	697,142,472	1,517,813,840	820,671,368	218%
Total	8,405,782,657	4,431,519,941	-3,974,262,716	53%

From the analysis, the Ministry under-utilized the development budget on Use of Goods and Services and Transfers to Other Government Agencies by 36% and 71% respectively, an indication that planned development projects were not realized, which result affected delivery of goods and services to citizens adversely.



FCPA Edward R. O. Ouko, CBS
AUDITOR GENERAL

Nairobi

17 May 2017

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V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015-2016 Kshs	RESTATED 2014-2015 Kshs
RECEIPTS			
Proceeds from Domestic and Foreign Grants	1	591,485,415	1,521,514,353
Transfers from National Treasury	2	60,131,137,910	55,318,214,390
Proceeds from Sale of Assets	3	1,855,625,022	3,930,414,715
Other Revenues	4	70,000,000	101,431,696
TOTAL REVENUES		62,648,248,347	60,871,575,154
PAYMENTS			
Compensation of Employees	5	3,357,427,470	3,249,040,298
Use of goods and services	6	6,896,580,618	4,111,749,653
Subsidies	7	30,258,894,767	27,574,587,183
Transfers to Other Government Units	8	20,151,643,838	20,621,012,830
Other grants and transfers	9	13,564,942	3,600,000
Social Security Benefits	10	14,669,706	6,042,072
Acquisition of Assets	11	1,603,072,039	5,155,063,206
TOTAL PAYMENTS		62,295,853,381	60,721,095,242
SURPLUS/DEFICIT		352,394,966	150,479,912

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30 September, 2016 and signed by:

Dr. Belio Kipsang
Principal Secretary

CPA Florence J. Keitany
Deputy Accountant General

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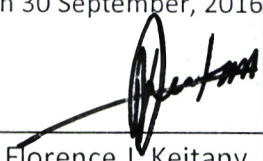
VI. STATEMENT OF ASSETS

	Note	2015-2016 Kshs	RESTATED 2014-2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	12A	210,676,819	86,228,007
Cash Balances	12B	600,408	1,084,622
Total Cash And Cash Equivalents		211,277,227	87,312,629
Accounts Receivables - Outstanding Imprest and Clearence Accounts	13	329,441,899	116,040,869
TOTAL FINANCIAL ASSETS		540,719,126	203,353,498
LESS: FINANCIAL LIABILITIES			
Accounts Payables - Deposits	14	64,677,266	67,918,748
NET FINANCIAL ASSETS REPRESENTED BY		476,041,860	135,434,750
Fund balance b/fwd	15	135,434,750	147,998,033
Surplus/Defict for the year		352,394,966	150,479,912
Prior year adjustments	16	(11,787,856)	(163,043,195)
NET FINANCIAL POSITION		476,041,860	135,434,750

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30 September, 2016 and signed by:



 Dr. Belio Kipsang
 Principal Secretary



 CPA Florence J. Keitany
 Deputy Accountant-General

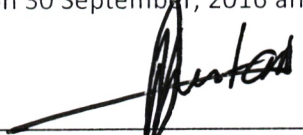
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VII STATEMENT OF CASHFLOW

	Note	2015-2016 Kshs	2014-2015 Kshs
Receipts for operating income			
Proceeds from Domestic and Foreign Grants	1	591,485,415	1,521,514,35
Transfers from National Treasury	2	60,131,137,910	55,318,214,39
Other Revenues	4	70,000,000	101,431,69
		60,792,623,325	56,941,160,43
Payments for operating expenses			
Compensation of Employees	5	3,357,427,470	3,249,040,29
Use of goods and services	6	6,896,580,618	4,111,749,65
Subsidies	7	30,258,894,767	27,574,587,18
Transfers to Other Government Units	8	20,151,643,838	20,621,012,83
Other grants and transfers	9	13,564,942	3,600,00
Social Security Benefits	10	14,669,706	6,042,07
		60,692,781,342	55,566,032,03
Adjusted for:			
Changes in receivables	-	213,401,030	116,040,86
Changes in payables	-	3,241,482	67,918,74
Adjustments during the year	16	11,787,856	163,043,19
		60,464,350,974	55,586,948,45
Net cashflow from operating activities			
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	3	1,855,625,022	3,930,414,71
Acquisition of Assets	11	(1,603,072,039)	(5,155,063,206)
Net cash flows from Investing Activities		252,552,983	(1,224,648,491)
NET INCREASE IN CASH AND CASH EQUIVALENT		123,964,599	291,462,38
Cash and cash equivalent at BEGINNING of the year		87,312,629	378,775,01
Cash and cash equivalent at END of the year		211,277,227	87,312,62

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30 September, 2016 and signed by:


 Dr. Bello Kipsang
 Principal Secretary


 CPA Florence J. Keitany
 Deputy Accountant-General


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VIII SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Code	Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation to Final Budget
		a	b	c=a+b	d	e=d-c	f=d/c %
	RECEIPTS						
	Proceeds from Domestic and Foreign Grants	1,017,075,700	20,000,000	1,037,075,700	591,485,415	445,590,285	57%
	Exchequer releases	78,280,130,820	-14,316,118,988	63,964,011,832	60,131,137,910	3,832,873,922	94%
	Proceeds from Foreign Borrowings	35,000,000	-17,500,000	17,500,000	-	17,500,000	0%
	Proceeds from Sale of Assets	2,038,600,000	-	2,038,600,000	1,855,625,022	182,974,978	91%
	Other Receipts	70,000,000	-	70,000,000	70,000,000	-	100%
	Total Receipts	81,440,806,520	-14,313,618,988	67,127,187,532	62,648,248,347	4,478,939,185	
	Payments						
	Compensation of Employees	3,381,564,345	-5,278,839	3,376,285,506	3,357,427,470	53,990,267	99%
	Use of goods and services	9,150,548,597	-1,180,618,349	7,969,930,248	6,896,580,619	1,146,197,932	87%
	Subsidies	30,244,036,259	17,787,600	30,261,823,859	30,258,894,767	14,858,508	100%
	Transfers to Other Government Units	19,574,410,014	5,083,363,903	24,657,773,917	20,151,643,838	4,506,064,378	82%
	Other grants and transfers	30,476,000	-	30,476,000	13,564,942	- 16,911,058	45%
	Social Security Benefits	15,000,000	-	15,000,000	14,669,706	330,295	98%
	Acquisition of Assets	19,044,771,305	-18,228,873,303	815,898,002	1,603,072,039	- 787,174,037	196%
	Grand Total	81,440,806,520	-14,313,618,988	67,127,187,532	62,295,853,381	4,831,334,151	

The entity financial statements were approved on 30 September, 2016 and signed by:


 Dr. Belio Kipsang
 Principal Secretary

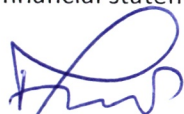

 CPA Florence J. Keitany
 Deputy Accountant-General

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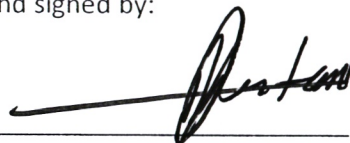
IX SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Code	Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation to Final Budget
		a	b	c=a+b	d	e=d-c	f=d/c %
	RECEIPTS						
	Exchequer releases	56,923,926,360	-311,121,485	56,612,804,875	56,127,980,000	484,824,875	99%
	Proceeds from Sale of Assets	2,038,600,000	-	2,038,600,000	1,855,625,022	182,974,978	91%
	Other Receipts	70,000,000	-	70,000,000	70,000,000	-	100%
	Total Receipts	59,032,526,360	-311,121,485	58,721,404,875	58,053,605,022	667,799,853	
	PAYMENTS						
	Compensation of Employees	3,331,564,345	-278,839	3,331,285,506	3,357,427,470	- 26,141,965	101%
	Use of goods and services	6,381,004,212	-350,742,646	6,030,261,566	5,659,694,364	370,567,202	94%
	Subsidies	30,244,036,259	17,787,600	30,261,823,859	30,258,894,767	2,929,092	100%
	Transfers to Other Government Units	18,941,590,014	-7,787,600	18,933,802,414	18,474,823,991	458,912,723	98%
	Other grants and transfers	30,476,000	-	30,476,000	13,564,942	16,911,058	45%
	Social Security Benefits	15,000,000	-	15,000,000	14,669,706	- 330,295	98%
	Acquisition of Assets	88,855,530	29,900,000	118,755,530	85,258,199	- 33,497,331	72%
	Grand Total	59,032,526,360	-311,121,485	58,721,404,875	57,864,333,440	857,071,436	

The entity financial statements were approved on 30 September, 2016 and signed by:



Dr. Belio Kipsang
Principal Secretary




CPA Florence J. Keitany
Deputy Accountant-General

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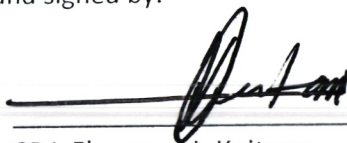
X SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Code	Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
		a	b	c=a+b	d	e=d-c	f=d/c %
	RECEIPTS						
	Proceeds from Domestic and Foreign Grants	1,017,075,700	20,000,000	1,037,075,700	591,485,415	445,590,285	57%
	Exchequer releases	21,356,204,460	-14,004,997,503	7,351,206,957	4,003,157,910	3,348,049,047	54%
	Proceeds from Foreign Borrowings	35,000,000	-17,500,000	17,500,000	-	17,500,000	0%
	Total Receipts	22,408,280,160	-14,002,497,503	8,405,782,657	4,594,643,325	3,811,139,332	
	Payments						
	Compensation of Employees	50,000,000	-5,000,000	45,000,000	-	-45,000,000	0%
	Use of goods and services	2,769,544,385	-829,875,703	1,939,668,682	1,236,886,254	-702,782,428	64%
	Transfers to Other Government Units	632,820,000	5,091,151,503	5,723,971,503	1,676,819,847	-4,047,151,656	29%
	Acquisition of Assets	18,955,915,775	-18,258,773,303	697,142,472	1,517,813,840	820,671,368	218%
	Grand Total	22,408,280,160	14,002,497,503	8,405,782,657	4,431,519,941	-3,974,262,716	

The entity financial statements were approved on 30 September, 2016 and signed by:



 Dr. Bello Kipsang
 Principal Secretary



 CPA Florence J. Keitany
 Deputy Accountant-General

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NOTES ON OVER/UNDER ARBSOPTION OF BUDGET PROVISION

- **Proceeds from Domestic and Foreign Grants-** We wish to state that the Under-collection was occasioned by unforeseeable project implementation delays under development vote.
- **Transfers to Other Government Units -** There was also delays in submission of returns by Donor or Development Partners: UNICEF/World Food Program. Which was also affected by the delay in project implementation mentioned above
- **Other grants and transfers-**the ministry did not participate in some of the anticipated activities hence did not pay the subscription (participation) fee
- **Acquisition of Assets-** The budgetary allocation was slashed by over 96% when already the ministry had incurred an expenditure leading to an over expenditure

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XI SUMMARY STATEMENT OF PROVISIONINGS

- Details of General Accounts On Vote

	2014 - 2015	2013 - 2014
	Kshs	Kshs
GAV Provisioning account balance	4,831,334,151	10,723,922,476
Total	4,831,334,151	10,723,922,476

- Details of Exchequer Provisioning

	2014 - 2015	2013 - 2014
	Kshs	Kshs
Exchequer Provisioning balance	4,478,939,185	10,251,124,152
Total	4,478,939,185	10,251,124,152



Dr. Belio Kipsang
Principal Secretary



CPA Florence J. Keitany
Deputy Accountant-General

XII SIGNIFICANT ACCOUNTING POLICIES

The principle 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.

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

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts.

2. Recognition of revenue and expenses

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

3. In-kind contributions

In-kind contributions are donations that are made to the entity 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 entity includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

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4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks 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 is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as expenditure when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

5. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties has been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements.

6. 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 entity fixed asset register a summary of which is provided as a memorandum to these financial statements.

7. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the entity at the end of the year. Pending bill form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

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 entity's budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the entity's actual performance against the comparable budget for the financial year under review has been included in an annex to these 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

Events subsequent to submission of the financial year end financial statements to the National Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of National Treasury.

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XIII NOTES TO THE FINANCIAL STATEMENT

1: PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Amount in foreign currency	2015- 2016	2014 - 2015
			Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)				
UNICEF			85,617,005	221,514,353
WFP			445,000,000	1,300,000,000
G-UNITED			9,223,600	
GPE-PRIEDE			51,644,810	
Total			591,485,415	1,521,514,353

2: EXCHEQUER RELEASES

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Total Exchequer Releases for quarter 1	3,586,000,000	13,154,659,000
Total Exchequer Releases for quarter 2	13,488,595,940	7,407,552,500
Total Exchequer Releases for quarter 3	24,874,955,000	21,237,302,890
Total Exchequer Releases for quarter 4	18,181,586,970	13,518,700,000
Total	60,131,137,910	55,318,214,390

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 PROCEEDS FROM SALE OF ASSETS

	2015 – 2016	2014 - 2015
	Kshs	Kshs
Receipts from the Sale Plant Machinery and Equipment	-	100,000
Receipts from the Sale of Inventories, Stocks and Commodities	1,855,625,022	3,930,314,715
Total	1,855,625,022	3,930,414,715

4 OTHER REVENUES

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Receipts from Administrative Fees and Charges	70,000,000	101,431,696
Total	70,000,000	101,431,696

5 COMPENSATION OF EMPLOYEES

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Basic salaries of permanent employees	2,266,992,187	2,212,537,571
Basic wages of temporary employees	78,868,521	69,549,251
Personal allowances paid as part of salary	997,177,270	956,003,192
Personal allowances paid as reimbursements	-	620,000
Compulsory national social security schemes	3,342,411	4,236,123
Compulsory national health insurance schemes	11,047,081	6,094,161
Total	3,357,427,470	3,249,040,298

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 USE OF GOODS AND SERVICES

		2015 - 2016	2014 - 2015
		Kshs	Kshs
Utilities, supplies and services		77,781,023	99,533,077
Communication, supplies and services		68,420,486	45,745,048
Domestic travel and subsistence		222,782,731	123,772,561
Foreign travel and subsistence		21,412,906	14,896,344
Printing, advertising and information supplies & services		49,986,628	7,420,792
Rentals of produced assets		226,135,685	240,799,821
Training expenses		673,473,004	708,614,259
Hospitality supplies and services		82,256,715	41,845,916
Insurance costs		2,936,870	986,341
Specialised materials and services		1,461,163,495	2,128,550,342
Office and general supplies and services		466,673,367	341,231,161
Other operating expenses		3,169,539,226	47,274,181
Routine maintenance – vehicles and other transport equipment		145,390,415	134,189,026
Fuel Oil and Lubricants		127,354,681	106,955,769
Routine maintenance – other assets		101,273,386	69,935,015
Total		6,896,580,618	4,111,749,653

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7 SUBSIDIES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Subsidies to Public Corporations	30,258,894,767	27,574,587,183
Total	30,258,894,767	27,574,587,183

8 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Transfers to National Government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)	18,369,823,991	20,012,596,451
Capital Grants to Government Agencies and other level of Government	1,175,252,152	401,983,136
Other Current ,transfers, grants and subsidies	105,000,000	206,433,243
Other capital Grants and transfers	501,567,695	-
Total	20,151,643,838	20,621,012,830

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9 OTHER GRANTS AND TRANSFERS

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Membership dues and subscriptions to international organizations	500,000	1,000,000
Scholarships and other educational benefits	13,064,942	2,600,000
Total	13,564,942	3,600,000

10 SOCIAL SECURITY BENEFITS

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Government pension and retirement benefits	14,669,706	6,042,072
Total	14,669,706	6,042,072

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11 ACQUISITION OF ASSETS

Non Financial Assets

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Construction of Buildings	582,902,500	3,892,105,416
Refurbishment of Buildings	551,250	22,146,592
Overhaul and Refurbishment of Construction and Civil Works	541,000,000	849,999,986
Purchase of Household Furniture and Institutional Equipment	650,400	400,000
Purchase of Office Furniture and General Equipment	356,877,220	241,481,059
Purchase of Specialized Plant, Equipment and Machinery	116,241,669	148,930,153
Purchase of Vehicle and other Transport Equipment	4,849,000	-
Total	1,603,072,039	5,155,063,206

12A Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit etc.	Exc rate (if in foreign currency)	2015 - 2016	2014 - 2015
				Kshs	Kshs
Central Bank of Kenya,1000209852	-	Recurrent	-	145,922,554	2,861,686
Central Bank of Kenya deposit account	-	Deposit	-	64,677,265	67,918,748
Name of Bank, Account No. & currency	-	Development	-	77,000	15,447,573
Total				210,676,819	86,228,007

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12B CASH IN HAND

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Cash in Hand – Held in domestic currency	600,408	1,084,622
Total	600,408	1,084,622

Cash in hand should also be analysed as follows:

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Location 1 Recurrent	410,408	874,622
Location 2 Development	190,000	210,000
Total	600,408	1,084,622

13 ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Government Imprest	2,708,545	312,120
Clearance & Suspense accounts	326,502,759	138,285,369
Domestic debtors & advances	230,595	508,148
Other debtors and prepayments		(23,064,768)
Total	329,441,899	116,040,869

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14 ACCOUNTS PAYABLE

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Other Liabilities	62,177,776	67,218,748
Deposits	2,499,490	700,000
Total	64,677,266	67,918,748

15 FUND BALANCE BROUGHT FORWARD

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bank accounts	86,228,007	376,688,069
Cash in hand	1,084,622	2,086,948
Accounts Receivables	116,040,869	2,075,206
Accounts Payables	(67,918,748)	(232,852,190)
Total	135,434,750	147,998,033

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16 PRIOR YEAR ADJUSTMENT

	2015 - 2016	2014 - 2015
	Ksh	Ksh
Bank accounts		(163,043,195)
Accounts Receivables	(11,787,856)	
Total	(11,787,856)	(163,043,195)

ANNEX 1 ANALYSIS OF PENDING ACCOUNTS PAYABLE

As at 30 June 2016 we had pending bills to the tune of Kshs.32,000,459.00 which formed first charge the financial year 2016-2017

17 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS FOR 2014-2015

Re No.	ISSUES	Focal Point person to resolve the issue (Name & designation)	Status: (Resolved/Not Resolved)	Timeframe: (put a date when you expect the issue to be resolved)
1	Unauthorized Expenditure	HAU	Un-Resolved	30 th June 2016
2	Accuracy of the Accounts	HAU	Un-Resolved	30 th June 2016
3	Under-Collection of Appropriations-in- Aid	SCFO, AIE Holders	Resolved	30 th June 2016
4	Prior Year Adjustments	HAU, Treasury	Un-Resolved	30 th June 2016
5	Unsupported Account Payables and Receivables	HAU	Resolved	30 th June 2016
6	Cash and Cash Equivalent	HAU	Un-Resolved	30 th June 2016

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7	Wasteful expenditure	Transport, Procurement	Un- Resolved	30th June 2016
8	Doubtful payment-	HAU	Resolved	30th June 2016
9	Over-priced service-	Procurement	Resolved	30th June 2016
10	Doubtful payment-	HAU	Resolved	30th June 2016
11	Disposal of motor vehicles	Procurement	Resolved	30th June 2016
12	Unsupported expenditure	HAU	Un-Resolved	30th June 2016
13	Irregular Telephone Expenditure- Kshs.310,500/ Telephone Expenditure	Procurement	Resolved	30th June 2016
14	Unaccounted for Funds	HAU	Un- Resolved	30th June 2016
15	Irregular payments	HAU	Un-Resolved	30th June 2016
16	Irregular procurement	HAU	Resolved	30th June 2016
17	Irregular Expenditure	HAU	Un- Resolved	30th June 2016
18	Rent of Produced Assets	SCFO, AIE Holders	Un- Resolved	30th June 2016
19	Unsupported claims	HAU	Resolved	30th June 2016
20	Unsupported Grants	HAU and AIE Holders	Resolved	30th June 2016
21	Undisclosed pending bills	HAU	Un-Resolved	30th June 2016
22	Un-Procedural/irregular disbursement of infrastructure grants	HAU and SAGAS	Resolved	30th June 2016
23	School infrastructure Improvement Grants	SCFO, AIE Holders	Un-Resolved	30th June 2016