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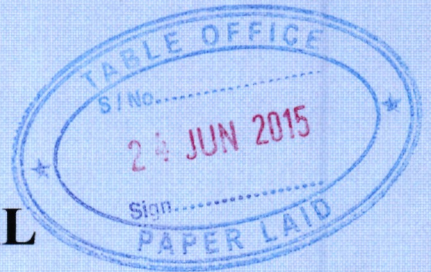
THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2014**

*Paper laid
By Hon. A. Busie, MP
on Wed. 24.06.2015 (Afternoon)*
MMW





NATIONAL GOVERNMENT MINISTRY
(Ministry of Education, Science and Technology)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30 JUNE, 2014

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

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I. KEY MINISTRY INFORMATION AND MANAGEMENT

(a) Background information

The Ministry was formed by merging the State Departments of Education and Higher Education science and Technology. At cabinet level, the Ministry is represented by the Cabinet Secretary for Education Science and Technology, who is responsible for the general policy and strategic direction of the Ministry.

(b) Principal Activities

The principal activity/mission of the Ministry of Education Science and Technology is to provide, promote and co-ordinate lifelong education, training and research for Kenya's sustainable development. To focus on priority areas within overall education goals, notably towards attaining 'universal primary education' by 2005 within the context of the wider objective of 'Education for All (EFA) by 2015.

(c) Key Management

The Ministry's day-to-day management is under the following key organs:

- Principal Secretary;
- Dr. Belio R Kipsang; and
- Prof. Collette A. Suda, PhD, FKNAS, EBS

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were as per the attached list:

(e) 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

(f) Ministry Headquarters

P.O. Box 9584-00200 and 30040
Jogoo House B
Harambee Avenue/Road/Highway
Nairobi, KENYA

(g) Ministry Contacts

Telephone: (254) 318581

E-mail: cs@scienceandtechnology.go.ke, ps@education.go.ke and ps@scienceandtechnology.go.ke

Website: www.go.ke

(h) Ministry Bankers

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

Nairobi, Kenya

(i) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

II. FORWARD BY THE CABINET SECRETARY

The Ministry of Education Science and Technology (MOEST) is comprised of the State Departments of Education and State Department of Science and Technology. The vision of the ministry is to “attain a globally competitive education, training, research and innovation system for sustainable development”.

To realize this, the Ministry undertakes “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.

The Ministry is implementing 8 programmes during the 2014/15-2016/17 MTEF period. The programmes are: General Administration and Planning; Primary Education; Secondary and Tertiary Education; Quality Assurance and Standards; University Education, Technical Vocational Education and Training (TVET); Research, Science Technology and Innovations; and Youth Training and Development.

In the 2013/14 financial year the ministry was allocated a total budget of Kshs 96.8 Billion. Out this amount Kshs 80.79 Billion was voted as recurrent expenditure while Kshs 16.04 Billion was allocated for development expenditure. The ministry’s budget performance based on economic classification is provided in the attached financial statements.

The ministry realized the following key achievements during the 2013/14 financial period:

At the primary school level, the Free Primary Education programme saw an increase in enrolment from 8.8M (4.5 Male; 4.3 Female) in 2009 to 10.1 million (5.1 million and 5 million male and female respectively) in 2013.

The pupil completion rate remained above 75 percent during the period with transition from primary to secondary increasing from 66.9 per cent in 2012 to 73.3 per cent in 2013.

The number of public secondary schools increased from 7,268 in 2012 to 7,297 in 2013 while enrolment grew from 1.9 million (1.01 million male and 0.896 million female) in 2012 to 2.1 million (1,127,697 male and 976,565 female) in 2013.

On examinations entry, the KCPE examination entry increased from 704,700 in 2012 to 776,214 in 2013 while the KCSE entry increased from 305,015 in 2012 to 410,586 in 2013.

The ministry used Kshs. 10 Billion to support 9.1 Million pupils in public primary schools and KShs. 20.8 billion to cater for 2.1 million students in public day secondary schools. In addition the Ministry has allocated Kshs 825 Million to support 55,000 trainees at a capitation grant of 15,000 per trainee in Youth Polytechnics.

In the 2013/2014 financial year, the Ministry allocated Kshs. 200 Million for provision of sanitary pads to 675,000 girls in 9,000 primary schools, 167 special needs schools

In higher education, a total of first time 58,264 applicants were given student loans by the Higher Education Loans Board. A total of 95,517 continuing students were given loans amounting to Kshs.

**MINISTRY OF EDUCATION SCIENCE AND TECHNOLOGY
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FOR THE YEAR ENDED JUNE 30, 2014**

6.925 Billion.

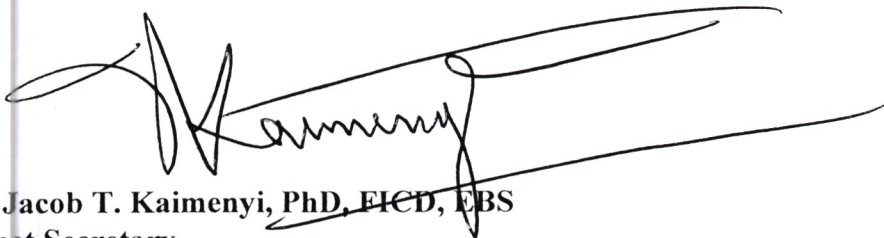
Additionally, the number of provisionally registered institutions increased from 200 in 2009/10 to 800 in 2013/14. Consequently, the total enrolment in TVET programmes increased from 36,586 in 2009/10 to 79,114 in 2013/14. The number of Government sponsored students admitted to public universities per year increased from 16,134 in 2009/10 to 32,648 in 2011 and the beneficiaries of bursaries increased from 71,349 in 2009/10 to 350,000 in 2013/14.

In research, Kshs. 397 Million has been allocated to support research and form part of the endowment fund, which is projected to grow to the 2% GDP as provided in law.

As the ministry implements its programmes in the subsequent years of the MTEF period, emerging issues that require attention include, implementation of the recently passed legal and policy frameworks in the education sector, ICT integration in education, devolution, curriculum reforms and special needs education.

In the implementation of the programmes the sector was faced with challenges including limited funding; poor and inadequate infrastructure; shortage of teachers and instructors; slow pace to ICT integration; and legislative and policy limitations. The expansion of universities has led to increased enrolment and thus demand of student loans from HELB has increased tremendously.

In addition, the procurement process for the supply of computer devices to primary schools was slowed down by litigation process which led to low absorption of development budget. Lastly delayed exchequer funding has also affected implementation of development programmes.



**Prof. Jacob T. Kaimenyi, PhD, FICD, FBS
Cabinet Secretary**

III. STATEMENT OF MINISTRY MANAGEMENT RESPONSIBILITIES

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

The Principal Secretary in charge of the Ministry of Education Science and Technology is responsible for the preparation and presentation of the Ministry's financial statements, which give a true and fair view of the state of affairs of the Ministry as at the end of the financial year ended on June 30, 2014.

This responsibility includes:

Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Ministry; 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; safeguarding the assets of the Ministry; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Principal Secretary in charge of the Ministry of Education Science and Technology accepts responsibility for the Ministry'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) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that the Ministry's financial statements give a true and fair view of the state of Ministry's transactions during the financial year ended June 30, 2014, and of the Ministry's financial position as at that date.

The Principal Secretary charge of the Ministry of Education Science and Technology further confirms the completeness of the accounting records maintained for the Ministry, which have been relied upon in the preparation of the Ministry's financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary in charge of the Ministry of Education Science and Technology confirms that the Ministry has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the Ministry'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 Principal Secretary confirms that the Ministry'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.

*Ministry of Education Science and Technology
Annual Report and Financial Statements
For the year ended 30 June, 2014*

Approval of the financial statements

The Ministry's financial statements were approved and signed by the Principal Secretary on 30th September, 2014.



Dr. Belio Kipsang
Principal Secretary



CPA Muriuki G. N.
Senior Assistant Accountant General

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Ministry of Education, Science and Technology set out on pages 1 to 15, which comprise the statement of financial assets and liabilities as at 30 June 2014, 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 of Kenya, Section 8 of the Public Audit Act, 2003. 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 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 7 of the Public Audit Act, 2003.

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 9 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. 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 procedure selected depends on the auditor's judgment, including the assessment of the risk of material misstatement of the 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 adverse audit opinion.

Basis for Adverse Opinion

1.0 Inaccuracies in the Financial Statements

The statement of receipts and payments reflect subsidies figure of Kshs.21,652,694,498 which includes an amount of Kshs.20,770,464,383 in respect of Free Secondary Education which differs with the ledger amount of Kshs.20,755,778,149.10 resulting to a variance of Kshs.14,686,233.90 which has not been explained or reconciled.

2.0 Cash and Cash Equivalents Balance

The financial statements cash and cash equivalents balance of Kshs.380,850,223 as at 30 June 2014 could not be confirmed due to the following omissions:

2.1 The statement of assets as at 30 June 2014 reflects a bank balance of Kshs.376,688,069 which differs with the combined balances reflected in the Development, Recurrent and Deposits cashbooks amounting Kshs.360,079,599 resulting to unexplained/unreconciled variance of Kshs.16,608,470.

In addition, the bank reconciliation statement for the Recurrent vote reflects a reconciled cashbook balance of Kshs.120,648,210.85 which differs with the closing cashbook balance of Kshs.123,068,846 as at 30 June, 2014 resulting to unexplained and unreconciled variance of Kshs 2,420,635. In the circumstances, it has not been possible to confirm the accuracy of the cashbook balance of Kshs. 120,648,210.85 as at 30 June 2014.

Further, the bank reconciliation statement for the month of June 2014 for the Recurrent cashbook reflects electronic transfer amounts totalling of Kshs.8,637,320 some of which date back to August 2013. No satisfactory explanations have been provided as to why these electronic payments were not cleared as at 30 June 2014 yet the Gpay provides reconciliation reports on a daily basis.

2.2 The statement of assets as at 30 June 2014 reflects a balance of Kshs.232,852,190 under the domestic currency and domestic deposits which is at variance with the cash book balance of Kshs.228,114,056 resulting to unexplained and unreconciled difference of Kshs 4,738,134. Further, the supporting schedule of the amount of Kshs 232,882,190 was not availed for audit review.

2.3 As reported in the year 2012/2013, the statement of assets and liabilities for Deposits as at 30 June 2013 for the Ministry of Education (Vote 131) and Ministry of Higher Education (Vote 143) reflected Kshs.166,867,833 and Kshs.123,664,547 as the

closing PMG balances against cashbook balances as at the same date of Kshs.165,280,719.55 and Kshs.123,855,765.45 respectively resulting to unexplained/unreconciled variances of Kshs.1,587,113 and Kshs.191,218. Since no reconciliation or adjustment has been made in the financial statements or cashbooks, the accuracy of the opening deposits cashbook balance for the new merged Ministry of Education, Science and Technology as at 1 July 2013 could not be ascertained.

Further, the bank reconciliation statement for the deposits account as at 30 June 2014 reflects receipts in bank statement not in cashbook dated November 2013 totalling to Kshs.4,738,133.35. No explanation has been availed as to why these receipts have not been recorded in the cashbook.

In the circumstances, it has not possible to confirm that the cash and bank balance of Kshs.378,775,017 as at 30 June 2014 is fairly stated.

3.0 Under-Collection of Appropriations-In-Aid

Records availed for audit review indicated that the Recurrent and Development appropriation accounts for the year ended 30 June 2014 realized Kshs.20,343,814,019.80 under the Recurrent Vote and Kshs.4,134,373,061.50 under the Development Vote as Appropriation in Aid against approved estimates of Kshs.20,815,800,000 and Kshs.5,790,462,523 respectively resulting into under-collection of Kshs.471,985,980.20 and Kshs.1,656,089,462 or approximately 2.3% and 28.6% respectively under the two votes. No satisfactory explanation has been given for the under collections.

4.0 Unsupported Prior Year Adjustments

The Statement of Assets as at 30 June 2014 reflects prior year adjustment of Kshs.1,567,838,117 whose supporting documents were not availed for audit review. Consequently, it has not been possible to confirm the nature of the prior year adjustment figure of Kshs.1,567,838,117 as at 30 June, 2014.

5.0 Unsupported Account Receivables and Payables

Note 18 to the financial statements reflects, under receivables, a district/province account balance of Kshs.309,086,605 and Exchequer provisioning account balance of Kshs.10,251,124,152 whose supporting analysis were not availed for audit review. Further, the supporting documents in respect to General Account of Vote (GAV) provisioning balance of Kshs.10,723,922,476 under payables were also not availed for audit verification. In the circumstances, It has not been possible to confirm the validity and accuracy of the account receivable and payables balances of Kshs.10,560,210,757 and Kshs.10,723,922,476 respectively as at 30 June 2014.

6.0 Purchase of Airtime

Included in the note 9 is communication, supplies and services figure of Kshs.44,192,245 is an amount of Kshs.15,633,205 paid to a firm in respect of supply of airtime during the year. Examination of procurement records revealed that the contract

was awarded through direct procurement as opposed to open tendering. No explanation for the use of direct procurement was provided. In the circumstances the Ministry contravened the provisions of section 74 of the Public Procurement and Disposal Act, 2005.

7.0 Construction of Bondo Technical Training Institute

During the year under review, the Ministry paid Kshs.33,194,724 to a supplier vide payment voucher No.1,066 in respect of certificate No.10 for construction of Bondo Technical Training Institute. Included in the amount of Kshs.33,194,724 is Kshs.3,785,556 being penalties for late payments of the previous certificates. No satisfactory explanations were provided as to why the Ministry failed to pay the contractor on time in order to avoid the penalty of Kshs.3,785,556.

8.0 Construction work at Masai Technical Training Institute

The statement of receipts and payments reflects other grants and transfers figure of Kshs.67,003,247,753 in respect of grants and transfers to Educational Institutions. Included in Kshs.67,003,247,753 is an amount of Kshs.6,788,842 disbursed to Masai Technical Training Institute. Records made available at Masai Technical Training Institute indicate that a tender for the proposed erection and completion of a food and beverage unit was awarded in 2010 for a contract sum of Kshs.28,976,992.56 and signed on 1 March 2011 for a period of fifty two (52) weeks.

As at 30 June 2014, the Institute had paid Kshs.25,628,901 or approximately 88% of the contract price. A physical verification of the project on 22 August 2014 revealed that the building was still incomplete and no latest progress report by the quantity surveyor was availed for audit review. Further, no evidence of extension of the completion period was availed for audit review. No satisfactory explanations were provided as to why the building was not completed even after making payments totalling Kshs.25,628,901 or 88% of the contract price.

9.0 Unsupported Expenditure - Scholarship and Other Educational Benefits

Included under other grants and transfers figure of Kshs 67,003,247,753 under note 12 to the financial statements is an amount of Kshs 1,390,452,756 in respect of scholarships and other educational benefits disbursed to various educational institutions through Constituency Bursary Fund Committees. Documentary evidence in form of returns and list of beneficiaries including amounts awarded was not availed for audit review. Under the circumstances, the propriety of the expenditure of Kshs. 1,390,452,756 could not be confirmed.

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

Included in other grants and transfers figure of Kshs.67,003,247,753 under note 12 to the financial statements is an amount of Kshs.65,369,305,403 in respect of current grants and transfers to government agencies and other levels of government. Included in Kshs.65,369,305,403 are disbursements totalling Kshs.21,524,382,508 to

seventeen (17) sampled Universities and other government agencies out of which Kshs.21,305,546,361 was confirmed received. The resultant variance of Kshs.218,836,147 has not been explained or reconciled. Consequently, it has not been possible to ascertain the accuracy and validity of the disbursements of Kshs.65,369,305,403 for the year ended 30 June 2014.

11.0 Outstanding Imprest

Although note 18 to the financial statements reflects temporary imprest figure of Kshs 1,331,044, records availed for audit review indicates that imprests totalling Kshs.11,120,627.90 some of which date back to 1990 remain outstanding as at 30 June 2014 contrary to Government Financial Regulations and Procedures. The resultant variance of Kshs.9,789,583.90 has not been explained or reconciled. In the circumstances, it has not been possible to confirm the accuracy, validity and completeness of the outstanding temporary imprest figure of Kshs.1,331,044 as at 30 June 2014.

12.0 Salary Advance

Note 18 to the financial statements reflects salary advance figure of Kshs.774,162 which is at variance with the Ministry's salary advance records figure of Kshs.479,381 as at 30 June, 2014. The resultant variance of Kshs.264,781 has not been explained or reconciled.

13.0 Pending Bills

Note 1.5 to the financial statements indicates that bills totalling to Kshs.7,810,055,625.95 for the year ended 30 June 2014 were not settled but were carried forward to 2014/2015 financial year. Out of the Kshs.7,810,055,628.95, bills amounting to Kshs.345,445,698 relate to Recurrent Vote while Kshs.7,464,609,927.85 relate to Development Vote. It was further, noted that:

13.1 Included in the pending bills is an amount Kshs.30,000,000 due to a supplier in respect of provision of Microsoft software licenses and upgrades for the Ministry and various schools under a contract which was entered into on 1 January 2011 for thirty six (36) months ending on 13 December 2013 at a contract price of Kshs.30,817,301.70 per year. No documentary evidence in form of records of Computers installed with the softwares and upgrades and their location was availed for audit verification. In the circumstances, it has not been possible to establish that the amount payable of Kshs.30,000,000 is a proper charge to public funds.

13.2 Further, an amount of Kshs.457,000 due to Kenya Education Management Institute whose invoice was based on budgeted number of 190 persons instead of actual number of attendance of 130 persons resulting to an excess billing of Kshs.138,000 which has not been explained.

14.0 Audit of Secondary Schools

The statement of receipts and payments reflects subsidies of Kshs.21,652,694,498 which includes an amount of Kshs.20,770,464,383 in respect of Free Day Secondary Education (FDSE) funding that was disbursed to secondary schools. During the year under review, an audit inspection carried out on the Free Day Secondary schools in Nairobi, Kiambu, Kajiado and Machakos counties revealed the following unsatisfactory matters:

14.1 Rent Income Arrears

As at the time of this audit, thirty (30) secondary schools had outstanding rent arrears amounting to Kshs.5,909,747.60 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, 2015 some schools had recovered Kshs.4,684,593.50 leaving an outstanding balance of Kshs.1,225,154.10 in nine (9) schools.

14.2 Institutional Creditors

Examination of records maintained by forty four (44) schools revealed that there were accumulated creditors totalling Kshs.230,365,053.74 as at 30 June, 2014. A review of the position of creditors in March 2015 revealed that some schools had settled a total of Kshs.148,874,499.95 leaving outstanding balance of Kshs.81,490,553.79 in twenty one (21) schools. No clear explanations were provided for failure to promptly pay for goods and services procured.

14.3 Outstanding Imprest

Examination of imprests records maintained in eleven (11) schools established that imprests amounting to Kshs.1,821,323 which ought to have been surrendered or otherwise accounted for within forty eight (48) hours after completion of the purpose for which the imprest was issued remained outstanding as at 30 June, 2014. As at March 2015, imprests amounting to Kshs.1,701,228 had been surrendered leaving an outstanding balance of Kshs.120,095.

14.4 Virements

Scrutiny of the financial documents in twenty four (24) schools revealed that schools funds were transferred from one account to another without the requisite authority. The virements were from either operations or tuition accounts to the main accounts or across the GOK funded accounts contrary to financial procedures. A total of Kshs.15,790,562.00 in four (4) schools had been transferred irregularly as at 30 June, 2014. A review of the position in March 2015 revealed that some schools had refunded Kshs. 13,796,232 to the original accounts leaving an outstanding amount of Kshs. 1,994,330 in five (5) schools. The funds were spent on other purposes, other than for which they were intended.

In the circumstances the schools violated the financial procedures and related financial management circulars issued thereon.

14.5 Procurement of Goods and Services By Secondary Schools

Examination of schools records during the year under review showed that thirty six (36) schools awarded tenders worth Kshs.26,105,201 through direct procurement instead of open tendering method as required by the Public Procurement and Disposal Act 2005. Further, some schools awarded tenders to suppliers who were not prequalified by the tender committees contrary to Section 23 of the Public Procurement and Regulations of 2006. As at March 2015 expenditure worth Kshs. 23,310,098 had been appropriately responded to resulting to a balance of Kshs. 2,795,103 in three (3) schools.

The schools have not provided sufficient justifications for use of direct procurement, which clearly denied them the benefits of competitive bidding. It is therefore, doubtful if the schools got the value for their money in the above transactions.

14.6 Misallocation/Wrongly Charged Expenditure

Examination of expenditure documents revealed that fourteen (14) schools utilized the grants amounting Kshs 3,374,662 under the free secondary education subsidy for other purposes. A review of the position in March, 2015 indicated that Kshs. 2,869,540 had been sufficiently explained occasioning an unexplained balance of Kshs. 505,122. No explanation has been given for this anomaly.

14.7 Overstated Enrolment

Examination of enrollment records in the Ministry used for disbursement of Free Day Secondary Education revealed that J.G. Kiereini Secondary School had a student population of eight hundred (800) between term three (3) in 2013 and term one (1) in 2014. However, examination of the school's student registers and other enrolment records in the school reveal that the student population stood at 597 students resulting in an overstatement of 203 students leading to excess disbursements to the School of Kshs.1,468,838. The extra receipt of Kshs.1,468,830 is therefore irregular.

14.8 Unsupported Expenditure

Examination of expenditure documents at Beth Mugo Secondary School revealed that payments amounting to Kshs.608,904 were not supported by relevant documents such as payment vouchers, cash sale receipts, invoices etc. In the circumstances, the propriety of expenditure of Kshs.608,904 incurred at the school cannot be confirmed as a proper charge to public resources.

14.9 Unutilised Economic Stimulus Project Funds

In the financial year 2012/2013 the Ministry of Education through the Economic Stimulus Project (ESP) disbursed Kshs.440,000 to Beth Mugo School for ICT facilities. The funds were meant for purchase of LCD projectors, a laptop, local area network setup and internet connectivity for one year. The amount of Kshs.440,000 remained unutilized as at the date of this report, contrary to the Ministry's requirements under ESP.

14.10 Unutilized Funds

Examination of records at Precious Blood Girls, Riruta in March 2014 revealed that an amount of Kshs.10,000,000 which had been disbursed by electronic transfer in February 2013 in respect of construction of two storey classroom block project had not been utilized as at the date of this report. No satisfactory explanations have been provided as to why the school had not embarked on the project.

In the circumstances, the stakeholders may not have obtained value of the public resources.

14.11 Construction work at Kamukunji Secondary

Information made available indicates that Kamukunji Secondary School contracted a firm to construct four (4) classrooms at a contract sum of Kshs.4,011,220 under the ADB infrastructure project. As at the time of audit, the contractor had been paid Kshs.5,879,967 yet the works were incomplete. The school management has however not explained why the contractor was paid Kshs.1,868,747 over and above the original contract sum of Kshs.4,011,220 before completion of the works.

In addition, a review of the Engineer's report identified structural weaknesses in the building that rendered it inhabitable unless corrective action is undertaken.

In the circumstances it has not been possible to confirm that the stakeholders got the value for their money from the above project.

14.12 Irregular Allowances

It was observed that the Principal at Chania Girls had been drawing a monthly untaxed commuter allowance of Kshs 15,000 for six (6) years resulting in a total payment of Kshs.1,080,000. As per the Board of management minutes, the principal was supposed to cease drawing the allowance immediately a new van was purchased. Although the school purchased a new van registration number KBL 573G in the year 2011 for the principal, payment of the commuter allowance was not stopped resulting into irregular payment. No recovery for the irregular payment paid has been made and no satisfactory explanation has been given for non-recovery

15.0 DONOR FUNDED PROJECTS

15.1 Support for Technical, Industrial, Vocational and Entrepreneurship Training (TIVET) Project.

15.1.1 Non Delivery of Equipment

Information available indicates that on 30 December 2013, the Ministry signed contracts with various firms for the supply, delivery, installation, commissioning and training on use and maintenance of various equipments to eight (8) new Technical Institutes at a total cost of Kshs.363,135,374. However, a review of procurement documents availed for audit review indicated that the Ministry had not paid the contractors and as a result the equipments had not been supplied to the intended

Institutes as at the date of this report, contrary to Section 6 of the Contract Agreement which required goods to be delivered at the project site not later than eight (8) weeks after signing the contract and completion date not later than twelve (12) weeks after contract signing. No satisfactory explanations have been provided by the Ministry for not paying the contractors. The non-performance of the contract for delivery of the equipments impacts negatively on the cardinal objective of the Project to improve access, quality and relevance of skills development opportunities for the youth in Kenya.

15.1.2 Delays in Completion of Civil Works

In October 2011, the Ministry contracted several contractors for the construction of workshops in eleven (11) Technical Institutes at a total contract sum of Kshs.838,482,812.78. In March 2012, the Ministry further undertook to construct additional eight (8) workshops in eight (8) new Technical Institutes, and engaged contractors at a total contract sum of Kshs.763,442,178.49. In total the Ministry had committed to construct 19 workshops at a total cost of Kshs.1,601,924,991.27. According to contracts signed between the Ministry and various Contractors, the works were to commence immediately and be completed within fifty two (52) weeks in October 2012 and March 2013 respectively.

As at 30 June 2014, the Ministry had paid a total of Kshs.1,122,712,476.86 or approximately 70.085% of the total contract sum of Kshs.1,601,924,991.27.

However, a review of the Project at the time of this audit revealed that seven (7) out of the nineteen (19) contracts with a total contract sum of Kshs.546,071,441 had not been completed despite the contractors having been paid Kshs.323,183,243. The Ministry did not provide reasons for the delay in project completion and has not explained if and when the Project will be completed.

15.1.3 Non-Renewal of Bank Guarantees

A review of contract documents for the construction of workshops for selected technical institutes revealed that eighteen (18) contractors signed performance bond at 10% of the contract sum in compliance with the contract agreement. The bonds executed were between Kshs.1,000,000.00 and Kshs.11,585,380.50. The bonds were to run for a period of one year and the contractors were to renew them upon expiry. A review of the Project status on 23 October 2014 revealed that six (6) bonds totalling Kshs.50,119,297.30 had expired and had not been renewed hence exposing the Ministry to risk of financial loss in case of non-performance of this magnitude. No explanation was provided for this anomaly.

15.1.4 Expired Contract Periods

The Project status report as at 30 November 2013 indicates that contract periods for 18 contracts expired on various dates within 2011/2012 financial year. However, although the Ministry did not give extensions of the contracts, a review of the status as at 23 October, 2014 revealed that seven (7) Contractors continued with the works without valid contracts in violation of Section VII Clause 2.2 of the contract agreements that

provide for renewal of contract period upon expiry. In the circumstances, the Ministry was in breach of the terms of the contracts by allowing the Contractors to continue with the works without valid contracts.

15.1.5 Advance Payment for Equipment and Works

As previously reported, the statement of receipts and payments for the year 2011/2012 reflected payment of Kshs.299,606,679.05 against goods and works. The figure included Kshs.34,532,180.70 in respect to equipment which were to be supplied and installed in three (3) Technical Institutions, and works which were to be done in eight (8) Technical Institutions within the country. The amount of Kshs.34,532,180.70 also included advance payments of Kshs.29,519,983.90 which comprised of Kshs.2,338,296.90 paid to three (3) suppliers of equipment before delivery of the items, while the balance of Kshs.27,181,687.00 was paid in advance to three (3) contractors before the works had commenced.

However, no valid bank guarantees for these payments were provided for audit review. It was therefore not possible to ascertain how the Ministry would be indemnified in case of breach of contract. As at 30 June 2014, the Ministry had not provided information on the status of the issue as raised in the previous year's report.

15.2 Support to Enhancement of Quality and Relevance in Higher Education, Science and Technology Project

15.2.1 Delay in Delivery of Contract Goods

The project Management signed twenty six (26) contracts with various suppliers between October 2013 and December 2013, to supply Equipments to various Universities' at a contract sum of Kshs.2,022,137,271. However, documents availed for audit review as at 30 September 2014 revealed that only equipment relating to five (5) contracts amounting to Kshs.239,626,858 had been delivered to the respective institutions while the balance worth Kshs.1,782,510,413 from twenty one (21) contracted firms had not been delivered as at 30 June 2014. As at 1 August, 2014 the Ministry had paid Kshs.197,010,696 to the contractors. It is not clear and management has not explained if and when the remaining equipment will be supplied.

15.2.2 Ineligible Expenditure

The project's statement of receipts and payments reflects operating costs amounting to Kshs.23,317,184, which includes an amount of Kshs.1,928,398 made to a contracted company in respect of supply of Technical Equipment. The payment of Kshs.1,928,398 also includes an amount of Kshs.429,326 incurred in respect to demurrage, detention and customs warehouse rent as a result of delay by the Ministry to apply for duty exemption and IDF fees payable, contrary to the provision of Section 68(1) of the Public Finance Management Act 2004. No explanation was provided for the delay which resulted to avoidable extra charges. In the circumstances, the propriety of expenditure of Kshs.429,326 for the year ended 30 June 2014 could not be confirmed.

15.2.3 Exchange Rate Differences

Scrutiny of foreign exchange transactions under the project indicated that foreign currencies were converted using predetermined fixed rates throughout the year at Kshs.83.8208 for one (1) US dollar and Kshs.129.9970 for one (1) GBP, contrary to the accounting policies of the project at note 8.1(vi) to the financial statements which requires foreign currency to be converted using the exchange rates prevailing at the dates of the transactions.

As a result, the project's financial statements were therefore understated by Kshs.4,091,292 as detailed below.

Date of Disbursement	Amount in Foreign Currency (A)	Exchange rate as at the date of transaction (B)	Exchange rate applied (C)	Difference A (B-C) (Kshs.)
20.3.2014	GBP 82,218.10	143.2259	129.9970	1,087,655.00
7.04.2014	USD 280,930.75	86.6586	83.8208	797,225.00
1.8.2014	USD 548,968.06	87.84	83.8208	2,206,412.00
TOTAL				4,091,292.00

If the management had applied the accounting policies as per note 8.1(vi) to the financial statements, then the project would have realized a loss of Kshs.4,091,292 for the year ended 30 June 2014.

15.3 GOK/UNICEF Education for Young people programme

15.3.1 Unsupported Expenditure

The project's statement of receipts and payments reflects total expenditure of Kshs.213,294,834, out of which Kshs.205,054,534 or 96% of the total expenditure was not supported with the relevant documentation as analyzed below:

Item	Unsupported Expenditure (Kshs.)
Peace Education	28,364,695
Child Friendly Schools	136,462,712
Early Childhood Dev.	22,034,725
Nomadic Education	10,000,000
Education in Emergencies	<u>8,192,402</u>
	<u>205,054,534</u>

In the absence of the supporting documents, it has not been possible to confirm the propriety of the total expenditure totalling Kshs.205,054,534 for the year ended 30 June 2014.

15.4 GOK/WFP Food Assistance to Primary and Pre-primary Schools in Semi-Arid Areas and Disadvantaged Urban Children Project (WFP Project)

15.4.1 Unaccounted for District Expenditures

The Statement of receipts and payments reflect an expenditure of Kshs.1,030,519,980.00 for purchase of goods and services. However, the amount of Kshs.1,030,519,980.00 included AIES amount of Kshs.103,213,510.00 which were issued during the year to District Education Officers in Arid and Semi-Arid Lands (ASAL) areas for various activities, but only expenditure returns from 95 Districts totalling Kshs.74,311,471.00 were availed for audit review resulting to a balance of Kshs.28,902,039.00 which had not been accounted for as at 30 June 2014.

15.4.2 Irregular Expenditure

Examination of payment voucher no. 8311 dated 27 June 2014 and the related supporting documents revealed that an amount of Kshs.493,500.00 was paid as per diem to various officers participating in the Kenya Secondary Schools Heads annual delegates conference held in Mombasa, under Head 0018 – School Feeding Programme instead of the respective directorates accounts. Further, no satisfactory explanations were provided for diverting project funds to school Heads annual delegates conference. In the circumstances, it has not been possible to confirm the propriety of expenditure of Kshs.493,500.00 paid to participants attending the school Heads annual delegates conference.

16.0 Prior Year Unresolved Matters

As reported in the report for 2012/2013, the following matters remain unresolved as at 30 June 2014.

16.1 Current Grants to Government Agencies and Other Levels of Government

The Appropriation Account for vote R 131 for the year 2012/2013 reflects under various Heads, expenditure totalling Kshs.15,260,677,549.00 under Item 2630100 – Current Grants to Government Agencies and Other Levels of Government, representing funds released to various Government Educational Institutions, Colleges and Schools during the year ending 30 June, 2013. Out of this amount, an amount of Kshs.10,005,615,240.00 has been confirmed received in the respective Institutions leaving a balance of Kshs.5,255,062,309.00 sent to thirteen (13) institutions. Under the circumstances, the propriety of the expenditure of Kshs.5,255,062,309.00 incurred in the year 2012/2013 could not be confirmed.

16.2 Unsupported Expenditure on Sanitary Towels

As previously reported, examination of records maintained at the Ministry's Headquarters revealed that the Ministry entered into contracts with three (3) firms for the supply of sanitary towels to schools in seven (7) provinces. As at 30 June, 2013, the Ministry had paid the firms a total of Kshs.297,990,193.20 for the towels. However, although the receiving documents (S12's) were attached to the payment vouchers as

proof of delivery of the goods to the Ministry, information available indicates that this was done as a formality as the goods were delivered by the suppliers directly to the schools with the supervision of District Education Officers (DEOs). No supporting documents including returns from the respective DEOs Offices and recipient schools confirming receipt of the sanitary towels were made available for audit review. In the absence of these documents, the expenditure of Kshs.297,990,193.20 could not be confirmed.

16.3 Uncleared Balances

As similarly reported in the previous year, the Statement of Assets and Liabilities for Deposits 131 as at 30 June, 2013 reflects long outstanding debit and credit balances amounting to Kshs.6,877,929.10 and Kshs.174,348,364.85 respectively against various accounts as indicated here below:-

Debits	Amount (Kshs.)
Temporary Imprest	1,056,221.15
Agency-Ministry of Home Affairs	3,678,726.25
Agency-Suspense	293,393.75
Clearance Account (Research)	137,400.00
District Suspense	1,712,152.95
Funds and Schemes-Research	35.00
Total	6,877,929.10
Credits	
Nararas Singh Trust Fund	2,202.00
Mrs Kamelgoan Bhatt Trust	15,412.50
Dulverton Scholarship Fund	3,441.25
Esso Scholarship Fund	196.55
Headquarters Deposits	166,227,232.25
Mombasa-Non Existing Deposit	294,792.70
Posting to Non Existing Accounts	7,805,087.60
Total	174,348,364.85

No reason has been given for the non-clearance of these balances from the books of accounts.

16.4 Unsupported Expenditure

As reported in 2012/2013, the Appropriation Account for vote R 143 for the year ended 30 June 2013, reflected under various Heads, Item 2110100- Basic Salary, an actual and estimated expenditure on basic salary of Kshs.203,164,142.00 and Kshs.190,450,045.00 respectively resulting to an over-expenditure of Kshs.12,714,097.00. However, although the Ministry has explained that the over expenditure was due to Government re-organization which resulted in payment in lieu for exiting officers and entry of other officers who were not budgeted for, a list of officers who exited and those who entered was not made available for audit review.

16.5 Current Grants to Government Agencies and Other Levels of Government

As reported in 2012/2013, the Appropriation Account further reflects under various Heads and Sub Heads, Item 2630100 – Current Grants to Government Agencies and Other Levels of Government, expenditure totalling Kshs.43,302,668,963.00. The figure includes grants totalling Kshs.28,639,728,054.00 representing funds disbursed to some thirty five (35)institutions during the year. However, the 2012/2013 financial statements for these institutions reflected grant receipts totalling Kshs.24,680,920,204.90 resulting to an overall difference of Kshs.3,958,807,849.10. Further, included in the Kshs.3,958,807,849.10 were over-disbursements to various institutions totallingKshs.155,456,132.50. No explanation or reconciliation has been provided for the above variances.

16.6 Long Outstanding Balances

As reported in 2012/2013, the Statement of assets and liability for vote 143 further, reflects long outstanding debit and credit balances amounting to Kshs.1,746,932,680.00 and Kshs.3,373,382,679.95 respectively against various accounts as indicated below:

Debit balance	Amount (Kshs)
Exchequer	1,725,485,166.00
PMG	21,447,513.95
	1,746,932,680.00
Credit balance	
GAV	3,373,382,679.95

No reasons have been provided for failure to clear the long outstanding balances from the books of account.

17.0 DISTRICT EXPENDITURE

17.1 Machakos District

17.1.1 Unsurrendered Imprest

Examination of imprest records revealed that various Ministry officials had outstanding imprests amounting to Kshs.540,000 which was overdue for surrender as some were dating back to October 2013. Some of these were issued before surrender of the previous imprests. No action had been taken by the Accounting Officer to recover the same. This is contrary to the laid down regulations on issuance of imprest which should be surrendered within forty eight (48) hours after completion of the intended purpose for which the imprest was issued and further, no imprest should be issued before surrender of the earlier imprests held by the officer.

In the circumstances, the propriety of the expenditure incurred by the officers could not be confirmed.

17.1.2 Unsupported Payments

The District Education Officer-Yatta District made various payments amounting to Kshs.122,989 whose payment vouchers were not supported with relevant documents, such as copies of work tickets and fuel detail orders.

Further, the office in Athi River District made payments amounting to Kshs.15,270 for services that were not explained and another payment of Kshs.1,429,780 for construction of twin workshop which was not supported with relevant contract documents. Consequently, the propriety of these payments could not be confirmed.

17.2 North Pokot District

17.2.1 Cash Purchases

During the year under review, the District Education officer made various cash purchases worth Kshs.339,300 which exceeded the limit of Kshs.10,000 allowed for low value procurement under the Public Procurement and Disposal Act, 2005. Under the circumstances, it was not possible to confirm if the procurements were economical and value for money was received on the payments.

17.2.2 Unsupported Expenditure

During the year under review, the District Education officer made payments to schools co-curricular activities amounting to Kshs.400,000. The money was paid to Pokot County Schools Activity account for use on co-curricular activities. It was however noted that, the payment was not supported with necessary documents. Further, no expenditure returns detailing how the grant was utilized were provided for audit verification. Under the circumstances, the propriety of the expenditure could not be confirmed.

17.2.3 Unauthorized Re-allocation of Funds

Records maintained at Kapenguria District Education office further indicated that expenditure amounting to Kshs.300,000 was incurred on purchase of fuel from a petrol station in Kapenguria town. The expenditure was however charged under Head R106 item 2210604 – Hire of Transport instead of item 2211201 – Fuel, Oil and Lubricants issued vide AIE No.A599714 dated 13 August, 2013. No Treasury authority approving re-allocation of funds was provided for audit verification.

17.2.4 Repair of Motor Vehicle

Examination of records maintained at North Pokot Education office revealed that the department made payments totalling Kshs.208,650 to a garage based in Kitale town for the service carried out on motor vehicle registration No. GK S394. However, the payments were not supported by a technical report from Ministry of Public Works detailing the defects of the vehicle prior to carrying out the service. Further, Local Service Order (LSO) No.A862704 for the service was raised on 25 May, 2014 after the

service of the vehicle had been carried out according invoice No.164 dated 4 April, 2014 from the garage.

No explanation was provided for the anomalies noted. In addition, motor vehicle work tickets were not made available for audit review. Consequently, the propriety of the expenditure of Kshs.208,650 could not be confirmed.

17.2.5 Doubtful Payment on Hire of Transport

Examination of records maintained by the office further revealed that two private transporters were hired at a total cost of Kshs.2,702,428 to transport School Feeding Programme (S.F.P.) foodstuffs to various Primary Schools in North Pokot District. A review of invoices and other documents attached to the payment vouchers, however, indicated that the foodstuffs were delivered and left at a central primary school from where the beneficiary school collected the items. The schedule of payment further showed that the transporter charged for the whole distance to the beneficiary school instead of the central point where the items were delivered. As a result, hire of transport totalling Kshs.418,065 paid to transporters could not be confirmed as a proper charge to public funds.

17.3 West Pokot District

17.3.1 Domestic Travel and Accommodation Allowance

Examination of payment records maintained at West Pokot District Education office revealed that an amount of Kshs.854,250 incurred on domestic travel and accommodation were not supported by relevant documents including work tickets, bus fare tickets, invitation letters and were not acknowledged by the payees as a sign of receipt of the payment. The expenditure therefore, could not be confirmed as a proper charge to public funds and was not accounted for contrary to Section 5.5.14 (c) of the Government Financial Regulations and Procedures which requires the accounting officer to ensure that all payments are supported by relevant certificates and documents.

17.4 Central Pokot District

17.4.1 Unaccounted for Expenditure

During the year under review, the District Education officer of Central Pokot District made payments to schools co-curricular activities amounting to Kshs.580,000. The money was paid for use on co-curricular activities. It was however noted that, the payment was not supported with necessary documents. Further, no expenditure returns detailing how the grant was utilized were provided for audit verification. Under the circumstances, the propriety of the expenditure could not be confirmed.

17.4.2 Cash Purchases

During the year under review, the District Education officer incurred an expenditure amounting to Kshs.355,691 on various items and services. The procurement of the

goods and services was done on cash basis although the value exceeded the maximum ceiling of Kshs.10,000 allowed under low value procurements, contrary to the provisions of Section 90 of the Public Procurement and Disposal Act, 2005. Under the circumstances therefore, it has not been possible to confirm that the expenditure of Kshs.355,691 is a fair charge to public funds.

17.5 Murang'a East District

17.5.1 Unsupported Subsistence Allowance

The County Director of Education office incurred expenditure amounting to Kshs.1,117,000 in respect of staff subsistence allowances during 2013/2014 co-curriculum activities. This expenditure included Kshs.494,000 subsistence allowances paid to members of staff during primary schools athletics championship held in Mombasa with effect from 11 June to 15 June, 2014 and Handball, Rugby, Athletics and Netball games held in Kisii with effect from 6 June to 15 June, 2014.

Further, the County Director of Education office incurred expenditure amounting to Kshs.1,260,000 in respect of subsistence allowances paid to members of staff during Secondary Schools National Drama Festival held in Nyeri from 6 April to 16 April, 2014.

However, there was no evidence that the officers paid qualified for subsistence allowances since supporting documents to actual travel and participation such as motor vehicle work tickets or bus tickets/receipts were not availed for audit review. Therefore the expenditure of Kshs 1,754,000 could not be confirmed as a proper charge to public resources

17.6 Mathioya District

17.6.1 Construction of Mathioya District Education Office Block

A review of records availed for audit indicated that an amount of Kshs.1,438,975 was incurred in respect of construction of phase II of the Mathioya District Education Office Block during the year 2013/2014. The construction works were labour based. The supply of construction materials and labour worth Kshs.1,255,725 was from suppliers who were not prequalified contrary to Public Procurement Regulations 2006.

Further, the bills of quantities for the project and inspection and acceptance certificates were not availed for audit verification. In the circumstances it has not been possible to confirm that the stakeholders got value for their resources.

17.7 Kitui County

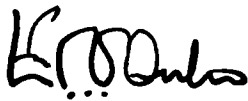
17.7.1 Unaccounted for Funds

The County Director of Education, Kitui County paid Kshs.1,100,000 to Kitui County Primary Schools heads Association and a further Kshs.511,000 to the County Secondary Schools Activities Association to cater for co-curricular activities. However, no expenditure returns detailing how the funds were utilized were made available for

audit review. Therefore the propriety of expenditure of Kshs 1,611,000 could not be confirmed

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of the Ministry of Education Science and Technology as at 30 June 2014, and its financial Performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and does not comply with the Public Financial Management Act, 2012.



Edward R. O. Ouko, CBS
AUDITOR GENERAL


Nairobi


22 May 2015

STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
RECEIPTS			
Proceeds from Domestic and Foreign Grants	2	1,624,489,854	4,530,585,111
Transfers from National Treasury	3	86,386,399,275	85,457,204,635
Proceeds from Domestic Borrowings	4	2,566,833,371	608,941,761
Proceeds from Sale of Assets	5	17,811,817,549	15,536,439,353
Other Revenues	6	2,531,996,548	2,021,739,422
Transfers from Other Government Entities	7	180,717,500	-
TOTAL REVENUES		111,102,254,097	108,154,910,282
PAYMENTS			
Compensation of Employees	8	3,669,863,970	3,170,970,999
Use of goods and services	9	5,350,124,355	4,517,441,812
Subsidies	10	21,652,694,498	21,725,639,702
Transfers to Other Government Units	11	-	3,615,278,493
Other grants and transfers	12	67,003,247,753	62,364,439,318
Social Security Benefits	13	16,503,101	8,168,829
Acquisition of Assets	14	6,861,904,978	7,840,866,098
Other Expenses	15	5,465,000,000	4,307,770,264
TOTAL PAYMENTS		110,019,338,655	107,550,575,515
SURPLUS/DEFICIT		1,082,915,442	604,334,767

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 2014 and signed by:

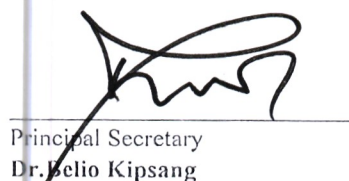

Principal Secretary
Dr. Selio Kipsang

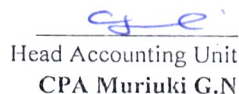

Head Accounting Unit
CPA Muriuki G.N

STATEMENT OF ASSETS AS AT 30 JUNE 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	16	376,688,069	448,677,983
Cash Balances	17	2,086,948	159,821,031
Outstanding Imprests	18	2,075,206	24,421,693
TOTAL FINANCIAL ASSETS		380,850,223	632,920,708
REPRESENTED BY			
Fund balance b/fwd	19	632,920,708	1,093,129,485
Domestic currency and Domestic Deposits	20	232,852,190	290,532,381
Surplus/Deficit for the year		1,082,915,442	604,334,767
Prior year adjustments	21	(1,567,838,117)	(1,355,075,925)
NET FINANCIAL POSITION		380,850,223	632,920,708

The financial statements were approved on 30 September 2014 and signed by:


Principal Secretary
Dr. Belio Kipsang


Head Accounting Unit
CPA Muriuki G.N


STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2013 - 2014 Kshs	2012 - 2013 Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Proceeds from Domestic and Foreign Grants	2	1,624,489,854	4,530,585,111
Transfers from National Treasury	3	86,386,399,275	85,457,204,635
Other Revenues	6	2,531,996,548	2,021,739,422
Transfers from Other Government Entities	8	180,717,500	-
Payments for operating expenses			
Compensation of Employees	9	(3,669,863,970)	(3,170,970,999)
Use of goods and services	10	(5,350,124,355)	(4,517,441,812)
Subsidies	11	(21,652,694,498)	(21,725,639,702)
Transfers to Other Government Units		0	(3,615,278,493)
Other grants and transfers	13	(67,003,247,753)	(62,364,439,318)
Social Security Benefits	14	(16,503,101)	(8,168,829)
Other Expenses	13	(5,465,000,000)	(4,307,770,264)
Adjusted for:			
Adjustments during the year		(1,567,838,117)	(1,355,075,925)
Net cashflow from operating activities		(14,001,668,617)	(9,055,256,174)
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	9	17,811,817,549	15,536,439,353
Acquisition of Assets	20	(6,861,904,978)	(7,840,866,098)
Net cash flows from Investing Activities		10,949,912,571	7,695,573,255
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings	4	2,566,833,371	608,941,761
Proceeds from Foreign Borrowings			
Net cash flow from financing activities		2,566,833,371	608,941,761
NET INCREASE IN CASH AND CASH EQUIVALENT			
		(484,922,675)	(750,741,158)
		232,852,190	290,532,381
Cash and cash equivalent at BEGINNING of the year		632,920,708	1,093,129,485
Cash and cash equivalent at END of the year		380,850,223	632,920,708

The financial statements were approved on 30 September 2014 and signed by:


Principal Secretary
Dr. Belio Kipsang



Head Accounting Unit
CPA Muriuki G.N

SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Combined - FY 2013/14

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 %
		Kshs	Kshs	Kshs	Kshs	Kshs	
	RECEIPTS						
	Exchange releases	100,413,342,593	(3,595,103,666)	96,818,238,927	86,386,399,275	10,431,839,652	89%
	Receipts to from other Government Entities				180,717,500		
	Proceeds from Domestic and Foreign Grants	2,385,000,000	0	2,385,000,000	1,624,489,854	760,510,146	68.11%
	Proceeds from domestic borrowings	4,699,578,224	(1,445,191,407)	3,254,386,817	2,566,853,371	687,533,446	79%
	Proceeds from sale of assets	17,115,200,000	1,000,600,000	18,115,800,000	17,811,817,549	303,982,451	98%
	Other receipts	2,700,000,000	0	2,700,000,000	2,531,996,548		94%
	Total	127,313,120,817	(4,039,695,073)	123,273,425,744	111,102,254,097	12,351,889,147	
	PAYMENTS						
	Compensation of Employees	3,495,523,646	790,169,413	4,285,693,059	3,669,863,970	(615,829,089)	86%
	Use of goods and services	8,885,135,104	(813,426,548)	8,071,708,556	5,350,124,355	(2,721,584,201)	66%
	Subsidies	20,910,922,256	828,738,015	21,739,660,271	21,652,694,498	(86,965,773)	100%
	Other grants and transfers	66,171,330,943	3,641,134,478	69,812,465,421	67,003,247,753	(2,809,217,668)	96%
	Social Security Benefits	29,000,685	(11,697,671)	17,303,014	16,503,101	(799,913)	95%
	Acquisition of Assets	22,972,668,436	(8,111,259,292)	14,861,409,144	6,861,904,978	(7,999,504,166)	46%
	Other Expenses	5,165,000,000	300,000,000	5,465,000,000	5,465,000,000	0	100%
	Total	127,629,581,070.00	- 3,376,341,605.00	124,253,239,465.00	110,019,338,655.00	(14,233,900,810)	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30 September 2014 and signed by:


Principal Secretary
Dr. Bello Kipsang



Head Accounting Unit
CPA Muriuki G.N


SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Recurrent - FY 2013/14

Code	Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference
		a	b	c=a+b	d	e=d-c	f=d/c %
		Kshs	Kshs	Kshs	Kshs	Kshs	
	RECEIPTS						
	Exchange releases	77,399,662,593	3,393,615,851	80,793,278,444	79,815,000,000	(978,278,444)	99%
	Proceeds from sale of assets	17,115,200,000	1,000,600,000	18,115,800,000	17,811,817,549	(303,982,451)	98%
	Other receipts	2,700,000,000	0	2,700,000,000	2,531,996,548	(168,003,452)	94%
	Total	97,214,862,593	4,394,215,851	101,609,078,444	100,158,814,097	0	
	PAYMENTS						
	Compensation of Employees	3,495,523,646	250,169,413	3,745,693,059	3,669,863,970	(75,829,089)	98%
	Use of goods and services	2,893,006,880	61,156,584	2,954,163,464	2,219,829,641	(734,333,823)	75%
	Subsidies	20,910,922,256	828,738,015	21,739,660,271	21,652,694,498	(86,965,773)	100%
	Other grants and transfers	64,688,696,396	3,794,519,025	68,483,215,421	66,179,479,513	(2,303,735,908)	97%
	Social Security Benefits	29,000,685	(11,697,671)	17,303,014	16,503,101	(799,913)	95%
	Acquisition of Assets	32,712,730	68,500	32,781,230	28,265,206	(4,516,024)	86%
	Other Expenses	5,165,000,000	300,000,000	5,465,000,000	5,465,000,000	0	100%
	Grand Total	97,214,862,593	5,222,953,866	102,437,816,459	99,231,635,929	3,206,180,530	97%

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30 September 2014 and signed by:


Principal Secretary
Dr. Bello Kipsang


Head Accounting Unit
CPA Muriuki G.N

SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Development - FY 2013/14

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%
		Kshs	Kshs	Kshs	Kshs	Kshs	
	RECEIPTS						
	Exchequer releases	23,013,680,000	(6,988,719,517)	16,024,960,483	6,571,399,275	9,453,561,208	41.01%
	Receipts from other Government Departments (Devolution)	0	0	0	180,717,500	180,717,500	
	Proceeds from Domestic and Foreign Grants	2,385,000,000	0	2,385,000,000	1,624,489,854	760,510,146	68.11%
	Proceeds from domestic borrowings	4,699,578,224	(1,445,191,407)	3,254,386,817	2,566,833,371	687,553,446	78.87%
	Proceeds from sale of assets						
	Other receipts						
	Total	30,098,258,224	(8,433,910,924)	21,664,347,300	10,943,440,000	11,082,342,300	
	PAYMENTS						
	Compensation of Employees	0	540,000,000	540,000,000	0	(540,000,000)	0.00%
	Use of goods and services	5,992,128,224	(874,583,132)	5,117,545,092	3,130,294,714	(1,987,250,378)	61.17%
	Other grants and transfers	1,482,634,547	(153,384,547)	1,329,250,000	823,768,240	(505,481,760)	61.97%
	Acquisition of Assets	22,939,955,706	(8,111,327,792)	14,828,627,914	6,833,639,772	(7,994,988,142)	46.08%
	Other Expenses	0	0	0	0	0	
	Total	30,414,718,477.00	- 8,599,295,471.00	21,815,423,006.00	10,787,702,726.00	(11,027,720,280)	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30 September 2014 and signed by:

Principal Secretary
D. Bello Kipsang

Head Accounting Unit
CPA Muriuki G.N

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

**SIGNIFICANT ACCOUNTING
POLICIES**

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

1.1 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 relevant legal framework of the Government of Kenya. 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 Ministry.

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. The cash basis of accounting recognizes transactions and events only when cash is received or paid by the ministry

1.2 Recognition of revenue and expenses

The Ministry 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 Ministry recognises all expenses when the event occurs and the related cash has actually been paid out by the Ministry of Education Science and Technology

1.3 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.

1.4 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

1.5 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 Ministry's at the end of the year. As at 30th June, 2014 bills worth Kshs. 7,810,055,625.95 were pending. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.



NOTES TO THE FINANCIAL STATEMENTS

1.6 Receivables and payables

current Government Financial Regulations and procedures. These provisioning balances do not

1.7 Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification

1.8 Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

1.9 Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.



NOTES TO THE FINANCIAL STATEMENTS
 PROCEEDS FROM DOMESTIC AND
 2 FOREIGN GRANTS

Name of Donor	2013 - 2014	2012 - 2013
	Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)		
UNICEF	204,489,854	48,156,611
VVOB-BELGIUM		47,499,999
WFP	1,420,000,000	1,065,000,000
BELGIUM-JICA		516,281,930
AfDB Education III Project		971,006,095
Netherlands project		150,000,000
GoK China		1,732,640,476
Grants Received from other levels of government		
	-	-
	-	-
Total	1,624,489,854	4,530,585,111
Note: WFP submitted documents exceeding the approved budget for the period by Kshs 84,220,382.00. The excess amount could therefore not be reflected in the statement because it was above the approved budget.		

3 EXCHEQUER RELEASES

Description and reference of the transfer	2013 - 2014	2012 - 2013
Recurrent	Kshs	Kshs
National Government Exchequer Transfers - quarter 1	21,305,000,000	23,387,485,635
National Government Exchequer Transfers - quarter 2	16,740,000,000	26,561,719,000
National Government Exchequer Transfers - quarter 3	27,779,206,000	20,563,000,000
National Government Exchequer Transfers - quarter 4	20,562,193,275	14,945,000,000
	86,386,399,275	85,457,204,635
Total	86,386,399,275	85,457,204,635

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NOTES TO THE FINANCIAL STATEMENTS

PROCEEDS FROM DOMESTIC

4 BORROWINGS

	2013 - 2014 Kshs	2012 - 2013 Kshs
Borrowing within General Government	-	-
Borrowing from Monetary Authorities (Central Bank)	-	-
Other Domestic Depository Corporations (Commercial Banks)	-	-
Borrowing from Other Domestic Financial Institutions	-	-
Borrowing from Other Domestic Creditors	-	-
Domestic Currency and Domestic Deposits	-	-
Domestic Accounts Payable	2,566,833,371	608,941,761
Total	2,566,833,371	608,941,761

(Ksh 864,441,641 Gok/Adf
 Tivet, Ksh 505,540,770 China
 Project, Ksh 248,789,369
 HEST, Ksh 948,062,591 KU)

5 PROCEEDS FROM SALE OF ASSETS

	2013 - 2014 Kshs	2012 - 2013 Kshs
Receipts from the Sale of Buildings		
Receipts from the Sale of Vehicles and Transport Equipment		-
Receipts from the Sale Plant Machinery and Equipment		440,000
Receipts from Sale of Certified Seeds and Breeding Stock		-
Receipts from the Sale of Strategic Reserves Stocks		-
Receipts from the Sale of Inventories, Stocks and Commodities	17,811,817,549	15,535,999,353
Disposal and Sales of Non-Produced Assets	-	-
Receipts from the Sale of Strategic Reserves Stocks	-	-
Total	17,811,817,549	15,536,439,353



NOTES TO THE FINANCIAL STATEMENTS

6 OTHER REVENUES

	2013 - 2014 Kshs	2012 - 2013 Kshs
Interest Received	-	-
Profits and Dividends	-	-
Rents	-	-
Other Property Income	-	-
Sales of Market Establishments	-	-
Receipts from Administrative Fees and Charges	-	-
Receipts from Administrative Fees and Charges - Collected as AIA	31,996,548	79,739,422
Receipts from Incidental Sales by Non-Market Establishments	-	-
Receipts from Sales by Non-Market Establishments	-	-
Receipts from Sale of Incidental Goods	-	-
Fines Penalties and Forfeitures	-	-
Penalties for late payments of rates	-	-
Penalties for late renewal of permits	-	-
Penalties for late renewal of permits	-	-
Penalties on suppliers	-	-
Receipts from Voluntary transfers other than grants	-	-
Other Receipts Not Classified Elsewhere (repayment of loans)	2,500,000,000	1,942,000,000
Total	2,531,996,548	2,021,739,422

TRANSFERS FROM OTHER

7 GOVERNMENT ENTITIES

	2013 - 2014 Kshs	2012 - 2013 Kshs
Ministry of devolution and Planning	180,717,500	-
Total	180,717,500	-

8 COMPENSATION OF EMPLOYEES

	2013 - 2014 Kshs	2012 - 2013 Kshs
Basic salaries of permanent employees	2,276,556,816	2,080,946,717
Basic wages of temporary employees	103,434,191	33,275,653
Personal allowances paid as part of salary	1,261,591,068	1,006,669,386
Personal allowances paid as reimbursements	3,851,613	40,531,581
Personal allowances provided in kind	-	-
Pension and other social security contributions	-	9,547,662
Compulsory national social security schemes	13,336,122	-
Compulsory national health insurance schemes	11,094,160	-
Social benefit schemes outside government	-	-
Other personnel payments	-	-
Total	3,669,863,970	3,170,970,999



NOTES TO THE FINANCIAL STATEMENTS

9 USE OF GOODS AND SERVICES

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Utilities, supplies and services	67,770,071	31,111,428
Communication, supplies and services	44,192,245	46,450,025
Domestic travel and subsistence	128,650,745	208,364,700
Foreign travel and subsistence	44,938,702	68,058,496
Printing, advertising and information supplies & services	27,834,378	57,678,135
Rentals of produced assets	319,572,941	273,336,346
Training expenses	299,664,346	250,118,272
Hospitality supplies and services	68,897,635	91,966,182
Insurance costs	32,268,867	55,682,059
Specialised materials and services	3,789,111,776	2,493,905,210
Office and general supplies and services	174,849,294	427,915,977
Other operating expenses	144,828,948	146,482,628
Routine maintenance – vehicles and other transport equipment	86,753,458	96,983,721
Routine maintenance – other assets	47,470,180	120,517,242
Fuel/Oil and Lubricants	73,320,769	148,871,391
Total	5,350,124,355	4,517,441,812

10 SUBSIDIES

Description	2013 - 2014	2012 - 2013
	Kshs	Kshs
Subsidies to Public Corporations	21,652,694,498	21,725,639,702
<i>See list attached</i> (insert name)	-	-
Subsidies to Private Enterprises		
<i>See list attached</i> (insert name)	-	-
TOTAL	21,652,694,498	21,725,639,702

TRANSFER TO OTHER GOVERNMENT

11 ENTITIES

Description	2013 - 2014	2012 - 2013
	Kshs	Kshs
Transfers to Central government entities		3,615,278,493
<i>See attached list</i>	-	-
Transfers to Counties		
(insert name of budget agency)	-	-
(insert name of budget agency)	-	-
TOTAL	-	3,615,278,493



NOTES TO THE FINANCIAL STATEMENTS

12 OTHER GRANTS AND OTHER TRANSFERS

	2013 - 2014 Kshs	2012 - 2013 Kshs
Scholarships and other educational benefits	1,390,452,756	1,285,055,278
Current grants and transfers to government agencies and other levels of government	65,369,305,403	-
Other Current Transfers, Grants and Subsidies	-	202,433,242
Other current transfers, grants	156,433,243	58,502,865,656
Other capital grants and transfers	-	2,200,000,000
Membership Fees and Dues, and Subscriptions	87,056,351	174,085,142
Total	67,003,247,753	62,364,439,318

13 SOCIAL SECURITY BENEFITS

	2013 - 2014 Kshs	2012 - 2013 Kshs
Government pension and retirement benefits	16,503,101	8,168,829
Social security benefits in cash and in kind	-	-
Employer Social Benefits in cash and in kind	-	-
Total	16,503,101	8,168,829

14 ACQUISITION OF ASSETS

	2013 - 2014 Kshs	2012 - 2013 Kshs
Non Financial Assets		
Purchase of Buildings	-	-
Construction of Buildings	5,568,530,419	6,465,274,581
Refurbishment of Buildings	10,372,000	26,438,435
Construction of Roads	41,491,995	47,490,067
Construction and Civil Works	42,345,858	14,566,046
Overhaul and Refurbishment of Construction and Civil Works	429,351,810	327,000,000
Purchase of Vehicles and Other Transport Equipment	-	135,077,470
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	450,000	700,000
Purchase of Office Furniture and General Equipment	353,244,070	227,743,777
Purchase of Specialised Plant, Equipment and Machinery	205,231,358	190,550,868
Rehabilitation and Renovation of Plant, Machinery and Equip	135,000,000	376,024,854
Purchase of Certified Seeds, Breeding Stock and Live Animals	-	-
Research, Studies, Project Preparation, Design & Supervision	-	-
Rehabilitation of Civil Works	75,887,468	30,000,000
Acquisition of Strategic Stocks and commodities	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
Financial Assets		
Domestic Public Non-Financial Enterprises	-	-
Domestic Public Financial Institutions	-	-
Foreign financial Institutions operating Abroad	-	-
Other Foreign Enterprises	-	-
0 Foreign Payables - From Previous Years	-	-
Total	6,861,904,978	7,840,866,098



NOTES TO THE FINANCIAL STATEMENTS

15 OTHER EXPENSES

	2013 - 2014 Kshs	2012 - 2013 Kshs
Budget Reserves	-	-
Civil Contingency Reserves	-	-
Capital Transfers to Non Financial Public Enterprises	-	-
Capital Transfer to Public Financial Institutions and Enterprises	-	-
Capital Transfer to Private Non-Financial Enterprises	-	-
Other expenses(Domestic Loans)	5,465,000,000	4,307,770,264
Domestic Accounts	-	-
Total	5,465,000,000	4,307,770,264

16 Bank Accounts

Name of Bank, Account No. & currency	2013 - 2014 Kshs	2012 - 2013 Kshs
Central Bank of Kenya ,1000003634 kes	143,835,879	158,145,602
Central Bank of Kenya ,1000003138 kes	-	-
Central Bank of Kenya ,1000003677 kes	-	-
Central Bank of Kenya ,1000003162 kes	-	-
Central Bank of Kenya deposit account	232,852,190	290,532,381
	-	-
Total	376,688,069	448,677,983

17 Cash in hand

	2013 - 2014 Kshs	2012 - 2013 Kshs
Recurrent	2,086,948	159,821,031
Location 3	-	-
Other Locations (<i>specify</i>)	-	-
Total	2,086,948	159,821,031



NOTES TO THE FINANCIAL STATEMENTS

18 Outstanding Imprests

Name of Officer or Institution	Balance	Balance
Standing imprests		24,500
Salary advances	744,162	1,170,482
Temporary Imprests	1,331,044	772,959
Suspense general		22,453,752
Total	2,075,206	24,421,693

RECEIVABLES

	2013 - 2014 Kshs	2012 - 2013 Kshs
Miscellaneous items		
Exchequer Provisioning account balance	10,251,124,152	
District/Province account	309,086,605	172,680,668
Agency		
Total	10,560,210,757	172,680,668

PAYABLES

	2013 - 2014 Kshs	2012 - 2013 Kshs
GAV Provisioning account balance	10,723,922,476	2,890,376,044
Agency clearance	-	636,555
Others (specify)	-	
Total	10,723,922,476	2,891,012,599

19 BALANCES BROUGHT FORWARD

	2013 - 2014 Kshs	2012 - 2013 Kshs
Bank accounts	632,920,708	1,093,129,485
Cash in hand	-	
Cash equivalents (short-term deposits)	-	
Imprest	-	
Receivables	-	
Payables	-	
Total	632,920,708	1,093,129,485

DOMESTIC CURRENCY AND DOMESTIC

20 DEPOSITS	2013 - 2014 Kshs	2012 - 2013 Kshs
Deposits held in trust	232,852,190	290,532,381
	-	
	-	
Total	232,852,190	290,532,381

21 PRIOR YEAR ADJUSTMENT

	2013 - 2014 Kshs	2012 - 2013 Kshs
Bank accounts	1,567,838,117	1,355,075,925
Cash in hand	0	0
Cash equivalents (short-term deposits)	0	0
Imprest	0	0
Receivables	0	0
Payables	0	0
Total	1,567,838,117	1,355,075,925

