REPUBLIC OF KENYA

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NDATHI SECONDARY SCHOOL

FOR THE YEAR ENDED 30 JUNE, 2023

NYERI COUNTY

HARAMBEE

NDATHI SECONDARY SCHOOL

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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

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1. Acronyms and Glossary of Terms

BOM	Board of Management.
CEB	County Education Board.
IPSAS	International Public Sector Accounting Standards.
KCSE	Kenya Certificate of Secondary Education.
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board.
FY	Financial Year.
FDSE	Free Day Secondary School Education.
TSC	Teachers Service Commission.

2. Key School Information and Management

(a) Background information

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

The school was registered in January 1972 under registration number H/A/423/83 and is currently categorized as a County public school established, owned and operated by the Government.

The school is a boarding school and had 215 students as at 30th June 2023. It has seven (7) streams and 16 teachers of which 3 teachers are employed by the School's Board of Management.

(b) School Board of Management - Board Members

The School Board of Management established under Section 55 and 56 (1) of the Basic Education Act, 2013 is composed of the following members:

1	Paul Kamati Mwai	Chairman	26 March 2022
2	Joseph Maina Nyingi	Secretary-Principal	2023
3	Joseph Gathgea Ngunjiri	Member	26 March 2022
4	Peter Mugo Gikonyo	Member	26 March 2022
5	Geofrey Kariuki Gichohi	Member	26 March 2022
6	Shelmith Muthoni Mwangi	Member	26 March 2022
7	Ann Wanjuhi Njoroge	Member	26 March 2022
8	Ivy Kibera	Member – Rep CEB	26 March 2022
9	A. Chokera Githinji	Member Rep Teachers	26 March 2022
10	Daina Wanja Muchoki	Members - Sponsor	26 March 2022
11	Simon Ngunjiri Gathoni	Member - Community	26 March 2022
12	Stephen Githaiga Kinyua	Member Special Needs	26 March 2022
13	James Munyiri	Member	26 March 2022
14	Mwai Kabura	Rep Students	26 March 2022

The function of the School Board of Management include:

- Promote the best interests of the school and ensure its development;
- Promote quality education for all pupils in accordance with the standards set under the Basic Education Act, 2013;
- Ensure and assure the provision of proper and adequate facilities for the School;
- Manage the School's affairs in accordance with the rules and regulations governing occupational safety and health;
- Advise the County Education Board on the staffing needs of the School;
- Determine cases of pupils discipline and make reports to the CEB;
- Prepare comprehensive termly report on all areas of its mandate and submit the report to CEB;
- Administer and manage the resources of the school; and
- Receive, collect and account for any funds accruing to the institution in accordance with Article 226 (1) (a) of the Constitution of Kenya, Section 81 of the Public Finance Management Act, 2012 and the Fourth Schedule par. 21 and 23 of the Basic Education Act, 2013.

(c) Committees of the Board

1	Executive Committee	• Paul Kamati Mwai • Diana Wanja • Geofrey Karuki • Joseph M. Nyingi • Geofrey Gichohi	None
2	Audit Committee	• Peter Mugo Gikonyo • Simon Ngunjiri Gathoni • Diana Wanja	None
3	Finance,procurement and general purposes Committee	• Paul Kamati Mwai • Diana Wanja • Geofrey Karuki	None
4	Academic Committee	• James Munyiri • Alfaxard K. Chokera • Stephemn Mwangi Karinga • Diana Wanja Muchoki	None
5	Development Committee	• Simon Ngunjiri Gathoni • Mr . Nyingi J.M • Paul Kamati Mwai • Joseph Maina Nyingi • Peter Mugo Gikonyo	None
6	Discipline and welfare Committee	• Peter Mugo Gikonyo • Simon Ngunjiri Gathoni • James Munyiri • Shelmith Muthoni Mwangi	None

(d) School's Management

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

Ref:	Designation	Name	TSC Number
1	Principal	Joseph Maina Nyingi	333787
2	School Bursar	Francis Wachira Githu	

(e) Schools contacts

Post Office Box: 122- Kiganjo-10102
Telephone: 0799344810
E-mail: Ndathisec@gmail.com

(f) School Bankers

The school operated seven (7) bank accounts in the following banks:

1. **School Fund Account**
   Kenya Commercial Bank
   Branch: Nyeri
   Account Number: 1101922192
2. **Operations Account**
   Kenya Commercial Bank
   Branch: Nyeri
   Account Number: 1101935065
3. **Tuition Account**
   Kenya Commercial Bank
   Branch: Nyeri
   Account Number: 1101933321
4. **Infrastructure Account**
   Kenya Commercial Bank
   Branch: Nyeri
   Account Number: 1107540364
5. **Gratuity Account**
   Kenya Commercial Bank
   Branch: Nyeri
   Account Number: 1109933193
6. **Parent Association Development Account**
   Kenya Commercial Bank
   Branch: Nyeri
   Account Number: 1207784672
7. **Income Generating Activities**
   TAIFA SACCO
   Branch: Kimahuri
   Account Number: 1021300412

(g) Independent Auditors

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

3. Summary Report of Performance of The School

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

a) Financial performance:

The following is a summary report of the performance of the school for the last three (3) years.

S/NO	ACCOUNT	2023 Kshs	2022 Kshs	2021 Kshs
1	School Fund	(2,961,164)	(730,550)	354,292
2	Operations	(559,428)	(455,201)	519,714
3	Tuition	9,681	37,842	(9,507)
4	Infrastructure	299,880	(455,146)	(294,930)
5	Savings	0	(1,065)	(59,250)
6	Gratuity	13,401	1,378	-
7	Taifa Sacco	60,724	42,187	13,428
	Surplus/(Deficit)	**(3,136,906)**	**(1,560,554)**	**523,747**

- The school recorded a deficit of Kshs. 3,136,906 in 2023 compared to a deficit of Kshs. 1,560,554 in 2022.

Capitation grants from the Ministry of Education for the last three (3) years

ACCOUNTS	2023 Kshs	2022 Kshs	2021 Kshs
Tuition	359,666	808,653	383,354
Operations	1,575,263	3,554,177	2,404,069
Total	**1,934,929**	**4,362,830**	**2,787,423**

- Based on the capitation received and the student enrolment of 215 students in 2023 and 2022 respectively, the capitation per student declined to Kshs. 9,000 per student compared to Kshs. 20,292 in 2022.

b) Teacher Student ratio:

The school had an enrolment of 215 students and 16 teachers, resulting in a teacher–student ratio of 1:14. The teachers comprised thirteen (13) employed by the TSC and three (3) engaged by the BOM. During the period under review, two (2) teachers were posted to the school while one (1) retired.

c) Mean score in the 2022 KCSE:

The school mean score over the last three (3) years were as follows:

Year	Students Sitting KCSE	Mean Score	Mean Grade
2022	63	4.291	D+
2021	63	4.450	D+
2020	67	3.358	D

The school's mean score marginally declined from 4.45 in 2021 to 4.23 in 2022

d) Number of Candidates in the 2022 KCSE:

The number of students sitting for KCSE in 2021 and 2022 were 63 students respectively.

e) Capacity of the school:

The summary of the school facilities vis a vis the student population is as summarized below:

Facility	Dormitories	Dining hall	Laboratories	Toilets
No of Facilities	2	1	2	22
No. of Students	215	215	215	215
Ratio	**1:108**	**1:215**	**1:108**	**1:10**

f) Development projects carried out by the school:

Development projects carried out in the year, and ongoing projects are as follows:

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Furnishing Admin Block	Maintenance and Improvement Funds	Not started	472,000	0	2023

……………………………………………

School Principal

4. Statement of School Management Responsibility

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

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

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

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

....
Name: PAUL K. MWAI
Designation: Chairman, School Board of Management
Date: 23-3-2026

....
Name: PETER M. MURAGE
Designation: School Principal & Secretary to Board of Management
Date: 23-3-2026

....
Name: FRANCIS W. GITHUI
Designation: School Bursar
Date: 23/3/2026

REPUBLIC OF KENYA

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

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

PREAMBLE

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

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Ndathi Secondary School set out on pages 1 to 18, which comprise of the statement of assets and liabilities as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows and statement of budgeted versus actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Unsupported Cash and Cash Equivalents

The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.644,585 as disclosed in Note 10 and Note 11 to the financial statements. Included in the balance are four (4) bank accounts with account balances Kshs.13,537, Kshs.115,004, Kshs.4,083 and Kshs.394,671 respectively. However, the bank balances were not supported by cash books and bank reconciliation statements. Review of financial records revealed that the School is operating an account with Taifa SACCO, which is not a recognized bank account for holding public funds and there was no evidence of authorization from the Ministry of Education.

Further, review of the school fund/boarding account cashbook indicated that it was overdrawn, resulting in a closing negative cashbook balance of Kshs.79,882. This discrepancy suggests that the cashbook records were incomplete or inaccurate, as the bank statement reflected a positive balance of Kshs.33,912 rather than an overdraft. In addition, Note 9 to the financial statements reflects cash in hand balance of Kshs.136,776 which was not supported by Board of Survey reports. It was also noted that the cashbook for the tuition account was incomplete, with transactions recorded only up to February 2023.

In the circumstances, the accuracy, completeness, existence of cash and cash equivalents balance of Kshs.644,585 could not be confirmed.

2. Unsupported Accounts Receivable

The statement of assets and liabilities reflects accounts receivable balance of Kshs.12,860,510 as disclosed in Note 13 to the financial statements. However, the supporting schedules, detailed aging analysis and issued invoices were not provided for audit review.

In the circumstances, the accuracy and completeness of the accounts receivable balance of Kshs.12,860,510 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of budgeted versus actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.14,951,948 and Kshs.11,930,076 respectively, resulting in an under-funding of Kshs.3,021,872 or 20% of the budget. However, the School spent an amount of Kshs.15,366,861 against actual receipts amounting to Kshs.11,930,076, resulting in an over-utilization of Kshs.3,436,785 or 29% of actual receipts.

The under- funding affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Transfer of Funds to Kenya Secondary Schools Heads Association

The statement of receipts and payments reflects payments for operations and boarding and school fund payments amount of Kshs.2,134,691 and Kshs.12,882,186 as disclosed in Note 7 and Note 9 to the financial statements respectively. Included in the expenditure is an amount of Kshs.656,800 transferred to Kenya Secondary Schools Heads Association (KESSHA). However, KESSHA is a welfare organization that draws its membership from school principals only. The organization is not defined in Government funding system and there is no assurance that it has implemented effective, efficient, and transparent financial management and internal control systems to manage the funds transferred by schools.

In the circumstances, value for money transferred to KESSHA amounting to Kshs.656,800 could not be confirmed.

2. Under Funding of Capitation Grants

The statement of receipts and payments reflects capitation grants for tuition and capitation grants for operations of Kshs.359,666 and Kshs.1,575,263, respectively as disclosed in Note 1 and Note 2 to the financial statements. During the financial year, NEMIS reported a total number of one hundred and thirty-two (132) students while the enrolment records provided by the School indicated a total number of two hundred and fifteen (215) students, resulting in an unexplained variance of eighty-three (83) students. As a result of the variances, the school was under funded by an amount of Kshs.1,220,183 (83 *Kshs.14,702).

In the circumstances, the under-funding of the School may have affected service delivery to the public.

3. Unconfirmed Students Enrolment Data

The statement of receipts and payments reflects capitation grants for tuition, capitation grants for operations and infrastructure grants totalling Kshs.2,234,929. Comparison of data from National Education Management and information System (NEMIS) with records from the County Director of Education revealed that during the financial year 2022/2023, NEMIS reflected one hundred and thirty-two (132) students while records from the County Director of Education had two hundred and fifteen (215) students, resulting in an under-funding of the school by an amount of Kshs.1,220,183. This was contrary to the Ministry of Education Circular MOE.HQs/3/10/18/ Vol.II/ (33) dated 7 March, 2024 on implementation of Free Day Secondary Education (FDSE) which requires all learners be registered in NEMIS and the principals to ensure their records are accurate.

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

4. Excess Supply of Books

During the year under review (FY 2022/2023), the Ministry of Education distributed textbooks to public secondary schools through the Kenya Institute of Curriculum Development (KICD). Examination of records revealed that the Institute distributed two thousand four hundred (2,400) books to the school while only one thousand five hundred and ninety- seven (1,597) books were issued to the students resulting in an unexplained excess text books of eight hundred and three (803) in the school store. Further, some books issued in the financial year 2021/2022 were still lying in the store as they were no longer in use.

In the circumstances, value for money on the excess eight hundred and three (803) text books could not be confirmed.

5. Failure to Prepare School Improvement Plan

During the period under review, the School did not have an approved School Improvement Plan, contrary to Section 2.2 of the Ministry of Education Operation Manual for Utilization of Learner Capitation Grant and Other School Funds, which requires schools to identify in every three-year school improvement planning cycle, one priority area in each of the four key areas which include curriculum implementation, foundational literacy and numeracy outcomes, an enabling environment for learning and parental involvement and community engagement for implementation.

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

6. Failure to Transfer Infrastructure Funds from Operations Bank Account

The statement of receipts and payments reflects operations grants amount of Kshs.1,575,263 as disclosed in Note 2 to the financial statements from the Ministry of Education credited in the operations bank account. Included in the amount is

Kshs.525,000 in respect of infrastructure grants which were to be transferred to infrastructure bank account for maintenance and improvement of the school's facilities. However, only Kshs.300,000 was transferred on 30 July, 2022 to infrastructure account, leaving a balance of Kshs.225,000 as at 30 June, 2023. This was contrary to the Ministry of Education Circular Ref. No: MOE. HQS/3/10/18/(112) dated 15 November, 2022 which directed that infrastructure grants as well as maintenance and improvement funds should be transferred to the school infrastructure account fifteen (15) days upon receipt of the funds in the operations account.

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

7. Virement of Funds from Infrastructure Account

Review of the infrastructure bank statements revealed that Kshs.300,000 received for furnishing the administration block was irregularly transferred to the operations account, resulting in diversion of funds and non-implementation of the planned project. This was contrary to regulation 54 (1) of the Public Finance Management (National Government) regulations, 2015 which requires that except as provided for in the Act and these regulations, an Accounting Officer of an entity may not authorize payment to be made out of funds earmarked for specific activities for purposes other than those activities.

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

8. Irregularities in Procurement Processes

Review of the School's procurement processes revealed the following irregularities;

8.1 Unstructured Procurement Processes

During the year under review, the School did not adhere to established procurement procedures, as evidenced by the absence of a procurement plan, failure to advertise tenders, use of inappropriate procurement methods including reliance on direct procurement which circumvented competitive bidding, lack of key committees and supporting reports, including evaluation, inspection, and acceptance reports. Further, no market surveys were conducted. This was contrary to Section 44 (2) (d) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer shall ensure proper documentation of procurement proceedings and safe custody of all procurement records in accordance with the Act.

8.2 Lack of a Functional Procurement Unit

The School did not have an established procurement function managed by qualified procurement professional as required under Section 47(1) of the Public Procurement and Asset Disposal Act, 2015 and Regulation 33 of the Public Procurement and Asset Disposal Regulations, 2020. Procurement activities were undertaken by individuals lacking the requisite qualifications.

8.3 Lack of a Procurement Plan

The statement of receipts and payments reflects amounts of Kshs.12,230,076 and Kshs.15,366,982 in respect of total receipts and payments respectively. However, during the year Management did not prepare an Annual Procurement Plan as part of the annual budget preparation process. This was contrary to Regulation 40 of the Public Procurement and Asset Disposal Regulations, 2020 which states that 'a procuring entity prepare a procurement plan for each financial year as part of the annual budget preparation process'.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Internal Audit Function and Audit Committee

During the year under review, the School had not constituted an Audit Committee and an Internal Audit Unit as required by Regulation 166(1) and (2) of the Public Finance Management (National Government), 2015 which states that, the internal audit unit of a National Government entity to assess effectiveness of the school through an internal performance appraisal commenting on its effectiveness in the annual report to The National Treasury.

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

2. Weaknesses in the Board of Management

The School Board of Management (BOM) is constituted by thirteen (13) Members. However, letters of appointment for eleven (11) Board Members were not provided. Further, notice of meetings and attendance registers were not provided while the minutes of meetings attended had not been signed by BOM Secretary and the BOM Chairman.

In the circumstances, the effectiveness of the governance mechanism at the School could not be confirmed.

3. Weaknesses in Management of Assets

Annex 2 to the financial statements reflects a summary of the fixed assets register with a valuation of Kshs. 4,794,851, which includes land of an unknown value. However, land ownership documents were not provided. Further, Management did not provide an updated fixed assets register to support the reported assets. Also, several assets including class desks, laboratory worktops, dormitory beds, and school computers were not tagged for identification and control purposes.

In the circumstances, the existence of effective measures in the management of assets could not be confirmed.

4. Long Outstanding Receivables

The statement of assets and liabilities reflects accounts receivable balance of Kshs.12,860,510 in respect of fees arrears as disclosed in Note 13 to the financial statements. Included in the balance is accounts receivable balance of Kshs.11,199,416 which had been outstanding for more than two (2) years. However, there was no policy on the impairment of long outstanding fees arrears casting doubt on full recoverability of the accounts receivables balance.

In the circumstances, the existence of effective mechanisms for debt management could not be confirmed.

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

Responsibilities of the Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 April, 2026

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

Receipts			
Government grants for tuition	1	359,666	808,653
Government grants for operations	2	1,575,263	3,554,177
Government Grants for infrastructure	3	300,000	958,541
School fund income- parents' contributions	4	9,921,022	13,163,763
Miscellaneous incomes	5	74,125	45,172
Total Receipts		**12,230,076**	**18,530,307**
Payments			
Tuition	6	(349,984)	(770,811)
Operations	7	(2,134,691)	(4,009,378)
Infrastructure	8	(120)	(1,413,686)
Boarding and school fund	9	(12,882,186)	(13,896,985)
Total Payments		**(15,366,982)**	**(20,090,860)**
Surplus/Deficit)		**(3,136,906)**	**(1,560,554)**

The school financial statements were approved on 29/9/ 2023 and signed by:

Paul Kamati Mwai
Chairman, BoM

Date: 23-3-2026

Peter Murage
School Principal/Secretary to BoM

Date: 23-3-2026

Francis Wachiar
School Bursar

Date: 23-3-2026

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

Financial Assets			
Cash and cash equivalents			
Bank balances	10	507,809	1,537,599
Cash balances	11	136,776	55,655
Short term investments	12	-	-
Total cash and cash equivalent		**644,585**	**1,593,254**
Account's receivables	13	12,860,510	13,909,743
Total financial assets		**13,505,095**	**15,502,997**
Financial liabilities			
Accounts payables	14	2,802,717	1,663,713
Net financial assets		**10,702,378**	**13,839,284**
Represented by			
Accumulated fund b/fwd	15	13,839,284	15,399,837
Surplus/deficit for the year		(3,136,906)	(1,560,554)
Net financial position		**10,702,378**	**13,839,284**

The school's financial statements were approved on 29/9/ 2023 and signed by:

Paul Kamati Mwai *Chairman, BoM*	**Peter Murage** **School Principal/Secretary to BoM**	**Francis Wachiar** **School Bursar**
Date: 23/3-2026	Date: 23-3-2026	Date: 23-3-2026

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

Cash from Operating Activities			
Receipts			
Government grants for tuition		359,666	808,653
Government grants for operations		1,575,263	3,554,177
Government grants for infrastructure		300,000	958,541
School fund income- parents contributions/ fees		10,970,256	12,221,070
Other income		74,125	45,172
Total receipts		**13,279,310**	**17,587,614**
Payments			
Cash outflows for tuition		(349,984)	(770,811)
Cash outflows for operations		(2,134,692)	(3,633,311)
Cash outflows for Infrastructure		(120)	(1,413,686)
Cash outflows Boarding/lunch and school fund payments		(11,743,182)	(12,609,339)
Total payments		**(14,227,979)**	**(18,427,147)**
Net cash inflow/outflow from operating activities		(948,669)	(839,534)
Cash flow from investing activities			
Acquisition of assets		-	-
Proceeds from sale of Assets		-	-
Proceeds from investments		-	-
Purchase of investments		-	-
Net cash inflow/outflows from investing activities		-	-
Cash flow from Financing activities			
Proceeds from borrowings/ loans	18	-	-
Repayment of principal borrowings		-	-
Net cash inflow/outflow from financing activities		-	-
Net increase/decrease in cash and cash equivalents		(948,669)	(839,534)
Cash and cash equivalent at beginning of the FY		1,593,254	2,432,788
Cash and cash equivalent at end of the FY		**644,585**	**1,593,254**

Notes

- The presentation of cash flow statement uses the direct method which is encouraged under IPSAS and recommended by the Public Sector Accounting Standards Board (PSASB).

- The statement of receipts and payments indicates School fund income- Parents fees of Kshs. 9,921,022. However, the figure includes decrease in receivables of Kshs. 1,049,233 and cash recei of Kshs. 10,970,256. The cash receipts have been recognized in the statement of cash flows.
- The statement of receipts and payments indicates Boarding and school fund payments of Kshs. 12,882,186 comprising increase in payables of Kshs. 1,139,004 and cash payments of Kshs. 11,743,182. The cash payments have been included in the statement of cash flows.

The school's financial statements were approved on 29/9/ 2023 and signed by:

Paul Kamati Mwai *Chairman, BoM*	**Peter Murage** **School Principal/Secretary** to BoM	**Francis Wachira** **School Bursar**
Date: 23-3-2026	**Date:** 23-3-2026	**Date:** 23-3-2026

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

[illegible]	Original Budget a Kshs	[illegible]	[illegible]	[illegible] c Kshs	[illegible]
Receipts					
(1) Capitation Grant on Tuition					
Textbooks and reference materials	-	-	-	-	-
Exercise books	-	-	-	-	-
Laboratory equipment	-	-	-	-	-
Teaching / learning materials	878,528	-	878,528	359,666	41%
Chalks	-	-	-	-	-
Exams and assessment	-	-	-	-	-
Teachers guides	-	-	-	-	-
Sub-Total	**878,528**	-	**878,528**	**359,666**	**41%**
(2) Capitation Grant on Operations					
Personnel emoluments	1,225,360		1,225,360	449,573	37%
Repairs and maintenance	1,060,000		1,060,000	525,000	50%
Local transport / travelling	171,720		171,720	47,600	28%
Electricity and water	424,000		424,000	213,600	50%
Medical	424,000		424,000	28,000	7%
Administration costs	171,720		171,720	236,152	138%
Activity	318,000		318,000	75,338	24%
Gratuity	-		-	-	0%
SMASSE	42,400		42,400	-	0%

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

	Original Budget Kshs	Adjustments Kshs	Final Budget Kshs	Actual On Comparable Basis Kshs	% Of Utilisation Kshs
Sub-Total	3,837,200	-	3,837,200	1,575,263	41%
(3) Fees Charged on Parents					
Personnel emoluments	1,154,123	-	1,154,123	1,199,285	104%
Repairs and maintenance	471,070	-	471,070	489,504	104%
Local transport / travelling	706,606	-	706,606	734,256	104%
Electricity and water	471,070	-	471,070	489,504	104%
Medical	-	-	-	-	0%
Administration costs	706,606	-	706,606	734,256	104%
Activity	58,884	-	58,884	61,188	104%
SMASSE	-	-	-	-	0%
Fee on Boarding Equipment and Stores	5,979,061	-	5,979,061	6,213,029	104%
Sub-Total	**9,547,420**	-	9,547,420	**9,921,022**	**104%**
4) Miscellaneous Income	-				
Rent income	49,200		49,200	-	0%
Income from farming activities	639,600		639,600	60,724	9%
Interest Income	-	-	-	13,401	>100%
Sub-Total	**688,800**	-	**688,800**	**74,125**	**11%**
Total Income	**14,951,948**	-	**14,951,948**	**11,930,076**	**80%**
(5) Expenditure For Tuition					
Textbooks and reference materials	-	-	-	-	0%
Exercise books	-	-	-	144,000	>100%
Laboratory equipment	-	-	-	85,000	>100%
Internal exams	-	-	-	-	0%

Teaching / learning materials	878,528	-	878,528	120,000	14%
Chalks	-	-	-	-	0%
Exams and assessment	-	-	-	-	0%
Teachers guides	-	-	-	-	0%
Administration costs	-	-	-	-	0%
Bank Charges	-	-	-	984	>100%
Sub-total	**878,528**	-	**878,528**	**349,984**	**40%**
(6) Expenditure For Operations					
Personnel emoluments	1,225,360		1,225,360	1,045,157	85%
Repairs and maintenance	1,060,000		1,060,000	300,000	28%
Local transport / travelling	171,720		171,720	43,500	25%
Electricity and water	424,000		424,000	79,050	19%
Medical	424,000		424,000	1,780	0%
Administration costs	171,720		171,720	478,824	279%
Activity	318,000		318,000	186,380	59%
Gratuity	-		-	-	0%
SMASSE	42,400		42,400	-	0%
Sub-total	**3,837,200**	-	**3,837,200**	**2,134,691**	**56%**
(7) Expenditure For school fund/lunch/boarding					
Personnel emoluments	1,154,123	-	1,154,123	1,511,299	131%
Repairs and maintenance	471,070	-	471,070	329,085	70%
Local transport / travelling	706,606	-	706,606	641,435	91%

	Original Budget a Kshs	Adjustments b Kshs	Final Budget c=(a+b) Kshs	Actual on Comparable Basis d Kshs	% Of Utilization e=d/c % Kshs
Electricity and water	471,070	-	471,070	720,998	153%
Medical	-	-	-	2,200	>100%
Administration costs	706,606	-	706,606	1,136,712	161%
Activity	58,884	-	58,884	526,380	894%
Bank Charges	-	-	-	1,334	>100%
Fee on Boarding Equipment and Stores	5,979,061	-	5,979,061	6,513,928	109%
Rent income	49,200		49,200	-	0%
Farming activities	639,600		639,600	-	0%
Insurance Costs	-	-	-	386,308	>100%
BOM Teacher	-	-	-	376,067	>100%
Acquisition of Assets	-	-	-	65,320	>100%
Uniform Paid	-	-	-	671,120	>100%
Sub-total	**10,236,220**	-	**10,236,220**	**12,882,186**	**126%**
Total Payments	**14,951,948**	-	**14,951,948**	**15,366,861**	**103%**

Notes

- Statement of Comparison budget versus actual prepared on cash basis.
- The budget is based on student enrollment target of 212 students and annual capitation per student of Kshs.22,244 and parent fees of Kshs. 40,535.
- Budgeted revenue was Kshs. 14,951,948 that was financed by Kshs. 11,930,076 resulting to 80% financing.
- Budgeted payments amounted to Kshs. 14,951,948 while actual payments amounted to Kshs. 15,366,861resulting to an absorption rate of 103%.

10. Significant Accounting Policies

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

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board ofiKenya.

This cash basis of accounting has been supplemented with accounting for; a) receivables that include school fees from parents, imprest, salary advances and other receivables and b) payables that include deposits and retentions and payables from operations.

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

2. Recognition of receipts and payments

The school recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the school. In addition, the school recognises all expenses when the event occurs, and the related cash has actually been paid out by the school. Income arising from school fees is recognised when the event occurs whether cash is received or not. Expenditure arising from operations is recognised when the event occurs irrespective of receipt of cash.

3. In-kind contributions

In-kind contributions are donations that are made to the school in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the school includes such value in the statement of receipts and payments both as a receipt and as a payment in equal and opposite amounts; otherwise, the contribution is not recorded.

4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various financial institutions at the end of the financial year.

5. **Accounts Receivable**
For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. Accounts receivables also include school fees billed to parents for services rendered but not paid. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

6. **Accounts Payable**
For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. Payables also include expenditure incurred for the purchase of goods, works and services that has been rendered and not settled. This is an enhancement to the cash accounting policy adopted for public secondary schools. Other liabilities are disclosed in the financial statements.

7. **Non-current assets**
Non-current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the school fixed asset register a summary of which is provided as a memorandum to these financial statements.

8. **Budget**
The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The school's budget was approved by the School Board of Management. A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

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

10. **Subsequent events**
There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2023.

11. Notes To The Financial Statements

1 Government Grants for Tuition

	2022-2023 Kshs	2021-2022 Kshs
Textbooks	-	-
Exercise books	-	284,340
Laboratory equipments and apparatus	-	150,000
Teaching/learning materials	359,666	374,313
chalks	-	-
Internal exams	-	-
Reference books	-	-
Total	**359,666**	**808,653**

2 Government Grants for Operations

	2022-2023 Kshs	2021-2022 Kshs
Personnel emoluments	449,573	1,061,200
Repairs and maintenance	525,000	1,223,500
Local transport / travelling	47,600	342,600
Electricity and water	213,600	381,000
Medical	28,000	45,800
Administration costs	236,152	500,077
Activity	75,338	-
Total	**1,575,263**	**3,554,177**

3 Government Grants for infrastructure

	2022-2023 Kshs	2021-2022 Kshs
Maintenance & Improvement	300,000	958,541
Economic stimulus grants	-	-
Total	**300,000**	**958,541**

Notes to the Financial Statements (continued)

4 School Fund Income - Parents Contribution/Fees

Fee'on Boarding Equipment and Stores	6,213,029	8,243,792
Repairs and maintenance	489,504	649,501
Local transport / travelling	734,256	974,252
Administration	734,256	974,252
Electricity, Water and Conservancy	489,504	649,501
Personnel emoluments	1,199,285	1,591,278
Activity	61,188	81,188
Total	**9,921,022**	**13,163,763**

5 Miscellaneous Incomes

Rent Income	-	-
Income From Farming Activities	60,724	43,294
Interest Income	13,401	1,878
Total	**74,125**	**45,172**

6 Tuition

Text books	-	14,400
Exercise books	144,000	300,000
Laboratory equipments and apparatus	85,000	322,650
Teaching/learning materials	120,000	131,724
chalks	-	-
Internal exams	-	-
Creditors	-	-
Bank charges	984	2,037
Exam and Assessment	-	-
Total	**349,984**	**770,811**

Notes to the Financial Statements (continued)

7 Operations

	[illegible]	[illegible]
Personal Emoluments	1,045,157	1,435,187
Activity	186,380	259,780
Administration Cost	478,824	594,311
Repairs and maintenance & improvements	300,000	958,541
Local transport / travelling	43,500	454,000
Electricity and water	79,050	203,700
Medical/Insurance	1,780	103,860
Total	**2,134,691**	**4,009,378**

8 Infrastructure

	[illegible]	[illegible]
Construction of dormitory	-	1,410,581
Bank Charges	120	3,105
Total	**120**	**1,413,686**

9 Boarding And School Fund

	2022-2023 [illegible]	2021-2022 [illegible]
Personnel emoluments	1,511,299	1,326,051
Service Gratuity	-	-
Repairs and maintenance & Improvements	329,085	716,740
Local transport / travelling	641,435	535,360
Electricity and water	720,998	275,550
Medical Expenses	2,200	6,710
Administration costs	1,136,712	1,550,142
Lunch Programme	-	-
Bank Charges	1,334	2,672
Expenses on Income Generating Activities	-	-
Fee on Boarding Equipment and Stores	6,513,928	8,669,302

Rent Expenses	-	-
Insurance Cost (Bus)	386,308	113,258
BOM Teacher	376,067	612,000
Activity	526,380	89,200
Acquisition of Assets	65,320	-
Harambee	-	-
School Fund	-	-
Uniform Paid	671,120	-
Total	**12,882,186**	**13,896,985**

10 Bank Accounts

Tuition Account	Active	1101933321	54,369	44,688
Operations Account	Active	1101935065	6,027	265,465
School Fund Account/Boarding	Active	1101922192	(79,882)	587,501
Savings Account	Active	1207784672	13,537	198,857
Income generating activities Account - Taifa Sacco	Active	1021300412	115,004	55,615
Infrastructural Account	Active	1107540364	4,083	4,203
Gratuity	Active	1109933193	394,671	381,270
Total			**507,809**	**1,537,599**

11 Cash In Hand

Operation Account	43	33
School Fund account	136,733	55,622
Total	**136,776**	**55,655**

Notes to the Financial Statements (continued)

12 Short Term Investments

	2022-2023	2021-2022
Cooperative Shares	-	-
Treasury Bills	-	-
Fixed Deposit accounts	-	-
Other Investments	-	-
Total	-	-

13 Accounts Receivable

		2021-2022
Fees Arrears	12,860,510	13,909,743
Rent arrears (list/schedule attached)	-	-
Total	**12,860,510**	**13,909,743**

13 b Ageing Analysis of Accounts Receivable

	2022-2023		2021-2022	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	802,895	6%	858,199	6%
Between 1- 2 years	858,199	7%	554,685	4%
Over 2 Years	11,199,416	87%	12,496,859	90%
Total (should tie to note 13 a)	12,860,510	100%	13,909,743	100%

14 Accounts Payable

Trade creditors (See ageing below)	2,333,060	1,114,156
Prepaid fees	93,590	173,490
Gratuity	376,067	376,067
Total	**2,802,717**	**1,663,713**

Notes to the Financial Statements (continued)

14a. Ageing Analysis of Accounts Payable

	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	2,333,060	100%	1,114,156	100%
Between 1- 2 years	-	0%	-	0%
Between 2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
Total (should tie to note 14)	**2,333,060**	**100%**	**1,114,156**	**100%**

15 Fund Balance Brought Forward

Bank Balances	1,537,599	2,335,035
Cash Balances	55,655	97,752
Short Term Investments	-	-
Receivables	13,909,743	12,967,050
Payables	(1,663,713)	-
Total	**13,839,284**	**15,399,837**

Other important disclosure notes

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

16 Non-current Liabilities Summary

Bank Loans	-	-
Outstanding Leases	-	-
Others (specify)	-	-
Total	-	-

17 Biological assets

Cattle	12	-	-
Goats		-	-
Trees		-	-
Coffee Or Tea Plantation		-	-
Poultry		-	-
Others (specify)		-	-
Total		-	-

- In the financial year ended 30 June 2023, the school had 12 cattle whose value was not determined as the cattle had not been valued.

18 Borrowings

Borrowings at beginning of the year	-	-
Borrowings during the year	-	-
Repayments during the year	-	-
Balance at the end of the year	-	-

19 Stock/ Inventory

Food stuffs	94,700	-
Lab consumables	18,540	-
Farm produce	1,540	-
Medication	-	-
Construction Materials	-	-
Others (specify)	-	-
Total	**235,300**	-

20 Progress On Follow Up of Auditor Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Sign and Date
Principal

12. Annexes

Annex I - Analysis of Pending Accounts Payable

Supplier [illegible]	Original Amount Kshs	[illegible]	[illegible]	[illegible]	[illegible] Kshs	[illegible]
Construction Of Buildings						
1.						
2.						
3.						
Sub-Total						
Supply Of Goods						
4.						
5.						
Sub-Total						
Supply Of Services						
6.						
7.						
8.						
Sub-Total						
Grand Total						

Annex 2 – Summary of Fixed Assets Register

Asset Class	Historical Cost b/f (Kshs) 1st July 2022	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 30th June 2023
Land 1 (Approximately 17 Acres)	-	-	-	-
Buildings and structures	2,294,851	-	-	2,294,851
Motor vehicles – School Bus	2,500,000	-	-	2,500,000
Office equipment, furniture and fittings	-	-	-	-
ICT Equipment, and Other ICT Assets	-	-	-	-
Tools and apparatus	-	-	-	-
Textbooks	-	-	-	-
Other Machinery and Equipment	-	-	-	-
Heritage and cultural assets	-	-	-	-
Intangible assets- soft ware	-	-	-	-
Total	**4,794,851**	-	-	**4,794,851**

Notes

- The school holds assets including land, buildings. office computers, furniture, and textbooks. However, their values could not be determined due to the absence of a formal asset valuation.