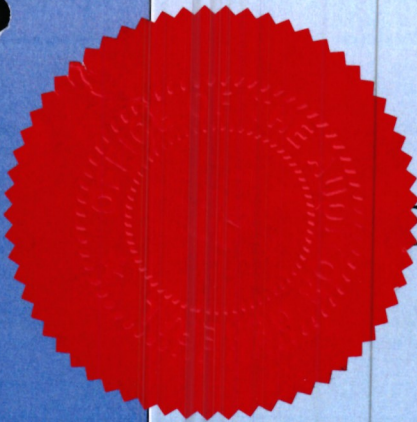


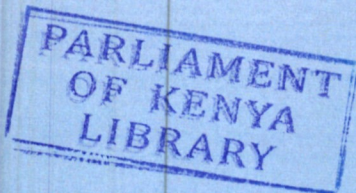
REPUBLIC OF KENYA



*Paper laid by the
Hon Adu Duale
mail
Thursday 20.6.2018*



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
THE MINISTRY OF EDUCATION, SCIENCE
AND TECHNOLOGY - STATE DEPARTMENT
OF BASIC EDUCATION**

**FOR THE YEAR ENDED
30 JUNE 2017**



**MINISTRY OF EDUCATION
STATE DEPARTMENT OF BASIC EDUCATION**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Ministry of Education was renamed through Presidential Executive Order No. 1/2016 of May 2016, on organization of the Government of the Republic of Kenya where the Ministry of Education created three State Departments namely; Basic Education, Vocational and Technical Training, and University Education. The three State Departments are headed by respective Principal Secretaries.

The Ministry is headed by the Cabinet Secretary for Ministry of Education, Fred O. Matiang'i, PhD, EGH who is responsible for the general policy and strategic direction of the entity.

The State Departments under Ministry of Education are outlined below;

- (i) The State Department of Basic Education whose Principal Secretary is Dr. Belio R. Kipsang, CBS
- (ii) The State Department for Vocational and Technical Training headed by Dr. Dinah J. C. Mwinzi, CBS
- (iii) The State Department for University Education administered by Prof. Collette A. Suda, PhD, FKNAS, CBS,

The accompanying financial statements constitute the financial statements for the State Department for Basic Education.

The vision, mission, core values and core function of the **State Department of Basic Education** under **Ministry of Education** include:

Vision

A globally competitive education and training system

Mission

To provide, promote and co-ordinate lifelong, inclusive, quality and relevant education and training to the Kenyan population in readiness for their active participation in nation building and international competitiveness.

Mandate

The mandate of the sub sector is to facilitate implementation of the provisions of the Constitution on the delivery of education to the Kenyan people and respond to the demands of the Kenya Vision 2030 in respect of lifelong education and life skills. In so doing, the sub

sector is mandated to develop policies and strategies to address internal inefficiencies in the education system; improve financial management and accountability; and to make education in the country more inclusive, relevant and competitive regionally and internationally.

Core Values

Access and equity - Every Kenyan has a right to access quality and relevant education and training. The State Department shall therefore create an enabling environment, opportunities and mechanisms to provide pathways to those seeking to pursue quality education at all levels.

Inclusivity and respect for cultural and social diversity- National values shall be respected and promoted in all Education institutions and this includes principles that pay attention to the people with disability and respect human dignity while ensuring equity, equality and protection of marginalized learners.

Non-discrimination - There shall be no discrimination on grounds of race, colour, gender, religion, national or social origin, economic status, political or other opinions.

Quality and Relevance - Emphasis shall be placed on demand driven and outcome based education.

Life-long Learning - The education programmes will be designed to operate within a framework of open-ended and flexible structures in the context of lifelong education and training.

Entrepreneurship Culture—Education examination and competence assessment shall be centred on promoting and developing innovation, creativity and entrepreneurial minds for self-reliance.

Partnerships -Creating and promoting an enabling environment for Public-Private Partnerships for enhancing investment in delivery of education.

Information and Communication Technology- Promoting integration of information and communication technology

Core Functions

The core functions of the State Department of Basic Education include:

- a) Education Policy Management;
- b) Management of Continuing Education;
- c) Administration of Early Childhood Education,
- d) Education Standards and Norms;
- e) Management of Education Standards;
- f) Management of National Examinations and Certification;
- g) Curriculum Development;
- h) Quality Assurance in Education;
- i) Primary and Secondary Education Institutions Management;
- j) Teacher Education and Management;
- k) School Administration and Programme;
- l) Registration of Basic Education and Training Institutions;
- m) Special Needs Education Management;

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- n) Representation of Kenya in UNESCO;
- o) Adult Education Management

(b) Key Management

The State Department's day –to-day management is under the following key organs:

- i) The Ministry is headed by the Cabinet Secretary, Dr. Fred Matiang'i. As the Cabinet Secretary he guides the overall policy direction of the Ministry. The Cabinet Secretary, in carrying out the Basic Education mandate is assisted by the Principal Secretary in charge of Basic Education.
- ii) The Principal Secretary oversees the management of the State Department. He is also the administrative head of the State Department. To manage the State Department the Principal Secretary is supported by a team of technical directors and support heads of departments.
- iii) The Management of the Ministry is structured into eleven (11) technical directorates and various administrative and support departments. The technical directorates include: Primary Education; Secondary Education; Field Coordination and Co-Curriculum Activities; Early Childhood Education; School Audit; Policy, Partnerships and EAC Affairs; Projects Coordination and Delivery; Adult and Continuing Education; Teacher Education; Quality Assurance and Standards and Special Needs Education.

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Cabinet Secretary, Ministry of Education	Dr. Fred O. Matiang'i, PhD, EGH
2.	Principal Secretary, State Department Basic Education	Dr. Belio R. Kipsang, CBS
3.	Director, Administration	Janet W. Mucheru
4.	Director, Primary Education	Abdi Sheikh Habat
5.	Director, Secondary Education	Robert M. Masese
6.	Director, Field Coordination and Co-Curriculum Activities	Charles C. Mwita
7.	Senior Chief Finance Officer	Ben Khadiagala
8.	Director, Early Childhood Education	Dr. Hellen K. Kimathi
9.	Director, School Audit	Victoria G. Angwenyi
10.	Director, Policy, Partnerships & EAC	Darius M. Ogutu
11.	Director, Human Resource Mngt & Dev.	Andrew A. Nyanhoga
12.	Director, Adult and Continuing Education	Irreuous N. Kinara
13.	National Council for Nomadic Education	Harun Mohammed Yussuf
14.	Director, Teacher Education	Milton M. Mokah
15.	Director, Quality Assurance and Standards	Pius K. Mutisya

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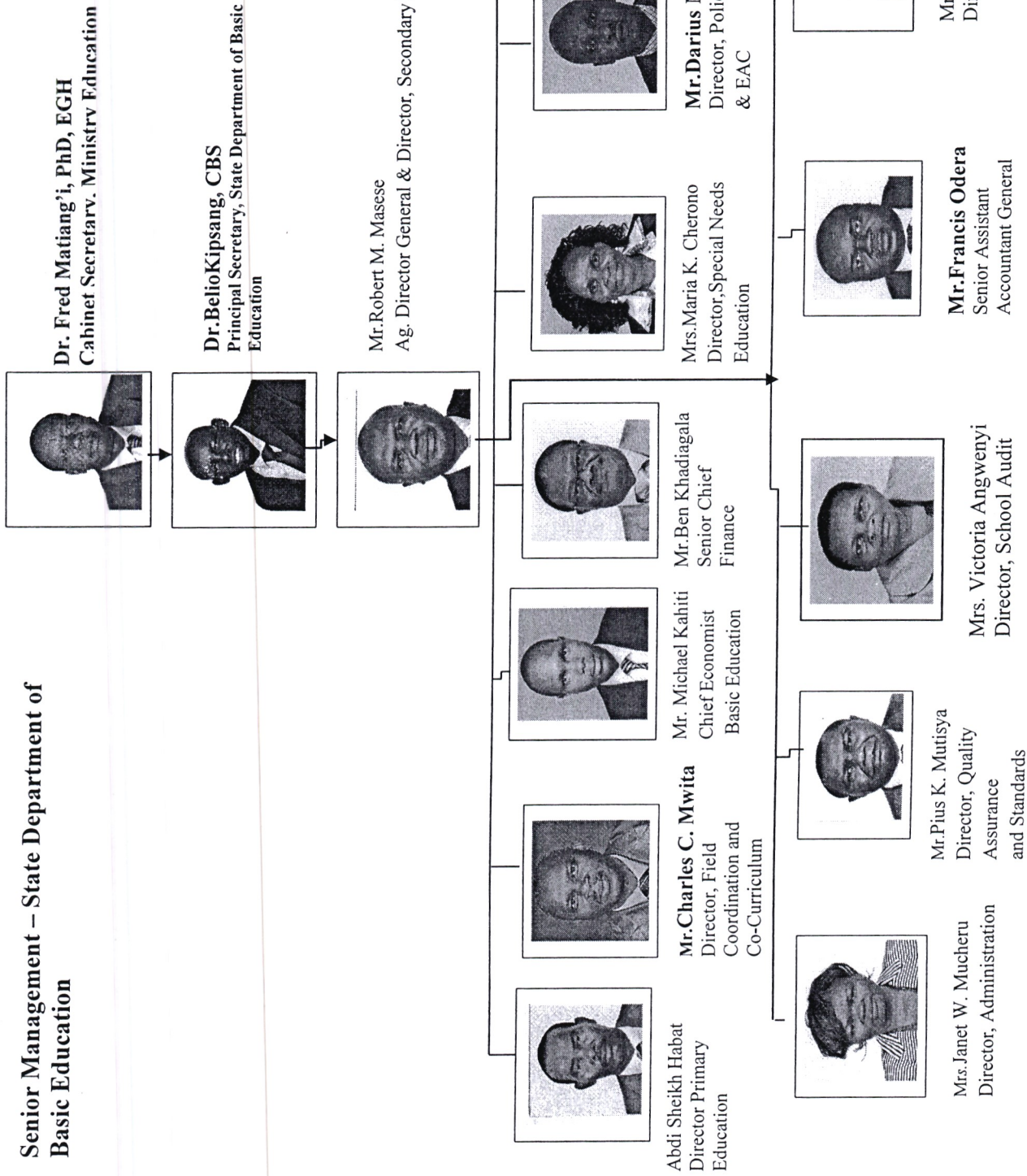
16.	Director, Special Needs Education	Maria K. Cheronno
17.	Chief Economist	Michael M. Kahiti
18.	Senior Assistant Accountant General	Francis O Odera
19.	Head, Supply Chain Management Services	Ruth Mungai

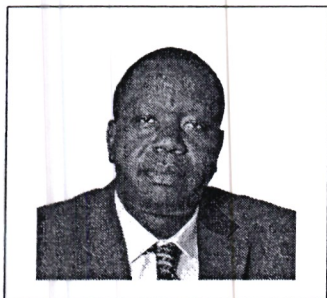
STATE DEPARTMENT FOR BASIC EDUCATION

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Senior Management – State Department of Basic Education





**Dr. Fred Matiang'i, PhD,
EGH
Cabinet Secretary,
Ministry of Education**

**Cabinet Secretary
Dr. Fred O. Matiang'i**

Dr. Fred Okengo Matiang'i is the Cabinet Secretary, Ministry of Education.

Before his appointment, Dr. Matiang'i was the Centre of Internal Development, Rockefeller College of Public Affairs and Policy, the State University of New York SUNY/CID Liaison in East Africa. He formerly served as Chief of Party for Kenya's Parliamentary Strengthening Program.

Dr. Matiang'i held research and program implementation positions in various civil society organization in Kenya and conducted research and training for the Commonwealth Parliamentary Association, the parliaments of Ethiopia, Uganda, and the East African Legislative Assembly. He has also been a columnist for the Daily Nation, Kenya's leading newspaper, and has consulted extensively with USAID, the Canadian Development Agency (CIDA), the World Bank, and Transparency International.

He taught at Egerton University and the University of Nairobi.

Dr. Matiang'i education includes a Ph.D. in communication and comparative literature from the University of Nairobi, and a B.A. in education from Kenyatta University. He speaks Swahili, English, and has a working knowledge of French.

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Dr. Belio R. Kipsang, CBS
Principal Secretary
State Department, Basic Education

Dr. Belio R. Kipsang is currently the Principal Secretary, State Department of Basic Education. He previously served as Managing Trustee/Chief Executive Officer (CEO) Coffee Development Fund and; Deputy CEO and Head of Operations Higher Education Loans Board where he also previously held various Strategic Management positions. Dr. Richard Belio Kipsang is a holder of PhD degree in Education (Educational Administration and Planning from The Catholic University of Eastern Africa, a Masters of Arts degree in Economics and a Bachelors (Honours) degree in Education (Business and Economics) both from the University of Nairobi. He has had extensive professional trainings and commands numerous expose to local and international conferences and workshops in areas of education financing and administration, leadership, management, micro-enterprise development, fraud, corruption and combating economic crime, agricultural value chain financing, computing and other areas of business and management among others particularly in prestigious institutions such as the London School of Economics (LSE) in the UK, Harvard University in the USA, State University of New York in the USA, among other institutions in Kenya, Germany, Belgium, Sweden, Denmark, Thailand among others. He is a member of Institute of Directors of Kenya.

(d) Fiduciary Oversight Arrangements

(i) Human Resources Management Advisory Committee Activities

Their duties include:

- Review of promotions of officers in Job Group A-P
- Review of confirmations in appointment
- Review of disciplinary matters
- Review of re-designation of officers from one cadre to another and
- Confirmation of surcharge of officers found to have misused government resources
- Overall coordination of the training functions in the State Department
- Review and implementation of the State Department training plan
- Review of induction of newly appointed officers and activities around long term training

(ii) The Budget Implementation Committee

Their duties include:

- To review and consider the cash flow plans. this shall involve regular review of the Ministerial cash plan and approval of an changes to the initial cash flow plan to be communicated to the National Treasury.
- To review the utilization of donor funds voted for the State Department
- To advice Accounting Officer on any Challenges related to the budget implementation.
- To review and recommend reallocation of expenditures.
- To review and approve the submission of the expenditure returns, IPPD, Pending bills and A-I-A returns and recommend actions to be taken.
- To prepare budgets in consultation with Heads of Directorates/Departments.

(e) Entity Headquarters

State Department for Basic Education

P.O. Box 9583 - 00200

Jogoo House "B"

Harambee Avenue

Nairobi, Kenya

Entity Contacts

Telephone: +254-020-3318581

Email: ps@education.go.ke

Website: www.education.go.ke

(f) Entity Bankers

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

(g) Independent Auditors

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

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

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

During the 2016/17 FY the Ministry implemented 8 programmes which included: Primary Education; Secondary Education; Quality Assurance and Standards; University Education, Technical Vocational Education and Training (TVET); Research, Science Technology and Innovations; Youth Training and Development; and General Administration, Planning and Support Services.

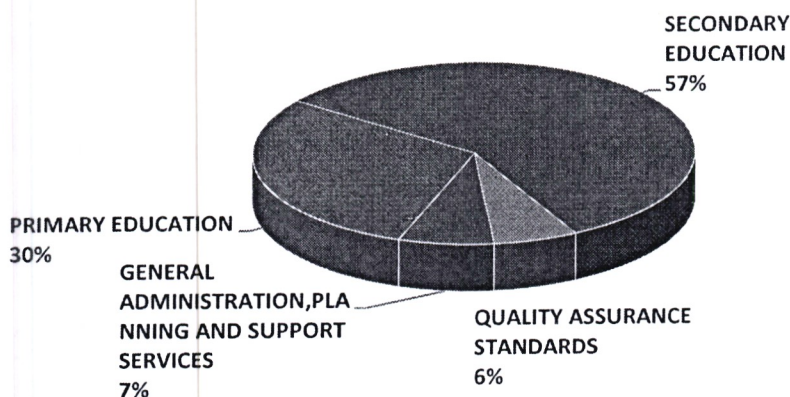
During the 2016/17 FY the Government allocated Ksh69.54billion to the State Department of Basic Education, of which kshs.56.7 billion was allocated under Recurrent vote and kshs.12.84 billion was allocated under Development vote. The Ministry’s budget performance based on economic classification in the FY under review is provided in the attached Financial Statement.

Performance of Programs in the State Department of Basic Education

Provision of quality basic education has been a priority of the Kenya Government since independence, as stipulated in relevant policy documents, including Kenya Vision 2030, Constitution of Kenya, 2010 and the Basic Education Act, 2013.

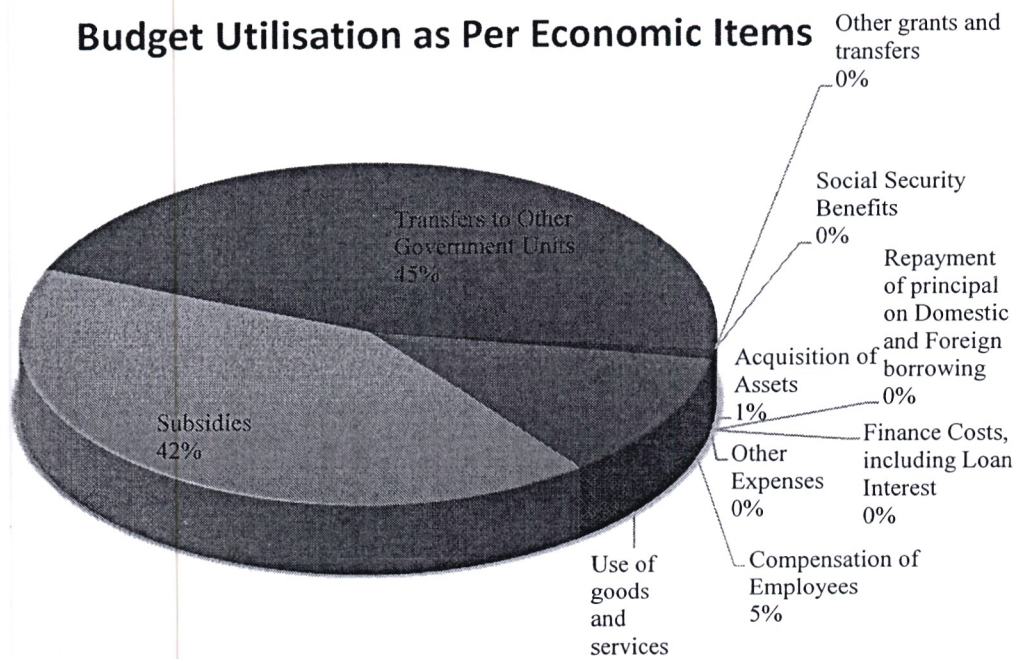
The State Department has prioritized the pre-primary level of education. An Early Childhood Development Education (ECDE) Policy was developed and finalized in 2016/17 financial year. Collaboration with the County Governments has greatly improved and investment in the sub-sector has substantially increased. The growth in the sub-sector is demonstrated by the achievements detailed hereunder.

BUDGET ALLOCATION BY PROGRAMMES



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Budget Utilisation as Per Economic Items



Access to pre-primary education (ECDE) continued to grow with an increased enrolment from 3.020 million (1.476 million boys and 1.543 million girls) in 2014 to 3.168 million (1.607 million boys and 1.561 million girls) in 2015 to 3.199 million (2.144 million boys and 1.055 million girls) in 2016. The Gross enrolment increased from 73.6%, to 76.4% to 76.6% in 2014, 2015 and 2016 respectively. The corresponding net coverage increased from 70.4% in 2014 to 74.6% in 2015 to 74.9% in 2016. The number of Early Childhood Development Centres grew from 40,219 (24,768 Public and 15,451 Private) in 2014 to 40,775 (24,862 Public and 15,913 Private) in 2015. The number of Centres increased to 41,248 (25,175 Public and 16,073 Private) in 2016. The number of trained teachers for ECDE increased from 88,154 (13,968 males and

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74,186 females) in 2014 to 92,906 (14,721 males and 78,185 females) in 2015 increasing further to 97,717 (15,366 males and 82,351 females) in 2016.

In Primary, enrolment continued to grow from 9.951million (5.053million boys and 4.899 million girls) in 2014 to 10.091 million (5.128 million boys and 4.963 million girls) in 2015 to 10.269 million (5.215 boys and 5.055 girls) in 2016. The Gross enrolment increased from 103.5%, to 103.6% to 104.1% in 2014, 2015 and 2016 respectively. The corresponding net enrolment increased from 88.2% in 2014 to 88.4% in 2015 to 89.2% in 2016. The number of KCPE candidates increased from 880,486 (443,258 males and 437,228 females) in 2014 to 927,789 (467,904 males and 459,885 females) in 2015 to 952,390 (473,684 males and 478,706 females) in 2016. The number of Public Primary teachers increased from 200,697 (101,764 males and 98,933 females) in 2014 to 210,991(105,479 males and 105,512 females) in 2015 to 214,719 (107,495 males and 107,224 females) in 2016.

Primary Enrolment increased by 0.6% from 10.01 to 10.28 million between 2015 and 2016. The Gross Intake Rate (GIR) stabilized at 100% in 2016 indicating that the number of non-age-appropriate children accessing class one has maintained. Primary Gross Enrolment remained above the 100% mark marginally gaining 0.6 percentage point to 104.2% in 2016 from 103.6% in 2015. The increase is attributed to the continued implementation of the Free Primary Education Program; the sanitary towels initiative which benefitted 1.388million girls in public primary schools and 15,000 girls in special secondary schools in 2016/17 across the 47 counties; and the exploits from the growth of the private sector schooling. This was also buoyed by the decision of the Government to sustain payment of examination fees for KCPE and KCSE candidates in 2016. To ensure pupils have a friendly environment for learning, the State department awarded a total of Ksh 135 million to 126 schools from the primary schools infrastructure grants for the construction/rehabilitation of classrooms.


Under the Sanitary towels programme a total of Ksh 240 million was used to procure sanitary towels for 443,858 girls in 2011/12. This figure was increased to Ksh 300 million targeting 568,925 girls during the financial year 2012/13. In 2013/14 FY , a total of Ksh 201 million was used to procure sanitary towels for 665,251 girls, while in 2014/15fy a total of Ksh 400 million was used to provide sanitary towels to 1,143,548 girls in the targeted schools. In 2015/2016 F/Y, 700,000 girls benefitted across the 47 counties. In the financial year 2016/2017 the Ministry is targeting 1.3Million girls to benefit from the Kshs. 400M that was allocated and supply contracts awarded.. In secondary education, schools registered growth in enrolment from 2,331,697 (1,213,266 boys and 1,118,431girls) in 2014 to 2,558,981(1,348,448 boys and 1,210,533 girls) in 2015 to 2,720,563(1,396,926 boys and 1,323,637 girls) in 2016. The Gross enrolment increased from 58.7 %, to 63.3 % to 66.7 % in 2014, 2015 and 2016 respectively. The corresponding net coverage increased from 47.4 % in 2014 to 47.8 % in 2015 to 51.3 % in 2016. The number of KCSE candidates increased from 482,133 (258,896 males and 223,237 females) in 2014 to 521,240 (278,387 males and 242,853 females) in 2015 to 571,161 (299,268 males and 271,893

Ministry of Education Science and Technology
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females) in 2016. The number of Public Secondary teachers increased from 78,719 (47,701 males and 31,018 females) in 2014 to 85,231 (51,350 males 33,881females) in 2015 to 88,981 (53,315 males and 35,666 females) in 2016.

In secondary education, schools registered a growth of 3.5% between 2015 and 2016. Public secondary schools increased by 7.9% from 7,686 in 2014 to 8,297 in 2015. The average size ofasecondary schools gained two more students to stand at 273 compared to 271 in 2015 indicating the increased uptake of learners from primary schools. Overall, the enrolment in secondary schools increased from 2.559 million in 2015 to 2.724million in 2016. In public schools, enrolment increased from 2,354,786 in 2015 to 2,512,743 in 2016. The growth is again attributed to the sustained implementation of the Free Day Secondary Education program.

The government intends to provide complete free day secondary education effective January 2018. Requisite infrastructure will be provided through the government initiative of 100% transition that has already been funded to the tune of KSh. 7 Billion in the 2016/2017 F/Y budget. In 2017/2018 financial year, the form one intake will cater for 1,003,552 sitting for KCPE Exams this year. Of this, 903200 will join public secondary schools while 100,322 will join private institutions. It is anticipated there will be an influx of learners after GOK meets the cost of education currently bone by parents hence the projected growth of 8% in enrolment.



Fred Matiang'i, PHD, EGH.
Cabinet Secretary

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

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

The Accounting Officer in charge of the State Department of Basic Education is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

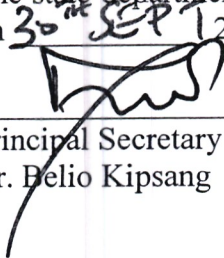
The Accounting Officer in charge of the State Department of Basic Education accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2017, and of the entity's financial position as at that date. The Accounting Officer charge of the State Department of Basic Education further confirms the completeness of the accounting records maintained for the State Department which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

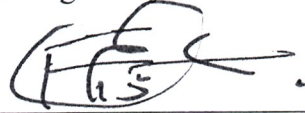
Ministry of Education Science and Technology
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Approval of the financial statements

The state department's financial statements were approved and signed by the Accounting Officer on 30th SEP 2017.



Principal Secretary
Dr. Belio Kipsang



Senior Assistant Accountant General
CPA Francis O. Odera
ICPAK Member Number: 5398

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY - STATE DEPARTMENT OF BASIC EDUCATION FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Ministry of Education, Science and Technology- State Department of Basic Education set out on pages 1 to 37, which comprise the statement of financial assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: 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 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, the financial position of the State Department of Basic Education as at 30 June 2017, 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 Public Finance Management Act, 2012.

In addition, as required by the Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that, Public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Failure to Surrender Temporary Imprests

The statement of assets and liabilities as at 30 June 2017 reflects accounts receivables balance of Kshs.213,67,488 which as disclosed in note 13 to the financial statements includes imprest totalling Kshs.3,305,370.80 which had not been surrendered as at 30 June 2017. This is contrary to Section 93 (5) of the Public Finance Management (National Government) Regulations, 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station. Consequently, the state department contravened the law and the propriety of the

Report of the Auditor-General on the Financial Statements of the Ministry of Education, Science and Technology - State Department of Basic Education for the year ended 30 June 2017

expenditure totalling Kshs.3,305,370.80 for the year ended 30 June 2017 could not be ascertained.

2. Accounts Payable - Deposits and Retentions

The statement of assets and liabilities as at 30 June, 2017 reflects accounts payable balance of Kshs.64,852,390 which as disclosed in note 14 to the financial statements includes other liabilities figure of Kshs.62,990,464 and whose nature and supporting documents were not availed for audit review. In addition, it is not clear and management has not explained why the payables balance of Kshs.62,990,464 which has been outstanding over three (3) years has not been settled as at the date of this report. In the circumstances, the accuracy, validity and completeness of the accounts payable balance of Kshs.64,852,390 for the year ended 30 June, 2017 could not be ascertained.

3. Failure to Disclose Pending Bills

Records maintained at the state department indicate that an amount totalling Kshs.1,960,860 was paid to various merchants during the year under review. However, examination of supporting documents revealed that one of the local purchase orders (LPOs) and invoices amounting to Kshs.1,960,860 relates to the financial year 2013/2014 but the same was not included in the pending bills for the same year. No reason or justification has been given for failure to disclose the amount of Kshs1,960,860 as pending bills in the previous years and with effect from the year in which they relate. In the circumstances, it has not been possible to confirm that payment of Kshs1,960,860 was a proper charge to public resources.

4. Use of Goods and Services

4.1 Single Sourcing of Services

The statement of receipts and payments for the year ended 30 June, 2017 reflects use of goods and services figure of Kshs.4,843,009,920 which includes payments totalling Kshs.7,576,448 in respect of procurement of goods and services from various suppliers on diverse dates through direct procurement method as detailed below. This is contrary to Section 103 (1) of the Public Procurement and Asset Disposal Act 2015 which stipulates that the use of direct procurement is only allowed as long as the purpose is not to avoid competition. In the circumstances, it has not been possible to confirm the propriety of expenditure totalling Kshs.7,576,448 for the year ended 30 June 2017.

Date	Pv /cheque No.	Payee	Details	Amount (Kshs.)
30-Jun-17	5251	Samo Agencies	Repair of motor vehicles	1,480,964
30-Jun-17	20003876	Samo Agencies	Repair of motor vehicles	170,056
30-Jun-17	20004105	Samo Agencies	Repair of motor vehicles	148,000
30-Jun-17	20003792	Samo Agencies	Repair of motor vehicles	98,600

30-Jun-17	20008943	Samo Agencies	Repair of motor vehicles	73,776
30-Jun-17	20008944	Samo Agencies	Repair of motor vehicles	72,152
30-Jan-17	20004094	Samo Agencies	Repair of motor vehicles	69,832
30-Jun-17	20008946	Samo Agencies	Repair of motor vehicles	68,556
30-Jun-17	20008945	Samo Agencies	Repair of motor vehicles	65,192
30-Jun-17	20008950	Samo Agencies	Repair of motor vehicles	65,076
30-Jun-17	20008948	Samo Agencies	Repair of motor vehicles	54,752
30-Jun-17	20008941	Samo Agencies	Repair of motor vehicles	50,228
30-Jun-17	20008951	Samo Agencies	Repair of motor vehicles	49,822
30-Jun-17	20008942	Samo Agencies	Repair of motor vehicles	46,864
30-Jun-17	20008940	Samo Agencies	Repair of motor vehicles	45,356
30-Jun-17	20008938	Samo Agencies	Repair of motor vehicles	45,240
30-Jun-17	20008939	Samo Agencies	Repair of motor vehicles	45,008
30-Jun-17	20008935	Samo Agencies	Repair of motor vehicles	43,384
30-Jun-17	20008936	Samo Agencies	Repair of motor vehicles	40,020
30-Jun-17	20008937	Samo Agencies	Repair of motor vehicles	39,672
30-Jun-17	20008949	Samo Agencies	Repair of motor vehicles	30,160
26/4/2017	3392	Kenya Education Management institute	Full board accommodation on laptop training of 113 participants	1,659,300
29/6/2017	4892	Travel Plaza	Airtickets	398,660
29/6/2017	4891	Silver Africa Tours and safaris	Air-tickets.	268,000
29/6/2017	4889	Travel Plaza	Airtickets	1,304,705
29/6/2017	4842	Travel Plaza	Air-tickets.	138,935
29/6/2017	4735	Freesteem Travel	Airtickets	1,004,138
TOTAL				7,576,448

4.2 Maintenance of Lifts without a Valid Contract

The statement of receipts and payments for the year ended 30 June, 2017 reflect use of goods and services balance of Kshs.4,843,009,920 which includes a payment of Kshs.596,800 made to a firm in respect of maintenance of lifts. A review of procurement records revealed that the services were rendered on an expired contract which was in force during the period between July 2010 and June 2013. The services were therefore rendered without a valid contract, contrary to Section 139(2) of the Public Procurement and Assets Disposal Act, 2015 which require the accounting officer of a procuring entity to approve extension of contract period upon recommendation of an evaluation committee. The state department was therefore in breach of the law and therefore the propriety of the expenditure of Kshs.596,800 for the year ended 30 June 2017 could not be ascertained.

4.3 Procurement of Sanitary Towels

The statement of receipts and payments for the year ended 30 June, 2017 reflects use of goods and services balance of Kshs.4,843,009,920 which includes Kshs.32,315,778 being supply and delivery of sanitary towels. However, scrutiny of procurement records revealed that the state department advertised a tender for supply and delivery of sanitary towels on 8 November 2016. The bids were divided into eight (8) lots and fifty-two (52) bids were received and opened and the preliminary technical and commercial evaluation were carried out and ten (10) bidders proceeded to price comparison. Examination of the evaluation revealed that, six (6) bidders who quoted higher prices compared to the lowest bidders were awarded the tenders and therefore occasioning a possible loss of Kshs.25,173,450.80 as detailed below:

Lots	Awarded Bidder	Position in bid	Amount (Kshs.)	Lowest Bid (Kshs.)	Loss (Kshs.)
1	Nexhom Africa	3	23,352,030.00	21,406,027.50	1,946,002.50
2	Konyipad Construction	6	23,826,574.00	19,915,830.00	3,910,744.00
3	Imani Holdings	2	32,111,125.00	30,173,202.00	1,937,923.00
4	Paula Services	3	50,092,454.70	40,185,590.40	9,906,864.30
5	Rossaby Enterprises	2	49,574,575.80	42,875,308.80	6,699,267.00
6	Hassib Investments	2	23,952,150.00	23,179,500.00	772,650.00
	TOTAL		202,908,909.50	177,735,458.70	25,173,450.80

The evaluation is contrary to section 80(2) of the Public Procurement and Asset Disposal Act 2015 which require evaluation and comparison of bids be done using procedures and criteria set out in the tender documents. No satisfactory explanation was provided for the above anomaly. In the circumstances, it has not been possible to confirm that the excess expenditure totalling Kshs.25,173,450.80 for the year ended 30 June 2017 was a proper charge to public funds.

4.4 Nugatory Payment on Tyres

The statement of receipts and payments for the year ended 30 June, 2017 reflects use of goods and services figure Kshs.4,843,009,920 which includes a payment of Kshs.459,420 in respect of purchase of thirty (30) pcs of tyres size 205/65R16. A physical check of the store revealed that the tyres were still lying in the store and that the state department has no vehicles using this size of tyres. No explanation has been provided for this omission and it is not clear why the department procured tyres contrary to the provisions of section 68 (1) of the Public Finance Management Act 2012 which stipulates that the accounting officer should ensure that the resources of the respective entity for which he or she is the accounting officer are used in a way that is lawful, authorized, effective, efficient, economical and transparent. Consequently, the propriety of expenditure totalling Kshs.459,420 on tyres for the year ended 30 June, 2017 could not be ascertained.

4.5 Payment of Rent without Valid Lease Agreements

The statement of receipts and payments for the year ended 30 June 2017 reflects use of goods and services figure of Kshs.4,843,009,920 which includes payments totalling Kshs.195,654,482 in respect of rentals of produced assets as disclosed in note 6 to the financial statements. The figure of Kshs.195,654,482 also includes Kshs.2,267,560 being rent of office space for various state department offices whose valid and current lease agreements with various landlords and property managers were not availed for audit verification.

It was further noted that there were long outstanding rent balances amounting to Kshs.2,810,560 that had not been included in the approved list of pending bills for the year ended 30 June 2016. In addition, the state department made a payment of Kshs.295,920 and whose supporting documents/invoices were was not availed for audit review. In the circumstances, it was not possible to confirm that the rent paid of Kshs.2,267,560 was in line with the existing agreement and consistent with market rates and therefore the propriety of the same could not be ascertained for the year ended 30 June 2017.

4.6 Splitting of Tenders on purchase of Computers and Accessories

The statement of receipts and payments further reflects use of goods and services figure of Kshs.4,843,009,920 which includes an expenditure of Kshs.13,272,215 on procurement of goods through request for quotations instead of open tendering as they had exceeded the procurement threshold for quotations as detailed below. This is contrary to Section 54(1) of the Public Procurement and Asset Disposal Act 2015 which states that no procuring entity may structure procurement as two or more procurements for the purpose of avoiding the use of a procurement procedure except where prescribed.

In the circumstances, it has not been possible to confirm that goods worth Kshs.13,272,213 for the year ended 30 June, 2017 were competitively procured and the state department breached the law.

Date	Pv no	Printers		
		Payee	Details	Amount (Kshs.)
30-Jun-17	5229	Letimboka enterprises	supply of heavy duty photocopier	508,500
29-Jun-17	4798	Finnese IT solutions	supply of 25ppm laserjet printers	840,000
29-Jun-17	4870	Joely General supplies	supply of HP laserjet printers of 45ppm	1,164,900
29-Jun-17	4899	Gerberk solutions	supply of HP laserjet printers	299,995

Sub-total				2,813,395
		Computers		
30-Jun-17	5230	Westwood suppliers	supply of core i5 desktops	1,935,000
29-Jun-17	4861	Mivcom Agencies	supply of desktop computers	1,975,700
29-Jun-17	4370	Timcom enterprises	supply of desktop computers core i5	1,927,500
29-Jun-17	4899	Gerberk solutions	supply of desktop computers core i5	1,784,720
30-Jun-17	5213	Huvami Enterprises	supply of Desktops computers	257,400
SUB-TOTAL				7,880,320
		Harddisks		
29-Jun-17	4898	Marken Enterprises	supply of 10 hard disks	1,598,000
29-Jun-17	4832	Kathumbi agencies	supply of 1TB HDD	980,500
Sub-total				2,578,500
Grand Total				13,272,215

5. Obsolete Stores

Examination of stores records revealed that 128 uninterrupted power supply batteries(UPS's) worth Kshs.1,218,176 at the latest market price index issued by the Public Procurement Regulatory Authority have been lying in the store for over four (4) years and have since become obsolete. It is not clear and management has not explained the circumstances under which the UPSs were procured and never put to use. In the circumstances, it has not been possible to confirm the propriety of expenditure totalling Kshs.1,218,176 and the expenditure may have been wasteful.

6. Double Payments of School Fees

The statement of receipts and payments for the year ended 30 June 2017 reflects other grants and transfers figure of Kshs.4,255,893 which includes payments of Kshs.1,592,277 and Kshs.255,500 in favour of Gems Cambridge International School and King Barrack mixed secondary school in respect of school fees for Michelle Nafuna Wamalwa and Damaris Nyambura and Teddy Mukaria respectively. These payments were later paid again vide PV no 4422 dated 22 June 2017 resulting to a double payment. No satisfactory explanation has been provided for this omission. Consequently, it has not

been possible to confirm the propriety of expenditure totalling Kshs.1,857,777 for the year ended 30 June 2017.

7. Transfers to other Government Units

7.1 Special Needs Education Grants

The statement of receipts and payments for the year ended 30 June 2017 reflects transfers to other government units figure of Kshs.31,768,317,355 which includes grants totalling Kshs.459,999,960 made to 180 Special primary Schools vide payment voucher No.70 and Kshs.300,000,000 to 30 special secondary schools vide payment voucher number 69 during the year under review as indicated in the **Appendix** to this report. However, the State Department has not availed the criteria used to identify the schools and basis of allocating the funds to the 210 schools for audit review. In the circumstances, it is not possible to confirm whether fairness and equity was observed as per the provisions of article 201 of the constitution of Kenya which requires the Public finance system to promote fairness and equitable sharing in the society.

7.2 G-United National Volunteering Programme

7.2.1 Unaccounted for Stipend Payments to Volunteers

The statement of receipts and payments for the year ended 30 June 2017 reflects transfers to other government units figure of 31,768,317,355 which includes Kshs.49,815,625 disbursed to Kenya Institute of Curriculum Development vide payment voucher No.168 for payment of cohort three (3) volunteers stipend. However, the returns on how the amount of Kshs.49,815,625 was utilized was not availed for audit review.

Further, a payment of Kshs.1,673,600 to Meru Teachers training college vide Pv. No.177 in respect of accommodation for G-united graduates was also not supported with documents indicating the actual number of participants who were accommodated as well as fare reimbursements.

In the circumstances, it has not been possible to confirm the propriety of expenditure totalling Kshs.51,489,225 for the year ended 30 June 2017.

7.2.2 Excessive Procurement of Goods for Cohort 2 Programme

Further, examination of G-united payment records revealed payments totaling Kshs.2,765,000 were made towards procurement of volunteer handbooks and readers for read out sessions booklets for use by cohort 2 volunteers under the national volunteer's mentorship programme. However, the materials procured were beyond the actual number of volunteers deployed under cohort 2 as indicated below;

PV no/cheque no	Item	No. of Items procured	Cost (Kshs.)	Budgeted no. of items	Actual no volunteers	Resultant loss due to excess procurement (Kshs.)
60	Volunteer hand book and code of conduct	700	1,305,500	350	144	652,750
20003795	Readers for read out sessions	1,500	1,459,500	300	144	1,167,600
TOTAL			2,765,000			1,820,350

From the above analysis, the Ministry incurred nugatory costs amounting totalling Kshs.1,820,350 by engaging in excessive procurement.

Further, the evaluation committee minutes and the procurement plan revealed that this procurement was reserved for the youth, women and persons with disability. However, the supplier under PV no 60 did not avail the youth access to government procurement opportunities (YAGPO) certificate. In the circumstances, this expenditure of Kshs.1,820,350 for the year ended 30 June 2017 may not be a proper charge to public funds.

7.2.3 Excessive Procurement of Goods for Cohort 3

In addition, examination of G-united payment records revealed payments totaling Kshs.9,619,750 towards procurement of volunteer handbooks and other promotional materials related to the programme for use by cohort 3 volunteers under the national volunteer's mentorship programme.

However, available records indicate that 482 volunteers were recruited and posted to various counties under cohort 3 yet the state department procured volunteer handbooks and other promotional materials relating to the programme for 1,100 volunteers as indicated below;

PV No/cheque No	Item	No. of Items procured	Cost (Kshs.)	Budgeted No. of items	Actual no volunteers	Resultant loss due to excess procurement (Kshs)
179	Printing of Guide books (VGA assesment books)	1,100	1,985,500	1,000	482	1,115,490
	Branded notebooks	1,100	275,000	1,000	482	154,500

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	Branded executive pens	1,100	214,500	1,000	482	120,510
161	Printing of volunteers handbooks	1,100	1,996,500	1,000	482	1,121,670
160	VGA record books	1,100	1,991,000	1,000	482	1,118,580
154	Branded field note books	1,100	1,375,000	1,000	482	772,500
153	Branded Polo Tshirts	1,100	1,045,000	1,000	482	587,100
	Branded caps	1,100	605,000	1,000	482	339,900
152	Branded Pamphlets	1,150	132,250	1,000	482	76,820
	Total		9,619,750			5,407,070

From the above, the State Department incurred nugatory costs amounting to Kshs.5,407,070 by engaging in excessive procurement. In the circumstances, this expenditure of Kshs.5,407,070 for the year ended 30 June 2017 may not be a proper charge to public funds.

Further, payment voucher No. 188 to Thogoto teachers training college of Kshs.4,538,450 in respect of training was not supported by schedules of attendance for the trainees. In the circumstances, it was not possible to confirm if the above expenditure was a proper charge to public funds.

8.0 Unresolved Prior Year Matters

8.1 Cash and Bank Balances

8.1.1 Bank Reconciliation Statement Recurrent Vote

As reported in 2015/2016 audit report, the statement of financial assets as at 30 June 2016 reflects cash and cash equivalents balance of Kshs.211,277,228 which includes recurrent bank balance of Kshs.145,922,554. However, examination of the bank reconciliation statement for the month of June 2016 revealed the following unexplained anomalies:

- i. The bank reconciliation statement for the recurrent cashbook as at 30 June 2016 reflects payments in the cashbook not in the bank statement (unpresented cheques) totalling Kshs.1,286,744,076.40, which includes unexplained cashbook adjustments totalling Kshs.5,981,971.02.
- ii. The bank reconciliation statement also reflects receipts in the bank statement not recorded in the cash book totalling Kshs.70,543,359 which have been outstanding

for a long period of time. No reason has been provided for delay in updating and capturing these receipts in the cash book. Further, the reconciliation statement reflects payments in bank not posted in cash book totalling Kshs.11,224,808.45. Similarly, no reason has been provided for the delay in recording these payments in the cash book.

- iii. The bank reconciliation statement as at 30 June 2016 also reflects receipts in cashbook not in bank statement balance of Kshs.656,633,242.57 which also includes an unexplained cashbook adjustment of Kshs.12,069,712.22.

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

8.2 Unaccounted for Computers

As previously reported, the statement of receipts and payments for the year ended 30 June 2016 reflects acquisition of assets figure of Kshs.1,603,072,039 which includes an amount of Kshs.230,740,000 in respect of supply and delivery of 3,320 computers to public secondary schools. The supply of the computers was done through tender No. NCB/MOEST/010/2015 -16 which was awarded on 25 February 2016. It was further noted that the computers were delivered on 24 June 2016 and inspected on 27 June 2016. However, the list of the serialized computers availed for audit review reflected 1,107 computers resulting to a variance of 2,213 computers worth Kshs.153,803,500 which had not been accounted for as at the date of this report. A review of the matter in February 2018 revealed that although the computers have since been distributed to various schools, no distribution list has been availed for audit verification. In addition, no report on the stolen computers from the warehouse was availed for audit review. In the absence of distribution records and report on the stolen computers and unaccounted for computers worth Kshs.153,803,500, it has not been possible to confirm that all the computers procured for schools have been accounted for and put to the intended use and that the propriety of expenditure totalling Kshs.153,803,500 as at 30 June 2017 could not be confirmed.

8.3 Audit of Secondary Schools

As reported in 2015/2016 audit report, the statement of receipts and payments for the year ended 30 June, 2016 reflects subsidies figure of Kshs.30,258,894,767 which includes an amount of Kshs.29,891,807,844 in respect of Free Day Secondary Education (FDSE) funding that was disbursed to various secondary schools. An audit inspection carried out on the Public Day Secondary Schools in Nairobi and Kiambu counties revealed the following unsatisfactory matters:

8.3.1 Rent Arrears

Examination of schools records revealed that nine (9) secondary schools had outstanding rent arrears amounting to Kshs.6,733,037 due from teachers and other members of staff. It was however noted that the schools had not put in place appropriate measures to recover the arrears. A review of the matter in June 2017 revealed that, some of the

schools had made recoveries totalling Kshs.2,594,053.00 leaving an outstanding balance of Kshs.4,138,984 as at 30 June 2017 in six (6) schools as detailed below:

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

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

8.3.2 Institutional Creditors

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

	School	Amount	Cleared	Balance
		Kshs.	Kshs.	Kshs.
1	Kamukunji Secondary	1,516,102.00	100,000.00	1,416,102.00
2	Moi Forces Academy	7,785,345.50	2,067,480.00	5,717,865.50
3	Alliance Boys	9,633,861.90	9,633,861.90	-
4	Lenana High School	11,163,833.00	11,163,833.00	-
5	Dagoretti High	1,262,647.00	-	1,262,647.00
6	Kenya High	353,272.00	-	353,272.00
7	Mangu High	16,396,673.00	16,396,673.00	-
8	Pangani Girls	1,215,439.00	-	1,215,439.00
9	Ngara Girls	3,035,793.00	2,192,445.00	843,348.00
10	Langata High	632,440.00	632,440.00	-
	TOTAL	52,995,406.42	42,186,732.90	10,808,673.50

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

8.3.3 Land Ownership

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

Further, it was established that part of Buruburu Girls School land was encroached on by a private developer and the matter is under a litigation in the High Court of Kenya. In addition, it was also noted that the Kamukunji High school land was occupied by squatters illegally. Although the school management was aware of the squatters' presence, there was no evidence of steps having been taken to safeguard the institutions land availed for audit review. A review of the above matter in June 2017 revealed unchanged position. Consequently, ownership of the school land could not be ascertained as at the date of this report.

8.3.4 Pangani Girls High School

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

Further examination of the school's correspondence files revealed that Kshs.2,084,703.75 was paid to a supplier in the year 2014 for supply of an electric generator. However, no relevant documents showing how the firm was identified and awarded the contract were availed for audit review. Physical verification/inspection in December 2017 revealed that the generator did not function since the time of installation. Although the management was aware of the anomaly, no evidence of the steps being taken to recover the amount paid from the supplier was seen as at the date of the report.

In the circumstance, the school did not get value for its resources and the expenditure of Kshs.2,084,703.75 was not a proper charge on public resources.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Ministry of Education, Science and Technology – State Department of Basic Education in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for

Qualified Opinion and Other Matter section of my report, there were no Key Audit Matters to communicate in my report.

Other Matter

1. Budgetary Control and Performance

The state department for basic education had a total budget of Kshs.71,439,747,502 voted for the financial year 2016/2017 comprising of Kshs.13,304,235,542 for development and Kshs.58,135,511,960 for recurrent votes respectively. The budget absorption in the state department was as follows:

Item	Budget 2016-2017	Actuals 2016- 2017	Under Absorption	Absorption %
	Kshs.	Kshs.	Kshs.	
Recurrent	58,135,511,960	57,523,341,599	612,170,361	99%
Development	13,304,235,542	12,192,219,360	1,112,016,182	91%
Grand Total	71,439,747,502	69,715,560,959	1,724,186,543	97.5%

It has not been explained why the state department did not utilize the allocation budget of Kshs.1,724,186,543 as at 30 June 2017. This is an indication of lack of adequate planning in budget making process to prioritize goods and services for efficient and effective delivery to the Kenyan citizens.

Recurrent Vote

The state department of basic education had an annual recurrent budget of Kshs.58,135,511,960 against actual expenditure of Kshs.57,523,341,599 resulting to under expenditure of Kshs.612,170,361 as summarized below;

Item	Budget 2016-2017 Kshs.	Actuals 2016-2017 Kshs.	Under Absorption Kshs.	Absor- -ption %
Compensation of employees	3,470,688,904	3,434,936,255	35,752,649	99%
Use of goods and services	5,232,882,499	4,837,612,078	395,270,421	92%
subsidies	29,000,488,800	28,987,667,712	12,821,088	100%
Transfer to other government units	19,742,427,305	19,591,769,437	150,657,868	99%
Other grants and transfers	10,000,000	4,255,893	5,744,107	43%
Social security benefits	15,000,000	7,856,640	7,143,360	52%
Acquisition of Assets	664,024,452	659,243,584	4,780,868	99%
Grand Total	58,135,511,960	57,523,341,599	612,170,361	

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From the above analysis, the state department underutilized the budget under social security benefit and other grants and transfers by 48% and 57% respectively. The under absorption of the approved budget is an indication of activities not implemented by the state department which implies non delivery of planned goods and services to the Kenyan citizens for the year ended 30 June 2017. Therefore, the stakeholders did not obtain value for their resources.

Development Vote

The state department of basic education had an annual development budget of Kshs.13,304,235,542 against actual expenditure of Kshs.12,192,219,360 resulting to under expenditure of Kshs.1,112,016,182 as summarized below;

Item	Budget 2016-2017	Actuals 2016-2017	Under Absorption	Absorption %
	Kshs.	Kshs.	Kshs.	
Use of goods and services	95,235,542	5,397,842	89,837,700	6%
Transfer to other government units	13,166,000,000	12,176,547,918	989,452,082	92%
Acquisition of Assets	43,000,000	10,273,600	32,726,400	24%
Grand Total	13,304,235,542	12,192,219,360	1,112,016,182	

From the above analysis, the state department underutilized the budget under use of goods and services and acquisition of assets by 94% and 76 % respectively. The under absorption of the approved budget is an indication of activities not implemented by the state department which implies non delivery of planned goods and services to the Kenyan citizens for the year ended 30 June 2017. Therefore, the stakeholders did not obtain value for their resources.

Responsibility of Management and those Charged with Governance for the Financial Statements

The Accounting Officer - Ministry of Education, Science and Technology - state department of Basic Education is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Ministry's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the

management either intends to liquidate the Ministry or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Ministry's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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.

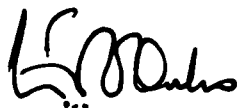
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue as a going concern or to sustain service. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Ministry to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and entities or business activities of the Ministry to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in financial statements

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

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



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

18 April 2018

APPENDIX

INFRASTRUCTURE GRANTS TO SPECIAL SCHOOLS		
Special Primary Schools		
COUNTY	NAME OF SCHOOL	AMOUNT (Kshs.)
EMBU	ACK ST. Monica Embu sp. Sch (MH)	2,322,222
MANDERA	Al Hidaya Integ School	2,322,222
NYERI	Allamano Wamagana Sch. For MH	2,322,222
BUSIA	Apokor Special Sch	5,322,222
MANDERA	Arabia Mixed Integ School	2,322,222
UASIN GISHU	Arch Angel Raphael Kilimani MH	2,322,222
SAMBURU	Baragoi Special School	2,322,222
MARSABIT	Butiyelnteg School For HI	2,322,222
KERICHO	Charera sp sch for PH	2,322,222
VIHIGA	Chekombero Sch. For the Deaf	2,322,222
NAIROBI	City Autism Special School	2,322,222
GARISSA	Dadaab special School	2,322,222
KAKAMEGA	Daisy Special Sch.	2,322,222
MANDERA	Daua Special School for the Blind	2,322,222
NAROK	DEB N/Enkare Special School	2,322,222
VIHIGA	Ebukuya Sch. For the Deaf	2,322,222
VIHIGA	Ekwanda sp sch	2,322,222
UASIN GISHU	Eldoret Spe. School for the Deaf	2,322,222
UASIN GISHU	Eldoret Special Sch for M.H	2,322,222
MANDERA	Elwak Integ School	2,322,222
NAROK	Emurua Dikirr sp sch fo HI	2,322,222
KAKAMEGA	Emusala Spe. Sch. For the MH	2,322,222
SIAYA	Equator Round Table Sch for MH	2,322,222
BARINGO	Esageri Special School	2,322,222
KIAMBU	Gachororo Special School	2,322,222
GARISSA	Garissa Sch for the PH/VI	2,322,222
GARISSA	Garissa School for the Deaf	5,322,222
MURANG'A	Gatunyu Special School	2,322,222
KILIFI	Gede Special School	2,322,222
KISII	Giachere friends for deaf	2,322,222
GARISSA	Goreale Special School	2,322,222
TANA RIVER	Hola Sch for the MH	2,322,222
WAJIR	ICF primary Special	2,322,222
MERU	Ikuu Special School for the MH	2,322,222
UASIN GISHU	Illula Pri. School	2,322,222

ISIOLO	Isiolo Sch for the Deaf	2,322,222
KEIYO M	Iten Special School	2,322,222
KISUMU	Joyland Spe. Pry Sch for the PH	2,322,222
KIAMBU	Joytown Pry Sch for the P.H	5,322,222
MERU	Kaaga sch fo Deaf	5,322,222
BARINGO	Kabarnet Sch for the Deaf/Blind	2,322,222
VIHIGA	Kaimosi Sch for MH	5,322,222
KAJIADO	Kajiado Unit for the Blind	2,322,222
MAKUENI	Kakuswi Special SCH. For HI	2,322,222
THARAKA	Kamatungu Spec School	2,322,222
ISIOLO	Kambi ya Juu VI	2,322,222
KIAMBU	Kambui Sch. For the Deaf	2,322,222
MANDERA	Kamor Int. Sch. For the deaf	5,322,222
MACHAKOS	Kangundo Special School	5,322,222
NANDI	Kapsabet Sch. For the Deaf	5,322,222
MACHAKOS	Katangi special school	2,322,222
MAKUENI	Kathonzweni Small home for PH	2,322,222
KITUI	Kaundu Sch. For the deaf	2,322,222
KERICHO	Kedowa Spe. For the Deaf	2,322,222
KIRINYAGA	Kerugoya Sch. For the Deaf	2,322,222
BUNGOMA	Khasoko Special for the Blind	2,322,222
KILIFI	Kibarani Sch. For the Deaf	2,322,222
KIRINYAGA	Kibirigwi Special School	2,322,222
KISUMU	Kibos Sch for the Blind	2,322,222
NAIROBI	Kilimani Special School	2,322,222
HOMA BAY	Kimai Sp. School	2,322,222
NYANDARUA	Kimaru Special School	2,322,222
KERICHO	Kipkelion Sp. School	2,322,222
BOMET	Kipngosos Special School	2,322,222
MURANG'A	Kirunguru Special School	2,322,222
MAKUENI	Kisayani Special sch for MH	2,322,222
KISII	Kisii Sch for the MH	2,322,222
KITUI	Kitui Sch for the Deaf	2,322,222
KITUI	Kitui Sch. For the MH	2,322,222
LAIKIPIA	Kiwanja Ndege Sp Sch for MH	2,322,222
MIGORI	Komotobo Sch for the Deaf	2,322,222
BOMET	Korara school for the VI	2,322,222
MIGORI	Kuja Pry Sch for the Deaf	2,322,222
KWALE	Kwale Sch for the Deaf	2,322,222
KWALE	Kwale sch.for the MH	2,322,222
LAIKIPIA	Kwanjiku Special School	2,322,222
MAKUENI	Kyangoma sp sch for MH	2,322,222

Report of the Auditor-General on the Financial Statements of the Ministry of Education, Science and Technology - State Department of Basic Education for the year ended 30 June 2017

HOMA BAY	Lambwe School for the Deaf	2,322,222
LAMU	Lamu School for MH	5,322,222
GARISSA	Liboi special School	2,322,222
LAIKIPIA	Likii Special School	2,322,222
MOMBASA	Likoni Sch. For the Blind	5,322,222
TANA RIVER	Lisa Hola Sch for the Deaf	2,322,222
MARSABIT	Loglogo Integ School	2,322,222
SAMBURU	Lukurto Spec Prim	2,322,222
KISUMU	Lutheran Sch. For the M.H	2,322,222
BUSIA	Lwanya sp sch for MH	2,322,222
MACHAKOS	Machakos School for Deaf	2,322,222
KWALE	Makobe Sp. School	2,322,222
MAKUENI	Makongo Sp. School for the deaf	2,322,222
WEST POKOT	Makutano Special School	2,322,222
MANDERA	Mandera DEB Int School	2,322,222
SAMBURU	Maralal Special School	2,322,222
SIAYA	Maranda Sch for MH	2,322,222
MACHAKOS	Masaku Sch. For the PH	2,322,222
KISUMU	Maseno Sch for the Deaf	2,322,222
NAIROBI	Mathare Spe. Tr. Centre	2,322,222
KAKAMEGA	Maturu special for MH	2,322,222
LAIKIPIA	Melwa sp sch for MH	2,322,222
MERU	Meru Sch for the MH,	2,322,222
TRANSNZOIA	Michael Wamalwa sp sch for HI	2,322,222
KEIYO M	Mindililwo Special School	2,322,222
TRANSNZOIA	Mitoto SA Sp. School for VI	2,322,222
BARINGO	Moi Kabartonjo Special Sch	2,322,222
MURANG'A	Mukerenju Special School	2,322,222
BUSIA	Mundika Special School for HI	2,322,222
MURANG'A	Murang'a school for deaf	2,322,222
LAIKIPIA	Muthengera Special School	2,322,222
KITUI	Mutomo Sch for Deaf	2,322,222
KAKAMEGA	Mwikhomo Spe. For the Deaf	2,322,222
KITUI	Mwingi Special for the Deaf	2,322,222
NAKURU	Nakuru Hills Sch for the MH	2,322,222
BUNGOMA	Nalondo CBM Sch for P.H	2,322,222
NAKURU	Ngala sch for HI	2,322,222
KISUMU	Ngeny School for HI	2,322,222
NAIROBI	Nile Road Special School	2,322,222
SIAYA	Nina Primary H I	5,322,222
MERU	Njia School for the Deaf	2,322,222
NAKURU	Njoro Special Sch. For MH	2,322,222

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NYAMIRA	Nyairichia Sp School for MH	5,322,222
NYAMIRA	Nyakeore sp sch for MH	2,322,222
KISII	Nyakome sp for HI	2,322,222
HOMA BAY	Nyamunga sp sch for PH	2,322,222
NYANDARUA	Nyandarua Sch. For the Deaf	2,322,222
HOMA BAY	Obalwanda Sp. Sch. For MH	2,322,222
BARINGO	Ochii Special School	2,322,222
HOMA BAY	Ogande Special School	2,322,222
NYANDARUA	Oi Kalou School for P.H	2,322,222
NYAMIRA	Omokonge sp sch MH	2,322,222
KIAMBU	P.C.E.A. Komothai Sch. For M.H.	2,322,222
NAKURU	Pangani Special sch	5,322,222
NYERI	PCEA Karatina Sch. For the M.H	5,322,222
MURANG'A	Percy Davies Sp Sch	2,322,222
NAROK	Poroko Special School	2,322,222
MOMBASA	Port Reitz Sch. For the PH	2,322,222
MOMBASA	Pwani special sch	2,322,222
KILIFI	Sahajanand Sp School	2,322,222
SIAYA	Sega Special School	2,322,222
LAIKIPIA	Sipili Special School	2,322,222
KILIFI	Sir. Ali Special School	2,322,222
BUNGOMA	St Denis LIBOLINA SP SCH for PH	2,322,222
BUSIA	St Francis of ASSISI Alupe sp sch HI	2,322,222
BUSIA	St Jude Malaba Sp Sch for MH	2,322,222
BUNGOMA	St. Antony Sch. For HI	2,322,222
TURKANA	St. Bernadette Sp Sch for HI	2,322,222
SIAYA	St. Dymphna Madiany Sch for MH	2,322,222
WEST POKOT	St. Francis Special for Blind	2,322,222
UASIN GISHU	St. Georges Sinendet	2,322,222
KERICHO	St. Kizito Iltein for HI	2,322,222
MERU	St. Lucy's Sch. For the Blind	2,322,222
EMBU	St. Lukes Spe. Sch for the Deaf	2,322,222
HOMA BAY	St. Martin Depores Sp Sch for CP	2,322,222
SIAYA	St. Oda Sch for the Blind	2,322,222
KIAMBU	St. Patrick's Special School Thika	2,322,222
MIGORI	St. Paul's Ntimaru For the Deaf	2,322,222
BUNGOMA	St. Teresas Spe. Sch for MH	2,322,222
VIHIGA	St. Ursula's Chamakanga for MH	2,322,222
KAKAMEGA	St. Vincent Depore sp sch fo MH	2,322,222
BUSIA	St.catherine pri/Technical	2,322,222
KAKAMEGA	St.Emillian Eregi sp sch for HI	2,322,222
MANDERA	Takaba Special School	2,322,222

Report of the Auditor-General on the Financial Statements of the Ministry of Education, Science and Technology - State Department of Basic Education for the year ended 30 June 2017

MACHAKOS	Tala Boys Special School	2,322,222
KIAMBU	Thika Pry Sch for the Blind	2,322,222
TAITA TAVETA	Timbila Primary Special School	2,322,222
MOMBASA	Tom Mboya for Cerebral Palsy	2,322,222
NAIROBI	Treeside Sch for MH	2,322,222
MOMBASA	Tudor Special School	2,322,222
NYERI	Tumu Tumu Sch for the Deaf	2,322,222
TURKANA	Turkana Special School	2,322,222
NAKURU	Venessa Grant Sch. For MH	2,322,222
NAIROBI	Waithaka Special Sch. For MH	2,322,222
WAJIR	Wajir Special School	2,322,222
WAJIR	Wajir Girls Primary School for PH	2,322,222
WAJIR	Wajir School for the Deaf	2,322,222
MACHAKOS	Wamunyu Sp. School for the MH,	2,322,222
NYERI	Wandumbi Spe. Sch for the MH	2,322,222
MIGORI	Wizara sp sch for MH	2,322,222
VIHIGA	Womulalu Friends Sp. School	2,322,222
KITUI	Yatta pr special for MH/PH(BDG)	2,322,222
MOMBASA	Ziwani Sch for the Deaf	2,322,222
Subtotal		459,999,960

Special primary Schools

COUNTY	SCHOOL	AMOUNT
BOMET	St Kizito Sec Sch the hearing impaired	10,000,000
BUNGOMA	Nalondo CBM	10,000,000
BUSIA	St Bridgit For Deaf	10,000,000
EMBU	St Mary Magdalene For The Deaf	10,000,000
KAKAMEGA	St Angela Voc For Deaf	10,000,000
KAKAMEGA	Ack Ematundu boys for Deaf	10,000,000
KERICHO	Kedowa S.S.S For The Deaf	10,000,000
KERICHO	St Paul Special High School Charera	10,000,000
KIAMBU	The SA Thika High Sch For Blind	10,000,000
KIAMBU	P.C.E.A Kambui Sch for Deaf	10,000,000
KIAMBU	Joytown Sec	10,000,000
KILIFI	Pwani Sec(Vocational)	10,000,000
KISII	Gianchere Special Sch	10,000,000
KISUMU	Kibos Special Sec Scl for the blind	10,000,000
KISUMU	St George Special Secondary School	10,000,000
KISUMU	Joyland Special	10,000,000

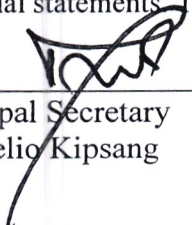
MACHAKOS	Machakos Sch For The Deaf	10,000,000
MERU	St Lucy's High Sch For V I	10,000,000
MIGORI	Kuja Special	10,000,000
MOMBASA	S.A. Likoni Sec for the Blind	10,000,000
MOMBASA	Msa Sch For Phy Handicapped	10,000,000
MURANGA	Muranga Sch For The H I Sec	10,000,000
NAIROBI	Kasarani Treeside Sec School For The Deaf	10,000,000
NAKURU	Ngala Sch For The Deaf	10,000,000
NANDI	Kapsabet Sec Sch For the Deaf	10,000,000
NYERI	Rev Muhoro Sec	10,000,000
SIAYA	Nico Hauser Special Secondary	10,000,000
SIAYA	Fr.Ouderaa Sec Sch	10,000,000
WAJIR	Wajir Special Secondary For The Deaf	10,000,000
WEST POKOT	St Francis Special Sec	10,000,000
Subtotal		300,000,000
Grand Total		759,999,960

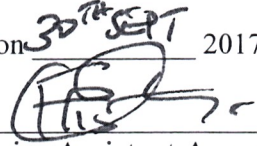
Ministry of Education Science and Technology
State Department of Basic Education
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V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017 Kshs	2015-2016 Kshs
RECEIPTS			
Proceeds from Domestic and Foreign Grants	1	255,973,492	591,485,415
Transfers from National Treasury	2	67,759,404,472	60,131,137,910
Proceeds from Sale of Assets	3	1,361,982,850	1,855,625,022
Other Revenues	4	340,119,136	70,000,000
TOTAL REVENUES		69,717,479,950	62,648,248,347
PAYMENTS			
Compensation of Employees	5	3,434,936,255	3,357,427,470
Use of goods and services	6	4,843,009,920	6,896,580,618
Subsidies	7	28,987,667,712	30,258,894,767
Transfers to Other Government Units	8	31,768,317,355	20,151,643,838
Other grants and transfers	9	4,255,893	13,564,942
Social Security Benefits	10	7,856,640	14,669,706
Acquisition of Assets	11	669,517,184	1,603,072,039
TOTAL PAYMENTS		69,715,560,958	62,295,853,380
SURPLUS/DEFICIT		1,918,993	352,394,967

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 30TH SEPT 2017 and signed by:


 Principal Secretary
 Dr. Belio Kipsang



 Senior Assistant Accountant General
 CPA Francis O. Odera
 ICPAK Member Number: 5398


Ministry of Education Science and Technology
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VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2016-2017 Kshs	2015-2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	12A	84,986,299	210,676,819
Cash Balances	12B	178,126	600,408
Total Cash And Cash Equivalents		85,164,425	211,277,227
Accounts Receivables - Outstanding Imprest and Clearance Accounts	13	213,617,488	329,441,899
TOTAL FINANCIAL ASSETS		298,781,914	540,719,126
LESS: FINANCIAL LIABILITIES			
Accounts Payables - Deposits	14	64,852,390	64,677,266
NET FINANCIAL ASSETS		<u>233,929,524</u>	<u>476,041,860</u>
REPRESENTED BY			
Fund balance b/fwd	15	476,041,860	135,434,750
Prior year adjustments	16	(244,031,329)	(11,787,856)
Surplus for the year		1,918,993	352,394,967
NET FINANCIAL POSITION		<u>233,929,524</u>	<u>476,041,861</u>

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 30th SEP 2017 and signed by:

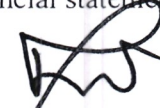

 Principal Secretary
 Dr. Belio Kipsang



 Senior Assistant Accountant General
 CPA Francis O. Odera
 ICPAK Member Number: 5398

VII. STATEMENT OF CASH FLOWS

	Note	2016-2017 Kshs	2015-2016 Ksh
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Proceeds from Domestic and Foreign Grants	1	255,973,492	591,485,415
Transfers from National Treasury	2	67,759,404,472	60,131,137,910
Proceeds from Sale of Assets	3	1,361,982,850	1,855,625,022
Other Revenues	4	<u>340,119,136</u>	<u>70,000,000</u>
		68,355,497,100	60,792,623,325
Payments for operating expenses			
Compensation of Employees	5	3,434,936,255	3,357,427,470
Use of goods and services	6	4,843,009,920	6,896,580,618
Subsidies	7	28,987,667,712	30,258,894,767
Transfers to Other Government Units	8	31,768,317,355	20,151,643,838
Other grants and transfers	9	4,255,893	13,564,942
Social Security Benefits	10	7,856,640	14,669,706
		69,046,043,774	60,692,781,341
Adjusted for:			
Changes in receivables		115,824,411	(213,401,030)
Changes in payables		175,124	(3,241,482)
Adjustments during the year	26	(244,031,329)	(11,787,856)
Net cash flow from operating activities		(818,578,468)	(128,588,384)
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	8	1,361,982,850	1,855,625,022
Acquisition of Assets	18	(669,517,184)	(1,603,072,039)
Net cash flows from Investing Activities		692,465,666	252,552,983
NET INCREASE IN CASH AND CASH EQUIVALENT		126,112,802	123,964,599
Cash and cash equivalent at BEGINNING of the year		211,277,227	87,312,629
Cash and cash equivalent at END of the year		85,164,425	211,277,228

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 30th Sept 2017 and signed by:


 Principal Secretary
 Dr. Belio Kipsang


 Senior Assistant Accountant General
 CPA Francis O. Odera
 ICPAK Member Number: 5398

Ministry of Education Science and Technology
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VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Proceeds from Domestic and Foreign Grants	2,407,798,944	(1,967,798,944)	440,000,000	255,973,492	184,026,508	58%
Exchequer releases	63,289,623,656	6,257,523,846	69,547,147,502	67,759,404,472	1,787,743,030	96%
Proceeds from Foreign Borrowings	45,000,000	(25,000,000)	20,000,000	0	20,000,000	0%
Proceeds from Sale of Assets	1,362,600,000	0	1,362,600,000	1,361,982,850	617,150	100%
Other Receipts	70,000,000	0	70,000,000	340,119,136	(270,119,136)	486%
Total Receipts	67,175,022,600	4,264,724,902	71,439,747,502	69,717,479,950	1,722,267,552	96%
Payments						
Compensation of Employees	3,411,757,890	58,931,014	3,470,688,904	3,434,936,255	35,752,649	99%
Use of goods and services	7,101,521,174	(1,773,403,133)	5,328,118,041	4,843,009,920	485,108,121	91%
Subsidies	30,237,036,300	(1,236,547,500)	29,000,488,800	28,987,667,712	12,821,088	100%
Transfers to Other Government Units	26,255,089,304	6,653,338,001	32,908,427,305	31,768,317,355	1,140,109,951	97%
Other grants and transfers	10,000,000	0	10,000,000	4,255,893	5,744,107	43%
Social Security Benefits	15,000,000	0	15,000,000	7,856,640	7,143,360	52%
Acquisition of Assets	144,617,932	562,406,520	707,024,452	669,517,184	37,507,268	95%
Grand Total	67,175,022,600	4,264,724,903	71,439,747,502	69,715,560,958	1,724,186,544	98%
Surplus	0	0	0	1,918,993	-1,918,993	

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Proceeds from Foreign Borrowings- 0%- The under-collection was due to failure by the Donor meeting his obligations in the field stations.

Other Receipts- 486%- The over-collection was occasioned by 2015-2016 returned of project money from the field stations which was applied during the year

Other grants and transfers- 43%- The under-expenditure was occasioned by failure for the Donor meeting his obligations in the field stations.

Social Security Benefits- 52%- It was anticipated that contracted officers were to retire at the end of the financial year which turned out not to be the case

The entity financial statements were approved on 30th SEP 2017 and signed by:


Principal Secretary
Dr. Bélio Kipsang



Senior Assistant Accountant General
CPA Francis O. Odera
ICPAK Member Number: 5398

Ministry of Education Science and Technology
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IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT


Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	57,347,203,088	-644,291,128	56,702,911,960	56,237,860,000	465,669,960	99%
Proceeds from Sale of Assets	1,362,600,000		1,362,600,000	1,361,982,850	617,150	100%
Other Receipts	70,000,000		70,000,000	70,000,000	0	100%
Total Receipts	58,779,803,088	-644,291,128	59,424,094,216	57,669,842,850	465,669,110	99%
PAYMENTS						
Compensation of Employees	3,411,757,890	58,931,014	3,470,688,904	3,434,936,255	35,752,649	99%
Use of goods and services	5,128,024,906	104,857,593	5,232,882,499	4,837,612,078	395,270,421	92%
Subsidies	30,237,036,300	-1,236,547,500	29,000,488,800	28,987,667,712	12,821,088	100%
Transfers to Other Government Units	19,901,366,060	-158,938,755	19,742,427,305	19,591,769,437	150,657,868	99%
Other grants and transfers	10,000,000		10,000,000	4,255,893	5,744,107	43%
Social Security Benefits	15,000,000		15,000,000	7,856,640	7,143,360	52%
Acquisition of Assets	76,617,932	587,406,520	664,024,452	659,243,584	4,780,868	99%
Grand Total	58,779,803,088	-644,291,128	58,135,511,960	57,523,341,599	612,170,361	99%
Surplus	0	0	0	146,501,251	-146,501,251	


Other grants and transfers- 43%- The under-expenditure was occasioned by failure for the Donor meeting his obligations in the field stations.

Social Security Benefits- 52%- It was anticipated that contracted officers were to retire at the end of the financial year which turned

The entity financial statements were approved on _____ 2017 and signed by: _____

**Ministry of Education Science and Technology
State Department of Basic Education
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Principal Secretary
Dr. Belio Kipsang


Senior Assistant Accountant General
CPA Francis O. Odera
ICPAK Member Number: 5398

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X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT


Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Proceeds from Domestic and Foreign Grants	2,407,798,944	-1,967,798,944	440,000,000	255,973,492	184,026,508	58%
Exchequer releases	5,942,420,568	6,901,814,974	12,844,235,542	11,521,544,472	1,322,691,070	90%
Proceeds from Foreign Borrowings	45,000,000	-25,000,000	20,000,000		20,000,000	0%
Other Receipts				270,119,136	-270,119,136	100%
Total Receipts	8,395,219,512	4,909,016,030	13,304,235,542	12,047,637,100	1,256,598,442	91%
Payments						
Use of goods and services	1,973,496,268	-1,878,260,726	95,235,542	5,397,842	89,837,700	6%
Transfers to Other Government Units	6,353,723,244	6,812,276,756	13,166,000,000	12,176,547,918	989,452,082	92%
Acquisition of Assets	68,000,000	-25,000,000	43,000,000	10,273,600	32,726,400	24%
Grand Total	8,395,219,512	4,909,016,030	13,304,235,542	12,192,219,360	1,112,016,182	92%
Surplus/Deficit	0	0	0	-144,582,260	144,582,260	

Proceeds from Domestic and Foreign Grants- The under-collection was due to failure by the Donor meeting his obligations in the field stations.

Proceeds from Foreign Borrowings- 0%- The under-collection was due to failure by the Donor meeting his obligations in the field stations.

Use of goods and services- 6%- The under expenditure was due to failure by the donor to meet his obligation. The entity financial statements were approved on 30 Sept 2017 and signed by:


 Principal Secretary
 Dr. Bello Kipsang


 Senior Assistant Accountant General
 CPA Francis O. Odera
 ICPAK Member Number: 5398

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BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget 30, June 2017 Kshs	Adjustments Kshs	Final Budget 30, June 2017 Kshs	Actual on comparable basis 30, June 2017 Kshs	Budget utilization difference Kshs
PRIMARY EDUCATION	21,185,776,209		21,185,776,209	20,267,289,034	918,487,175
Free Primary Education	17,881,805,304.00		17,881,805,304	17,020,110,561.65	861,694,742.35
Special Needs Education	925,170,000.00		925,170,000	922,830,425.00	2,339,575.00
Early Child Development and Education	24,746,710.00		24,746,710	10,860,634.00	13,886,076.00
Primary Teachers Training and In-servicing	578,738,882.00		578,738,882	582,890,642.00	-4,151,760.00
Alternative Basic Adult and Continuing Education	94,106,245.00		94,106,245.00	91,221,806.70	2,884,438.30
School Health, Nutrition and Meals	1,652,133,368.00		1,652,133,368	1,635,814,964.35	16,318,403.65
ICT Capacity Development	29,075,700.00		29,075,700	3,560,000.00	25,515,700.00
SECONDARY EDUCATION	40,883,090,087		40,883,090,087	40,391,552,719	491,537,368
Secondary Bursary Management Services	117,185,627.00		117,185,627	114,495,824.60	2,689,802.40
Free Day Secondary Education	39,691,851,160.00		39,691,851,160	39,203,804,120.40	488,047,039.60
Secondary Teachers Education Services	635,620,000.00		635,620,000	635,620,000.00	-
Secondary Teachers In-Service	238,433,300.00		238,433,300	238,433,274.00	26.00
Special Needs Education	200,000,000.00		200,000,000	199,199,499.80	800,500.20
QUALITY ASSURANCE STANDARDS	4,384,629,021		4,384,629,021	4,307,847,664	76,781,357

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Programme/Sub-programme	Original Budget 30, June 2017	Adjustments	Final Budget 30, June 2017	Actual on comparable basis 30, June 2017	Budget utilization difference
Curriculum Development	1,315,724,600.00		1,315,724,600	1,315,724,600.00	0.00
Examination and Certification	1,594,202,500.00		1,594,202,500	1,592,401,875.00	1800625.00
Co-Curriculum Activities	1,474,701,921.00		1,474,701,921	1,399,721,189.15	74980731.85
GENERAL ADMINISTRATION, PLANNING AND SUPPORT SERVICES	4,986,252,185		4,986,252,185	4,776,474,867	209,777,318
Headquarters Administrative Services	2,316,021,405.00		2,316,021,405	2,154,719,761.80	161,301,643.20
County Administrative Services	2,670,230,780.00		2,670,230,780	2,621,755,105.35	48,475,674.65
TOTAL	71,345,641,257.00		71,439,747,502.00	69,743,164,283.80	1,696,583,218.20

XI. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below.

This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

2. Reporting entity

The financial statements are for the State Department of Basic Education The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

Food Assistance to Primary and Pre Primary Schools in Semi-Arid and Arid Areas and Disadvantaged Urban Children World Food Program
Kenya Primary Education Development Project
Secondary Education Quality Improvement Project (SEQUIF)
Education For Young People Programme

3. Recognition of receipts and payments

a) Recognition of receipts

The Entity recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the entity.

Tax receipts

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

SIGNIFICANT ACCOUNTING POLICIES

Transfers from the Exchequer

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners.

Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the Entity may take on will be treated on cash basis and recognized as receipts during the year of receipt.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 20XX, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

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Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

b) Recognition of payments

The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

SIGNIFICANT ACCOUNTING POLICIES

Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of disclosure. This summary is disclosed as an annexure to the entity's financial statements.

4. 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 receipts and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

5. 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.

SIGNIFICANT ACCOUNTING POLICIES

Restriction on cash

Restricted cash represents amounts that are limited /restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2017, this amounted to Kshs 64,852,390 compared to Kshs 64,677,265 in prior period as indicated on note 14

There were no other restrictions on cash during the year

6. 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. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

XII. NOTES TO THE FINANCIAL STATEMENTS

1 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Amount in foreign currency	2016-2017	2015-2016
			Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)				
ADB			3,560,000	-
WFP			-	445,000,000
G-UNITED			-	9,223,600
GPE- PRIEDE			237,413,492	51,644,810
Grants Received from Multilateral Donors (International Organisations)				
UNICEF			15,000,000	85,617,005
TOTAL			255,973,492	591,485,415

2 EXCHQUER RELEASES

Description	2016-2017	2015-2016
	Kshs	Kshs
Total Exchequer Releases for quarter 1	12,783,660,000	3,586,000,000
Total Exchequer Releases for quarter 2	6,189,680,035	13,488,595,940
Total Exchequer Releases for quarter 3	29,002,758,216	24,874,955,000
Total Exchequer Releases for quarter 4	19,783,306,221	18,181,586,970
Total	67,759,404,472	60,131,137,910

(Our budget was not funded by the exchequer to the tune of Kshs. 3,076,325,)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 PROCEEDS FROM SALE OF ASSETS

Description	2016-2017	2015-2016
	Kshs	Kshs
Receipts from the Sale of Inventories, Stocks and Commodities	1,361,982,850	1,855,625,022
Total	1,361,982,850	1,855,625,022

4 OTHER REVENUES

Description	2016-2017	2015-2016
	Kshs	Kshs
Receipts from Administrative Fees and Charges	70,000,000	70,000,000
Other Receipts Not Classified Elsewhere	270,119,136	
Total	340,119,136	70,000,000

(Explain what other receipts not classified elsewhere relates to All other revenues must be classified into their relevant classes and explained)

5 COMPENSATION OF EMPLOYEES

Description	2016-2017	2015-2016
	Kshs	Kshs
Basic salaries of permanent employees	2,126,596,360	2,266,992,187
Basic wages of temporary employees	101,237,338	78,868,521
Personal allowances paid as part of salary	1,195,040,992	997,177,270
Employer Contributions Compulsory national social security schemes	3,236,123	3,342,411
Employer Contributions Compulsory national health insurance schemes	8,825,442	11,047,081
Total	3,434,936,255	3,357,427,470

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 USE OF GOODS AND SERVICES

	2016-2017	2015-2016
	Kshs	Kshs
Utilities, supplies and services	86,448,621	77,781,023
Communication, supplies and services	57,987,700	68,420,486
Domestic travel and subsistence	157,386,084	222,782,731
Foreign travel and subsistence	17,453,500	21,412,906
Printing, advertising and information supplies & services	26,690,023	49,986,628
Rentals of produced assets	195,654,482	226,135,685
Training expenses	38,506,994	673,473,004
Hospitality supplies and services	68,965,633	82,256,715
Insurance costs	-	2,936,870
Specialised materials and services	41,259,910	1,461,163,495
Office and general supplies and services	246,231,499	466,673,367
Other operating expenses	3,598,868,303	3,169,539,226
Routine maintenance – vehicles and other transport equipment	113,963,512	145,390,415
Routine maintenance – other assets	90,226,564	101,273,386
Fuel Oil and Lubricants	103,367,096	127,354,681
Total	4,843,009,920	6,896,580,618

7 SUBSIDIES

Description	2016-2017	2015-2016
	Kshs	Kshs
Subsidies to Public Corporations		
<i>See list attached</i>	28,987,667,712	30,258,894,767
TOTAL	28,987,667,712	30,258,894,767

(Provide details of subsidies given with regards to their nature and purpose)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2016-2017	2015-2016
	Kshs	Kshs
Transfers to National Government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)	19,485,539,154	18,369,823,991
Capital Grants to Government Agencies and other level of Government	8,997,676,183	1,175,252,152
Other Current ,transfers,grants and subsidies	105,000,000	105,000,000
Other capital Grants and transfers	3,180,102,018	501,567,695
TOTAL	31,768,317,355	20,151,643,838

9 OTHER GRANTS AND TRANSFERS

Description	2016-2017	2015-2016
	Kshs	Kshs
Membership dues and subscriptions to international organizations		500,000
Scholarships and other educational benefits	4,255,893	13,064,942
Total	4,255,893	13,564,942

(Provide details of what other grants and transfers relate to and who the beneficiaries are)

10 SOCIAL SECURITY BENEFITS

Description	2016-2017	2015-2016
	Kshs	Kshs
Government pension and retirement benefits	7,856,640	14,669,706
Total	7,856,640	14,669,706

(Provide details of what social security benefits relate to and to which organisations the benefits are contributed to)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 ACQUISITION OF ASSETS

Non Financial Assets	2016-2017	2015-2016
	Kshs	Kshs
Construction of Buildings		582,902,500
Refurbishment of Buildings		551,250
Overhaul and Refurbishment of Construction and Civil Works		541,000,000
Purchase of Vehicles and Other Transport Equipment	642,762,846	
Overhaul of Vehicles and Other Transport Equipment		4,849,000
Purchase of Household Furniture and Institutional Equipment		650,400
Purchase of Office Furniture and General Equipment	3,480,200	356,877,220
Purchase of ICT Equipment, Software and Other ICT Assets		
Purchase of Specialised Plant, Equipment and Machinery	23,274,138	116,241,669
TOTAL	669,517,184	1,603,072,039

12A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	2016-2017	2015-2016
			Kshs	Kshs
Central Bank of Kenya, 1000302445, KShs	KES	Recurrent	18,149,151	145,922,554
Central Bank of Kenya, 1000302507, KShs	KES	Deposit	64,852,390	64,677,265
Central Bank of Kenya, 1000302496, KShs	KES	Development	1,984,759	77,000
Total			84,986,299	210,676,819

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12B: CASH IN HAND

Description	2016-2017	2015-2016
	Kshs	Kshs
Cash in Hand – Held in domestic currency	178,126	600,408
Total	178,126	600,408

Cash in hand should also be analysed as follows:

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Description	2016-2017	2015-2016
	Kshs	Kshs
Headquarters, National Treasury Building, Cash office		
Location 1 Recurrent		
Location 2 Development	66,121	410,408
Total	112,005	190,000
	178,126	600,408

13: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

Description	2016-2017	2015-2016
	Kshs	Kshs
Government Imprests		
Domestic debtors and advances	3,305,371	2,708,545
Others debtors and prepayments	222,204	230,595
Clearance accounts		
Total	210,089,914	326,502,759
	213,617,488	329,441,899

14. ACCOUNTS PAYABLE

Description	2016-2017	2015-2016
	Kshs	Kshs
Deposits		
Other Liabilities	1,861,926	2,499,490
TOTAL	62,990,464	62,177,776
	64,852,390	64,677,266

15. FUND BALANCE BROUGHT FORWARD

Description	2016-2017	2015-2016
	Kshs	Kshs
Bank accounts		
Cash in hand	210,676,819	86,228,007.00
Accounts Receivables	600,408	1,084,622.00
Accounts Payables	329,441,899	116,040,869.00
Total	-64,677,266	-67,918,748.00
	476,041,860	135,434,750

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16. PRIOR YEAR ADJUSTMENTS

Description of the error	2016 – 2017	2015 – 2016
	Kshs	Kshs
Adjustments on bank account balances	(238,366,402)	
Adjustments on cash in hand		
Adjustments on payables		
Adjustments on receivables		
Others (<i>specify</i>)	(5,664,927)	(11,787,856)
	(244,031,329)	(11,787,856)

(At the beginning of the year 2016-2017 the National treasury swept all the balances from our bank accounts which comprised of bank balances at the end of 2015-2016 and returns from the field station to the tune of Kshs. 244,031,329).

17. RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the (State Department of Basic Education)

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

	2016/2017	2015/2016
	Kshs	Kshs
Key Management compensation	34,777,680	xxx
	=====	=====
Transfers to the Other Ministries Departments and Agencies	xxx	xxx
Transfers to other State Corporations and Semi-Autonomous Government Agencies	6,939,035,358	xxx
Transfers to Government Development Projects	1,716,744,608	xxx
Transfers from other Ministries Departments and Agencies	8,655,779,966	xxx
	=====	=====

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18. OTHER IMPORTANT DISCLOSURES

18.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2016 – 2017	2015 – 2016
	Kshs	Kshs
Supply of goods	458,518,072	3,195,498
Supply of services	22,896,562	11,150,030
TOTAL	481,414,634	14,345,528

18.2: PENDING STAFF PAYABLES (See Annex 2)

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Middle management		0
		0

18.3: OTHER PENDING PAYABLES (See Annex 3)

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Amounts due to National Government entities	0	17,654,932
	0	17,654,932

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19. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

REF NO.	ISSUES	Observation and Auditor's recommendations	Management comments	Focal point person to resolve the issue (NAME & Designation)	Status: (resolved/ not resolved)	Time frame: (put a date when you expect the issue to be resolved)
1.	Supply of sanitary towels	The ministry should provide the relevant records to explain the anomalies so that the propriety of the expenditure can be confirmed.	The ministry provided comprehensive explanation as to why the anomalies occurred and also availed various tender records and documents for verification.	HAU and Procurement	Resolved	30 th June 2016
2.	Procurement of smart boards for schools	The ministry should provide the relevant records and explanation for the omission noted so as to justify the expenditure.	The ministry provided explanation and tender documents to support the award of the tender.	HAU and Procurement	Resolved	30 th June 2016
3.	Supply of desktop computers to schools- Kshs 23,740,000.00	The ministry should ensure that proper procurement procedures are followed and also to provide tender	The ministry provided explanation, tender documents and minute to confirm the propriety of the	HAU and Procurement	Un-resolved	30 th June 2016

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		documents for verification of the expenditure	expenditure	HAU	Resolved	30 th June 2016
4.	Digital content programme- Kshs 200,000,000.00	The ministry should adhere to the government financial regulations or otherwise seek authority from the national treasury to spend on non voted provisions in order to avoid over expenditures.	The ministry explained that an error occurred during typing of the item on the face of the voucher. However, the expenditure item was rightly captured in the system and a print extract was given for verification. It has also put in place measures to ensure that such errors do not occur in future.	HAU	Resolved	30 th June 2016
5.	Provision of software licenses and upgrades	The ministry should adhere to the public procurement and disposal Act 2015 and also provide a reconciled account on the expenditure of Kshs 71,496,139.	The ministry has given a comprehensive explanation to the auditors as to what necessitated the split of the contract and the variance between the contract sum and amount paid to supplier	HAU	Resolved	30 th June 2016
6.	Unsupported claims	The ministry should provide sufficient documentation to support authenticity the expenditure in conformity with the Public Finance Management Act 2012	The ministry availed documents relating to court cases to the auditors for verification	HAU	Resolved	30 th June 2016
7.	Irregular expenditures	The ministry should provide proper explanation on the anomalies observed in the procurement of various services.	The ministry has provided relevant documents to the auditors and has put measures in place to avoid reoccurrence of the same.	HAU	Un-resolved	30 th June 2016
8.	Irregular	The ministry should provide	The ministry has provided	HAU	Resolved	30 th June

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	allowances Kshs 2,656,000.00	explanation on the anomalies and also ensure adherence to government circulars regarding payments of allowances to officers.	explanation and documents to justify the payment of allowances.		2016
9.	Unsupported fees expenditure	The ministry should provide the necessary supporting documents to authenticate the expenditure.	The ministry has provided documents such as admission letters, fees structures and a copy of the president directive to the auditors to support the expenditure.	HAU	30 th June 2016
10.	Expired contracts	The ministry should ensure validity of contracts on procurement of goods and services in conformity with the public procurement and disposal act 2015.	The ministry provided explanations as what necessitated the payment to M/S Aje Elevator Engineering Company without a valid contract and in future, it will ensure that government financial regulations and procedures are adhered to.	HAU	30 th June 2016
11.	Nugatory expenditure	The ministry should provide sufficient explanation and documentation to ascertain that value for money on the expenditure was obtained by the ministry.	The ministry has provided sufficient explanation and documentation to support the expenditure. It has also put in place appropriate measures to ensure that such anomalies do not occur in future.	HAU	30 th June 2016
12.	Supply of motor vehicles	The ministry should provide complete supporting documents and adhere to the public procurement and	The ministry has provided relevant documents to the auditors for verification.	HAU/Procurement	30 th June 2016

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		disposal procedures.					
13.	Failure to disclose pending bills	The ministry should always disclose pending bills carried forward to the next financial year in order to avoid any distortion in the subsequent year.	The ministry has provided explanation to what necessitated the non-disclosure of pending bills. It has also put in place measures to prevent such anomalies in future.	HAU	Un-resolved	30 th June 2016	
14.	Unconfirmed refund	The ministry should provide complete and proper documentation on the payment	The ministry has since provided explanation and relevant documents to justify the refund to the auditors for verification	HAU/AIE Holder	Resolved	30 th June 2016	
15.	Special needs education grants	The ministry should indicate criteria applied on disbursements of grants in order to justify the variations and authenticity of the payments.	The ministry has provided explanation and information needed by the auditor as pertains to the expenditure.	HAU	Resolved	30 th June 2016	
16.	Public teachers training colleges	The ministry should ensure availability of the institutions' operational status in order to justify disbursements of grants.	The ministry has provided explanations and also confirmed the genuinity of the expenditures	HAU/AIE Holder	Resolved	30 th June 2016	
17.	Support for mobile schools	The ministry should provide clarity on how beneficiary mobile schools in arid and semi arid areas are identified for funding and verification of payments.	The ministry has clarified to the auditors the criteria and procedure used in the identification mobile schools. Documentation to the effect has also provided.	HAU	Un-resolved	30 th June 2016	
18.	Over pricing of goods	The ministry should ensure that standard goods and	The ministry has provided explanation and information	HAU/Procurement	Un-resolved	30 th June 2016	

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		services are procured at market price in order to get value for money in compliance with public procurement disposal act 2015.	needed by the auditor to justify the expenditures.			
19.	Unconfirmed stores records	The ministry should ensure that proper stores records are well maintained and availed for audit purpose.	The ministry has since provided the auditors with the stores records for verification.	HAU/AIE holder	Un-resolved	30 th June 2016
20.	Expenditure on school co-curricular activities	The ministry should provide proper documentation and explanation on excess payments over the budgeted allocation.	The ministry has provided explanation, information and documents to the auditors and has also put in place measures to prevent such anomalies in future.	HAU/AIE Holder	Un-resolved	30 th June 2016
21.	Compensation of employees	The ministry should reconcile the statement of receipts and payments of employees' emoluments.	The ministry has given to the auditors a reconciled statement and explanation on the variances on payments of employees emoluments	HAU/AIE Holder	Resolved	30 th June 2016
22	Cash and Bank balances	The ministry should prepare an up to date bank reconciliation statements and also provide explanation for the anomalies.	The ministry has analysed and provided relevant documents for verification.	HAU, Treasury	Un-resolved	30 th June 2016
23.	Audit of secondary schools					
23.1	Rent Arrears	The ministry should put in place appropriate measures are in place to ensure rent is promptly paid and outstanding	The ministry has provided explanation for the anomalies and has put in place the necessary measures to	HSE	Un-resolved	30 th June 2016

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		arrears are recovered.	ensure that rents are paid promptly and arrears recovered as soon as possible.			
23.2	Institutional Creditors	The ministry should put in place appropriate measures to ensure that creditors are paid promptly and outstanding payments are made in good time subsequent to the availability of funds	This has been necessitated by the delay by ministry in the provision of funds to schools due to the release of exchequers from the National Treasury. The ministry has since put in place measures to address this anomaly.	HSE/AIE Holder	Un-resolved	30 th June 2017
23.3	Land ownerships	The ministry should ensure the presidential direct on school land ownership is complied with.	The ministry has initiated measures through the schools management boards to ensure school land title deeds are acquired without further delay.	HSE/AIE Holder	Un-resolved	30 th June 2016
23.4	Alliance High School	The ministry should ensure that proper explanation is given by the school as to why it contracted the services a private firm to oversee the construction execution contrary the government rules and regulations.		HSE/AIE Holder	Un-resolved	30 th June 2016
23.5	Jamuhuri High School (Outstanding rent)	The ministry should put in place appropriate measures to ensure prompt collection of rents and non- recurrence of similar situations in future.	The ministry through the school management board has provided explanation for the anomalies and has put in place the necessary measures to ensure that rent	HSE/AIE Holder	Un-resolved	30 th June 2016

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			arrears are realized and the two houses which have been alienated by other parties revert to the school occupancy.		
23.6	Pangani Girls High School	The ministry should ensure that the school provide supporting documents to confirm the propriety of the expenditure on the trip and purchase of the unserviceable generator	The ministry has initiated investigative process with a	HSE/AIE Holder	Un-resolved 30 th June 2016
24.	Un-resolved prior year matters (Current grants and transfers to government agencies and other level of governments)	The ministry should provide explanations on the variances on the issuances of grants and transfers to government agencies to ascertain the propriety of the disbursements.	The ministry has analysed, reconciled and made the necessary adjustments.	HAU Treasury	Un-resolved 30 th June 2016

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

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Principal Secretary
D. Belio Kipsang



Senior Assistant Accountant General
CPA Francis O. Odera
ICPAK Member Number: 5398

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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
	A	B	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
Sub-Total						
Supply of goods						
TRIM LIMITED	131,040.00					System Failure
TOYOTA KENYA LTD	56,939.00					System Failure
LEWAKI ENTERPRISES	288,500.00					System Failure
EGERTON UNIVERSITY	141,984.00					System Failure
RISCAN ENTERPRISES	33,000.00					System Failure
MINISTRY OF SPORTS CULTURE & ARTS	18,180.00					Definition Issue
STAGS LIMITED	232,450,000.00					FOB
MINION LIMITED	34,650,000.00					Delivered
BENEIZ GENERAL SUPPLIES	34,522,425.00					Delivered half remaining
ROSABBY ENTERPRISES LIMITED	49,574,575.80					FOB
PLATINUM ENTERPRISES LIMITED	34,254,162.00					AT PORT OF MOMBASA
HALGAN MEGABIDS LIMITED	32,482,593.00					AT PORT OF MOMBASA
FIRMSTAR LIMITED	33,154,395.12					3 Counties Delivered
INTERMASS STATIONERS & PRINTERS LTD	2,739,000.00					
MAXSWAGG PROVISION INVESTMENT	570,000.00					

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Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
Sub-Total	458,518,072.47					
Supply of services						
KICD	5,808,000.00					
BURCH'S RESORT NAIVASHA	342,000.00					
Commissioner VAT	6,450,887.50					
CEMASTE	97,200.00					
North Coast Beach Hotel	1,100,000.00					
Kisumu Hotel (Maseno University)	678,368.00					
Rosma Tours & Travel	49,690.00					
Crown Motors Group Ltd	17,321.00					
Crown Motors Group Ltd	12,818.00					
Menkey Star Africa Ltd	1,257,382.55					
KWS-Training Institute Naivasha	248,999.00					
st. Mary's Grisl Pry Sch	86,700.00					
Peppercorn Resort	552,500					
Technical University, Mombasa	478,848					
Peppercorn Resort	552,500					
Technical University, Mombasa	478,848					
Joash Migosi	1,296,000					
Harry L. Kaane	936,000					
Jacob Kibwage	1,732,500					
Maina Gathu	720,000					
Grand Total	22,896,562.05					

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ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2015/2016	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2016/2017
Buildings and structures	4,475,007,916			4,475,007,916
Transport equipment	4,849,000	642,762,846		647,611,846
Office equipment, furniture and fittings	589,408,679	3,480,200		592,888,879
ICT Equipment, Software and Other ICT Assets	265,171,822			265,171,822
Other Machinery and Equipment		23,274,138		23,274,138
Total	4,475,007,916	669,517,184	<input type="checkbox"/> Failure to avail assets register	6,003,954,601

ANNEX 5 – LIST OF PROJECTS IMPLEMENTED BY THE ENTITY (State Department of Basic Education)

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements
1	Food Assistance to Primary and Pre Primary Schools in Semi-Arid and Arid Areas and Disadvantaged Urban	Provision of Food in Semi-Arid, Arid and Disadvantaged urban	Dr Belio Kipsang	Yes

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	Children World Food Program	Areas		
2	Kenya Primary Education Development Project Secondary Education	Improve Early grade Mathematics Competency and strengthen management systems at schools	Dr Belio Kipsang	Yes
3	Quality Improvement Project (SEQUIF)	Improving Student Learning and Transition from Primary to Secondary in targeted areas	Dr Belio Kipsang	Yes
4	Education For Young People Programme	To expand and improve early childhood development and education for the vulnerable and disadvantaged children	Dr Belio Kipsang	Yes

ANNEX 6 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE ENTITY (State Department of Basic Education)

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter- entity reconciliations done
1.	Kenya Education Management Institute	Conduct Training, Research and Consultancy for Education Services	Graca Ngaca	99,202,500	Yes
2.	Center For Mathematics Science And	Promoting Science and		284,229,074	Yes

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	Technology East Africa	Technology	Wambua T Mutiso		Yes
3.	Kenya Institute Of Special Education			414,400,000	Yes
4.	Kenya Institute Of Curriculum Development	Curricula Development		1,367,252,325	Yes
5.	Kenya National Commission For Unesco			255,000,000	No
6.	Kenya National Examination Council			3,804,699,459	Yes
7.	Science Equipment Production Unit			18,888,000	No
8.	Presidential Awards			29,994,000	Yes
9.	Scouts			77,500,000	No
10.	Girl Guides			27,500,000	No
11.	Institute Of the Blind			29,970,000	No
12.	Kibabii Teachers Training College			285,000,000	Yes
13.	Kagumo Teachers Training College			90,400,000	No
14.	Lugari Teachers Training College			75,000,000	Yes
15.	Moiiben Teachers Training College			80,000,000	No
	TOTAL			6,939,035,358	

ANNEX 7- REPORTS GENERATED FROM IFMIS

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows

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- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes

