

REPUBLIC OF KENYA



Enhancing Accountability



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REPORT

THE NATIONAL ASSEMBLY PAPER LAID	
DATE: 08 NOV 2023	DAY: Wednesday
TABLED BY: Hon. Naomi Wago (Deputy Majority Whip)	
CLERK-AT-TABLE: Mado	

OF

THE AUDITOR-GENERAL

ON

CHALA SECONDARY SCHOOL

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

TAITA/TAVETA COUNTY

(Indicate actual name of the school)
PUBLIC SECONDARY SCHOOL
Annual Report and Financial Statements
For the year ended 30th June 20xx

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PUBLIC SECONDARY SCHOOLS - (Indicate actual name of the School)
Reports and Financial Statements
For the year ended 30th June 20xx

I. KEY SCHOOL INFORMATION AND MANAGEMENT

[Customise the details in this section to suit your School]

(a) Background information

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

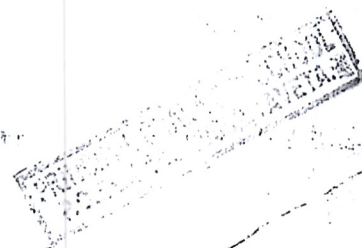
The school was registered in 12/2013 under registration number PU/S/3/228/13 and is currently categorized as a Sub county (*National, Extra County, county and Sub County*) public school established, owned or operated by the Government.

The school is a day/boarding school and had 394 number of students as at 30th June 2021. It has 3 streams and 20 teachers of which 5 teachers are employed by the School Board Of Management.

(b) School Board of Management - Board Members

The School Board of Management established under Section 55 of the Basic Education Act, 2013; is composed of the following members:

Ref	Name of Board Member	Designation	Date of appointment
1	JANE W KUBO	Chairman	18th june 2019
2	DOUGLAS P MKONGO	Secretary - Principal	18th june 2019
3	DORA MRAMBA	Member	18th june 2019
4	FAITH MUASA	Member	18th june 2019
5	TOM ODUNDO	Member	18th june 2019
6	ELIZABETH KYENGO	Member	18th june 2019
7	HANNAH SEBEN	Member	18th june 2019
8	ISAAC FUNDI	Member - Rep CEB	18th june 2019
9	JONH HABWE	Member Rep Teachers	18th june 2019
10	PETER MTANYA	3 Members - Sponsor	18th june 2019
11	ISAAC KITHEKA	Member - Community	18th june 2019
12	JOSPHINE KINGOLA	Member Special Needs	18th june 2019
13	BRIAN MWAGHOGHO	Rep Students	18th june 2019



KEY SCHOOL INFORMATION AND MANAGEMENT (Continued)

The Function of the School Board of Management include:

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

(c) Committees of the Board

Provide the names of the various committees of the Board established by the Board and the names of the committee members:

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Ref:	Name of Committee	Names of Members	Designation	Number of meetings attended during the year
1	Executive Committee	Jane kubo Mkongo douglas Aguilina milimito Dorah mramba Rev peter mtanya	Bom chair person Bom secretary Bom member Bom member Bom member	2
2	Audit Committee	Jimmy Muchiri Hanna Seben Peter Mtanya Isaac kitheka Isaac Fundi	Chairperson Member Member Member member	2
3	Finance, procurement and general purposes Committee	Jane kubo Aguilina milimito Paul maneno Elizabeth kyengo Tom odundo	Chair person Member Member Member member	2
4	Academic Committee	Isaac fundi Aguilina milimito John habwe Isaac kitheka Jane kubo	Chair person Member Member Meber member	2
5	Development Committee	Isaac kitheka Jane kubo John kamau Aguilina millimito Dora mramba	Chair person Member Member Member member	2
6	Discipline and welfare Committee	Faith muasa Dorah mramba John habwe Justine kimiri Aguilina milimito	Chair person Member Member Member member	2
7	Adhoc Committee (if any during the year)Tender Committee.	John kamau Eric ontiri Mary nguruwi Beatrice magenda	Chairperson Member Member member	2

(d) School Operation Management

For the financial year ended 30th June 2021 the School day-to-day management was under the following persons:

Ref:	Designation	Name	TSC / ID Number
1	Principal	Douglas P Mkongo	321668
2	Deputy Principal	John N Kamau	580837
3	School Bursar	Beatrice magenda	23891605

(Indicate actual name of the school)
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KEY SCHOOL INFORMATION AND MANAGEMENT (Continued)

(e) Schools contacts

Post Office Box: P.o Box Taveta
Telephone: 0724028983
E-mail: chalasecondary@gmail.com
Website:
Facebook:
Twitter:

(f) School Bankers

The following School Operated 8 number of bank accounts in the following banks: (Ensure all accounts including CDF accounts are included)

Name of Bank: KCB
Branch: Taveta
Account Number: 1103871439

Name of Bank: KCB
Branch: Taveta
Account Number: 1103873857

Name of Bank: KCB
Branch: Taveta
Account Number: 1103873547

Name of Bank: KCB
Branch: Taveta
Account Number: 1110733666

Name of Bank: KCB
Branch: Taveta
Account Number: 1116201453

Name of Bank: KCB
Branch: Taveta
Account Number: 1160259305

Name of bank: KCB
Branch: Taveta
Account Number: 1212183150

MPESA Pay Bill No. 522123 attached to KCB bank account

(Ensure all bank accounts operated by the school are disclosed and that all Pay Bill Numbers are also disclosed)

(Indicate actual name of the school)
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(g) Independent Auditors
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

II. SUMMARY REPORT OF PERFORMANCE OF THE SCHOOL

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

a) Financial performance:

Under this section, the following information should be given:

- *Surplus/ deficit for the year and a comparison of the same for the last three years*
 - *Capitation grants from the Ministry of Education for the last three years*
 - *Ratio of capitation grant per student over the last three years*
 - *A three-year overview of growth of other income(s) earned by the school.*
 - *A three-year overview of growth in expenditure of the school*
 - *Movement of debtors and creditors of the school over the last three years*
 - *Movement of cash and bank balances over the last three years*
- Graphical presentation, ratios, tables, and pie charts should be used to show/ indicate trends.*

b) Teacher Student ratio:

Total number of teachers was 20, TSC teachers 15, BOM 5.

c) Mean score in the 2019, 2020 and 2021 KCSE:

<i>Year</i>	<i>Mean Score</i>
2019	3.5
2020	3.17
2021	2.78

d) Number of Candidates in the 2021 KCSE:

<i>Year</i>	<i>No of candidates</i>
2019	45
2020	56
2021	60

e) Capacity of the school:



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There was an enrolment 394 students .The facilities in the school are: 3 dormitories, 1 Dining hall, 1 computer lab, 1 food store, 2 staff houses 1 laboratory,

f) Development projects carried out by the school:

Development projects carried out in the year and ongoing projects including a disclosure of project fund sources in a tabular format - NIL

Sign



School Principal

12.10.22

III. STATEMENT OF SCHOOL MANAGEMENT RESPONSIBILITY

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

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

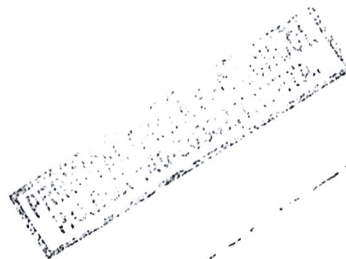
The Board of Management of *(Name of School)* accepts responsibility for the school's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS).

The Board of Management is of the opinion that the school's financial statements give a true and fair view of the state of the school's transactions during the financial year ended 30th June, 2021, and of the school's financial position as at that date.

Name: *Jane Wambuga Kubo*
Designation: Chairman, School Board of Management
Sign: *[Signature]*
Date: *12/10/2022*

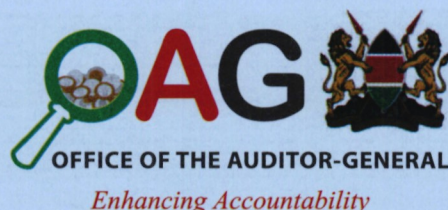
Name: *MKONGO P. D*
Designation: School Principal & Secretary to Board of Management
Sign: *[Signature]*
Date: *12.10.22*

Name:
Designation: Bursar/ Finance Officer
Sign: *[Signature]*
Date: *12/10/22*



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON CHALA SECONDARY SCHOOL FOR THE YEAR ENDED 30 JUNE, 2021- TAITA /TAVETA COUNTY

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Chala Secondary School - Taita/Taveta County set out on pages 12 to 22, which comprise of the statement of financial assets and liabilities as at 30 June, 2021, and the statement of receipts and

payments, statement of cash flows and statement of budgeted versus actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Chala Secondary School – Taita/Taveta County as at 30 June, 2021, 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 do not comply with the Basic Education Act, 2013 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracies in the Presentation and Disclosure of the Financial Statements

Review of the financial statements submitted for audit revealed the following inaccuracies;

- i. The statement of receipts and payments reflects an amount of Kshs.4,435,040 in respect of school fund income – parents’ contributions. However, the amount differs with the corresponding amount of Kshs.3,059,778 reflected in the statement of cash flows resulting to an unexplained variance of Kshs.1,375,262;
- ii. The statement of receipts and payments reflects an amount of Kshs.667,718 in respect of payments for tuition. However, the amount differs with the corresponding amount of Kshs.299,860 reflected in the statement of cash flows resulting to an unexplained variance of Kshs.367,858;
- iii. The statement of receipts and payments reflects an amount of Kshs.5,533,480 in respect of boarding and school fund payments. However, the amount differs with the corresponding amount of Kshs.5,287,673 reflected in the statement of cash flows resulting to an unexplained variance of Kshs.245,807;
- iv. The amounts reflected in the statement of cash flows has not been referenced to the respective disclosure notes to the financial statements;
- v. The statement of budgeted versus actual amounts for the year ended was not prepared and included in the financial statements.
- vi. The statement of receipts and payments reflects capitation grants for operations or infrastructure and school fund income amount of Kshs.2,679,797 and Kshs.4,435,040 respectively as disclosed in Notes 2 and 3 to the financial statements. However, the cash books and bank statements reflects receipts

amounting to Kshs.3,469,355 and Kshs.6,483,889, respectively resulting to an unexplained variance of Kshs.789,558 and Kshs.2,048,849.

- vii. Further, the statement of receipts and payments reflects an amount of Kshs.2,129,139 in respect of payments for operations or infrastructure as disclosed in Note 6 to the financial statements. The amount comprises of several account amounts which differ with the recorded balances in the cashbooks as follows;

Vote Head	Financial Statements (Kshs.)	Cash Book (Kshs.)	Variances (Kshs.)
Personnel Emoluments	853,948	1,605,099	(751,151)
Administration Costs	632,377	187,013	445,364
Local Transport and Travelling	30,500	53,300	(22,800)
Electricity Water and Conservancy	72,000	141,000	(69,000)
National Health Insurance Fund	26,500	53,500	(27,000)
National Social Security Fund	69,330	175,194	(105,864)
Hire of Bus	289884	309,884	(20,000)
Board of Management Teachers	45,000	45,100	(100)
Salary Advance	59,000	77,500	(18,500)
Repairs, Maintenance and Improvements	-	55,600	(55,600)
Creditors	-	423,375	(423,375)
Boarding Equipment and Stores	-	34,140	(34,140)

- viii. Salary advances and sundry creditors amounting to Kshs.65,300 and Kshs.161,945, respectively relate to receivables and creditors and not expenses.
- ix. The statement of receipts and payments reflects school fund income – other receipts amount of Kshs.2,501,565 as disclosed in Note 4 to the financial statements. However, the amount includes BOM teachers, Bursary, National Hospital Insurance Fund (NHIF), National Social Security Fund (NSSF), arrears and salary advance totalling Kshs.2,306,016 which ought to have been classified under school fund income – parents’ contributions.

In the circumstances, the accuracy, completeness, presentation and disclosure of the financial statements could not be confirmed.

2. Misstatement of Receipts and Payments

The statement of receipts and payments reflects school fund income - other receipts of amount of Kshs.2,501,565 as disclosed in Note 4 to the financial statements. However, the School income from student identification card, t-shirt and bus hire amounting to

Kshs.195,549 differs with the cash book balance of Kshs.278,349 resulting in an unexplained variance of Kshs.82,800.

Further, the statement of receipts and payments reflects boarding and school fund payments balance of Kshs.5,533,479 as disclosed in Note 7 to the financial statements. The receipt includes personnel emoluments, lunch program and others expenses amounting to Kshs.6,288,927 which differs with the cash book balance of Kshs.5,533,478 resulting in an unexplained variance of Kshs.755,449.

In addition, Note 7 to the financial statements reflects unsupported amount of Kshs.1,269,000 in respect of bursary.

In the circumstances, the classification, accuracy and completeness of school fund income and payments could not be confirmed.

3. Unsupported Cash and Cash Equivalents

The statement of financial assets and liabilities reflects cash and cash equivalents balance of Kshs.959,899 as disclosed in Notes 8, 9 and 10 to the financial statements. However, Management did not provide cashbooks and bank reconciliation statements for the school infrastructure bank account and school bus bank account while the cashbook and bank reconciliations were not checked and signed by the preparer and reviewer at the end of every month. Further, Management did not constitute a Board of Survey to establish cash in hand as at 30 June, 2021 and therefore the cash in hand balance of Kshs.11,165 could not be confirmed.

In the circumstances, the completeness and accuracy of cash and cash equivalents balance of Kshs.959,899 could not be confirmed.

4. Unsupported Student Accounts Receivables

The statement of financial assets and liabilities reflects accounts receivables balance of Kshs.16,522,663 as disclosed in Note 11 to the financial statements. However, accounts receivables schedules, detailed aging analysis and ledger details were not provided for audit.

In the circumstances, the accuracy, completeness and recoverability of the account's receivables balance of Kshs.16,522,663 could not be confirmed.

5. Unsupported Accounts Payables

The statement of financial assets and liabilities reflects accounts payables balance of Kshs.973,706 as disclosed in Note 12 to the financial statements. The balance constitutes of trade creditors and prepaid fees of Kshs.616,664 and Kshs.357,042 respectively. However, aging analysis, delivery notes and invoices were not provided for audit.

In the circumstances, the accuracy and completeness of accounts payables balance of Kshs.973,706 could not be confirmed.

6. Unsupported Remittances to Kenya Secondary School Heads Association

The statement of receipts and payments reflects payments for operations amount of Kshs.2,129,139 as disclosed in Note 6 to the financial statements. Included in the expenditure are remittances amounting to Kshs.849,050 to Kenya Secondary School Heads Association (KESSHA) and other organizations. However, the enabling legislation supporting the remittances to the association including how the amounts paid were arrived at were not provided for audit.

In the circumstances, the regularity of the expenditure on KESSHA amounting to Kshs.849,050 could not be confirmed.

7. Unsupported Procurement of Goods and Services

The statement of receipts and payments reflects total payments amounting to Kshs.8,330,337. However, review of payment vouchers revealed that the School Management incurred expenditure amounting to Kshs.1,338,443 for purchase of goods and services whose supporting documents such as receipts, Local Purchase/Service Orders, quotations, invoices, delivery notes, inspection certificates, attendance sheets, itinerary and prior approvals were not provided.

In the circumstances, the accuracy, completeness and regularity of the expenditure amounting to Kshs.1,338,443 could not be confirmed.

8. Unsupported Board of Management Teachers' Contracts

The statement of receipts and payments reflects payments for operations or infrastructure amount of Kshs.2,129,139 as disclosed in Note 6 to the financial statements. The amount includes personal emoluments and Board of Management (BOM) teachers' expenses of Kshs.853,948 and Kshs.45,000, respectively. Further, the statement of receipts and payments reflects boarding and school fund payments of Kshs.5,533,479 as disclosed in Note 7 to the financial statements. Included in the expenditure is personnel emoluments amount of Kshs.546,846. However, the BOM teacher's engagement contracts were not acknowledged by the respective teachers and their approved monthly payrolls were not provided for audit.

In the circumstances, the regularity of personal emoluments and BOM teachers' expenses amounting to Kshs.1,445,794 could not be confirmed.

9. Lack of Ownership Documents

The summary of fixed asset register was not disclosed in Annex 2 to the financial statements. Further, the School Management did not provide ownership documents for the land on which the school is built and log book for the School bus.

In the circumstances, the ownership, accuracy, completeness and existence of non-current assets could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Chala Secondary School Management in

accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Under Disbursement of Government Subsidy for Tuition

The statement of receipts and payments reflects capitation grant for tuition amount of Kshs.405,686 as disclosed in Note 1 to the financial statements. However, review of the budget indicated that the Government subsidy for tuition amounted to Kshs.1,491,840 resulting to an underfunding of Kshs.1,086,154 or 73 % of the budget.

The underfunding affected the planned tuition activities and may have impacted negatively on service delivery to the School.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance with the Public Sector Accounting Standards Board Reporting Requirements

The Public Sector Accounting Standards Board (PSASB) Guidelines on Implementation of International Public Sector Accounting Standards (IPSAS) by Secondary Schools in Kenya of 20 August, 2021 requires the first financial statements after adoption of IPSAS to be presented for eighteen (18) months from 1 January, 2020 to 30 June, 2021 with comparatives being for twelve (12) months from 1 January, 2019 to 30 December, 2019. Further, a disclosure note ought to have been included in the financial statements that the reason for preparing the financial statements for longer period is due to the adoption of IPSAS for schools and the change from calendar year to government fiscal year. In addition, a disclosure note should be made in the financial statements that the

comparative information may not be comparable due to the longer period covered by the current financial period.

However, Management presented the annual report and financial statements covering only one year for financial year 2020-2021 with comparative balances for financial year 2019. Therefore, the financial statements have not been prepared for eighteen-months (18) as prescribed by the Public Sector Accounting Standards Board.

Further, no disclosure was made on the change in the preparation of financial statements from calendar year to government fiscal year or on the lack of comparability due to the longer period covered by the current financial period. In addition, review of the annual report and financial statements submitted for audit revealed that Management did not customize the template issued through the Board but used the generic template with instructional information.

In the circumstances, Management did not comply with guidelines issued by the Board.

2. Weaknesses in Management of Revenue

Review of records revealed that the School has a bus for hire, land that is leased and farm income. However, funds from these income-generating activities were banked in the school operations bank account instead of separate bank accounts. This is contrary to the Ministry of Education Circular Ref. No: MOE.HQS/3/13/3 dated 16 June, 2021 on guidelines on implementation of Free Day Secondary Education (FDSE) which requires that schools with income generating activities open separate bank accounts for the stream of income and account for it in accordance with financial regulations.

Further, review of boarding and school fund account cashbook revealed that school fees totalling to Kshs.2,234,801 were paid in cash. However, Management did not bank these receipts and instead utilized the funds at source contrary to the provisions of Regulation 64(1) of the Public Finance Management (National Government) Regulations, 2015 which provides that, where public funds are received in cash, such cash shall be paid into the designated bank accounts and shall not be used by any public officer in any manner between the time of their receipts and payment into the bank.

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

3. Failure to Prepare a Procurement Plan

The School did not prepare for approval by the Board of Management a Procurement Plan contrary to Section 53 (2) and (5) of the Public Procurement and Asset Disposal Act, 2015 which requires entities to have in place procurement and asset disposal plans that are based on indicative or approved budgets which shall be integrated with the applicable budget process. The School may have incurred unplanned or un-budgeted expenditure resulting to loss of public funds.

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

4. Procurement of Goods and Services

4.1 Irregular Procurement of Goods and Services

The statement of receipts and payments reflects total payments amounting to Kshs.8,330,037. However, Management incurred expenditure amounting Kshs.461,890 for purchase of goods and services whose procurement process had the following anomalies:

- i. There was no evidence of quotations from the suppliers in line with Section 106 (2) of the Public Procurement and Assets Disposal Act, 2015;
- ii. The procurement method used was not competitive, transparent and fairly conducted as the services and goods were sourced directly contrary to Section 103 of the Public Procurement and Asset Disposal Act, 2015; and
- iii. The Management did not maintain a prequalified list of supplier's contrary to Section 57(1) of the Public Procurement and Asset Disposal Act, 2015.

4.2 Irregular Awarding and Management of Security Services

The statement of receipts and payments reflects payment for operations amount of Kshs.2,129,139 as disclosed in Note 6 to the financial statements. Included in the amount is a payment of Kshs.390,000 for provision of security services. However, the following irregularities were noted;

- i. No evidence on how the School and the Security Firm entered into a contract for the provision of security services and the terms and conditions of the contract were not clear;
- ii. The services were sourced directly without meeting the conditions set in Section 103 of the Public Procurement and Asset Disposal Act, 2015 and therefore the procurement method used was not competitive, transparent and was not fairly conducted.

In the circumstances, the value for money and regularity of the expenditure amounting to Kshs.851,890 could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of a Risk Management Policy and Weak Internal Controls

Review of the School's internal control and risk management environment revealed that the school did not have in place a risk management policy. Further, inadequate controls over financial processes such as authorization procedures and monitoring mechanisms were not observed.

In the circumstances, the School has weak internal controls which increases the risk of errors of omission and commission going undetected and uncorrected resulting to fraudulent transactions and misappropriation of assets.

2. Irregularities in the Board of Management Operations

Review of records and documents relating to the Board of Management operations revealed the following unsatisfactory matters;

- i. The Board of Management held only two (2) meetings on 10 January, 2021 and 25 May, 2021. This is contrary to the provision of Section 3 of the Basic Education Act, 2013 that requires the Board to meet at least three (3) times in each year;
- ii. There was no evidence that the Board of Management constituted committees as required by Section 61(2) of the Basic Education Act, 2013 which provides for the establishment of finance, procurement and general purposes committee; academic standards, quality and environment committee; discipline, ethics and integrity committee; audit committee; and human rights and student welfare committee; and
- iii. The School Management did not provide attendance registers for Board meetings and payment schedules to confirm the allowances paid to the members of the Board of Management.

In the circumstances, existence of an effective School's governance mechanism could not be confirmed.

3. Lack of a School Improvement Plan

Section 2.2.1 of the Operational Manual for Utilization of Learner Capitation, Grant and Other School funds requires a school to develop improvement plan which is a road map for changes that a school needs to improve the school environment and learning outcomes. However, the School did not develop an improvement plan to be used to measure improvement activities and hold the schools accountable, keep the school in focus in achieving the target, prioritization of needs, ensuring prudent utilization of resources and to improve accountability.

In the circumstances, the School may not have an elaborate plan to enforce the School environment and learning income.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the School's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the School or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- 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 applicable 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 School's ability to continue to sustain its services. 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 School 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the School to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

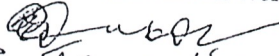
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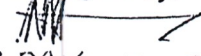
CHALA SECONDARY SCHOOL
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR YEAR ENDED 30TH JUNE 2021


I. STATEMENT OF RECEIPTS AND PAYMENTS

DESCRIPTION OF VOTE HEAD	Note	2020 - 2021	2019 - 2020
RECEIPTS			
Kshs			
Capitation grants for tuition	1	405,686	486,812
Capitation grants for operations/Infrastructure	2	2,679,797	2,955,025
School Fund Income- Parents' Contributions	3	4,435,040	4,788,191
School Fund Income- Other receipts	4	2,501,565	635,726
Proceeds from borrowings			
TOTAL RECEIPTS		10,022,088	8,865,754
PAYMENTS			
Payments for Tuition	5	667,718	476,689
Payments for operations/Infrastructure	6	2,129,139	2,951,631
Boarding and school fund payments	7	5,533,480	2,830,646
TOTAL PAYMENTS		8,330,337	6,258,966
SURPLUS/DEFICIT		1,691,752	2,606,789
		10,022,088	8,865,754

The financial statements were approved on 12.10.2022 and signed by:

Sign 
 Name **Jane Wambuga Kumbi**
 Chair Bom

Sign 
 Name **M. K. O. P. A.**
 School principal
 (secretary to Bom)
 Date **12.10.22**

Sign 
 Name **B. M. M. M.**
 Finance officer
 Bursar
 Date **12.10.22**

Date **12/10/2022**

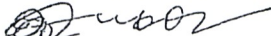


CHALA SECONDARY SCHOOL
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR YEAR ENDED 30TH JUNE 2021


II. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES


	Note	2020 - 2021	2019 - 2020
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8	948,734	28,661
Cash Balances	9	11,165	1,085
Short term Investment	10	-	-
Total Cash and Cash Equivalents		959,899	29,746
Accounts receivable	11	16,522,663	15,313,290
TOTAL FINANCIAL ASSETS		17,482,562	15,343,036
FINANCIAL LIABILITIES			
Accounts Payable	12	973,706	525,932
NET FINANCIAL ASSETS		16,508,856	14,817,105
REPRESENTED BY			
Fund balance b/fwd 1st Jan 2020	12	14,817,104	12,210,316
Surplus/Deficit for the year		1,691,752	2,606,789
NET FINANCIAL POSITION		16,508,856	14,817,105

The financial statements were approved on 12.10.2022 and signed by:

Sign 
Name Jane Wambunga KUBO
Chair Bom

Date 12/10/2022

Sign 
Name MKONGO P.D
School principal
(secretary to Bom)
Date 12.10.22

Sign 
Name BEACUCE
Finance officer
Bursar
Date 12.10.22

**WALIMA SECONDARY SCHOOL
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR YEAR ENDED 30TH JUNE 2021
STATEMENT OF CASH FLOW**

	2020 - 2021 Kshs	2019 - 2020 Kshs
Receipts from operating activities		
Capitation grants for tuition	405,686	486,812
Capitation grants for operations	2,679,797	2,955,025
School fund income- Parents contributions/ fees	3,059,778	2,195,344
School fund income- other receipts	2,501,565	635,726
Total receipts	8,646,826	6,272,907
Payments		
Payments for Tuition	299,860	476,689
Payments for operations	2,129,140	2,195,620
Boarding and school fund payments	5,287,673	2,830,646
Net cash flow from operating activities	7,716,673	5,502,955
	930,153	769,952
CASHFLOW FROM INVESTING ACTIVITIES		
Proceeds from Sale of Assets	-	-
Acquisition of Assets-Abolition block/classrooms	-	-
Proceeds from investments	-	-
Net cash flows from Investing Activities	-	-
NET CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings/ loans	-	-
Repayment of principal borrowings	-	-
Net cash flows from Financing Activities	-	-
NET INCREASE IN CASH AND CASH EQUIVALENT	930,153	769,952
Cash and cash equivalent at BEGINNING of the year-1-1-2021	29,816	29,321
Cash and cash equivalent at END of the year-30-6-2021	959,969	799,273

CHALA SECONDARY SCHOOL
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR YEAR ENDED 30TH JUNE 2021

I. NOTES TO THE FINANCIAL STATEMENTS			
1	CAPITATION GRANT FOR TUITION		
		2020-2021	2019-2020
		Kshs	Kshs
	Textbooks and reference materials	-	-
	Exercise books		
	Laboratory equipment		
	Internal exams		
	Teaching / learning materials	405,686.00	486,812.00
	Chalks		
	Exams and assessment		
	Teachers guides		
	Reference/Library		
	Total	405,686.00	486,812.00
2	CAPITATION GRANT FOR OPERATIONS & INFRASTRUCTURE		
		2020-2021	2019-2020
		Kshs	Kshs
	Personnel emoluments	-	-
	Repairs and maintenance/Infrastructure	1,544,761.10	1,182,965.00
	Local transport / travelling	-	-
	Electricity and water	-	-
	Medical	-	52,600.00
	Administration costs	-	-
	salary advance	90,562.00	
	Activity	-	-
	Other Voteheads	948,644.00	1,719,460.00
	Nhif	26,500.00	-
	Nssf	69,330.00	-
	Total	2,679,797.10	2,955,025.00
3	PARENTS CONTRIBUTION/FEEES - SCHOOL FUND ACCOUNT		
		2020-2021	2019-2020
		Kshs	Kshs

Charges on Boarding Equipment and Stores		3,481,012.00	3,491,432.00
Personnel emoluments		-	-
Repairs and maintenance		131,576.00	130,515.00
Local transport / travelling		-	-
Electricity and water		-	-
Medical		-	-
Administration costs		44,544.00	-
Activity		90,375.00	209,275.00
Other Voteheads		687,533.00	956,969.12
Total		4,435,040.00	4,788,191.12

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4 OTHER RECEIPTS – SCHOOL FUND ACCOUNT			
		2020-2021	2019-2020
		Kshs	Kshs
Bom teachers		820,433.00	435,956.00
T/shirts		11,400.00	63,850.00
Arrears		83,345.00	-
Sale of borehole water		-	-
Transfers		-	-
Bursary		1,269,000.00	-
Income from Bus Hire		-	-
Nhif		13,500.00	-
Nssf		35,288.00	-
Interest income		-	-
Salary advance		84,450.00	-
School farm income		179,399.00	107,820.00
Students Identity card		4,750.00	28,100.00
Total		2,501,565.00	635,726.00
5 PAYMENTS FOR TUITION			
		2020-2021	2019-2020
		Kshs	Kshs
Textbooks and reference materials		-	-
Exercise books		-	-
Laboratory equipment		174,801.00	-
Internal exams		-	-
Teaching / learning materials		492,557.00	169,536.00
Chalks		-	-
Exams and assessment		-	-
Teachers guides		-	-
Administration Costs		-	-
Bank Charges		360.00	360.00
Total		667,718.00	169,896.00

PAYMENTS FOR OPERATIONS/INFRASTRUCTURE			
		2020-2021	2019-2020
		Kshs	Kshs
Personal Emoluments		853,948.00	542,805.00
Service Gratuity		-	-
Administration Cost		632,377.00	-
Repairs and maintenance & improvements		-	38,000.00
Local transport / travelling		30,500.00	-
Electricity and water		72,000.00	-
Activity Expenses		50,000.00	645,830.00
Nhif		26,500.00	-
Nssf		69,330.00	-
Bank Charges		600.00	1,690.00
Acquisition of Assets(Abulution block/classrooms)		-	-
Hire of Bus		289,883.72	-
Transfers		-	-
Bom teachers salary advance		45,000.00	-
Medical and Insurance		59,000.00	-
Other Voteheads		-	2,020.00
TOTAL		2,129,138.72	1,721,286.00
7 BOARDING AND SCHOOL FUND PAYMENTS			
		2020-2021	2019-2020
		Kshs	Kshs
Activity		-	61,815.00
Hire of School bus		534,182.95	-
medical		22,520.00	-
Personnel emoluments		546,846.00	-
Service Gratuity		-	-
Repairs and maintenance & Improvements		205,545.00	61,815.00
Local transport / travelling		244,200.00	-
Electricity and water		75,306.00	-
School farm		108,740.00	28,085.00
Bursary		1,269,000.00	-
Administration costs		679,424.00	64,970.00

Lunch Programme		-	-
Bank Charges		360.00	2,190.00
T/shirts		-	30,000.00
Fee on Boarding Equipment and Stores		1,582,216.55	1,305,262.55
Transfer to operations		-	
Insurance Cost (Life Property)		-	-
Nhif		20,250.00	-
Nssf		17,644.00	-
Salary advance		65,300.00	
Sundry creditors		161,945.00	
Acquisition of Assets		-	-
Bom teachers		-	65,000.00
Student Identity cards		-	-
Other Voteheads		-	1,211,508.00
TOTAL		5,533,479.50	2,830,645.55
<p><i>Expenses on income generating activities** should include all costs relating to the school earnings on other receipts as recorded in note 4. These costs should include farm maintenance, posho mill maintenance, ground maintenance and costs incurred during hire of school bus among others.</i></p>			
8 BANK ACCOUNTS			
Name of Bank, Account No. & currency	Bank Account Number	2020-2021	2019-2020
		Kshs	Kshs
Tuition Account		115,948.35	10,122.85

Operations Account		553,886.63	3,239.25
School Fund Account/Boarding		278,899.05	15,299.00
Savings Account-Coop		-	-
Income generating activities Account		-	-
Infrastructure Account		-	-
Total		948,734.03	28,661.10

9 CASH IN HAND

Description	2020-2021	2019-2020
	Kshs	Kshs
Tuition Account	11,000.00	-
Operation Account	165.00	155.00
School Fund account	-	930.00
Total	11,165.00	1,085.00

10 SHORT TERM INVESTMENTS

Description	2020-2021	2019-2020
	Kshs	Kshs
Cooperative shares	-	-
Treasury Bills	-	-
Fixed deposit	-	-
Equity stock	-	-
Other investments	-	-
Total	-	-

11 ACCOUNTS RECEIVABLE

Description	2020-2021	2019-2020
	Kshs	Kshs
Fees arrears	16,522,663.00	15,275,290.00
Other non-fees receivables	-	-
Salary advances	-	30,000.00
Imprest	-	8,000.00
Total	16,522,663.00	15,313,290.00

[Include an ageing of the fees / non fees arrears below]

Description	2020-2021	2019-2020
	Kshs	Kshs
Fees arrears for current year	1,330,718.00	1,685,185.00
Fees arrears for the previous year	-	-
Fees arrears for prior periods (over two years)	15,191,945.00	13,590,105.00
Total	16,522,663.00	15,275,290.00

12 ACCOUNTS PAYABLE

Description	2020-2021	2019-2020
	Kshs	Kshs
Trade creditors (See ageing below and appendix 1)	616,664.10	525,931.55
Prepaid fees	357,042.00	-
Caution money	-	-
Total	973,706.10	525,931.55

[Include an ageing of the creditor's arrears below]

Description	2020-2021	2019-2020
	Kshs	Kshs
Trade creditors for current year	616,664.10	525,931.55
Trade creditors for the previous year	-	-
Trade creditors for prior periods (over two years)	-	-
Total	616,664.10	525,931.55

13 FUND BALANCE BROUGHT FORWARD

Description	2020-2021	2019-2020
	Kshs	Kshs
Bank balances	948,734.03	28,661.10
Cash balances	11,165.00	1,085.00
Short Term Investments	-	-
Receivables	16,522,663.00	15,313,290.00
Payables	973,706.10	525,931.55
Total	16,508,855.93	14,817,104.55

14 Other important disclosure notes
Non-current Liabilities Summary

Description		2020-2021	2019-2020
		Kshs	Kshs
Bank loan(s)		-	-
Outstanding Leases		-	-
Hire purchase		-	-
Gratuity and leave provision		-	-
Total		-	-

15 Biological assets

Description	Number s	2020-2021	2019-2020
		Kshs	Kshs
Cattle	0	-	-
Mature blue gum	0	-	-
Trees		-	-
Coffee or tea plantation		-	-
Poultry		-	-
Total		-	-

16 Borrowings

Description		2020-2021	2019-2020
		KShs	KShs
a) Borrowings			
Borrowing at beginning of the year		-	-
Borrowings during the year		-	-
Repayments of during the year		-	-
Balance at end of the year		-	-

17 1 Stock/ Inventory

Description		2020-2021	2019-2020
		KShs	KShs
Stock/Inventory			
Stock/ inventory at beginning of the year		xxx	-
Stock/ inventory purchased during the year		xxx	-
Stock/ inventory issued during the year		xxx	-
Balance at end of the year		#VALUE!	-