

REPUBLIC OF KENYA



*Enhancing Accountability*



**REPORT**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 26 NOV 2024	DAY: Tuesday
TABLED BY:	Hon. Naomi Wago Deputy Majority Whip
CLERK-AT THE-TABLE:	honnale

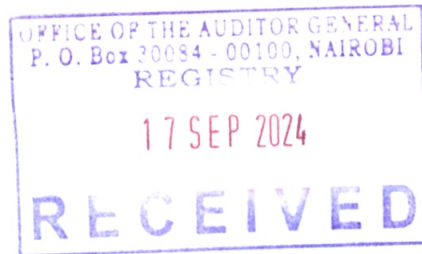
**THE AUDITOR-GENERAL**

**ON**

**MACHAKOS SCHOOL**

**FOR THE YEAR ENDED  
30 JUNE, 2022**

**MACHAKOS COUNTY**



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**MACHAKOS SCHOOL  
PUBLIC SECONDARY SCHOOL**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2022**

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



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## I. Key School Information And Management

### (a) Background information

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

The school was registered in 11/2012 under registration number PU/S/3/9914/12 and is currently categorized as a National public school established, owned or operated by the Government.

The school is a boarding school and had 2150 number of students as at 30<sup>th</sup> June 2022. It has 10 streams and 81 teachers of which 16 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	Dr. Jonathan Mwanja	Chairman	28th May 2019
2	Mr. Indimuli Kahi	Secretary – Principal	28th May 2019
3	Ms. Damaris Nduva	Member	28th May 2019
4	Mr. Solomon Ngomo	Member	28th May 2019
5	Dr. Jane Kathuku	Member	28th May 2019
6	Mr. Ali Noor Hussein	Member	28th May 2019
7	Dr. Lucas Mwove	Member	28th May 2019
8	Dr. Jacinta Kinyili	Member – Rep CEB	28th May 2019
9	Mr. Benjamin Musela	Member Rep Teachers	28th May 2019
10	Dr. Benard Muia	Member – Community	28th May 2019
11	Ms. Beatrice Ngungu	MemberSpecial Needs	28th May 2019
12	Saddiq Ewafi	Rep Students	28th May 2019

*New Board members elected during the year*

Ref:	Name of Board Member	Designation	Date of appointment
1	Dr. Jonathan Mwanja	Chairman	6th March 2022
2	Mr. Indimuli Kahi	Secretary – Principal	6th March 2022
3	Mr. Peter Muema Mbatha	Member	6th March 2022
4	Mr. Joshua Gwara	Member	6th March 2022
5	Ali Noor Hussein	Member	6th March 2022
6	Dr. Winfred N. Mutuku	Member	6th March 2022
7	Mr. Josephat M. M.	Member	6th March 2022
8	Dr. Anthony Kihuga	Member	6th March 2022
9	Ms. Elizabeth Umira	Member	6th March 2022
10	Dr. Josephine Munyao	Member	6th March 2022
11	Dr. Lucas M. Mwove	Member	6th March 2022
12	Ms. Annastacia W. M.	Member – Rep CEB	6th March 2022
13	Mr. Musela Benjamin	Member Rep Teachers	6th March 2022
14	Mr. Peter M. Mbatha	3 Members – Sponsor	6th March 2022
15	Dr. Benard M. Muia	Member – Community	6th March 2022
16	Mr. Nzioka John Nzomo	Member Special Needs	6th March 2022
17	Anthony Mutuku Nzioka	Rep students	6th March 2022

**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**

Ref.	Name of Committee	Names of Members	Designation	Number of meetings attended during the year
1	Executive Committee	Jonathan Mwanja Damaris Nduva Indimuli Kahi Ali Nur Hussein Jacinta Kinyili Solomon Ngomo	Chairperson Vice secretary Secretary PA chairman Member Member	2/3 3/3 3/3 2/3 2/3 3/3
2	Audit Committee	Ali Nur Hussein Dr. Lucas Mwove Solomon Ngomo	Chairperson Member Member	2/3 2/3 3/3
3	Finance, procurement and general purposes Committee	Dr. Lucas Mwove Solomon Ngomo Ali Nur Hussein	Chairperson Member PA Chairperson	3/3 3/3 3/3
4	Academic Committee	Dr. Jacinta Kinyili Dr. Jane Kathuku Cosmus Mululu	Chairperson Member Member	3/3 1/3 2/3
5	Development Committee	Jonathan Mwanja Damaris Nduva Indimuli Kahi	Member Member Secretary	3/3 3/3 3/3

		Ali Nur Hussein Jacinta Kinyili Solomon Ngomo	Member Member Chairperson	2/3 2/3 3/3
6	Discipline and welfare Committee	Damaris Nduva Dr. Lucas Mwova Beatrice Ngungu	Chairperson Member Member	3/3 2/3 3/3
7	Adhoc Committee (if any during the year)	Benjamin Musela Rachael Katiku Silvanus Kivindu Gladys Kioko Margaret Nzuma Rick Kaindi	Chairperson Secretary Member Member Member Member	3/3 3/3 3/3 3/3 3/3 3/3

**N/B: New Board members did not have meetings during the year**

Ref:	Name of Committee	Names of Members	Designation	Number of meetings attended during the year
1	Executive Committee	Jonathan Mwanja Indimuli Kahi Winfred N Mutuku Peter M Mbatha Josephat M. Musyoka Lucas M. Mwove Joshua Gwara	Chairperson Secretary Member Member Member Member Member PA Chair	All none
2	Audit Committee	Peter Muema Anthony Githinji Annastacia Wayua Benard Muia	Chairperson Member Member Member	All none
3	Finance, procurement and general purposes Committee	Peter Muema Anthony Githinji Annastacia Wayua Benard Muia	Chairperson Member Member Member	All none
4	Academic Committee	Josephat Mutunga Joshua Gwara Josephine Munyao Jonathan Mwanja Elizabeth Umila Nzioka Nzomo Indimuli Kahi	Chairperson Member Member Member Member Member Secretary	All none
5	Development Committee (SIC)	Benard Muia Lucas M. Mwove Joyce N. Wamalwa Joshua Gwara Elizabeth U. Sakwa	Chairperson Member Member Member Member	All none

		Josephat M. Musyoka Indimuli Kahi	Member Secretary	
6	Discipline and welfare Committee	Josephat Mutunga Joshua Gware Josephine Munyao Jonathan Mwania Elizabeth Umira Nzioka Nzomo Indimuli Kahi	Chairperson Member Member Member Member Member Secretary	All none
7	Adhoc Committee (if any during the year)	Jacob Nyamancha Rachael Katiku Paul Abuga Gladys Kioko Margaret Nzuma Rick Kaindi	Chairperson Secretary Member Member Member Member	All none

**(d) School operation Management**

For the financial year ended 30<sup>th</sup> June 2022 the School day-to-day management was under the following persons:

Ref:	Designation	Name	TSC Number
1	Principal	INDIMULI KAHU, OGW	240280
2	Deputy Principal Administration	BENJAMIN MUSELA	348647
3	Deputy Principal academic	JACOB NYAMACHA	22039352
4	School Bursar	RACHAEL KATIKU	ID No: 14426151

**(e) Schools contacts**

Post Office Box: 39-90100  
 Telephone: 0721796771  
 E-mail: machakosschool@yahoo.com  
 Website: machakosschool.ac.ke  
 Facebook: Machakos  
 Twitter:

**(f) School Bankers**

The following school operated 9 number of bank accounts in the following banks: (Ensure all accounts including CDF accounts are included)

1. Name of Bank: Standard Chartered Bank (Boarding)  
Branch: Machakos  
Account Number: 0102065729300
2. Name of Bank: Standard Chartered Bank (Tuition)  
Branch: Machakos  
Account Number: 0102065729301
3. Name of Bank: Standard Chartered Bank (Operation)  
Branch: Machakos  
Account Number: 0102865729300
4. Name of Bank: Standard Chartered Bank (Infrastructure)  
Branch: Machakos  
Account Number: 0102865729302
5. Name of Bank: KCB (Savings)  
Branch: Machakos  
Account Number: 050194117338
6. Name of Bank: Equity Bank (Current)  
Branch: Machakos  
Account Number: 0600263557298
7. Name of Bank: Co-operative Bank (Current)  
Branch: Machakos  
Account Number: 0113974933000
8. Name of Bank: KCB (Needy Kitty Account)  
Branch: Machakos  
Account Number: 1224693841
9. Name of Bank: Daima Bank (Dormant)  
Branch: Machakos  
Account Number: 5001880006
10. MPESA Pay Bill No. 146523 attached to Standard chartered bank account (boarding)

**(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:

**Financial performance:**

<b>Criteria</b>	<b>2021/2022</b>	<b>Jan 2020 - June 2021</b>
Surplus/deficit for the year	(22,702,459)	5,894,929
Capitation grants from the Ministry of Education	32,229,300	40,043,117
Enrolment	2150	1902
Ratio of capitation grant per student	1:14990	1:21053
Other income(s) earned by the school	230,710,815	110,505,702
Overview of growth of other income(s)	120,205,113	-
Total expenditure of the school	285,642,574	144,653,890
Overview of growth in expenditure of the school	140,988,684	-
Debtors/receivables	29,967,568	18,447,267
Creditors/payables	40,081,811	9,772,327
Cash and bank balances	6,840,463	10,753,739

**(b) teacher student ratio:**

	<b>2021-2022</b>	<b>Jan 2020 - June 2021</b>
Number of teachers –TSC	65	62
Number of teachers –BOM	16	14
Total number of teachers	81	76
Enrolment	2150	1902
Teacher student ratio	1:26	1:25
Number of teachers recruited during the year	4	6
Number of teachers transferred/retired during the year	4	0

CBE	96
Total no. of teachers	62
Teachers surplus/shortage as per CBE	34
Subject combination on shortage	
(a)Biology/Chemistry	4
(b) Maths/Physics	4
(c)Maths/Chemistry	4
(d) Biology/Agriculture	4
(e)English/Literature	3
(f)Physics/Chemistry	4
(g) Geography/Business Studies	3
(h) History/Geography	3
(i) History/CRE	1
(j) Computer/Business Studies	1
(k) French/Geography	1
(l) Computer/Maths	1
(m)Geography/IRE	1

**Total 34**

(c) Mean score in the 2021-2022

	2021-2022	Jan 2020 - June 2021
Target score for the year	9.24	9.24
Mean score in KCSE	7.9756	8.6891
Mean Grade in KCSE	B-	B
Deviation	-0.7135	0.0684
Total number of candidates	457	313
Number of candidates transited to university	345	285
% of candidates transited to university	75.50%	91.1%
No. of candidates transited to other colleges/polytechnics	112	28
% of candidates transited to other colleges/polytechnics	24.5%	8.9%

## (e) Capacity of the School

With 2150 Students	Ideal no. Capacity	2021/2022	Surplus/shortage	Ideal capacity	Jan-2020 June 2021
Land with title (LR No 909/409 Machakos Township)	115	115	0	115	115
45 Capacity classrooms	36	40	4	47.00	32
Science laboratories	10	5	5	12.00	5
Toilets-tuition area	53	38	19	71.67	34
Toilets-Boarding area	53	44	9	61.67	44
Mwatu-Dormitory.....Capacity	192	196	4	192.00	197
Masaku-Dormitory.....Capacity	192	198	6	192.00	202
Ngei-Dormitory.....Capacity	192	242	50	192.00	189
Muindi Mbingu-Dormitory.....Capacity	152	182	30	152.00	180
Musau-Dormitory.....Capacity	192	218	26	192.00	137
Omondi-Dormitory.....Capacity	200	252	52	200.00	204
Mathendu-Dormitory.....Capacity	192	206	17	192.00	183
Total dorm capacity	1312	1494	182	1312.00	1292
Assembly hall-converted to dorm		302			298
General Lab – converted to dorm		94			0

Art room – converted to dorm		90			0
Dorm X – classroom		82			80
Dorm Y – classroom		72			72
Total students sleeping in other areas		640			450
Student capacity needing dorms		822	430	430	
Boreholes		2	0		
Dining Hall 1-used in 2 shifts	900		900		

- a) **Teacher Student ratio:**  
1:26
- b) **Mean score in the 2021 KCSE:**  
7.9756
- c) **Number of Candidates in the 2021 KCSE:**  
457
- d) **Capacity of the school:**  
2150

Summary Report of the Performance of the School (Continued)

e) Development projects carried out by the school:

PROJECT 2021/2022	SOURCE	AMOUNT RECEIVED
Dormitory(Capacity) 480	Parents/guardians Well wishers	KSH 25,164,581.00

  
.....  
School Principal

**CHIEF PRINCIPAL**  
**MACHAKOS SCHOOL**  
**P.O. BOX 39-90100,**  
**MACHAKOS**

### 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 (PSASB) 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 (Machakos 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 30<sup>th</sup> June, 2022, and of the school's financial position as at that date.



.....  
**Name: Dr. Jonathan Mwania**

**Designation:** Chairman, School Board of Management

**Date:**



**CHIEF PRINCIPAL  
MACHAKOS SCHOOL  
P.O. BOX 39-90100,  
MACHAKOS**

.....  
**Name: B.S. Manoo**

**Designation:** School Principal & Secretary to Board of Management

**Date:**



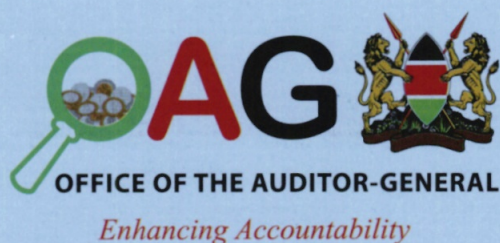
.....  
**Name: Rachael Katiku**

**Designation:** Bursar/ Finance Officer

**Date:**

# REPUBLIC OF KENYA

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Email: 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 MACHAKOS SCHOOL FOR THE YEAR ENDED 30 JUNE, 2022 - MACHAKOS COUNTY**

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### **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 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 purposes.
- C. Report on the Effectiveness of Internal Control, 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 regulation 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 under Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Machakos School - Machakos County set out on pages 1 to 20, which comprise of the statement of assets and liabilities

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*Report of the Auditor-General on Machakos School for the year ended 30 June, 2022 - Machakos County*

as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and statement of budgeted versus actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of Machakos School - Machakos County as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012, and the Basic Education Act, 2013.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in the Financial Statements**

- i. The statement of receipts and payments reflects other receipts of Kshs.24,670,469 as disclosed in Note 4 to the financial statements. However, the recomputed amount is Kshs.23,192,943 resulting to unexplained variance of Kshs.1,477,156.
- ii. The statement of receipts and payments reflects total actual receipts of Kshs.262,940,115 and expenditure of Kshs.285,642,574 while the statement of comparison of budgeted versus actual amounts reflects Kshs.229,615,700 and Kshs.223,816,549 respectively resulting to unexplained variance of Kshs.33,324,415 and Kshs.61,826,025.
- iii. The statement of the budgeted versus actual amounts reflects total actual income of Kshs.229,615,700 while the recomputed amount is Kshs.228,675,117 resulting unexplained variance of Kshs.940,583.
- iv. The statement of the budgeted versus actual amounts reflects total Final expenditure of Kshs.95,367,856 while the recomputed amount is Kshs.117,367,856 resulting unexplained variance of Kshs.22,000,001.

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

#### **2. Long Outstanding Receivables**

The statement of financial assets and financial liabilities and as detailed at Note 11 to the financial statements reflects accounts receivable of Kshs.29,967,568. Included in the

receivables is Kshs.17,452,004 which had been outstanding for over two years. However, there was no policy on the impairment of long outstanding fees arrears casting doubt on the fair statement of the accounts receivables balance.

In the circumstances, the recoverability of the accounts receivables of Kshs.17,452,004 cannot not be confirmed.

### **3. Inaccurate Rental Income**

The statement of receipts and payments reflects other receipts of Kshs.24,670,469 as detailed in Note 4 to the financial statements. Included in other receipts is rent income of Kshs.509,539. However, audit inspection revealed the School owned fifty-nine (59) rental houses which had been rented out to teachers and other staffs for a monthly rent ranging between Kshs.400 to Kshs.1500. However, rent was not charged as per rent valuation by the relevant ministry or market survey report on rent charged for similar houses in the locality.

In the circumstances, the accuracy and completeness of the rent income amount of Kshs.509,539 could not be confirmed.

### **4. Unsupported Cash and Cash Equivalents**

The statement of financial assets and financial liabilities reflects bank and cash balances of Kshs.6,589,789 and Kshs.250,674 respectively as disclosed in Notes 8 and 9 to the financial statements. Included in the bank balances are seven bank accounts with balances totaling to Kshs.6,589,789. However, Management did not provide the bank reconciliation statements of the accounts and authorizations to open and operate the accounts for audit review.

In the circumstances, the accuracy of cash and cash equivalent of Kshs.6,589,789 could not be ascertained.

### **5. Unsupported Income Generating Activities**

The statement of receipts and payments reflects other receipts-school fund account of Kshs.24,670,469 as detailed in Note 4 of the financial statements. The balance includes rent income of Kshs.509,539, School magazine income of Kshs.675,500 and income from Bakery of Kshs.4,983,010 and income from farming activities of Kshs.1,768,810. However, the Management did not operate separate bank accounts and separate cashbooks for the streams of income.

In the circumstances, the accuracy and completeness of the other receipts-school fund account of Kshs.24,670,469 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Machakos 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 Qualified Opinion.

## **Emphasis of Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budgeted versus actual amounts reflects final receipts budgeted versus actual on comparable basis of Kshs.121,381,468 and Kshs.229,615,700 respectively resulting to over-funding by Kshs.108,234,232 or 89% of the budget.

However, the School spent a balance of Kshs.223,816,549 against actual receipts of Kshs.229,615,700 resulting to an under-utilization of Kshs.5,799,151 or 3% of receipts.

The underfunding and underutilization of the budget may affect the planned activities and may have impacted negatively on service delivery in the School.

My opinion is not modified in respect to this matter.

## **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**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issues as at 30 June, 2022.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

## **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness

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*Report of the Auditor-General on Machakos School for the year ended 30 June, 2022 – Machakos County*

and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Late Submission of Financial Statements**

The annual report and financial statements for period ended 30 June, 2022 were submitted for audit on 6 March, 2024 instead of the statutory deadline of 30 September, 2022. This was contrary to the Ministry of Education circular Ref. No:MOE/DSAS/FIN/17/1/17 dated 19 August, 2021 which stated that the School's financial statements should be ready by 30 September, 2021 in compliance with Section 81 of the Public Finance Management Act, 2012 on preparation of the financial statements.

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

### **2. Long Outstanding Payables**

The statement of assets and liabilities reflects accounts payable of Kshs.40,081,811 and as disclosed in Note 12 to the financial statements. Included in the balance is trade creditors of Kshs.38,692,929 that were not settled during the year but were instead carried forward to FY 2022/2023. In addition, the trade creditors balances include an amount of Kshs.1,269,297 which had been outstanding for more than two years. This was contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which states that 'an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract (s) are reflected in approved budget estimates'.

In the circumstances, the School Management was in breach of the law and there is risk loss of public funds through litigations, interests and penalties.

### **3. Irregular Transfer of Funds to Kenya Secondary Schools Heads Association**

The statement of receipts and payments reflects boarding and school fund payments amount of Kshs.247,961,237 as disclosed in Note 7 to the financial statements. Included in the expenditure is an amount of Kshs.941,792 transferred to Kenya Secondary Schools Heads Association (KESSHA). However, KESSHA is a welfare organization that draws its membership from School Principals only. The organization is not defined in Government Funding system and there is no assurance that it has implemented effective, efficient, and transparent financial management and internal control systems to manage the funds transferred by schools.

In the circumstances, value for money transferred to KESSHA amounting to Kshs.941,792 could not be confirmed.

#### **4. Lack of a List of Registered Suppliers**

The statement of receipts and payments reflects total payments of Kshs.285,642,574. However, Management of the School did not provide a list of registered suppliers for the total expenditure of Kshs.285,642,574. This is contrary to Section 57(1&2) of the Public Procurement and Disposals Act, 2015 which provides that the head of the procurement function of a procuring entity shall maintain and update lists of registered suppliers, contractors and consultants in the categories of goods, works or services according to its procurement needs.

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

#### **5. Irregular Tender for Supply of School Uniform**

The statement of receipts and payments reflects boarding and fund payments of Kshs.247,961,237 and as detailed in Note 7 to the financial statements. Included in boarding and school fund payments is uniform expenses of Kshs.25,633,515 whose procurement documents were not provided for review. Further, this expenditure was contrary to Section 67(3) of the Basic Education Regulations, 2015, which states no institution shall prescribe a specific supplier of school uniforms or any other materials for the parent or guardian.

In the circumstances, Management was in breach of law.

#### **6. Irregular and Inadequate System**

The statement of receipts and payments reflects an amount of Kshs.262,940,115 and Kshs.285,642,574 in respect of total receipts and payments respectively. Physical verification in the month of May, 2024 revealed the School was using a software to manage school fees and student receivables. However, service level agreement between the School and service provider was not provided for audit review.

Further, the certificate of approval of the software by the relevant government ministry was not provided for review. In addition, a review of the software revealed that: It could not generate school students master data, could not generate aging analysis of student debtors and prepayments and could not generate reports of amount invoiced, amount paid and balance at 30 June.

In the circumstances, value for money for the procurement and utilization of the system could not be confirmed.

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*Report of the Auditor-General on Machakos School for the year ended 30 June, 2022 – Machakos County*

## **7. Irregular borrowing of Loans**

Review of the School's documents revealed loan application of Kshs.15,000,000 from KCB Bank on 23 July, 2021 which was approved by the bank on 2 August, 2021 and credited to the School KCB Account on 3 August, 2021. However, the Management of the School requested for approval from the Ministry of Education 13 months later on 23 September, 2022. Further, no approval was granted for the Loan. In addition, the School applied for a second loan of Kshs.46,000,000 on 22 November, 2022 in which Kshs.26,486,538 was disbursed on 24 December, 2022 and Kshs.19,513,462 on 14 February, 2023 without the approval from the Ministry of Education.

This is contrary to Section 51 (2) of Public Finance Management Act, 2012 which states a National Government entity may borrow in accordance with this Act or any other Act of Parliament shall obtain the approval of the Cabinet Secretary for its intended program of borrowing, refinancing and repayment of loans.

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

## **8. Failure to Prepare a School Improvement Plan**

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

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

## **9. Accuracy of Student Enrollment Data**

The statement of receipts and payments reflects capitation grants for tuition, capitation grants for operations and infrastructure grants totalling Kshs.32,229,300. Comparison of data from National Education Management and information System (NEMIS) with records from the School revealed that during the financial year, the NEMIS reported a total number of 1846 students while the records from the enrolment record provided by the Machakos School indicated a total of 2099 students resulting to 253 students not being registered in NEMIS. At annual capitation of Kshs.22,444, the School was under funded by Kshs.5,678,332 for the period ended 30 June, 2022.

In the circumstances, the School could have been underfunded due to inaccurate enrolment data.

## **10. Lack of Strategic Plan**

The management of Machakos Schools did not provide a strategic plan covering the financial year ended 30 June, 2022. Additionally, the budget proposal for the financial year 30 June, 2022 was not supported with a strategic plan contrary to Regulation 32(5), of the PFM Act Regulations, 2015 which provides all budget proposals shall be supported by the national government entity's strategic plan.

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

## **11. Non-Compliance to Awarding of Tenders to Special Groups**

Management did not provide any data on contracts awarded to Special groups out of the total expenditure of Kshs.285,642,574 incurred during the financial year ended 30 June, 2022. This is contrary to Section 53 of the Public Procurement and Disposal Act, 2015 which requires that thirty percent of the contracts awarded should be for special groups.

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

## **12. Losses on Income Generating Activities**

The statement of receipts and payments reflects other receipts of Kshs.24,670,469 and as detailed in Note 4 to the financial statements. Included in other receipts is income from farming activities of Kshs.1,768,810 after incurring an expenditure of Kshs.3,402,390 as reflected in Note 7 to the financial statements resulting to a loss of Kshs.1,633,580. Additionally, Note 4 to the financial statements reflect School magazine income of Kshs.675,000 against an expenditure of Kshs.1,251,375 as reflected in Note 7 resulting to a loss of Kshs.576,375. Further, Note 3 reflects income from School uniform of Kshs.24,976,079 while Note 7 reflects an uniform expenses of Kshs.25,633,515 resulting to a loss of Kshs.657,436.

In the circumstances, the sustainability of the farming, school magazine and school uniform activities cannot 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, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **1. Lack of Ownership Documents**

Annex 2 to the financial statements reflects summary of fixed assets register in respect of fixed assets which includes land and motor vehicles which is not valued. Review of records revealed that Machakos School is located in a land of one hundred and fifteen (115) acres, LR No.909/409 within Machakos County, no supporting documents were produced to show ownership of the land to the School.

Additionally, physical inspection of motor vehicles ownership logs books revealed that a New Holland Tractor Registration Number KBU 785T is jointly owned by the School and CMC Motors through log book K282033H. No Supporting documents were provided to show ownership of the vehicle by the School.

In the circumstances, the existence and ownership of the School land and the motor vehicle could not be confirmed.

### **2. Lack of Asset Identification/ Tagging**

Annex 2 to the financial statements is a summary of the fixed assets register. However, physical verification revealed that the assets owned by the School had no identification or tag numbers, which is contrary to the guidelines on asset and liability management by national treasury of March, 2020. Further the value of the assets is not disclosed in the asset register.

In the circumstances, the safe custody and ownership of the assets cannot be ascertained.

### **3. Lack of Approved Human Resource Instruments**

The management of the School did not provide an approved Human resource policy, procedure manual, Staff establishment, Scheme of service and salary structure for the financial year ending 30 June, 2022 despite having board teachers and non-teaching

staffs. In absence of the above, it is unclear how vacancies were identified, filled and remunerated. Further, no records were available to confirm that the School has a qualified Human Resource personnel as per the Human Resource Management Professionals Act No. 29 of 2012.

In the circumstances, the School did not benefit from the advisory role of the Human Resource expert.

#### **4. Lack of Risk Management Policy**

During the financial year ended 30 June, 2022, Machakos School did not have a risk management strategy in place. In the circumstances, there was no approved processes and guidelines on how to mitigate operational, legal and financial risks. Consequently, the management did not perform formal risk assessments on all key financial risk areas such as cash, revenue and expenditure. Further, it was noted that the management lacks a disaster recovery plan/business continuity plan and therefore crucial information may not be recovered in the event of a disaster.

In the absence of a risk management policy, the management was not in a position to identify individual risks, significance areas, likelihood of occurrence of identified risks and the appropriate control measures.

#### **5. Ineffective Textbooks Management**

Review of the management of textbooks at the School for the financial year ended 30 June, 2022 revealed a delivery of four hundred and twenty-two (422) books each for the four different categories of set-books namely Mapambazuko ya Machweo na Hadithi Nyingine (Hadithi Fupi), A Silent Song and Other Stories (Anthology of Short Stories), An Artist of the Floating World (Optional Novel) and Bembea ya Maisha (Tamthilia). However, the School's student population was eight hundred and seventy one (871) students resulted to total under-supply of 1796 textbooks for the four (4) categories of books.

Additionally, stores records, issuance of the books list, returned books list, List of Lost books and replaced and closing balances of books in the library were not provided for audit review.

In the circumstances, the adequacy of internal controls for textbook management could not be confirmed.

#### **6. Incomplete Records on Scholarships and Bursaries**

Management of Machakos School did not maintain a control account of all bursaries received, amount credited to each beneficiary and the balance for which the beneficiaries have not been communicated or identified. In the circumstances, the School fund

income-parents' contributions may include bursary funds receipts which have not been allocated to the students. In the circumstances, the accuracy and completeness of Parents contributions could not be confirmed.

In the circumstances, the adequacy of controls on management of scholarships and bursaries cannot be ascertained.

## **7. Inadequate Capacity**

Physical verification carried out on 27 May, 2024 at Ngei, Omondi, Masaku, Muindi and Mbingu, dormitories revealed that the spacing of beds was 0.3 meters with corridors of 0.4 Meters which is contrary to Regulation 83(k) of the Basic Education Regulations, 2015 which provides in institutions with boarding facilities, the space between the beds shall be at least 1.2 metres while the corridors or pathways shall be at least 2 metres wide.

Further, Machakos School was registered under the certificate of registration number PU/S/9914/12 dated 27 November, 2012 which permitted students enrollment up to a maximum number of 960 students from Form 1-4 at forty students per class and up to six streams. However, the School records reflects an enrolment of one thousand, nine hundred and two (1,902) students with 10 streams in form 1,3 and 4 and 9 streams in Form 2. As a result, the school capacity has been exceeded by four classroom streams and nine hundred and forty-two (942) students.

In the circumstances, the adequacy of the dormitories and classrooms to support the students' population in the school cannot be confirmed.

## **8. Lack of Register and Other Records**

The management of the School did not provide admissions registers, indicating the date and admission number of the learners, Parents register, Daily attendance registers for learners, Register of learners' transfers, drop-out and completion; and Register of disciplinary action taken against learners and an inventory of all instructional materials, stationery, equipment and assistive devices available and their state of repair or use. This is contrary to Regulation 63, of Basic Education Regulation, 2015 which states that every institution shall establish and maintain the registers and records in both hard and soft copies.

In the circumstances, the adequacy of records kept by the School cannot be confirmed.

## **9. Lack of Internal Audit Function and Audit Committee**

During the year under review, the School had not constituted an audit committee and an internal audit unit as required by Regulation 166(1) and (2) of the Public Finance Management (National Government), 2015 which states that, the internal audit unit of a

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*Report of the Auditor-General on Machakos School for the year ended 30 June, 2022 – Machakos County*

National Government entity to assess effectiveness of the School through an internal performance appraisal commenting on its effectiveness in the annual report to The National Treasury.

In the circumstances, the School did not benefit from the oversight role and advice from the audit committee and the internal audit function.

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

### **Responsibilities of Management and the Board of Management**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 governance.

In preparing the financial statements, Management is responsible for assessing the School's ability to sustain 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 its 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.

The Board of Management is 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 control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control 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 noncompliance. 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 judgment 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of 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 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 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

  
FCPA Nancy Gathungu CBS  
AUDITOR-GENERAL

**Nairobi**

**24 October, 2024**

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*Report of the Auditor-General on Machakos School for the year ended 30 June, 2022 – Machakos County*

V. Statement of Receipts and Payments Period to 30<sup>th</sup> June 2022

Description Of Vote Head	Note	2021-2022	Jan 2020- June 2021
		Kshs	Kshs
<b>Receipts</b>			
Capitation grants for tuition	1	6,030,860	4,694,942
Capitation grants for operations & infrastructure	2	26,198,440	35,348,175
School fund income- parents' contributions	3	206,040,346	107,571,617
School fund income- other receipts	4	24,670,469	2,934,085
Proceeds from borrowings		0	0
<b>Total Receipts</b>		<b>262,940,115</b>	<b>150,548,819</b>
<b>Payments</b>			
Payments for tuition	5	7,940,561	4,203,202
Payments for operations & infrastructure	6	29,740,776	31,815,027
Boarding and school fund payments	7	247,961,237	108,635,661
<b>Total Payments</b>		<b>285,642,574</b>	<b>144,653,890</b>
<b>Surplus/Deficit</b>		<b>(22,702,459)</b>	<b>5,894,929</b>

The school financial statements were approved on 12/09/2024 and signed by:

  
 Name: Dr. Jonathan Mwanja

Chair BOM

Date: 12/09/2024

 CHIEF PRINCIPAL  
 MACHAKOS SCHOOL  
 P.O. BOX 39, 80100, MACHAKOS

Name: B.S. Manoo  
 School Principal/ Secretary to BOM

Date: 12/09/2024

  
 Name: Rachael Katiku

Bursar/ Finance Officer

Date: 12/09/2024

**VI. Statement of Financial Assets and Financial Liabilities as at 30<sup>th</sup> June 2022**

Description	Note	2021-2022 Kshs	Jan 2020 - June 2021 Kshs
<b>Financial Assets</b>			
<b>Cash and cash equivalents</b>			
Bank balances	8	6,589,789	10,712,601
Cash balances	9	250,674	41,138
Short term investment	10	0	0
<b>Total cash and cash equivalent</b>		<b>6,840,463</b>	<b>10,753,739</b>
Account's receivables	11	29,967,568	18,447,267
<b>Total financial assets</b>		<b>36,808,031</b>	<b>29,201,006</b>
<b>Financial liabilities</b>			
Accounts payables	12	40,081,811	9,772,327
<b>Net financial assets</b>		<b>(3,273,780)</b>	<b>19,428,679</b>
<b>Represented by</b>			
Accumulated fund b/fwd	13	19,428,679	13,533,750
Surplus/deficit for the year		(22,702,459)	5,894,929
<b>Net financial position</b>		<b>(3,273,780)</b>	<b>19,428,679</b>

The school's financial statements were approved on 12/09/2024 and signed by:

.....  
 Name: Dr. Jonathan Mwanja  
 Chair BOM  
 Date: 12/09/2024

.....  
 Name: B.S. Manoo  
 School Principal/ Secretary to  
 BOM  
 Date: 12/09/2024

.....  
 Name: Rachael Katiku  
 Bursar/ Finance Officer  
 Date: 12/09/2024

CHIEF PRINCIPAL  
 MACHAKOS SCHOOL  
 P.O. BOX 39-98400,  
 MACHAKOS

VII. Statement of Cash Flows for The Period Ended 30<sup>th</sup> June 2022

Description	Notes	2021-2022	Jan 2020- June 2021
		Kshs	Kshs
<b>Operating activities</b>			
<b>Receipts</b>			
Capitation grants for tuition	1	6,030,860	4,694,942
Capitation grants for operations	2	26,198,440	35,348,175
School fund income- parents contributions/ fees	3	176,072,778	126,018,885
School fund income- other receipts	4	9,670,469	2,934,085
<b>Total receipts</b>		<b>217,972,547</b>	<b>168,996,086</b>
<b>Payments</b>			
Payments for tuition	5	7,940,561	4,203,202
Payments for operations	6	10,117,332	13,496,478
Boarding and school fund payments	7	151,089,400	134,450,123
<b>Total payments</b>		<b>169,147,293</b>	<b>152,149,283</b>
<b>Net cash flow from operating activities</b>		<b>48,825,255</b>	<b>16,846,283</b>
<b>Cashflow from investing activities</b>			
Proceeds from sale of assets			
Acquisition of assets		(62,984,076)	(18,318,549)
Proceeds from investments			
Purchase of investments			
<b>Net cash flows from investing activities</b>		<b>(62,984,076)</b>	<b>(18,318,549)</b>
<b>Cashflow from borrowing activities</b>			
Proceeds from borrowings/ loans		15,000,000	0
Repayment of principal borrowings		(4,754,454)	0
<b>Net cash flow from financing activities</b>		<b>10,245,546</b>	<b>0</b>
<b>Net increase in cash and cash equivalents</b>		<b>(3,913,276)</b>	<b>(1,472,266)</b>
<b>Cash and cash equivalent at beginning of the year</b>		<b>10,753,739</b>	<b>12,226,005</b>
<b>Cash and cash equivalent at end of the year</b>		<b>6,840,463</b>	<b>10,753,739</b>


The school's financial statements were approved on 12/09/2024 and signed by:

.....  


Name: Dr. Jonathan Mwanja

Chair BOM

Date: 12/09/2024

.....  


Name: B.S. Mando  
 School Principal/ Secretary to  
 BOM

Date: 12/09/2024

.....  


Name: Rachael Katiku

Bursar/ Finance Officer

Date: 12/09/2024

VIII. Statement of Budgeted Versus Actual Amounts for The Year Ended 30<sup>th</sup> June 2022

Receipt/Expenses 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 %
	Kshs	Kshs			Kshs	Kshs
<b>Receipts</b>						
<b>(1) Capitation Grant on Tuition</b>						
Textbooks And Reference Materials						
Exercise Books						
Laboratory Equipment						
Internal Exams						
Teaching / Learning Materials	8,743,840	(4,371,920)	4,371,920	6,030,860	(1,658,940)	138%
Chalks						
Exams And Assessment						
Teachers Guides						
<b>(2) Capitation Grant on Operations</b>						
Personnel Emoluments						
Repairs And Maintenance	10,550,000	0	10,550,000	9,545,000	1,005,000	99%
Local Transport / Travelling						
Other voteheads(P.E,ewc,ltt, adm)	19,834,000	(9,917,000)	9,917,000	16,268,040	(6,351,740)	164%
Medical	4,220,000	(2,110,000)	2,110,000	385,400	1,724,600	18%
Administration Costs						
Activity						
Gratuity						
Smasse						
<b>(3) Fees Charged on Parents</b>						
Personnel Emoluments						
Repairs And Maintenance	5,124,600	(2,963,800)	2,963,800	0	2,963,800	

Receipt/Expenses 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 %
	Kshs	Kshs			Kshs	Kshs
Local Transport / Travelling						
Other vote heads(P.E,ltt,ewc,adm )	51,175,834	(25,587,917)	25,587,917	78,419,122	(52,831,205)	307%
Medical						
Administration Costs						
Activity	2,366,544	(1,183,272)	1,183,272	2,419,699	1,236,427	205%
Smasse						
Fee On Boarding Equipment and Stores	73,901,022	(36,950,511)	36,950,511	95,808,250	(58,857,739)	259%
<b>Other Income</b>						
Rent Income	582,000	(291,000)	291,000	150,301	140,699	52%
Income From Farming Activities	2,463,905	(1,231,926)	1,231,926	6,480	1,225,473	0.53%
PA Dorm	44,000,000	(22,000,000)	22,000,000	19,000,000	3,000,000	86%
Income From Bakery	8,000,190	(4,000,095)	4,000,095	474,825	3,525,270	12%
University registration	224,000	0	224,000	0	224,000	
Fee For Hire of Ground And Equipment						
Income from uniforms	0	0	0	167,140	(167,140)	
Income From Any Other Investment						
<b>Total Income</b>	231,988,935	(110,609,468)	121,381,468	229,615,700	(108,234,232)	189%
<b>(1) Expenditure For Tuition</b>						
Textbooks And Reference Materials						
Exercise Books						
Laboratory Equipment						
Internal Exams						
Teaching / Learning Materials	7,940,561	(3,970,281)	3,970,281	20,822,890	(16,852,610)	525%
Chalks						
Exams And Assessment						
Teachers Guides						

Receipt/Expenses 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 %
	Kshs	Kshs			Kshs	Kshs
Administration Costs						
Bank Charges						
<b>(2) Expenditure For Operations</b>						
Personnel Emoluments						
Repairs, Maintenance & Improvements	10,550,000	0	10,550,000	5,713,249	4,836,751	54%
Local Transport / Travelling						
Other vote heads(P.E,ltt,ewc,adm )	19,834,000	(9,917,000)	9,917,000	8,925,881	991,119	90%
Medical						
Administration Costs						
Activity Expenses						
Gratuity						
Smasse						
<b>(3) Expenditure For School Fund</b>						
University Registration	232,500	0	232,500	0	232,500	
Repairs, Maintenance and Improvements	5,927,600	0	5,927,600	5,391,241	536,359	91%
Local Transport / Travelling						
Other vote heads(P.E,ltt,ewc,adm )	51,175,834	(25,587,917)	25,587,917	42,630,211	(17,042,294)	206%
Medical Expenses	0	0	0	1,329,288	1,329,288	
Farming activities	2,463,905	(1,231,953)	1,231,953	3,402,390	2,170,438	276%
Activity						
PA Dorm	19,000,000	0	19,000,000	42,793,312	(23,793,312)	225%
Bakery	8,000,190	(4,000,095)	4,000,095	4,760,781	760,686	119%
Boarding Equipment and Stores	73,901,022	(36,950,511)	36,950,511	88,047,306	(51,096,795)	238%
Expenditure For Income Generating Activity						
Insurance Costs						

Receipt/Expenses 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 %
	Kshs	Kshs			Kshs	Kshs
Other Expenses On Investments						
Rent Expenses						
Bank Charges						
Loan Interest Repayment						
Loan Principal Repayment						
Acquisition Of Assets						
<b>Totals</b>	<b>199,025,612</b>	<b>(103,657,756)</b>	<b>95,367,856</b>	<b>223,816,549</b>	<b>(128,448,693)</b>	<b>235%</b>

**IX. Significant Accounting Policies**

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

**1. Statement of compliance and basis of preparation**

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

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

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

**2. Recognition of receipts and payments**

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

**3. In-kind contributions**

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

**4. Cash and cash equivalents**

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

**5. Accounts Receivable**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as expenditure when fully accounted for by the imprest or AIE

holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**6. Accounts Payable**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements. Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years.

**7. Non-current assets**

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

**8. Budget**

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

**9. Comparative figures**

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

**10. Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30<sup>th</sup> June 2022.

**X. Notes to The Financial Statements****1 Capitation Grant for Tuition**

<b>Description</b>	<b>2021-2022</b>	<b>Jan 2020- June 2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Textbooks And Reference Materials		
Exercise Books		
Laboratory Equipment		
Internal Exams		
Teaching / Learning Materials	6,030,860	4,694,942
Chalks		
Exams And Assessment		
Teachers Guides		
<b>Total</b>	<b>6,030,860</b>	<b>4,694,942</b>

**2 Capitation Grant for Operations/Infrastructure**

<b>Description</b>	<b>2021-2022</b>	<b>Jan 2020 - June 2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Maintenance and improvement -covid		783,500
Repairs And Maintenance	9,545,000	11,607,000
Transition infrastructure grants- special grants		5,000,000
Electricity And Water		
Medical/Insurance	385,400	28 6,800
Administration Costs		360,000
Activity		573,600
Other vote heads (P.E, LTT, EWC, ADM COST)	16,268,040	16,737,275
<b>Total</b>	<b>26,198,440</b>	<b>35,348,175</b>

**3 Parents Contribution/Fees - School Fund Account**

Description	2021-2022	Jan 2020-June 2021
	Kshs	Kshs
Personnel emoluments		634,880
Repairs and maintenance	7,290,452	5,466,094
Local transport / travelling		15,379
Income from uniforms	24,976,079	
Fee on Boarding Equipment and stores	96,220,550	61,571,595
Income from PA Development funds (dormitory)	3,476,613	
Other vote heads (P.E, LTT, EWC, ADM COST)	70,716,370	37,017,713
Medical	940,583	1,525,440
Administration costs		197,052
Activity	2,419,699	1,143,464
<b>Total</b>	<b>206,040,346</b>	<b>107,571,617</b>
Add: Receivables 2021/ less: Receivables 2022	29,967,568	18,447,267
<b>Total to cash flow</b>	<b>176,072,778</b>	<b>126,018,885</b>

**4 Other Receipts – School Fund Account**

Description	2021-2022	Jan 2020- June 2021
	Kshs	Kshs
University Registration	256,084	140,363
Rent Income	509,539	544,074
School Magazine	675,500	
Uniform		167,140
Loans/Borrowings	15,000,000	
Bakery		474,825
Income From Farming Activities	1,768,810	6,480
Income From Bakery	4,983,010	
Insurance		
Income from PA Development funds (dormitory)		1,601,203
Interest Income		
Dividends Income		
<b>Total</b>	<b>24,670,469</b>	<b>2,934,085</b>
Less: loan/borrowings	15,000,000	0
<b>Total to cash flow</b>	<b>9,670,469</b>	<b>2,934,085</b>

**5 Payments for Tuition**

Description	2021-2022	Jan-2020 June 2021
	Kshs	Kshs
Textbooks And Reference Materials		
Exercise Books		
Laboratory Equipment		
Internal Exams		
Teaching / Learning Materials	7,940,561	4,190,722
Chalks		
Exams And Assessment		
Teachers Guides		
Administration Costs		
Bank Charges		12,480
<b>Total</b>	<b>7,940,561</b>	<b>4,203,202</b>

**6 Payments for Operations and Infrastructure Account**

Description	2021-2022	Jan-2020 June 2021
	Kshs	Kshs
Personnel Emoluments		
Service Gratuity		
Maintenance and improvement –covid preparedness		933,674
Repairs And Maintenance & Improvements	4,526,360	
Local Transport / Travelling		
Electricity And Water		
Medical		21,130
Activity Expenses	400,240	883,770
Smasse		
Insurance Cost		
Other vote heads (P.E, LTT, EWC, ADM COST)	5,190,732	11,657,904
Bank Charges		
Acquisition Of Assets	19,621,874	18,318,549
<b>Total</b>	<b>29,740,776</b>	<b>31,815,027</b>
Less. Acquisition of assets	19,921,874	18,318,549
<b>Total to cash flow</b>	<b>10,117,332</b>	<b>13,496,478</b>

## Notes to The Financial Statements (Continued)

## 7 Boarding and School Fund Payments

Description	2021-2022	Jan-2020 June 2021
	Kshs	Kshs
Activity	678,160	929,910
Expenses on bakery	4,760,781	1,125,453
Uniform expenses	25,633,515	
Personnel emoluments NT/staff	12,031,200	14,591,557
Personal emoluments S/staff	8,515,563	3,433,550
BOM allowances	680,956	2,160,250
Expenses on farming activity	3,402,390	604,850
Service Gratuity		984,073
Repairs And Maintenance & Improvements	5,391,241	5,483,112
Fees refund		58,033
BOM Teachers	2,793,600	2,204,800
Medical Expenses	1,329,288	4,856,745
School magazine	1,251,375	
University registration		156,000
Tuition Expenses	6,272,157	
Fee On Boarding Equipment and Stores	88,047,306	47,640,584
Other vote heads (P.E, LTT, EWC, ADM COST)	35,857,586	24,012,971
Infrastructure (acquisition of assets)	567,320	
Rent Expenses		393,773
Insurance Cost ( <i>Life Property</i> )	1,811,028	
Loan Principal Repayment	4,754,454	
Loan Interest Repayment	1,390,005	
Acquisition of Assets (P.A dorm)	42,793,312	
<b>Total</b>	<b>247,961,237</b>	<b>108,635,661</b>
Less. Creditors paid for 2022/ Add. for 2021	13,429,394	35,586,789
Less: acquisition of assets	43,360,632	-
Less: payables	40,081,811	9,772,327
<b>Total to cash flow</b>	<b>151,089,400</b>	<b>134,450,123</b>

## Notes to The Financial Statements (Continued)

## 8 Bank Accounts

Name Of Bank, Account No. & Currency	Bank Account Number	2021-2022	Jan-2020 June 2021
		Kshs	Kshs
Tuition Account	0102065729301	18,575	
Operations Account	0102865729300	542,735	
School Fund Account/Boarding	0102065729300		
Savings Account – daima bank (dormant)	5001880000	1,777,185	1,777,185
SCB-Tuition Account	0102065729301		621,819
SCB-Operations Account	0102865729300		2,625,127
SCB-School Fund Account/Boarding	0102065729300		412,220
Savings Account KCB Bank	050194117338	1,094,087	361,626
Current Account – needy kitty account (KCB)	1224693841	297,062	391,393
School Fund Account - Equity Bank (current)	0600263557298	2,250,042	1,327,186
Infrastructural Account - standard chartered bank	0102865729302	610,103	2,550,016
School Fund Account - Co-operative Bank (current)	01139749330000		646,028
<b>Total</b>		<b>6,589,789</b>	<b>10,712,601</b>

## 9 Cash in Hand

Description	2021-2022	Jan-2020 June 2021
	Kshs	Kshs
Tuition Account		
Operation Account		
School Fund account	250,674	41,138
<b>Total</b>	<b>250,674</b>	<b>41,138</b>

**10 Short Term Investments**

Description	2021-2022	Jan-2020- June 2021
	Kshs	Kshs
Cooperative Shares	-	-
Treasury Bills	-	-
Fixed Deposit	-	-
Equity Stock	-	-
Other Investments	-	-
<b>Total</b>	-	<b>0</b>

## Notes to The Financial Statements (Continued)

## 11 Accounts Receivable

Description	2021-2022	Jan -2020-June 2021
	Kshs	Kshs
Fees Arrears	29,731,858	18,399,117
House rent arrears	86,950	48,150.
Salary Advances	26,760	-
Imprest	122,000	-
<b>Total</b>	<b>29,967,568</b>	<b>18,447,267</b>

Description	2021-2022	Jan-2020-June 2021
	Kshs	Kshs
Fees Arrears For Current Year	12,279,854	5,402,674
Fees Arrears For The Previous Year		-
Fees Arrears For Prior Periods (Over Two Years)	17,452,004	12,996,443
<b>Total</b>	<b>29,731,858</b>	<b>18,399,117</b>

## 12 Accounts Payable

Description	2021-2022	Jan-2020- June 2021
	Kshs	Kshs
Trade Creditors (See Ageing Below and Appendix 1)	38,692,929	5,867,472
KCB Loan		-
Prepaid Fees	585,626	3,101,599
Caution Monies	803,256	803,256
<b>Total</b>	<b>40,081,811</b>	<b>9,772,327</b>

Description	2021-2022	Jan-2020- June 2021
	Kshs	Kshs
Trade Creditors for Current Year	37,423,632	5,867,472
Trade Creditors for The Previous Year	1,269,297	-
Trade Creditors for Prior Periods (Over Two Years)		-
<b>Total</b>	<b>38,692,929</b>	<b>5,867,472</b>

## Notes to The Financial Statements (Continued)

## 13 Fund Balance Brought Forward

Description	2021-2022	Jan-2020- June 2021
	Kshs	Kshs
Bank Balances	6,589,789	10,712,601
Cash Balances	250,674	41,138
Short Term Investments	0	-
Receivables	29,967,568	18,447,267
Payables	(40,081,8110)	(9,772,327)
<b>Total</b>	<b>(3,273,780)</b>	<b>19,428,679</b>

**Other important disclosure notes**

IPSAS 1 encourages an entity to disclose accrual related information in relation to an entity's assets and liabilities. The notes outlined below are disclosure notes in relation to the school's non-financial assets and liabilities.

**14 Non-current Liabilities Summary**

Description	2021-2022	Jan-2020- June 2021
	Kshs	Kshs
Bank Loan(S)	10,245,546	0
Outstanding Leases		0
Hire Purchase		0
Gratuity And Leave Provision		0
<b>Total</b>	<b>10,245,546</b>	<b>0</b>

**15 Biological assets**

Description	Numbers	2021-2022	Numbers	Jan-2020- June 2021
		Kshs		Kshs
Cattle	5	5	5	300,000
Pigs	5	5	5	100,000
Trees	1920	1920	1920	5,760,000
Rabbit	24	24	-	-
Poultry	1248	-	551	275,500
<b>Total</b>	<b>3202</b>	<b>1954</b>	<b>2481</b>	<b>6,435,500</b>

**16 Borrowings**

Description	2021-2022	Jan-2020- June 2021
	Kshs	Kshs
<b>a) Borrowings</b>		0
Borrowing at beginning of the year	0	0
Borrowings during the year	15,000,000	0
Repayments of during the year	(4,754,454)	0
<b>Balance at end of the year</b>	<b>10,245,546</b>	<b>0</b>

Other important disclosure notes


17 Stock/ Inventory

Description	2021-2022	Jan-2020- June 2021
	Kshs	Kshs
<b>b) Inventory</b>	-	-
Stock/ inventory at beginning of the year	-	-
Stock/ inventory purchased during the year	-	-
Stock/ inventory issued during the year	-	-
<b>Balance at end of the year</b>	-	<b>0</b>

**18 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.

Ref No	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

 **CHIEF PRINCIPAL**  
**MACHAKOS SCHOOL**  
 P.O. BOX 39-90100,  
 MACHAKOS  
 Sign and Date  
 Principal **12/9/2024**

## Annex 1 - Analysis of Pending Accounts Payable

Supplier (Or Goods Or Services)	Original Amount	Date of Payment	Amount Paid To Date	Balance		
<b>Construction Of Buildings</b>						
1. Simunde Supplies	1,907,500	5 <sup>th</sup> June 2021		1,907,500		
2. Warrior construction limited	37,423,632	10 <sup>th</sup> June 2021		27,721,993		
3. Kamami Traders limited	80,000	5 <sup>th</sup> June 2021		80,000		
<b>Sub-Total</b>	<b>29,709,493</b>			<b>29,709,493</b>		
<b>Supply Of Goods</b>						
4. New Friends Butchery	439,200	11 <sup>th</sup> June 2021		439,200		
5. Naivas Limited	1,058,469	14 <sup>th</sup> June 2021		1,058,469		
6. Margaret Mueni	47,000	10 <sup>th</sup> June 2021		47,000		
7. Institutional Gas Kenya limited	2,376,460	5 <sup>th</sup> June 2021		2,376,460		
8. Kitovoto Investments	348,400	16 <sup>th</sup> June 2021		348,400		
9. Liam General Supplies	369,000	11 <sup>th</sup> June 2021		369,000		
10. Forevergreen EA Limited	535,930	7 <sup>th</sup> June 2021		535,930		
11. Vinmato Chemicals	140,000	15 <sup>th</sup> June 2021		140,000		
12. Benjamin Nzioki	327,970	16 <sup>th</sup> June 2021		327,970		
13. Gentleson Supplies	90,000	5 <sup>th</sup> June 2021		90,000		
14. Stashan Traders	230,000	20 <sup>th</sup> June 2021		230,000		

**Reports and Financial Statements for the year ended 30<sup>th</sup> June 2022**

Supplier Of Goods Or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 30/6/2022	Outstanding Balance	Comments
15. Kaviani Transporters limited	208,000	15 <sup>th</sup> June 2021		208,000		
16. Nyapenjo Ventures	57,000	14 <sup>th</sup> June 2021		57,000		
17. Terry Kenya Limited	78,000	20 <sup>th</sup> June 2021		78,000		
18. Oxford University	30,897	15 <sup>th</sup> June 2021		30,897		
19. Quizy General Supplies	1,160,400	11 <sup>th</sup> June 2021		1,160,400		
20. City hill Enterprises	850,000	14 <sup>th</sup> June 2021		850,000		
21. Roshamu Enterprises	20,670	15 <sup>th</sup> June 2021		20,670		
22. Son n' Son pharmaceutical	159,000	20 <sup>th</sup> June 2021		159,000		
23. Emstar Electro Works	9,800	11 <sup>th</sup> June 2021		9,800		
24. Mumbuni Pharmacy	123,280	15 <sup>th</sup> June 2021		123,280		
<b>Sub-Total</b>	<b>8,659,476</b>			<b>8,659,476</b>		
<b>Supply Of Services</b>						
25. Chacha Elias Edwin	8,960	11 <sup>th</sup> June 2021		8,960		
26. Kenya Institute of curriculum Development	95,000	20 <sup>th</sup> June 2021		95,000		
27. Instatech Technology	220,000	14 <sup>th</sup> June 2021		220,000		
<b>Sub-Total</b>	<b>323,960</b>			<b>323,960</b>		
<b>Grand Total</b>	<b>38,692,929</b>			<b>38,692,929</b>		

## Annex 2 – Summary of Fixed Assets Register

Asset Class	Date purchased	Location	Historical Cost b/f (NO) 1 <sup>st</sup> July 2021	Additions during the year (NO)	Disposals during the year (NO)	Historical Cost c/f (NO) 30 <sup>th</sup> June 2022
Land 1	NO		115	0	0	115
Buildings And Structures	NO		234	0	0	234
Motor Vehicles	NO		4	0	0	4
Office Equipment, Furniture And Fittings	NO		3878	0	0	3878
ICT Equipment, And Other ICT Assets	NO		126	0	0	126
Tools And Apparatus	NO		33807	0	0	33807
Textbooks	NO		115300	0	0	115300
Other Machinery And Equipment	NO		1288	0	0	1288
Heritage And Cultural Assets	NO		79	0	0	79
Intangible Assets- Soft Ware	NO		5	0	0	5
<b>Total</b>			<b>1544835</b>	<b>0</b>	<b>0</b>	<b>1544835</b>