

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

REPORT DATE: 30 JUL 2025 DAY: Wednesday

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TABLED BY: Hon. Owen Bayo, CBS, MP
Deputy Majority Leader
OF: Homele

THE AUDITOR-GENERAL

ON

MACHAKOS SCHOOL

**FOR THE YEAR ENDED
30 JUNE, 2024**



MACHAKOS SCHOOL

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2024**

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

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1. Acronyms and Definition of Key Terms**A. Acronyms.**

BOM	Board of Management
CEB	County Education Board
IPSAS	International Public Sector Accounting Standards
KCSE	Kenya Certificate of Secondary Education
MOE	Ministry of Education
LR	Land Rate
NT	Non-Teaching
PA	Parents Association
PE	Personal emolument
EWC	Electricity Water and Conservancy
LTT	Local Travelling & Transport
ADM	Administration
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
FY	Financial Year
FDSE	Free Day Secondary Education
TSC	Teachers Service Commission
SMASSE	Strengthening of Mathematics and Science in Secondary Education

B. Definition of Key Terms

Comparative Year- Means the prior period.

2. Key School Information and Management

(a) Background information

The school is domiciled in Kenya and its operations are governed under the Basic Education Act, 2013. It is 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 2400 number of students as at 30th June 2024. It has 10 streams and 84 teachers of which 18 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 K. Mwanja	Chairman	6th March 2022
2	Mr. Benson S. Manoo	Secretary – Principal	22nd Dec 2023
3	Mr. Peter M. Mbatha	Member	6th March 2022
4	Mr. Ali Nur Hussein	Member	6th March 2022
5	Dr. Winfred N. Mutuku	Member	6th March 2022
6	Mr. Josephat M. Mutunga	Member	6th March 2022
7	Dr. ENG. Anthony Githinji	Member	6th March 2022
8	Md. Joyce N. Wamalwa	Member	6th March 2022
9	Dr. Josephine Munyao	Member	6th March 2022
10	Dr. Lucas M. Mwove	Member	6th March 2022
11	Md. Annastacia Wayua	Member – Rep CEB	6th March 2022
12	Mr. Benson Nzioka	Member Rep Teachers	29th April 2022
13	Dr. Benard M. Muia	Member – Community	6th March 2022
14	Mr. Nzioka John Nzomo	Member Special Needs	6th March 2022
15	Mr. Cornel J.M. Onyango	PA Chair	2nd April 2024
16	Md. Eddah. M. K. Marete	Vice PA Chair	2nd April 2024

The functions of the School Board of Management are to:

- 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, of 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	1.Jonathan K. Mwanja 2.Benson S. Manoo 3.Winfred N. Mutuku 4.Peter M. Mbatha 5.Josephat M Mutunga 6. Cornel J.M. Onyango	Chairperson Secretary Member Member Member PA Chair	1/1 1/1 1/1 1/1 1/1 1/1
2	Audit Committee	1.Peter M. Mbatha 2.Anthony Githinji 3.Annastacia Wayua 4.Benard M. Muia	Chairperson Member Member Member	0/0 0/0 0/0 0/0
3	Finance,procurement and general purposes Committee	1.Peter M. Mbatha 2.Anthony Githinji 3.Annastacia Wayua 4.Benard M. Muia	Chairperson Member Member Member	0/0 0/0 0/0 0/0
4	Academic Committee	1.Nzioka John Nzomo 2.Benson S. Manoo 3.Josephine Munyao 4.Jonathan K. Mwanja 5.Benard M. Muia 6.Winfred N. Mutuku	Chairperson Secretary Member Member Member Member	2/2 2/2 2/2 2/2 2/2 2/2

5	Development Committee	1.Benard M. Muia 2.Lucas M. Mwove 3.Joyce N. Wamalwa 4.Cornel J.M. Onyango 6.Josephat M.Mutunga 7.Benson Manoo	Chairperson Member Member Member Member Secretary	1/1 1/1 1/1 1/1 1/1 1/1
6	Discipline and welfare Committee	1.Josephat M.Mutunga 2.Cornel J.M Onyango 3.Josephine Munyao 4.Jonathan K. Mwanja 5.Nzioka John Nzomo 6.Benson S. Manoo 7.Benson Nzioka	Chairperson Member Member Member Member Member Secretary	2/2 2/2 2/2 2/2 2/2 2/2 2/2

(d) School operation Management

For the financial year ended 30th June, 2024 the School's day-to-day management was under the following persons:

Ref:	Designation	Name	Identification
1	Principal	Benson Somba Manoo	TSC No. 322738
2	Deputy Principal Adm	Benson Nzioka	TSC No. 416202
3	Deputy Principal Academic	Jacob Nyamancha	TSC No. 463755
4	School Bursar	Rachael Katiku	ID No. 14426151

(e) Schools contacts

Post Office Box: 39 - 90100
 Telephone: 0721-796-771
 E-mail: machakosschool@yahoo.com
 Website: info@machakosschool.com
 Facebook:
 Twitter:

(f) School Bankers

- Name of Bank: Equity Bank (Boarding)
 Branch: Machakos
 Account Number: 0600263557298
- Name of Bank: Equity Bank (Tuition)
 Branch: Machakos
 Account Number: 0600283594818
- Name of Bank: Equity Bank (Operation)
 Branch: Machakos
 Account Number: 0600283594833
- Name of Bank: Equity Bank (Infrastructure)
 Branch: Machakos
 Account Number: 0600283594837
- Name of Bank: KCB (Current)
 Branch: Machakos
 Account Number: 1105006573
- Name of Bank: KCB (boarding)
 Branch: Machakos
 Account Number: 1305355695

- | | | |
|-----|-----------------|-----------------------------|
| 7. | Name of Bank: | Co-operative Bank (Current) |
| | Branch: | Machakos |
| | Account Number: | 01139749330000 |
| 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 Paybill: | 146523 |

(g) Independent Auditors

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

3. Summary Report of Performance of The School

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

a) Financial performance:

Criteria	2023-2024	2022-2023	2021-2022
Surplus/deficit for the year	(16,347,956)	15,373,157	(22,702,459)
Capitation grants from the Ministry of Education	31,220,972	26,190,358	32,229,300
Enrolment	2,400	2,238	2,150
Ratio of capitation grant per student	1:13009	1:11703	1:14990
Other income(s) earned by the school	183,299,387	231,827,920	230,710,815
Overview of growth of other income(s)	(48,528,533)	1,117,105	160,311,046
Total expenditure of the school	230,868,315	242,645,122	285,642,574
Overview of growth in expenditure of the school	(11,776,807)	(42,997,452)	219,941,083
Debtors/receivables	27,569,095	24,988,459	29,967,568
Creditors/payables	40,851,020	32,746,029	40,081,811
Cash and bank balances	16,204,606	19,856,947	6,840,463

b) Teacher Student ratio:

	2023-2024	2022-2023	2021-2022
Number of teachers –TSC	66	66	65
Number of teachers –BOM	18	16	16
Total number of teachers	84	82	81
Enrolment	2400	2238	2150
Teacher student ratio	1:29	1:27	1:26
Number of teachers recruited during the year	6	1	4
Number of teachers transferred/retired during the year	4	1	4

c) The mean score in the 2024 KCSE:

	2023 -2024	2022-2023	2021-2022
Target score for the year	9.14	9.14	9.24
Mean score in KCSE	7.431	8.0081	7.9756
Mean Grade in KCSE	C+	B-	B-
Deviation	-0.57	+0.0325	-0.7135
Total number of candidates	420	372	457
Number of candidates transited to university	281	300	345
% of candidates transited to university	66.9%	80.65%	75.50%
No. of candidates transited to other colleges/polytechnics	139	72	112
% of candidates transited to other colleges/polytechnics	33.1%	19.35%	24.5%

d) Number of Candidates in the 2024 KCSE:

2023	2022	2021	2020
420	372	457	313

e) The capacity of the school:

With 2400 Students	Ideal no. Capacity	2023/2024	Surplus/shortage	Ideal capacity	1 st July-30 th June 2024
Land with title (LR No 909/409 Machakos Township)	115	115	0	115	115
45 Capacity classrooms	54	39	15	45	39
Science laboratories	10	3	7	72	216
Toilets-tuition area	80	76	4	30	76
Toilets-Boarding area	80	68	12	30	68
Mwatu-Dormitory.....Capacity	200	242	42	200	242

Masaku-Dormitory.....Capacity	200	242	42	200	242
Ngei-Dormitory.....Capacity	200	242	42	200	242
Muindi Mbingu-Dormitory.....Capacity	200	242	42	200	242
Musau-Dormitory.....Capacity	200	242	42	200	242
Omondi-Dormitory.....Capacity	250	310	60	250	310
Mathendu-Dormitory.....Capacity	200	242	42	200	242
Art room – converted to dorm	90	90	0	90	90
Indimuli Dorm	480	548	68	480	548
Total	2,020	2400	380	2,020	2,400
Total students sleeping in other areas	90	90	0	90	90
Student capacity needing dorms	380	380	0	380	380
Boreholes	3	3	0	3	3
Dining Hall 1-used in 4 shifts	1200	2400	1200	1	

f) Development projects carried out by the school:

Projects	Source of funds	Status	Initial Cost (Kshs)	Amount Spent (Kshs)	Expected completion time
Completion of Indimuli Dormitory	Parents/Guardians/ Well Wishers	Complete	42,962,729	2,688,887	30 th June 2024
Borehole pump installation	MOE (Infrastructure grants Maintenance and Improvement funds)	Complete	1,069,999	1,069,999	30 th June 2024


 School Principal

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

4. Statement of School Management Responsibility

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, each National Government School shall prepare financial statements in respect of that school. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board (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 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 30th June, 2024, and of the school's financial position as at that date.



.....
Name: Dr. Jonathan Mwanja

Designation: Chairman, School Board of Management

Date: 26/05/2025



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

.....
Name: Mr. B.S Manoo

Designation: School Principal & Secretary to Board of Management

Date: 26/05/2025



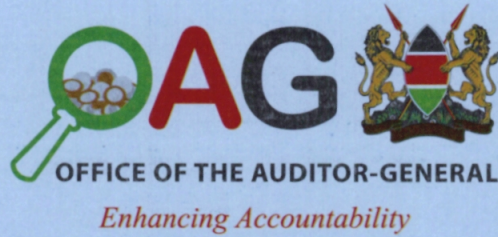
.....
Name: Rachael W. Katiku

Designation: Bursar/ Finance Officer

Date: 26/05/2025

REPUBLIC OF KENYA

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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MACHAKOS SCHOOL FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

An Adverse Opinion is issued when the Auditor-General determines that the financial statements are materially misstated and are not fairly presented in accordance with the applicable financial reporting framework. The Report on the Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Machakos School set out on pages 1 to 40, which comprise of the statement of assets and liabilities as at

30 June, 2024 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, in all material respects, the financial position of Machakos School as at 30 June, 2024 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.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

Review of the financial statements revealed unexplained variances between the statement of receipts and payments and the statements of cashflows as detailed below;

Note No.	Component	Statement of Receipts and Payments	Statement of Cashflows	Variances
4	School Fund Income	169,074,977	165,528,765	3,546,212
6	Tuition	10,675,807	4,503,325	6,172,482
9	Boarding and School Fund	206,740,147	183,661,196	23,078,951

Further, the statement of receipts and payments and Note 4 to the financial statements reflects school fund income of Kshs.169,074,977 while the ledger reflects a balance of Kshs.150,153,942 resulting in unexplained variance of Kshs.18,921,035. In addition, Note 5 to the financial statements reflects miscellaneous income of Kshs.14,224,410 while the ledger has a balance of Kshs.27,740,511 resulting in unexplained variance of Kshs.13,516,101.

Moreover, the statement of assets and liabilities reflects accumulated fund brought forward of Kshs.19,270,637 whereas the recomputed balance is Kshs.12,099,377 resulting in an unreconciled variance of Kshs.7,171,260. Therefore, the statement of assets and liabilities did not balance.

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

2. Unsupported School Fees Arrears

The statement of assets and liabilities and Note 13 to the financial statements reflects outstanding fee arrears balance of Kshs.27,569,095. However, system generated report indicates an outstanding fee balance of Kshs.28,418,638 leaving an unreconciled variance of Kshs.849,543.

In the circumstances, the accuracy of the account receivables amounting to Kshs.27,569,095 could not be confirmed.

3. Unsupported Tuition Payments

Included in the statement of receipts and payments and Note 6 to the financial statements is tuition payment amounting to Kshs.10,675,807. However, payment vouchers amounting Kshs.922,137 for T&LM were not presented for vouching, while examined payment vouchers amounting to Kshs.3,580,090 for teaching /learning material were not fully supported by way of documentation i.e., no copy of cheques attached. Further, an amount of Kshs.1,472,000 of Kshs.6,772,482 which was presented as payables under tuition payment is still outstanding.

In the circumstances, the accuracy and completeness of the tuition payment amounting to Kshs.10,675,807 could not be confirmed.

4. Long Outstanding Student Accounts Receivables

The statement of asset and liabilities and Note 13 to the financial statements shows account receivables balance of Kshs.27,569,095. Included in that is long outstanding fees arrears amounting to Kshs.20,197,686 as shown by the ageing analysis under Note 13(b). Further, included in the accounts receivable balance is salary advance of Kshs.298,700 and outstanding imprest of Kshs.110,000 out of which salary advance amounting to Kshs.144,700 and imprest of Kshs.95,000.00 remained outstanding as at time of audit.

In the circumstances, the accuracy, completeness and recoverability of the long outstanding accounts receivables balance could not be confirmed.

5. Unsupported Cash and Cash Equivalents

The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.16,204,606 comprising of cash balance of Kshs.919,538 and bank balance of Kshs.15,285,068. However, review of the financial records revealed the following anomalies;

- i. The balances were not supported by board of survey report as at 30 June, 2024.
- ii. The School had an MPESA account for collection of fees contributions. However, the account was not disclosed in the financial statements. In addition, cashbook for the MPESA account was not maintained.
- iii. The bank balance of Kshs.148,030 in respect of the needy kitty account at KCB was not supported with a cashbook and bank reconciliation.
- iv. Non-maintenance of separate cashbooks - Included in this balance is saving account at KCB with a balance of Kshs.532,625 and three (3) school fund accounts i.e. Equity account with a balance of Kshs.525,124, KCB account with a balance of Kshs.12,226 and Co-operative account with a balance of Kshs.202,330 that

were not supported by separate cash books. One cashbook had been used to enter receipts and payment transactions of all the four accounts. Consequently, preparation of one bank reconciliation statements for the four accounts is contrary to Regulation 100 of Public Finance Management Act, 2015.

In the circumstances, the accuracy and completeness of cash and cash equivalents of Kshs.16,204,606 could not be confirmed.

6. Lack of Land Ownership Documents

Review of records provided revealed that the school occupies approximately 115 acres of land of undetermined value in Machakos block parcel 1/28 formerly L.R. No.909/409. However, an illegible ownership documents dated back in 1963 with a leasehold of 33 years effective 1 April, 1963 and in the name Minerva Nominees (East Africa) was provided.

In the circumstances, the ownership of the land could not be confirmed.

7. Incomplete Fixed Asset Register

Annex 2 to the financial statements reflects quantity balance of various assets owned by the school without indicating their value contrary to IPSAS template. Further, review of asset register provided revealed that the register did not indicate the cost price and the method applied on the valuation of assets in the prescribed format indicating the original cost, description, financier, serial/log book number, acquisition date and location.

Further, physical verification of sampled assets revealed that assets had no tag for unique identification which is contrary to the guidelines on asset and liability management. In addition, asset register had not indicated serial numbers of assets that had serial numbers and code numbers hence not possible to confirm their existence. Therefore, identification and tracking of movement of assets may not be possible and the assets may be lost through theft/pilferage.

In the circumstances, the existence, accuracy and completeness of the asset register could not be confirmed.

8. Unsupported Rental Income

The statement of receipts and payments and Note 5 to the financial statements reflects other receipts of Kshs.14,224,410. Included in other receipts is rent income of Kshs.511,770. Physical verification revealed the school owned several houses which had been rent out to teachers and other staff at an average rent of Kshs.3,000 per month. However, the school did not provide house register indicating the number of houses and number of rooms, including rent valuation by the relevant Ministry/Market survey report on rent charged for similar houses in the locality.

In the circumstances, the accuracy and completeness of the rent income could not be confirmed.

9. Unsupported Stock/Inventory

Note 19 to the financial statements reflects various categories of stocks totalling Kshs.5,959,484. However, Management did not provide stock take reports as at 30 June, 2024.

In the circumstances, the accuracy and completeness of stock/inventory valued at Kshs.5,959,484 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 adverse opinion.

Key Audit Matters

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

Other Matter

1. 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, 2024.

2. Failure to Register Students on the National Education Management Information System

The statement of receipts and payments and Notes 1 and 2 to the financial statements reflect Kshs.5,764,277, Kshs.16,604,480 and Kshs.8,852,215 being capitation grants for tuition, operations and infrastructure respectively.

Review of the registration details revealed that Management had not registered all students during the financial year under review. Registration of the learners had not been effected due to birth certificates issues. Failure to register the learners has denied the Management an amount of Kshs.4,975,339.83 in form of total capitations sent to school and retained at MOE as analyzed below;

Term	Actual Capitation Received Per Student	Actual No. of Students	Capitation as Per Actual No. of Students	No. of Students Registered in NEMIS	Capitation as Per NEMIS Student Data	Capitation Amount Denied
Term 3 - September, 2023	3,327.87	2238	7,447,773.06	2021	6,725,625.27	722,147.79
Term 1 - January, 2024	8,319.68	2400	19,967,232	2022	16,822,392.96	3,144,839.04
Term 2 – May, 2024	4,505.5	2400	10,813,200	2154	9,704,847	1,108,353
TOTAL			38,228,205.06		33,252,865.23	4,975,339.83

In the circumstances, a significant number of learners at the school were not funded for tuition, operations and textbooks and this is likely to affect service delivery.

3. Underfunding of Capitation Grants

The school's expected revenue from capitation grants was Kshs.22,244 per student while the actual grants received by the School from the Ministry of Education was Kshs.16,153.05 per student for the three terms under review, resulting in underfunding totalling Kshs.12,600,916.37 as shown below;

	Expected Amount Per Student	Actual Received Per Student	Amount Difference Per Student	No of Students Registered in NEMIS	Underfunding
3 rd Term - September, 2023	20%*22,244 =4,448.8	3,327.87	1120.93	2021	2,265,399.53
1 st Term - January, 2024	50%*22,244 =11,122	8,319.68	2,802.32	2022	5,666,291.04
2 nd Term – May, 2024	30%*22,244 =6,673.2	4,505.5	2,167.7	2154	4,669,225.80
Total	22,244	16,153.05	6,090.05		12,600,916.37

In the circumstances, the underfunding affected the planned activities of the school and may have impacted negatively on service delivery to the learners.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Ineligible Payments from the School Operation Bank Account

The statement of receipts and payments and Note 7 to the financial statements reflects a total of Kshs.10,631,585 in respect to operation payments. Review of the bank statements and cash books revealed that the School received an amount of Kshs.788,220 in its Equity Operation Account for construction of one CBC classroom. However, the amount was not transferred to the capital infrastructural accounts and was instead spent in the operations account as revealed in operation account bank statement. This was contrary to the Ministry of Education circular whereby the school made ineligible payments of Kshs.788,220 from operation accounts to pay a construction company for construction of one CBC Classroom.

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

2. Unapproved Additional Fees

The statement of receipts and payments and Note 4 to the financial statements reflects school fund income - parents' contributions amount of Kshs.169,074,977 which includes PA Support Programme amount of Kshs.7,122,044 being development funds for Twin lab of Kshs.1,665,513 and development funds for Dormitory of Kshs.5,456,531. Examination of the records revealed that the school charged an amount of Kshs.20,000 per student to support the programme which had not been approved by the Ministry of Education through the County Education Board.

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

3. Irregular Acquisition of Loans

The statements of receipts and payments and Note 9 to the financial statements reflects boarding and school fund payments of Kshs.206,740,147. Included in the amount is loan principal and interest payments totalling Kshs.15,744,575. Review of financial records provided revealed that Management had applied for two (2) loans of Kshs.15,000,000

dated 6 August, 2021 and Kshs.46,000,000 whereby Kshs.26,486,538 and Kshs.19,513,462 were disbursed on 24 December, 2022 and 14 February, 2023 respectively. Both loans were to be repaid termly i.e. 30th of every 4 months. However, review of financial records revealed the following anomalies;

- i. The loan application was not approved by the Cabinet Secretary.
- ii. Loan agreement/contract was not availed for audit review hence it was not possible to confirm terms and conditions which includes whether interest rate charged was fixed or fluctuating as well as whether the loan was secured or unsecured.
- iii. It could not be ascertained those payments obligations were met at the lowest cost since letters dated 20 June, 2023 revealed that the interest rates for loan of Kshs15,000,000 and 46,000,000 was to be adjusted from 13% p.a to 14.8% p.a and 12% p.a to 13.8% p.a respectively effective 30 days from the date of the letters. Further loan statement for Kshs.46,000,000 loan revealed interest rate charge of 15.2%p.a. hence unexplained increase in interest cost.

In the circumstances, the terms and condition of the loan could not be confirmed. Further, the accuracy and completeness of the loan balance could not be confirmed.

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

Review of financial records revealed that Management transferred co-curricular funds totalling Kshs.925,800 to Kenya Secondary School Heads Association a private entity that is not subject to PFM Act, 2012 or any other public finance regulations.

This organization is not defined in Government Funding 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, the school may not have received value for the Kshs.925,800 transferred to KESSHA.

5. Unapproved Reallocation of Funds

Review of the bank statements in respect of Tuition Account at Equity bank showed a transfer of Kshs.689,537 from the account to the Equity school fund account without approval by the County Education Board (CEB) contrary to Ministry of Education Circular Ref No. MOE.HQS/3/10/18Vol.11/(33) dated 7 March, 2024 that states 'no virement is authorized from tuition account'.

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

6. Failure to Prepare School Improvement Plan

As previously reported, during the year 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 Policy Guidelines.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, 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 section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Internal Audit Function and Audit Committee

Review of audit records revealed that the school does not have an active audit committee of the Board and an internal audit function for purposes of reviewing and evaluating budgetary performance, financial management, transparency and accountability mechanisms processes in the school. For instance, audit committee did not meet during the year under review but met in the subsequent financial year whereby only external audit observations were discussed. It could not be established whether there is a functional internal audit since there were no internal audit reports. In addition, internal audit observations and recommendations could not be traced in the audit committee meeting held in subsequent year.

In the circumstances, the effectiveness of the independent assurance that the risk management governance and internal control processes are operating effectively could not be confirmed.

2. Weaknesses in Information Communication Technology Environment

Review of the School Information Technology (IT) Internal Controls revealed the following:

- i. The School does not have an IT strategic or steering committee which could result in none implementation of IT governance, as part of enterprise governance.
- ii. The School does not have an IT strategic plan that supports business requirements and ensures that IT spending remains within the approved IT strategic plan.
- iii. The School does not have a training program to build IT capacity in place.
- iv. There were no approved policies on Information Technology security including disaster recovery plan and IT continuity plan. Consequently, the critical data/information may not be recovered in case a disaster occurs, thus leading to downtime.
- v. There were no formally documented and approved processes to manage upgrades made to all financial / performance information systems.
- vi. There was no data management strategy to guide the creation, processing, storage and archiving of data, contrary to the Government ICT Information Security Standard 2023, Section 11.10 that require the MCDAs to implement data masking in accordance with the Access Control Policy, business requirements and applicable legislation to limit exposure of personally identifiable information.

In the circumstances, there is a risk of breaches of information confidentiality, data integrity and loss of business continuity.

3. Lack of Risk Management Policy

Review of the records provided for audit revealed that Management had not established a risk management policy. Consequently, Management did not perform formal risk assessments on all key financial risk areas such as cash, revenue and expenditure. In the circumstances, there was no approved processes and guidelines on how to mitigate operational, legal and financial risks. 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.

Management was in breach of the law and was therefore not in a position to identify risks and develop mitigating strategies.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 July, 2025

6. Statement of Receipts and Payments for the Year Ended 30th June 2024

Description Of Vote Head	Note	2023 - 2024	2022-2023
		Kshs	Kshs
Receipts			
Government grants for tuition	1	5,764,277	4,330,348
Government grants for operations	2	16,604,480	14,568,011
Government Grants for infrastructure	3	8,852,215	7,292,000
School fund income- parents' contributions	4	169,074,977	180,183,376
Miscellaneous incomes	5	14,224,410	51,644,544
Total Receipts		214,520,359	258,018,278
Payments			
Tuition	6	10,675,807	13,731,855
Operations	7	10,631,585	4,112,476
Infrastructure	8	2,820,777	2,198,841
Boarding and school fund	9	206,740,147	222,601,950
Total Payments		230,868,315	242,645,122
Surplus/Deficit		(16,347,956)	15,373,157

The school financial statements were approved on 26/05/2025 and signed by:


.....

Name: Dr. Jonathan Mwanja

Chair BOM

Date: 26/05/2025


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

Name: Mr. B.S Manoo

School Principal/ Secretary to
BOM

Date: 26/05/2025


.....

Name: Rachael W. Katiku

Bursar/ Finance Officer

Date: 26/05/2025

7. Statement of Assets and Liabilities As At 30th June 2024

Description	Note	2023 - 2024	2022-2023
		Kshs	Kshs
Financial Assets			
Cash and cash equivalents			
Bank balances	10	15,285,068	18,948,643
Cash balances	11	919,538	908,304
Short term investments	12	-	-
Total cash and cash equivalent		16,204,606	19,856,947
Account's receivables	13	27,569,095	24,988,459
Total financial assets (a)		43,773,701	44,845,406
Financial liabilities			
Accounts payables	14	40,851,020	32,746,029
Total Financial Labilities (b)		40,851,020	32,746,029
Net financial assets (a-b)		2,922,681	12,099,377
Represented by			
Accumulated fund b/fwd	15	19,270,637	(3,273,780)
Surplus/deficit for the year		(16,347,956)	15,373,157
Net Assets		2,922,681	12,099,377

The school's financial statements were approved on 26/05/2025 and signed by:


.....

Name: Dr. Jonathan Mwanja

Chair BOM

Date: 26/05/2025

 **CHIEF PRINCIPAL**
MACHAKOS SCHOOL
P.O. BOX 39-80100, R.H.

Name: Mr. B.S. Munoo
School Principal/ Secretary to
BOM

Date: 26/05/2025

Name: Rachael W. Katiku

Bursar/ Finance Officer

Date: 26/05/2025

8. Statement of Cash Flows for the Year Ended 30th June 2024

Description	Note	2023 - 2024	2022-2023
		Kshs	Kshs
Cash from Operating Activities			
Receipts			
Government grants for tuition	1	5,764,277	4,330,348
Government grants for operations	2	16,604,480	14,568,011
Government grants for infrastructure	3	8,852,215	7,292,000
School fund income- parents contributions/ fees	4	165,528,765	155,194,917
Other income	5	14,186,988	5,158,006
Total receipts		210,936,725	186,543,281
Payments			
Cash outflows for tuition	6	4,503,325	13,731,885
Cash outflows for operations	7	10,631,585	4,112,476
Cash outflows Boarding/lunch and school fund payments	9	183,661,196	143,505,067
Total payments		198,796,805	161,349,398
Net cash inflow/outflow from operating activities		12,139,920	25,193,883
Cash flow from investing activities			
Acquisition of assets	8	(5,509,664)	(50,685,379)
Proceeds from sale of Assets		-	-
Proceeds from investments		-	-
Net cash inflow/outflows from investing activities		(5,509,664)	(50,685,379)
Cash flow from Financing activities			
Proceeds from borrowings/ loans	18	-	46,486,538
Repayment of principal borrowings	18	(10,283,297)	(7,978,559)
Net cash inflow/outflow from financing activities		(10,283,297)	38,507,979
Net increase/decrease in cash and cash equivalents		(3,652,341)	13,016,484
Cash and cash equivalent at beginning of the FY	10,11	19,856,947	6,840,463
Cash and cash equivalent at end of the FY	10,11	16,204,606	19,856,947

The school's financial statements were approved on 26/05/2025 and signed by:

.....

Name: Dr. Jonathan Mwania

Chair BOM

Date: 26/05/2025

.....

Name: Mr. B.S. Mumbo
School Principal/ Secretary to BOM

Date: 26/05/2025

.....

Name: Rachael W. Katiku

Bursar/ Finance Officer

Date: 26/05/2025

9. Statement Of Budgeted Versus Actual Amounts for The Year Ended 30th June 2024

Receipt/Expenses Item	Original Budget	Adjustments	Final Budget	Actual On Comparable Basis	% Of Utilization
	a	b	c=a+b	d	e=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs
Receipts					
<i>(1) Capitation Grant on Tuition</i>					
Reference Materials	-	-	-	-	-
Exercise Books	-	-	-	-	-
Laboratory Equipment	-	-	-	-	-
Internal Exams	-	-	-	-	-
Teaching / Learning Materials	4,288,000	-	4,288,000	5,764,277	134.4%
Exams And Assessment	-	-	-	-	-
<i>(2) Capitation Grant on Operations</i>					
Personnel Emoluments	-	-	-	-	-
Repairs And Maintenance	-	-	-	-	-
Local Transport / Travelling	-	-	-	-	-
Electricity And Water	-	-	-	-	-
Medical	4,476,000	-	4,476,000	1,678,050	37.5%
Other Voteheads	21,037,200	-	21,037,200	13,282,651	63.1%
Activity	3,357,000	-	3,357,000	1,643,778	49%
Gratuity	-	-	-	-	-
	-	-	-	-	-

Receipt/Expenses Item	Original Budget	Adjustments	Final Budget	Actual On Comparable Basis	% Of Utilization
	a	b	c=a+b	d	e=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs
3) FDSE for infrastructure					
Maintenance & Improvement MoE	11,190,000	-	11,190,000	8,852,215	79.1%
M&I parents' contribution	-	-	-	-	-
Economic Stimulus Programs	-	-	-	-	-
Transition Infrastructure Grants	-	-	-	-	-
Administration Block	-	-	-	-	-
(4) Fees Charged on Parents					
Personnel emoluments	-	-	-	-	-
Repairs And Maintenance	4,559,200	-	4,559,200	5,180,713	113.6%
Income from Uniform	-	-	-	14,481,323	-
Medical	-	-	-	573,309	-
Other Voteheads	46,437,742	-	46,437,742	52,363,927	112.8%
Activity	1,819,152	-	1,819,152	5,365,228	294.9%
Fee On Boarding Equipment and Stores	69,265,646	-	69,265,646	83,988,433	121.3%
SMASSE	447,600	-	447,600	-	-
5) Miscellaneous Income					
University Registration	321,000	-	321,000	-	-
Rent income	582,000	-	582,000	511,770	87.9%
Income From Farming Activities	9,756,000	-	9,756,000	-	-
Bakery	8,000,190	-	8,000,190	12,568,400	157.1%
School Magazine	250,000	-	250,000	1,144,240	457.7%
School id / library	250,000	-	250,000	-	-

Receipt/Expenses Item	Original Budget	Adjustments	Final Budget	Actual On Comparable Basis	% Of Utilization
	a	b	c=a+b	d	e=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs
Income from PA Funds (Dormitory)	32,760,000	-	32,760,000	5,456,531	16.7%
Fee For Hire of Ground and Equipment	-	-	-	-	-
Income from PA Funds (Twin lab)	-	-	-	1,665,513	-
Interest Income	-	-	-	-	-
Income From Any Other Investment	-	-	-	-	-
Total Income	218,796,730	-	218,796,730	214,520,358	98%
(6) Expenditure For Tuition					
Textbooks	-	-	-	-	-
Reference Materials	-	-	-	-	-
Exercise Books	-	-	-	-	-
Laboratory Equipment	-	-	-	-	-
Internal Exams	-	-	-	-	-
Teaching / Learning Materials	16,365,300	-	16,365,300	10,674,709	65.2%
Chalks	-	-	-	-	-
Exams And Assessment	-	-	-	-	-
Teachers Guides	-	-	-	-	-
Administration Costs	-	-	-	-	-
Bank Charges	-	-	-	1,098	-
(7) Expenditure For Operations					
Personnel Emoluments	-	-	-	-	-
Repairs, Maintenance & Improvements	-	-	-	2,194,840	-

Receipt/Expenses Item	Original Budget	Adjustments	Final Budget	Actual On Comparable Basis	% Of Utilization
	a	b	c=a+b	d	e=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs
Local Transport / Travelling	-	-	-	-	-
Electricity, Water and Conservancy	-	-	-	-	-
Medical	5,089,575	-	5,089,575	862,303	16.9%
Other Voteheads	-	-	-	6,032,582	-
Activity Expenses	-	-	-	1,541,040	-
Bank charges	-	-	-	820	-
SMASSE	-	-	-	-	-
(8) Expenditure For infrastructure					
Construction of classrooms	-	-	-	-	-
Construction of LAB	-	-	-	-	-
Construction of DORMS	-	-	-	1,680,081	-
Drilling of borehole	-	-	-	1,139,996	-
Bank Charges	-	-	-	700	-
(9) Expenditure For school fund/lunch/boarding					
Personnel Emoluments NT/staff	-	-	-	6,418,485	-
Repairs, Maintenance and Improvements	26,367,551	-	26,367,551	6,563,583	24.9%
Personnel Emoluments S/staff	-	-	-	10,254,311	-
Uniform expense	-	-	-	14,384,213	-
Medical Expenses	-	-	-	438,316	-
Other Voteheads	66,174,426	-	66,174,426	24,299,127	36.7%

MACHAKOS SCHOOL
Annual Report and Financial Statements for the year ended 30th June 2024

Receipt/Expenses Item	Original Budget	Adjustments	Final Budget	Actual On Comparable Basis	% Of Utilization
	a	b	c=a+b	d	e=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs
Activity	5,907,610	-	5,907,610	5,153,162	87.2%
Gratuity	-	-	-	1,325,983	-
Expense on Farming Activity	7,384,800	-	7,384,800	584,570	7.9%
Boarding Equipment and Stores	89,518,280	-	89,518,280	92,634,736	103.5%
Expense on Bakery	6,145,290	-	6,145,290	12,323,705	200.5%
Rent Expense	582,000	-	582,000	-	-
School id / library card	250,000	-	250,000	-	-
University Registration	321,000	-	321,000	-	-
School Magazine	250,000	-	250,000	1,040,000	416%
P.A Dorm	14,531,364	-	14,531,364	-	-
Teaching and Learning	-	-	-	8,869,926	-
BOM allowances	-	-	-	2,295,500	-
BOM Teachers	-	-	-	4,255,512	-
Loan Interest Repayment Old	-	-	-	504,278	-
Loan Interest Repayment New	-	-	-	4,957,000	-
Loan Principal Repayment Old	-	-	-	5,223,680	-
Loan Principal Repayment New	-	-	-	5,059,617	-
Insurance	-	-	-	154,443	-
Smasse	447,600	-	447,600	-	-
Totals	239,334,796	-	239,334,796	230,868,315	96.5%

[Provided below is commentary on significant underutilization (below 90% of utilization) and any overutilization above 100%]

- i. *Decrease in student's population- the school had projected to have 2400 students as at 30th June 2024 the population had decreased to 2250.*
- ii. *The school not collecting school fees 100% as expected.*
- iii. *Price inflation on some of basic commodities.*

10. Significant Accounting Policies

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

1. Statement of compliance and basis of preparation

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

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

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Machakos 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 Machakos school recognises all receipts from various sources when the event occurs, and the related cash has been received by the Machakos school. In addition, the Machakos school recognises all expenses when the event occurs, and the related cash has been paid out by the Machakos School. Income arising from school fees is recognised when the event occurs whether cash is received or not. Expenditure arising from operations is recognised when the event occurs irrespective of receipt of cash.

3. In-kind contributions

In-kind contributions are donations that are made to the Machakos 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 Machakos 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 an insignificant risk of

changes in value. Bank account balances include amounts held at various financial institutions at the end of the financial year.

5. Accounts Receivable

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

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 the fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. Payables also include expenditures incurred for the purchase of goods, works and services that have been rendered and not settled. This is an enhancement to the cash accounting policy adopted for public secondary schools. Other liabilities are disclosed in the financial statements and were inform of prepaid fees and caution money retained.

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 Machakos 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

The comparative figures for the previous financial year are comparable with the current financial year since the accounting period is for 12 months.

10. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2024.

11. Notes To the Financial Statements**1 Government Grants for Tuition**

Description	2023 - 2024	2022-2023
	Kshs	Kshs
Reference Materials	-	-
Exercise Books	-	-
Laboratory Equipment	-	-
Internal Exams	-	-
Teaching / Learning Materials	5,764,277	4,330,348
Others	-	-
Total	5,764,277	4,330,348

2 Government Grants for Operations

Description	2023 - 2024	2022-2023
	Kshs	Kshs
Personnel Emoluments	-	-
Repairs And Maintenance	-	-
Local Transport / Travelling	-	-
Electricity And Water	-	-
Medical	1,678,050	385,000
Administration Costs	-	-
Activity	1,643,778	1,029,675
Other Vote Heads	13,282,651	13,153,336
Total	16,604,480	14,568,011

3 Government Grants for infrastructure

Description	2023 - 2024	2022-2023
	Kshs	Kshs
Maintenance & Improvement	8,852,215	7,292,000
Transition infrastructure grants	-	-
Administration Block	-	-
Economic stimulus grants	-	-
Total	8,852,215	7,292,000

4 School Fund Income - Parents Contribution/Fees

Description	2023 - 2024	2022-2023
	Kshs	Kshs
Personnel emoluments	-	-
Repairs and maintenance	5,180,713	5,739,180
Local transport / travelling	-	-
Other votehead (P.E, EWC, LTT, ADM Costs)	52,363,927	56,475,382
Medical	573,309	102,500
Administration costs	-	-
Activity	5,365,228	2,123,268
Fee on Boarding Equipment and stores	83,988,433	87,477,309
Income from PA Development funds (Twin lab)	1,665,513	-
Income from PA Development funds (Dormitory)	5,456,531	15,514,553
Income from uniforms	14,481,323	12,751,184
Total	169,074,977	180,183,376
Less. Receivables		(24,988,459)
Less: fees arrears 2024 (excluding magazine)	(6,851,887)	
Add: fees arrears recovered	4,389,373	
Add: prepaid fees for the current period	1,002,428	
Less: prepaid fees for previous period	(2,086,126)	
Total to cashflow	165,528,765	155,194,917

5 Miscellaneous Incomes

Description	2023-2024	2022-2023
	Kshs	Kshs
Rent Income	511,770	253,300
Income From Farming Activities	-	790,490
University registration		212,351
School magazine	1,144,240	5,500
Bakery	12,568,400	3,896,635
Insurance Compensation	-	-
Income From grants donation	-	-
Caution money	-	-
Fee For Hire of Ground and Equipment	-	-

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Income From Grants and Donations	-	-
Loan income	-	46,486,538
Dividends Income	-	-
Total	14,224,410	51,644,544
Less: loan income 2023/2022/rent arrears	(68,000)	(46,486,538)
Less: Magazine arrears recovered	(4,522)	
Add: house rent arrears recovered	35,100	
Totals to cashflow	14,186,988	5,158,006

6 Payments Tuition

Description	2023-2024	2022-2023
	Kshs	Kshs
Exercise Books	-	-
Textbooks	-	-
Reference materials	-	-
Laboratory Equipment	-	-
Teaching / Learning Materials	10,674,709	13,731,855
Exams And Assessment	-	-
Teachers Guides	-	-
Bank Charges	1,098	-
Others	-	-
Total	10,675,807	13,731,855
Less: creditors for the year	(6,772,482)	
Add: creditors paid	600,000	
Total to the cash flow	4,503,325	

7 Payments for Operations

Description	2023-2024	2022-2023
	Kshs	Kshs
Personnel Emoluments	-	-
Service Gratuity	-	-
Administration Cost	-	-
Repairs And Maintenance & Improvements	2,194,840	-
Local Transport / Travelling	-	-
Electricity And Water	-	-
Medical / insurance	862,303	-
Activity Expenses	1,541,040	1,512,359
Other voteheads (P.E, LTT, EWC, ADM Cost	6,032,582	2,600,117
Bank charges	820	-
Acquisition of Assets	-	-
Total	10,631,585	4,112,476
Less acquisition of assets		-
Total to cash flow	10,631,585	4,112,476

8 Payments for Infrastructure

Description	2023 - 2024	2022-2023
	Kshs	Kshs
Construction of classrooms	-	1,199,701
Renovation of burned dormitories	-	999,140
Construction of dormitory	1,680,081	-
Drilling of borehole	1,139,996	-
Bank charges	700	-
Total	2,820,777	2,198,841
Less: acquisition of assets		2,198,841
Add: creditors paid (dorm construction)	2,688,887	-
Total to Cashflow	5,509,664	-

9 Boarding And School Fund payments

Description	2023-2024	2022-2023
	Kshs	Kshs
Personnel Emoluments NT/staff	6,418,485	6,299,176
Service Gratuity	1,325,983	-
Repairs And Maintenance & Improvements	-	7,223,019
Activity	5,153,162	5,259,090
Expenses on farming activities	584,570	3,210,000
Expenses on Bakery	12,323,705	3,057,346
Expense on Uniform	14,384,213	13,592,941
Medical Expenses	438,316	571,093
BOM teachers	4,255,512	4,208,405
P.E S/staff	10,254,311	11,514,603
BOM allowances	2,295,500	1,601,378
Maintenance & improvement	6,563,583	21,888,823
Fee On Boarding Equipment and Stores	92,634,736	94,277,222
School magazine	1,040,000	5,500
Fees refunds	-	47,350
University Registration	-	411,000
Other voteheads (P.E, LTT, EWC, ADM Cost, bom teachers)	24,299,127	36,857,894
Teaching & learning	8,869,926	-
Infrastructure	-	-
Loan Principal payment -old	5,223,680	5,021,866

Loan Principal payment -new	5,059,617	2,956,693
Loan interest repayment –old	504,278	1,122,593
Loan interest repayment –new	4,957,000	322,192
Insurance	154,443	1,153,766
PA Dorm	-	2,000,000
Total	206,740,147	222,601,950
Less acquisition		(2,000,000)
Less payables		(32,746,029)
Less creditors paid		(44,350,854)
Less: Loan Interest payment -new	(5,059,617)	
Less: Loan Principal payment -old	(5,223,680)	
Less: creditors 2024 adjusted	(29,583,967)	
Add: creditors paid during the year	16,707,613	
Add: Advances issued (370400-289700)	80,700	
Total to cash flow	183,661,196	143,505,067

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10 Bank Accounts

Account Name & Currency	Status	2023 -2024	2022-2023
	Active/Dormant		
Tuition Account-Equity Bank	0600283594818	1,638,073	144,520
Operations Account- Equity Bank	0600283594833	7,408,132	883,681
School Fund Account/Boarding-KCB Bank	1305355695	12,226	12,959,003
Savings Account –Daima Bank (Dormant)	5001880006	1,520,193	1,777,185
Current account – KCB Bank	1105006573	532,625	(2,575,905)
Current Account – Needy Kitty Account (KCB)	1224693841	148,030	469,095
School fund account – Equity Bank (Current)	0600263557298	525,124	1,421,824
Infrastructural account - Equity Bank	0600283594837	3,298,336	3,591,300
School fund account – Co-operative Bank (Current)	01139749330000	202,330	277,938
Total		15,285,068	18,948,642

11 Cash In Hand

Description	2023-2024	2022 -2023
	Kshs	Kshs
Tuition account	-	-
Operation Account	-	-
School fund account	919,538	908,304
Total	919,538	908,304

12 Short Term Investments

Description	2023-2024	2022 - 2023
	Kshs	Kshs
Cooperative Shares	-	-
Treasury Bills	-	-
Fixed Deposit accounts	-	-
Other Investments	-	-
Total	-	-

13 Accounts Receivable

Description	2023-2024	2022-2023
	Kshs	Kshs
Fees Arrears	27,054,095	24,587,059
House rent arrears – list attached	106,300	73,400
Salary Advances (list/schedule attached)	298,700	218,000
Imprest (list/schedule attached)	110,000	110,000
Total	27,569,095	24,988,459

13 b) Ageing Analysis of fees arrears

Description	2023-2024	2023-2024	2022-2023	2022-2023
	Kshs	% in total	kshs	% in total
Less than 1 year	6,856,409	25	7,670,521	31
Between 1- 2 years	3,281,148	12	12,279,854	50
Between 2-3 years	12,279,854	45	4,636,684	19
Over 3 years	4,636,684	17	-	-
Total (should tie to note 13 a)	27,054,095	100	24,587,059	100

14 Accounts Payable

Description	2023-2024	2022-2023
	Kshs	Kshs
Trade Creditors (See Ageing Below and Appendix 1)	39,045,336	29,856,647
Prepaid Fees	1,002,428	2,086,126
Caution monies	803,256	803,256
Total	40,851,020	32,746,029

14a. Ageing of trade creditors

Description	2023 -2024	2023-2024	2022-2023	2022-2023
	Kshs	% of total	kshs	% of total
Less than 1 year	36,356,449	93	14,288,012	48
Between 1- 2 years	2,688,887	7	15,568,635	52
Between 2-3 years				
Over 3 years				
Total (should tie to note 14)	39,045,336	100	29,856,647	100

15 Fund Balance Brought Forward

Description	2023 -2024	2022-2023
	Kshs	Kshs
Bank Balances	18,948,643	6,589,789
Cash Balances	908,304	250,674
Short Term Investments	-	-
Receivables	24,988,459	29,967,568
Payables	(25,574,769)	(40,081,811)
Total	19,270,637	(3,273,780)

15a. Adjusted Payables

Description	2023 -2024	2022-2023
	Kshs	Kshs
Previous creditor	32,746,029	-
Less: institutional gas kenya ltd (kcb direct payment)	(1,000,000)	-
Less: warrior construction limited (certificate/ BQ variation)	(6,171,260)	-
Adjusted payable	25,574,769	-

Other important disclosure notes

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

16 Non-current Liabilities Summary

Description	2023-2024	2022-2023
	Kshs	Kshs
Bank Loan (s) principal amount	38,470,228	48,753,525
Outstanding Leases		
Hire Purchase		
Gratuity And Leave Provision		
Total	38,470,228	48,753,525

17 Biological assets

Description	2023-2024	2023/2024	2022-2023	2022/2023
	No.	Value	No.	
Cattle	5	200,000	10	200,000
Pigs	6	120,000	9	135,000
Trees	3821	764,200	2,341	245,000
Rabbits	-	-	3	3,000
Poultry	-	-	-	-
Total	3,832	1,084,200	2,363	583,000

18 Borrowings

Description	2023-2024 (Kshs)	2022-2023 (Kshs)
Borrowings at beginning of the year	48,753,525	10,245,546
Borrowings during the year		46,486,538
Repayments during the year	(10,283,297)	(7,978,559)
Balance at the end of the year	38,470,228	48,753,525

Other important disclosure notes

19 Stock/ Inventory

Description	2023-2024	2022 -2023
	Kshs	Kshs
Food stuffs	145,970	122,644
Lab consumables	2,763,414	6,006,595
Farm produce – poultry, pigs, cows, rabbits	1,084,200	583,000
Medication	-	-
Construction Materials	31,150	59,800
Electrical appliances, plumbing consumables	-	-
Bakery consumables	-	-
Stationery – stores	1,934,750	2,696,310
Balance at the end of the year	5,959,484	9,468,349

20 Progress On Follow Up of Auditor Recommendations

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

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Presentation and Disclosure of the Financial Statements	We Acknowledge the errors and omissions and the current financial statement has been rectified.	Resolved	2023/2024
1.2	Unsupported Income Generating Activities	While these incomes seem to be independent, income from bakery emanated directly from students been paid as part of the boarding fees. Farming activities featured many capital costs which could not be borne by the farm independently as it did have not yet broken even. From our projections once the farm can sustain itself opening an independent bank account will be viable. The school magazine like the farm is still dependent on the school fund	Resolved	2024/2025
1.3	Un-Accounted Savings Account	We maintained the last amount in the bank statements due to the inability to verify the balance in the account held with Daima Bank, which is currently under liquidation. Please note the following points regarding this situation: 1. Regulation by the Central Bank of Kenya (CBK): The bank in question is regulated by the Central Bank of Kenya (CBK), which oversees and monitors the operations of all financial institutions to ensure compliance with banking	Not resolved	-

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		regulations. In cases where a bank is placed under liquidation, the CBK appoints an administrator or liquidator to manage the bank's affairs. 2. Deposit Insurance by the Kenya Deposit Insurance Corporation (KDIC): Deposits held in banks licensed by the CBK are insured under the Kenya Deposit Insurance Corporation (KDIC). The insurance covers deposit up to a maximum limit of KES 500,000 per depositor, per institution. This ensures some level of recovery for depositors in the event of bank insolvency. 3. Assumption of Recovery for Account Balances: While the full account balance cannot currently be verified due to the bank's liquidation status, it is reasonable to assume that any recoverable funds will be determined by the liquidator. The KDIC and liquidator will oversee the pay out of insured deposits and work to realize the bank's remaining assets for potential distribution to depositors and creditors. 4. Next Steps: We are actively engaging with the appointed liquidator to monitor progress on the liquidation process and obtain relevant updates regarding the recoverable balance. We will continue		

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		to maintain documentation and correspondences for audit purposes. We appreciate your understanding of the challenges associated with verifying account balances under these circumstances. To date a total of ksh 256,992 had being paid leaving a balance of 1,520,193		
1.4	Inaccurate Rental Income	We acknowledge the audit observation regarding the rental income amount of Kshs. 253,300 and provide the following response for clarification: The rental rates for the 59 school-owned houses were set by the Board of Management. However, these rates have not been revised in recent years. The determination of these rates took into consideration 1. Subsidized Rental Rates The rental rates were intentionally subsidized as an incentive to encourage teachers to reside within the school premises. This arrangement ensures that teachers are readily available to offer additional services such as: Increasing contact hours with students. Supervising preps in the mornings and evenings. Providing prompt responses to student needs during non-teaching hours.	Resolved	2024/2025

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		2. Non-Monetary Compensation While the school does not pay additional allowances for these extra services provided by the resident teachers, the subsidized rental rates are considered part of the non-monetary benefits extended to them. This arrangement has been beneficial in supporting the school's academic and operational goals. 3. Future Actions To address the concerns raised in the audit, the following steps will be taken: The Board of Management will review the rental rates in line with current market conditions and ministry guidelines. A rent valuation exercise will be conducted to benchmark rates against similar properties in the locality. The school will document and formalize the arrangement, outlining the non-monetary benefits provided in exchange for subsidized rent.		
1.5	Unsupported Stock/Inventory	We arrived at a total stock value of kshs 9,468,349 after conducting a full annual stock taking as at 30th June 2023 which emanated from various user departments from actual stock count. Stock was valued at cost. The annual stock take reports are available for verification and in future	Resolved	2023/2024

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		we shall be conducting both annual and quarterly stock take reports as advised.		
1.6	Long Outstanding Receivables	We acknowledge the audit concern regarding the long outstanding receivables totalling Kshs. 24,988,459, with portions of the balance being outstanding for over two and three years. Below is our response for clarification: 1. Compliance with Financial Reporting Template The financial reporting framework provided by the Public Sector Accounting Standards Board (PSASB) under the cash basis of accounting supplemented with receivables and payables does not require or provide for impairment provisions. As a result, the accounts receivable balance reflects the gross amount, including long-outstanding fees arrears. 2. Management of Long Outstanding Receivables Management acknowledges the need for proactive measures to manage and recover outstanding balances. To address this: Follow-up mechanisms have been strengthened, including issuing reminders and engaging stakeholders to recover overdue fees. Payment plans have been initiated with some of the debtors to facilitate settlement of arrears. 3. Review and Policy Development While the financial reporting framework does not mandate impairment of	Not Resolved	-

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		receivables, management recognizes the need for a policy on handling long outstanding balances. Moving forward: A policy on receivables management will be developed to address the treatment of uncollectible accounts and establish timelines for write-offs, subject to approval by the Board of Management. Regular aging analysis of receivables will be conducted to identify and manage high-risk debtors promptly. 4. Efforts to Enhance Recoverability The institution is committed to recovering outstanding balances. Specific measures being undertaken include: Enhanced communication with defaulters to facilitate payments. Encouraging students to apply for bursaries Encouraging school based bursaries (needy kitty)		
1.7	Unsupported Cash and Cash Equivalent	Bank reconciliation statements are always attached as a supporting schedule while submitting monthly trial balances. This reconciliation statements were provided during the audits and are still available for verification. For a school to open a bank account an approval/ authority is always sot from the PS Ministry of education who delegated authority to the county and sub county education officers.	Resolved	2024/2025

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.1	Late Submission of Financial Statements	To prevent future delays, we have implemented a new timeline for preparing and submitting financial statements to ensure compliance with Section 47(1) of the Public Audit Act 2015. Additionally, staff have been trained and continue to be sensitized on the new IPSAS reporting requirements.	Resolved	2024/2025
2.2	Irregular Transfer of Funds to Kenya Secondary Schools Heads Association	We acknowledge the concern raised regarding the transfer of funds to KESSHA. This practice is driven by inadequate funding provided for co-curricular activities. Schools often rely on this external association to facilitate co-curricular events and competitions at the sub-county, county, and regional levels to enhance participation and promote healthy competition among schools. We agree with the recommendation and propose that the Ministry of Education provide proper guidance on how schools should participate in and incur expenditure on co-curricular activities at different levels. It is crucial for the Ministry to define the roles and responsibilities of external organizations, like KESSHA, and establish a legal framework to govern the transfer of funds for co-curricular activities. Additionally, adequate funding should be allocated to schools to ensure that these activities can be conducted effectively without relying on external entities.	Not Resolved	-
2.3	Lack of a List of Registered Suppliers	The list of registered suppliers was available during the audit period and is available for verification. Award and regret letters were available.	Resolved	2023/2024

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.4	Irregular Supply of School uniform	We acknowledge the observation regarding the irregular tender for the supply of school uniforms and recognize that this was a breach of Section 67(3) of the Basic Education Regulations, 2015. This oversight occurred due to a misinterpretation of the regulations during the procurement process. Moving forward, the management will ensure compliance by not prescribing specific suppliers to parents for school uniforms or any other materials. This measure will be strictly adhered to in future procurements to avoid any further contraventions of the law	Resolved	2024/2025
2.5	Unsupported and Inadequate System	Service agreement is available for verification. The system is coded for security purposes and all necessary information needed can be generated.	Resolved	2023/2024
2.6	Unapproved Fees on Parents Association Support Programme	We acknowledge the concern raised regarding the increase in school fees by Kshs. 7,000, which was implemented without prior approval from the Ministry of Education (MoE). Below is our response to provide context and justification for the decision: 1. Urgency of the Situation The fee increment was necessitated by an emergency following the destruction of two dormitories due to fires. This unforeseen incident created an urgent need to address the immediate accommodation crisis for the affected students.	Resolved	2024/2025

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		The situation required swift action to ensure the safety, security, and continuity of learning for all students. 2. Temporary Measures Taken To address the immediate housing needs: Some students were temporarily accommodated in a hall which was repurposed as a dormitory. Others were housed in classrooms, creating a dual-purpose use of academic spaces. While these measures were necessary, they were not ideal and posed challenges to both learning and student welfare, further emphasizing the need to urgently construct new dormitories. 3. Safety and Welfare of Students The school prioritized the safety, welfare, and psychological well-being of the students. Constructing new dormitories was critical to alleviate overcrowding, restore normalcy, and ensure compliance with health and safety standards. Delays in addressing the crisis would have negatively impacted the students' academic and personal development. 4. Consultation with Stakeholders While formal approval from the MoE was not sought due to the urgency of the matter, the school engaged the Board of Management (BoM) and parents through consultations. Parents were informed of the crisis, and their support was sought to address the		

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		emergency. The fee increment was agreed upon as a temporary measure to facilitate the construction of new dormitories. 5. Commitment to Regulatory Compliance Management acknowledges that all fee adjustments should be approved by the MoE as per regulations. Moving forward: The school will strictly adhere to MoE guidelines regarding fee adjustments. Any future emergencies will be promptly communicated to the Ministry for guidance and approval. Proper documentation of all emergency measures and actions will be maintained for accountability. 6. Status of the Construction Project The construction of the new dormitories is already complete. The funds collected were utilized transparently, and detailed financial records are available for audit purposes. We respectfully request your understanding of the exceptional circumstances under which the fee increment was implemented. Management remains committed to ensuring compliance with all regulatory requirements in the future.		
2.7	Failure to Transfer Infrastructure Funds from Operations Bank Account	We acknowledge the failure to transfer the amount of kshs. 22,000, however the amount of kshs. 22,000 was transferred later in the next financial year after receiving the MOE funds transfer circular.	Resolved	2023/2024

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.8	Long Outstanding payables	Outstanding payables as at the close of the year amounted to kshs. 32,746,029 which was analysed as follows: Prepaid fees kshs. 2,086,126: this is fees paid by students before the closure of financial year ending 30th June 2023 and was treated as fees as fees in the next financial year under various vote heads for the affected students. Caution money kshs. 803,256. In the previous years each new student was expected to pay kshs.500 for caution money which was to be refunded after completing form 4 however the school stopped charging the same after guidelines from MOE. The balance has remained unclaimed by the former students. Trade creditors of kshs. 29,856,647. This were service provider for the supply of goods services and works. To date a total of kshs. 27,167,960 had been paid out leaving a balance of kshs. 2,688,887 which is a retention money after construction of dormitory payable after expire of retention period as per the agreement between the school and warrior construction company.	Resolved	2024/2025
2.9	Failure to Prepare a	We acknowledge the lack of a School Improvement Plan. These will be developed	Resolved	2024/2025

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	School Improvement Plan	and implemented to enhance school performance and team work.		
2.10	Over Supply of Textbooks	We acknowledge the over-supply of textbooks as identified. The excess supply was unavoidable on our part. Moving forward, we will improve our requisition process by: - Ensuring accurate student enrollment data is used when placing orders for textbooks. - Reviewing our requisition policies to align with Regulation 139(1) of the Public Finance Management-National Government Regulations 2015 to ensure optimal and economical stock levels.	Not Resolved	-
2.11	Lack of Strategic Plan	We acknowledge the lack of strategic plan during the audit however we have taken an action and a new strategic plan is in the advanced stage of preparation.	Resolved	2024/2025
2.12	Inaccuracy of Student Enrolment Data	The management has consistently been updating the students to the NEMIS portal. However, challenges such as the lack of birth certificates and the inefficiency of the NEMIS system, including network challenges, have contributed to the under-enrolment in the NEMIS portal. Additionally, the government typically funds schools based on the enrolment data from the previous term, leading to discrepancies in funding. Despite our efforts to address this issue through principals' forums and persistent communication with the Ministry, the problem	Not Resolved	-

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		remains unresolved. We will continue to work with the Ministry of Education and other stakeholders to ensure that the NEMIS records accurately reflect the actual student enrolments to avoid underfunding in the future. We are committed to resolving these discrepancies to secure the appropriate funding for our students' educational needs.		
2.13	Non-Compliance on Awarding of Tenders to Special Groups	During the audit the tender notice for financial year 2022/2023 was available and in the tender notice there were reserved tenders indicated "reserved" for the special groups. We may not have awarded the 30% of the contracts the special groups and in future we shall adhere to section 53 of the public procurement and disposal Act 2015.	Resolved	2024/2025
2.14	Losses Incurred in Revenue Generating Activities	Farming Activities Loss: The loss in farming activities, amounting to Kshs 2,419,510, was due to an unexpected disease outbreak that resulted in the loss of all our chickens. Despite administering vaccinations, disease was not effectively controlled, leading to significant financial losses. Additionally, produce transferred to the kitchen was not invoiced, further contributing to the loss. Moving forward, we are taking additional measures to enhance biosecurity and improve our disease management practices. This includes consulting with veterinary experts to ensure the effectiveness of vaccination, implementing stricter health monitoring protocols to prevent future outbreaks, and ensuring that all produce transfers to the kitchen are properly invoiced.	Resolved	2023/2024

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Uniforms loss. The loss in uniform amounting to kshs. 841,757 was due supply of student council uniform, non-teaching staff and teaching staff which had no income generated		
3.1	Lack of Ownership Documents	We are in the process of transferring the full ownership of the tractor to the school. Documentation is being compiled to resolve this issue promptly. Efforts are underway to secure the title deed for the school land. We are working with relevant authorities to expedite the transfer process to ensure legal ownership.	Resolved	2024/2025
3.2	Summary of Fixed Asset Register	The school was started in 1914 some of the records indicating historical cost of most fixed assets cannot be traced Prior to the audit we had not engaged a professional valuer to value the existing assets. Going forward we will be engaging a professional valuer to assess the value of existing assets and update the asset register.	Resolved	2024/2025
3.3	Identification/Tagging	We acknowledge the observation regarding the lack of identification tags on assets procured by the school. To address this issue and ensure compliance, the following measures will be implemented: Asset tagging: We will initiate a comprehensive asset tagging process. All existing assets will be tagged. In addition, assets purchased will be tagged upon receipt from suppliers, and	Resolved	2024/2025

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		before they are issued to user departments. The tag number of each asset will be included in the asset register. Updating the Asset Register: The value of each asset purchased will be disclosed in the asset register along with the tag number. This will enhance the tracking and management of assets.		
3.4	Lack of Approved Human Resource Instruments	A board committee had been set up to come up with the staff establishment and a scheme of service for school workers. In addition to this the committee will also come up with a human resource policy and salary structure. However, the school had an organizational structure which we had availed to you. (Attached) (Appendix 5) The school was also guided by staffing instructions provided in the guidelines for implementation of Free Day secondary Education for the year 2017 which was still in force.	Resolved	2024/2025
3.5	Lack of Risk Management Policy	We are developing a comprehensive risk management policy to identify and mitigate potential risks. This policy will include fraud prevention mechanisms and a disaster recovery plan.	Resolved	2024/2025
3.6	Inadequate Management of Text Books	We acknowledge the lack of library record by the time of audit however action has been and records are now available for verification.	Resolved	2024/2025
3.7	Management of Scholarships and Bursaries	We acknowledge the observation regarding the management of scholarships and bursaries at	Resolved	2024/2025

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Machakos School. Below is our response to provide clarity on the matter: 1. Bursaries Accompanied by Beneficiary Lists All bursaries received by the school are accompanied by a detailed list of the students awarded the funds. This ensures that the funds are allocated to the intended beneficiaries as per the instructions provided by the awarding institutions or organizations. 2. Accounting for Bursaries While the school does not currently maintain a dedicated control account for bursaries, the accounting system ensures that bursary funds are correctly recorded and monitored. Specifically: The school trial balance includes a vote named "Bursary", which serves as a clearance account for all bursary transactions. Receipts from bursaries are credited to this account, and the corresponding amounts are allocated to the individual student accounts. Any bursary which is not awarded is treated as a payable as at the close of the year 3. Safeguards in Place All bursary transactions are documented, with records maintained for audit purposes.		

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Allocations are reconciled against the beneficiary lists to ensure accuracy and compliance with the terms of the bursary awards. 4. Future Improvements To further enhance the management and transparency of bursary funds, the school is in the process of implementing Establishment of a formal control account specifically for bursaries to improve tracking and reporting. And Strengthening communication with beneficiaries and their guardians to ensure timely updates on bursaries		
3.8	Lack of Board Committees and Meetings	We acknowledge the unmorally however there was no proper sensitization on the roles of the inactive committees, in future we shall ensure that all sub committees of the Board of the management are active.	Resolved	2024/2025
3.9	Inadequate Capacity	This was due to 100% transition by ministry of education, however the school management was planning to improve its infrastructure facilities specifically construction of a story dormitory that will hold 450 students in addition the management has initiated a reregistration of school to 10 stream upon completion the available infrastructure will be sufficient to offer quality education and ensuring welfare of students	Resolved	2023/2024

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3.10	Lack of Register and other Records	We acknowledge the issues raised on lack of register and other records. Below is our response. The school did maintain the following records: Admission file register for each student indicating name of student, admission number allocated class, parent details, details of transfer, dropout, completion, disciplinary actions all the students data all captured in the system in computerized manner. Daily attendance registers maintained by all class teachers daily on daily basis Stores records/inventory. All textbooks are issued through a computerized coded system upon production of dam number. The system captures all issues and returns and in case of any loss the school has a policy of recovery/replacement of lost books. All stationery issued are signed for by the teachers from the central store and issued to students. Other school property. The school has departmental heads and in case of repairs a requisition is raised to the administration and an action is taken through an lpo to relevant supplier. This registers and other records mentioned are available for verification.	Resolved	2024/2025


CHIEF PRINCIPAL
MACHAKOS SCHOOL
P.O. BOX 39-90100,
MACHAKOS
 Sign and Date
 Principal

26/05/2025

MACHAKOS SCHOOL
Annual Report and Financial Statements for the year ended 30th June 2024

12. Annexes

Annex I - Analysis of Pending Accounts Payable

Supplier Of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2023/2024	Outstanding Balance Comparative 2022/2023
	A	b	C	d=a-c	
	Kshs	Kshs	Kshs	Kshs	Kshs
Construction Of Buildings					
1. Warrior Construction Limited	14,568,635	2022/2023	(11,879,748)		2,688,887
2. Bicos Construction Company Limited	1,070,100	2023/2024	-	1,070,100	
3. Tilemasters Stores	1,025,800	2023/2024	-	1,025,800	
4. Simunde Supplies	3,153,060	2023/2024	-	3,153,060	
Sub-Total	19,817,595		(11,879,748)	5,248,960	2,688,887
Supply Of Goods					
5. New Friends Butchery	788,850	2023/2024	-	788,850	
6. Naivas Limited	2,397,235	2023/2024	-	2,397,235	
7. Margaret Mueni Kalungu	115,200	2023/2024	-	115,200	
8. Institutional Gas Kenya Limited	608,290	2023/2024	-	608,290	
9. Kasamba Butchery	1,238,240	2023/2024	-	1,238,240	
10. Raphanne Agencies Limited	1,408,000	2023/2024	-	1,408,000	
11. Forevergreen E.A Ltd	1,264,445	2023/2024	-	1,264,445	
12. Vinmato Chemicals	792,000	2023/2024	-	792,000	

MACHAKOS SCHOOL

Annual Report and Financial Statements for the year ended 30th June 2024

Supplier Of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2023/2024	Outstanding Balance Comparative 2022/2023
13. Benflo Eat Healthy Stay Healthy	1,430,400	2023/2024	-	1,430,400	
14. Gentleson Supplies	185,500	2023/2024	-	185,500	
15. Stashan Traders	250,000	2023/2024	-	250,000	
16. Massmart Kenya Limited	4,289,089	2023/2024	-	4,289,089	
17. Danster Enterprises	552,500	2023/2024	-	552,500	
18. Heatmax Energy Limited	744,837	2023/2024	-	744,837	
19. Wamu Logistics Limited	251,760	2023/2024	-	251,760	
20. Domsons Contractors Limited	3,005,000	2023/2024	-	3,005,000	
21. Margaret Kasanduku	95,000	2023/2024	-	95,000	
22. Pestlab Cleaning Services	8,700	2023/2024	-	8,700	
23. Damaris Kiio	38,000	2023/2024	-	38,000	
24. Madiselah Solutions	152,000	2023/2024	-	152,000	
25. Simba Tank Limited	248,000	2023/2024	-	248,000	
26. Son's and Sons Limited	118,000	2023/2024	-	118,000	
27. Nyapenjo Ventures	14,500	2023/2024	-	14,500	
28. Nyamu Furnitures	54,750	2023/2024	-	54,750	
29. Dimka Power System limited	82,021	2023/2024	-	82,021	
30. Juwinner Company Limited	425,000	2023/2024	-	425,000	
31. Wamariga Plumbing Services	347,270	2023/2024	-	347,270	
32. Emtar Electro Works	843,200	2023/2024	-	843,200	

Supplier Of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2023/2024	Outstanding Balance Comparative 2022/2023
33. Mumbuni Pharmacy	188,100	2023/2024	-	188,100	
34. Nairobi Sports House Limited	64,000	2023/2024	-	64,000	
35. Uniform Distribution Limited	842,620	2023/2024	-	842,620	
36. Botanica Agrovet	169,200	2023/2024	-	169,200	
37. Sidchem Agrodealers	166,000	2023/2024	-	166,000	
38. Terry Kenya Limited	1,105,070	2023/2024	-	1,105,070	
39. Ashnac Glass Repair	703,300	2023/2024	-	703,300	
40. Silverbak Enterprises	945,764	2023/2024	-	945,764	
41. Jetlab Supplies Limited	795,960	2023/2024	-	795,960	
42. Jboskins Suppliers	575,000	2023/2024	-	575,000	
43. Allnelly Ict Enterprises	344,850	2023/2024	-	344,850	
44. Maroberts Enterprises	745,864	2023/2024	-	745,864	
45. The Copy Cat Limited	744,604	2023/2024	-	744,604	
46. Dream Market Traders	812,070	2023/2024	-	812,070	
Sub-Total	29,950,189			29,950,189	
Supply Of Services					
47. Isaac Kaguri Kavehere	70,000	2023/2024	-	70,000	
48. Smart School Technologies	305,000	2023/2024	-	305,000	
49. Nexmark Computers	27,800	2023/2024	-	27,800	

Supplier Of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2023/2024	Outstanding Balance Comparative 2022/2023
50. Gadaffi Tents Investments	295,000	2023/2024	-	295,000	
51. Novatech Engineerics	49,500	2023/2024	-	49,500	
52. Kaviani Transporters Limited	410,000	2023/2024	-	410,000	
Sub-Total	1,157,300			1,157,300	
Grand Total	50,925,084		(11,879,748)	36,356,449	2,688,887

Annex 2 – Summary of Fixed Assets Register

Asset Class	Historical No. b/f (No) 1 st July 2023	Additions during the year (No)	Disposals during the year (No)	Historical No c/f (No) 30 th June 2024
Land	115 Acres	-	-	115 Acres
Buildings And Structures	89	2	-	91
Motor Vehicles	4	-	-	4
Office Equipment, Furniture and Fittings	4,322	500	-	4,822
Textbooks	115,300	-	-	115,300
ICT Equipment	126	4	-	130
Tools And Apparatus	32,765	1,230	2,415	31,580
Other Machinery and Equipment	1,408	80	-	1,488
Heritage And Cultural Assets	79	-	-	79
Intangible Assets- Soft Ware	5	-	-	5
Total	154,213	1,816	2,415	153,614