

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 21 FEB 2024	DAY: WED
TABLED BY:	Hon Naomi Wago, MP Deputy Majority Party Whip
CLERK-AC THE TABLE:	Finlays

**THE AUDITOR-GENERAL**

**ON**

**MBAKALO FRIENDS SECONDARY SCHOOL**

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

**BUNGOMA COUNTY**



Revised 30<sup>th</sup> June 2021.



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**MTAKALO FRIENDS BOYS HIGH SCHOOL  
PUBLIC SECONDARY SCHOOL**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30<sup>th</sup> June 2021**

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

**MBAKALO FRIENDS BOYS HIGH SCHOOL  
PUBLIC SECONDARY SCHOOL  
Annual Report and Financial Statements  
For the year ended 30<sup>th</sup> June 2021**

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**I. KEY SCHOOL INFORMATION AND MANAGEMENT**

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

**(a) Background information**

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

The school was registered in 01/1987 under registration number 39530000223 and is currently categorized as a county public school established, owned or operated by the Government.

The school is a day/boarding school and had 1138 number of students as at 30<sup>th</sup> June 2021. It has 5 streams and 44 teachers of which 17 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	Mr. Elikanah Malala	Chairman	
2	Mr. Alex Luyali	Secretary - Principal	
3	Mr. Benson Simiyu	Member	
4	Mrs Jerusa Aleu	Member	
5	Susan nanjala masinde	Member	
6	Moses nyongesa	Member	
7	Moses shikanga	Member	
8	Francis mutali	Member – Rep CEB	
9	Titus simiyu wamocho	Member Rep Teachers	
10	Elizabeth malaiche, simiyu maurice, benson simiyu	3 Members - Sponsor	
11	Violet simiyu	Member - Community	
12	Stephine kimutwe	Member Special Needs	
	Luke mukanda	Rep Students	



**KEY SCHOOL INFORMATION AND MANAGEMENT (Continued)**

**The function of the School Board of Management include:**

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

**(c) Committees of the Board**

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

Ref:	Name of Committee	Members	Designation	Number of meetings attended during the year
1	<b>Executive Committee</b>			
2	Audit Committee			
3	Finance, procurement and general purposes Committee	Francis mutali	chair	
4	Academic Committee			
5	Development Committee			
6	Discipline and welfare Committee	maurice, alex, elizabeth	Chair secretary	
7	Adhoc Committee (if any during the year)			

**(d) School operation Management**

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

Ref:	Designation	Name	TSC Number
1	Principal	Alex Liyayi Luyali	390514

**MBAKALO FRIENDS BOYS HIGH SCHOOL**  
**PUBLIC SECONDARY SCHOOL**  
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2	Deputy Principal	Moses M Sitati	405507
3	Deputy Principal	Rayleigh Wanyama	473796
4	School Bursar	Joshua Wanambisi	186278



**KEY SCHOOL INFORMATION AND MANAGEMENT (Continued)**

**(e) Schools contacts**

Post Office Box: 42 Naitiri  
Telephone:  
E-mail: mbakaloboy@gmail.com  
Website:  
Facebook  
Twitter:

**(f) School Bankers**

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

1. Name of Bank: Kcb  
Branch: Kitale  
Account Number: 1105106667
  2. Name of Bank: Coopertive  
Branch: Kimilili  
Account Number: 01139096944200
  3. Name of Bank: Kcb  
Branch: Webuye  
Account Number: 1108074537
  4. Name of Bank: Cooperative  
Branch: Kitale  
Account Number: 01139096944201
  5. Name of Bank: Cooperative  
Branch: Kimilili  
Account Number: 01103096944200
3. MPESA Pay Bill No. 522123 account 50064k

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

**(g) Independent Auditors**

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

**II. SUMMARY REPORT OF PERFORMANCE OF THE SCHOOL**

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

**a) Financial performance:**

**CASH AND BANK BALANCES**

	2018	2019	2020
TUITION	339,785.90	15,759.60	58,033.10
OPERATION	630,116.40	179,684.50	644,310.50
SCHOOL FUND	1,654,756.95	219,093.65	225,584.65

**SCHOOL INCOME**

TUITION		3,244,455.70	1,845,495.00
OPERATION	10,825,766.40	15,634,949.10	11,793,850.00
SCHOOL FUND	25,140,657.00	29,675,695.70	20,802,626.00

**SCHOOL EXPENDITURE**

TUITION		3,760,255.00	2,425,382.00
OPERATION	10,636,051.00	15,302,911.00	15,075,507.00
SCHOOL FUND	24026482	28,535,574.00	17,330,373.00

**SUPLUS/DEFICIT**

TUITION		-521566.3	-584,059.00
OPERATION	189,715.40	33,403,810.00	-3281657
SCHOOL FUND	1,114,175.00	1,140,121.70	3472250.7

**b) Teacher: Student ratio:**

Total number of students: 1138

Total number of teachers: 46

Ratio: 1: 24

Number of teachers recruited to the school within the last year: 2

Transferred: 3

Retired: 0

TSC Teachers: 29

BOM teachers: 17

YEAR	ENTRY	MEAN SCORE	TRANSITION TO UNIVERSITY
2018	194	5.35	45



**MBAKALO FRIENDS BOYS HIGH SCHOOL  
 PUBLIC SECONDARY SCHOOL  
 Annual Report and Financial Statements  
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2019	225	5.67	62
2020	244	5.929	75

**e) Capacity of the school.**

Number of students: 1138

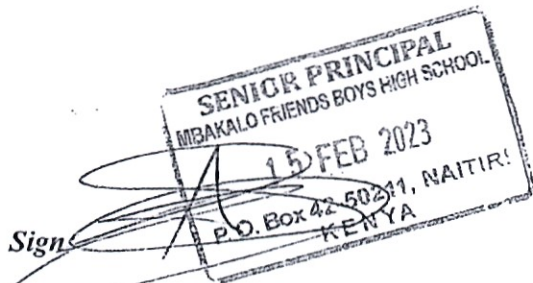
Dining hall: 1

Laboratories: 2

Toilets: 28

**f) Development projects carried out by the school:**

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

*Sign*   
**SENIOR PRINCIPAL  
MBAKALO FRIENDS BOYS HIGH SCHOOL  
15 FEB 2023  
P.O. Box 42 50211, NAITIRI  
KENYA**  
*School Principal*



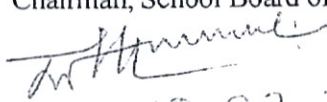
### III. STATEMENT OF SCHOOL MANAGEMENT RESPONSIBILITY

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


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

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

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

**Name:** Elikanah Malala  
**Designation:** Chairman, School Board of Management  
**Sign:**   
**Date:** 10.02.2023

**Name:** Alex Luyali  
**Designation:** School Principal & Secretary in Board of Management  
**Sign:**   
**Date:** 15 FEB 2023

**Name:** Joshua wanambisi  
**Designation:** Bursar/ Finance Officer  
**Sign:**   
**Date:**

SENIOR PRINCIPAL  
MBAKALO FRIENDS BOYS HIGH SCHOOL  
15 FEB 2023  
P.O. Box 42-50211, NAITIRI  
KENYA

**IV. REPORT OF THE INDEPENDENT AUDITORS ON THE ANNUAL FINANCIAL STATEMENTS OF (mbakalo friends boys ) SCHOOL OF THE YEAR ENDING 30<sup>TH</sup> JUNE 2021**

*To be attached*

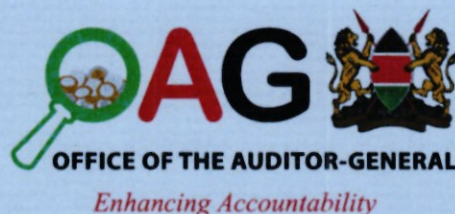
**MTAKALO FRIENDS SECONDARY**

<b>TRIAL BALANCE AS AT 30TH JUNE 2020</b>			
		<b>DR</b>	<b>CR</b>
<b>Cash and Cash equivalents</b>			
	Bank Balances	1,632,017.75	
	Cash Balances	36,133 00	
	Short term investments	-	
	Receivables	16,115,499 25	
<b>Payments</b>			
	Payments for Tuition	1,055,352.00	
	Payments for operations	7,213,756.00	
	Boarding and school fund payments	11,670,414.00	
<b>Receipts</b>	Capitation grants for tuition		988,831 25
	Capitation grants for operations		7,612,089.75
	School Fund Income- Parents' Contributions		1,332,225.30
	School Fund Income- Other receipts		124,000.00
	Proceeds from borrowings		
<small>Prior Year Adjustment</small>			
	Fund Balance b/f		8,212,468 70
	Payables		9,453,557 00
<b>TOTAL</b>		<b>37,723,172.00</b>	<b>37,723,172.00</b>



# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON MBAKALO FRIENDS SECONDARY SCHOOL FOR THE YEAR ENDED 30 JUNE, 2021- BUNGOMA COUNTY**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Mbakalo Friends Secondary School – Bungoma County set out on pages 12 to 19, which comprise the statement of receipts and payments, statement of financial assets and liabilities, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and



other explanatory notes in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mbakalo Friends Secondary School – Bungoma County as at 30 June, 2021, and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Basic Education Act, 2013 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Variances between Financial Statements and Supporting Ledger Balances**

The statement of receipts and payments reflects school fund income - parents' contributions of Kshs.11,332,225 and as reflected under Note 3 to the financial statements. However, a comparison of ledgers and financial statements figures revealed variances as indicated below:

<b>Component</b>	<b>Financial Statements (Kshs.)</b>	<b>Ledger Amounts (Kshs.)</b>	<b>Absolute Variance (Kshs.)</b>
Activity Fees	63,665	52,190	11,475
Admin Fees	386,781	310,035	76,746
Arrears	0	2,092,544	2,092,544
Fee on Boarding and Equipment Stores	7,613,419	6,411,988	1,201,431
Electricity Water and Conservancy	815,696	661,292	154,404
Local Transport and Travelling	425,848	337,999	87,849
Personal Emoluments	957,969	757,969	200,000
Maintenance and Improvement	1,068,847	918,847	150,000
Fees on boarding equipment and stores	8,776,664	6,837,840	1,938,824
Laboratory equipment	624,610	621,610	3,000
Teaching/learning materials	50,000	0.00	50,000
Expense on income generation activities	167,020	163,020	4,000

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



## **2. Unsupported Accounts Payables**

The statement of financial assets and liabilities reflects accounts payables of Kshs.9,453,557 as reflected under Note 12 to the financial statements. However, the payables were not supported by details of payees and amounts payable. In addition, the balance was not supported by delivery notes, inspection minutes and invoices.

In the circumstances, the accuracy and completeness of accounts payable balance of Kshs.9,453,557 could not be confirmed.

## **3. Unsupported Accounts Receivables**

The statement of financial assets and liabilities reflects Kshs.16,115,499 as Accounts receivables as disclosed in Note 11 to the financial statements. Included in the balance is fee arrears balance of Kshs.12,889,720 and other non-fees receivables of KShs.3,225,779. However, the supporting detailed schedules of were not provided for audit.

In the circumstances, the accuracy and completeness of the account receivables balance of Kshs.16,115,499 could not be confirmed.

## **4. Unsupported Cash and Bank**

The statement of financial assets and liabilities reflects cash and cash equivalents balance of Kshs.1,668,150 which comprises bank balance of Kshs.1,632,017 and cash in hand of Kshs.36,133 as disclosed in Notes 8 and 9 respectively. However, the School did not maintain cash books for maintenance and improvement fund and gratuity.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 1,668,150 could not be confirmed.

## **5. Unsupported Board Allowances**

The statement of receipts and payments reflects boarding and school fund payments of Kshs.11,670,414 and as reflected under Note 7 to the financial statements. Included in this amount is an expenditure of Kshs.414,580 in relation to board expenses. However, although the Board Members were compensated at a rate of Kshs.3,000 each, the minutes approving the rates were not provided for audit. In addition, signed attendance registers for the meetings and signed payment schedules for payments amounting to Kshs.302,580 were also not provided for audit.

In the circumstances, the accuracy, validity and completeness of the board expenses could not be confirmed.

## **6. Unsupported Payments for Operations and Tuition**

The statement of receipts and payments reflects payments for tuition of Kshs.1,055,352 and payments for operations of Kshs.7,213,756 as disclosed in Notes 5 and 6 respectively. However, the supporting payment vouchers were not provided for audit. This was contrary to Regulation 104 (1) of the Public Finance Management (National

Government) Regulations, 2015 which requires all receipts and payments voucher of public moneys to be properly supported by pre-numbered receipt and payment vouchers and by appropriate authority and documentation.

In the circumstances, the accuracy and completeness of the expenditure totaling Kshs.8,269,108 could not be confirmed.

#### **7. Payments for Operations – Unaccounted for Goods**

The statement of receipts and payments reflects payments for operations of Kshs.7,213,756 as disclosed in Note 6 to the financial statements. Included in the payments is an amount of Kshs.2,702,490 which was not supported by inspection and acceptance committee report, delivery notes, Counter Receipt Vouchers, stores ledger, and evidence of issuance vide the Counter Requisition and Issue Vouchers.

In the circumstances, the accuracy, propriety and completeness of the expenditure totaling to Kshs.2,702,490 could not be confirmed.

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

#### **Key Audit Matters**

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

#### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

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



## **Basis for Conclusion**

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

The Public Sector Accounting Standards Board (PSASB) Guidelines on Implementation of International Public Sector Accounting Standards (IPSAS) by Secondary Schools in Kenya of 20 August, 2021 requires the first financial statements after adoption of IPSAS to be presented for eighteen (18) months from 1 January, 2020 to 30 June, 2021 with comparatives being for twelve (12) months from 1 January, 2019 to 30 December, 2019. Further, a disclosure note ought to have been included in the financial statements that the reason for preparing for longer period is due to the adoption of IPSAS for school and the change from calendar year to government fiscal year. In addition, a disclosure note should be made in the financial statements that the comparative information may not be comparable due to the longer period covered by the current financial period.

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

Further, no disclosure was made on the change in the preparation of financial statements from calendar year to government fiscal year or on the lack of comparability due to longer period covered by the current financial period.

In addition, the financial statements provided for audit do not adhere to the PSASB reporting templates as detailed below:

- i. The date of appointment of school board members has not been indicated. In addition, the school board committee's information as to number of meetings attended during the year, and the committee members is not indicated.
- ii. The school contact information is not indicated.
- iii. A disclosure has not been made on the development projects carried out by the School
- iv. The statement of budgeted versus actual amounts is missing.
- v. The statement of significant accounting policies is omitted from the financial statements.
- vi. Other important disclosures on stock/inventory, analysis of pending accounts payable and summary of the fixed assets register are omitted from the financial statements.



- vii. The financial statements are not arranged/presented as per the prescribed format from the statement of receipts and payments, statement of financial assets and financial liabilities, statement of cash flows to the statement of budgeted versus actual amounts.
- viii. The financial statements include the Trial Balance which is not in the prescribed reporting template.

In the circumstances, Management did not comply to with the requirements of the Public Sector Accounting Standards Board.

## **2. Failure to Maintain a Fixed Assets Register**

During the period under review, the School Management did not maintain a fixed assets register despite owning assets like buildings, motor vehicles, office equipment and furniture and fittings. This was contrary to Regulation 143(1) of Public Finance Management (National Government) Regulations, 2015 which prescribes that 'the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws'.

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

## **3. Lack of Approved Staff Establishment and Salary Structure**

Audit review of the payroll records revealed that the School did not have an approved salary structure and staff establishment to govern non-teaching staff.

In the circumstances, it was not possible to confirm whether the school had an optimal number of employees and the regularity of the salaries and wages paid.

## **4. Lack of Ownership Documents for Non- Current Assets**

Review of the records of the School revealed that the School did not have title deed or allotment letter for the land on which the School is built.

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

## **5. Irregular Procurement of Works and Unaccounted Provisional Sums**

The statement of receipts and payments reflects payments for operations of Kshs.7,213,756 as reflected under Note 6 to the financial statements. Included in the balance is an expenditure of Kshs.3,087,390 in respect to maintenance and improvement. Review of records indicated that the amount was used to pay a contractor for construction of a storey building with six classrooms whose contract was awarded in 2019 at a contract sum of Kshs.17,388,068. However, the following anomalies were noted:

- i. Payment certificates in support of the payments were not provided for audit.

- ii. Audit inspection done in the month of June, 2023 revealed that the certificate of practical completion had been issued but the building was incomplete with ceiling and painting was still pending.
- iii. Review of the Board minutes revealed some variations in the building amounting to Kshs.3,040,000. However, no official variation orders from the contractor indicating what was varied and at what cost was provided for audit.

Further, review of bill of quantities (BQs) and payment vouchers revealed that a total of Kshs.400,000 was set aside as provisional sums/contingencies. However, documents or explanation in support of how the amount was used were not provided for audit.

In the circumstances, it was not possible to confirm whether value for money was realized and the authenticity of the expenditure on contingencies of Kshs.400,000.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

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

### Basis for Conclusion

#### 1. Weaknesses in Cash Management

The statement of financial assets and liabilities reflects cash and cash equivalents balance of Kshs.1,668,151. However, review of the cash book records revealed cash withdrawals of Kshs.2,233,000 during the period under review without having an approved set limit, an indicator of poor cash management practices. This was contrary to Regulation 83(2)(a) of the Public Finance Management (National Government) Regulations, 2015 states that sound cash management includes assessing the cash inflows and outflows expected at any one time. In addition, the cashbooks were not signed/verified by a senior officer to confirm the accuracy and completeness of the transactions.



In the circumstances, theft or loss of cash through fraud may not be prevented or detected in a timely manner.

## **2. Weak Controls in Preparation of Payment Vouchers**

Review of the sampled payment vouchers for the period under review revealed that the payment vouchers did not have the necessary support documents like receipts, bus tickets, work tickets, Local Purchase Orders, Local Service Orders, invoices and other related documents.

In the circumstances, payments could be made for non-delivered goods or services not rendered.

### **Basis for Conclusion**

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 control, 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 of these financial statements in accordance with International Public Sector Accounting Standards 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 control, risk management and overall governance.

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

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

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

Those charged with Governance are responsible for overseeing the school 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAI's 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to



those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Schools ability to continue to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the School to cease to continue to sustain services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the School to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**11 October, 2023**

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*Report of the Auditor-General on Mbakalo Friends Secondary School for the year ended 30 June, 2021- Bungoma County*

**MBAKALO FRIENDS SECONDARY**

**I. STATEMENT OF RECEIPTS AND PAYMENTS**

DESCRIPTION OF VOTE HEAD	Note	2020 - 2021	2019 - 2020
		Kshs	Kshs
<b>RECEIPTS</b>			
Capitation grants for tuition	1	988,831.25	1,845,495.00
Capitation grants for operations	2	7,612,089.75	11,793,850.00
School Fund Income- Parents' Contributions	3	11,332,225.30	20,802,625.70
School Fund Income- Other receipts	4	124,000.00	140,950.00
Proceeds from borrowings			
<b>TOTAL RECEIPTS</b>		<b>20,057,146.30</b>	<b>34,582,920.70</b>
<b>PAYMENTS</b>			
Payments for Tuition	5	1,055,352.00	2,429,553.50
Payments for operations	6	7,213,756.00	15,075,507.00
Boarding and school fund payments	7	11,670,414.00	19,363,373.00
<b>TOTAL PAYMENTS</b>		<b>19,939,522.00</b>	<b>36,868,433.50</b>
<b>SURPLUS/DEFICIT</b>		<b>117,624.30</b>	<b>(2,285,512.80)</b>

**SENIOR PRINCIPAL**  
 MBAKALO FRIENDS BOYS HIGH SCHOOL  
 12 FEB 2023  
 P.O. Box 42-50211, NAITIRI  
 KENYA

PREPARED BY *Nanambisi Joshua* (BURSE)  
 PRINCIPAL *ALEX LUYALI LIYALI* (PRINCIPAL)  
 CHAIRMAN *PETER KABOMBA* (CHAIRMAN)

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**MTAKALO FRIENDS SECONDARY**

**II. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES**

	Note	2020 - 2021 Kshs	2019 - 2020 Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	8	1,632,017.75	946,567.75
Cash Balances	9	36,133.00	1,360.00
Short term Investment	10	-	-
<b>Total Cash and Cash Equivalents</b>		<b>1,668,150.75</b>	<b>947,927.75</b>
Account's receivables	11	<b>16,115,499.25</b>	<b>16,328,937.95</b>
<b>TOTAL FINANCIAL ASSETS</b>		<b>17,783,650.00</b>	<b>17,276,865.70</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payable	12	9,453,557.00	9,064,397.00
<b>NET FINANCIAL ASSETS</b>		<b>8,330,093.00</b>	<b>8,212,468.70</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd...	13	8,212,468.70	10,497,981.50
Surplus/Deficit for the year		117,624.30	(2,285,512.80)
<b>NET FINANCIAL POSITION</b>		<b>8,330,093.00</b>	<b>8,212,468.70</b>



PREPARED

BY 12 FEB 2023  
Wambisi Joshua (Bursar)

PRINCIPAL

ALEX LYALI LIYATI

CHAIRMAN

PETER WAMBISI



## MBAKALO FRIENDS SECONDARY

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2021

	2020 - 2021 Kshs	2019 - 2020 Kshs
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
Capitation grants for tuition	1 988,831.25	1,845,495.00
Capitation grants for operations	2 7,612,089.75	11,793,850.00
School fund income- Parents contributions/ fees	3 11,332,225.30	20,802,625.70
School fund income- other receipts	4 124,000.00	140,950.00
<b>Total receipts</b>	<b>20,057,146.30</b>	<b>34,582,920.70</b>
<b>Payments</b>		
Payments for Tuition	1,055,352.00	2,429,553.50
Payments for operations	7,213,756.00	15,075,507.00
Boarding and school fund payments	11,670,414.00	19,363,373.00
	<b>19,939,522.00</b>	<b>36,868,433.50</b>
cash flow from operating activities before working capital adjustments	<b>117,624.30</b>	<b>(2,285,512.80)</b>
Add/less decrease/increase in receivables	213,438.70	(2,996,957.70)
Add/less increase/decrease in payables	389,160.00	5,815,861.00
<b>Net cash flows from Operating Activities</b>	<b>720,223.00</b>	<b>533,390.50</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Assets	-	-
Acquisition of Assets	-	-
Proceeds from investments	-	-
<b>Net cash flows from Investing Activities</b>	-	-
<b>NET CASHFLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings/ loans	-	-
Repayment of principal borrowings	-	-
<b>Net cash flows from borrowing Activities</b>	-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>	<b>720,223.00</b>	<b>533,390.50</b>
Cash and cash equivalent at <b>BEGINNING</b> of the year	10 947,927.75	414,537.25
Cash and cash equivalent at <b>END</b> of the year	<u>1,668,150.75</u>	<u>947,927.75</u>

**SENIOR PRINCIPAL**  
MBAKALO FRIENDS BOYS HIGH SCHOOL

12 FEB 2023

P. O. Box 42-50211, NAITIRI  
KENYA

PREPARED By WANYAMBISI JOSHUA ~~REI~~ (BURSAR)

ALEX LUYALI LIYALI (PRINCIPAL)

PETER WABOMBA (CHAIRMAN)



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**MTAKALO FRIENDS SECONDARY**

**I. NOTES TO THE FINANCIAL STATEMENTS**

<b>CAPITATION GRANT FOR TUITION NOTE 1</b>			
		<b>2020-2021</b>	<b>2019-2020</b>
		<b>Kshs</b>	<b>Kshs</b>
Textbooks and reference materials		95,356.25	199,400.00
Exercise books		204,820.00	458,620.00
Laboratory equipment		501,600.00	498,500.00
Internal exams		104,500.00	498,500.00
Teaching / learning materials		52,250.00	150,595.00
Chalks		30,305.00	39,880.00
Exams and assessment			
Reference/Library			
Teachers guides			
<b>Total</b>		<b>988,831.25</b>	<b>1,845,495.00</b>

**CAPITATION GRANT FOR OPERATIONS NOTE 2**

		<b>2020-2021</b>	<b>2019-2020</b>
		<b>Kshs</b>	<b>Kshs</b>
Personnel emoluments		2,044,800.00	4,031,750.00
Maintenance and Improvement		3,658,092.95	4,510,500.00
Local transport / travelling		261,250.00	401,975.00
Electricity and water		605,507.05	608,225.00
Other voteheads			
Medical		104,500.00	199,400.00
Administration costs		832,865.00	1,543,500.00
Gratuity			
Activity		105,074.75	498,500.00
<b>Total</b>		<b>7,612,089.75</b>	<b>11,793,850.00</b>

**PARENTS CONTRIBUTION/FEES - SCHOOL FUND ACCOUNT**

**NOTE 3**

		<b>2020-2021</b>	<b>2019-2020</b>
		<b>Kshs</b>	<b>Kshs</b>
Personnel emoluments		957,969.00	2,710,540.00
Fee on Boarding Equipment and Stores		7,613,419.30	14,029,223.70
Maintenance and Improvement		1,068,847.00	1,024,944.00
Local transport / travelling		425,848.00	487,644.00
Electricity, Water and Conservancy		815,696.00	1,525,596.00
Medical			
Insurance			
Administration costs		386,781.00	788,282.00
Activity		63,665.00	236,396.00
<b>Total</b>		<b>11,332,225.30</b>	<b>20,802,625.70</b>

**OTHER RECEIPTS - SCHOOL FUND ACCOUNT NOTE 4**

		<b>2020-2021</b>	<b>2019-2020</b>
		<b>Kshs</b>	<b>Kshs</b>
Income from farming activities		100,000.00	113,900.00
Rental income			
Income from Posho mill			
Income from Bus Hire		9,000.00	27,050.00
Income from bakery			
Fee for hire of ground and equipment			
Income from grants-infrastructure grants			
Exam			

Tender fees		15,000.00	
Dividends income			
<b>Total</b>		<b>124,000.00</b>	<b>140,950.00</b>

**PAYMENTS FOR TUITION NOTE 5**

	2020-2021	2019-2020
	Kshs	Kshs
Textbooks and reference materials	60,250.00	158,020.00
Exercise books	200,000.00	672,730.00
Laboratory equipment	624,610.00	961,402.00
Internal exams	70,000.00	175,200.00
Teaching / learning materials	50,000.00	401,610.00
Chalks	50,000.00	56,420.00
Exams and assessment		
Ref/library materials		
Administration Costs		
Bank Charges	492.00	4,171.50
<b>Total</b>	<b>1,055,352.00</b>	<b>2,429,553.50</b>

**PAYMENTS FOR OPERATIONS NOTE 6**

	2020-2021	2019-2020
	Kshs	Kshs
Personnel emoluments	2,009,349.00	3,462,049.00
Service Gratuity	20,000.00	
Administration Cost	741,840.00	953,687.00
Maintenance and Improvement	3,087,390.00	8,679,538.00
Local transport / travelling	367,017.00	509,875.00
Electricity and water	779,560.00	684,448.00
Medical	43,000.00	273,950.00
Insurance Cost		507,310.00
BOM Teachers		
Bank Charges		4,650.00
Activity Expenses	165,600.00	
Acquisition of Assets		
<b>TOTAL</b>	<b>7,213,756.00</b>	<b>15,075,507.00</b>

**BOARDING AND SCHOOL FUND PAYMENTS NOTE 7**

	2020-2021	2019-2020
	Kshs	Kshs
Personnel emoluments	865,420.00	1,779,557.00
Service Gratuity		
Maintenance & Improvements	797,040.00	868,675.00
Local transport / travelling	287,000.00	431,440.00
Electricity and water	426,530.00	993,064.00
Medical Expenses		
Administration costs	315,490.00	578,200.00
Bank Charges		47,900.00
Expenses on Income Generating Activities	167,020.00	
Fee on Boarding Equipment and Stores	8,776,664.00	14,501,037.00
Insurance		
Activity Expenses	35,250.00	163,500.00
Medical Expenses		
Exam		
Acquisition of Assets(infrastructure expend)		
<b>TOTAL</b>	<b>11,670,414.00</b>	<b>19,363,373.00</b>



Expenses on income generating activities\*\* should include all costs relating to the school earnings on other receipts as recorded in note 4 These costs should include farm maintenance, posho mill maintenance, ground maintenance and costs incurred during hire of school bus among others

**BANK ACCOUNTS NOTE 8**

Name of Bank, Account No. & currency	Bank Account Number	2020-2021	2019-2020
		Kshs	Kshs
Tuition Account		112,122.35	58,033.10
Operations Account		395,353.75	664,310.00
School Fund Account/Boarding		1,124,541.65	224,224.65
Infrastructural Account			
<b>Total</b>		<b>1,632,017.75</b>	<b>946,567.75</b>

**CASH IN HAND NOTE 9**

Description	2020-2021	2019-2020
	Kshs	Kshs
Tuition Account	-	-
Operation Account	-	-
Infrastructure account	-	-
School Fund account	36,133.00	1,360.00
<b>Total</b>	<b>36,133.00</b>	<b>1,360.00</b>

**SHORT TERM INVESTMENTS NOTE 10**

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

**ACCOUNTS RECEIVABLE NOTE 11**

Description	2020-2021	2019-2020
	Kshs	Kshs
Fees arrears	12,889,720.25	14,326,229.95
Other non-fees receivables	3,225,779.00	2,002,708.00
Advance		
Imprest		
<b>Total</b>	<b>16,115,499.25</b>	<b>16,328,937.95</b>

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

Description	2020-2021	2019-2020
	Kshs	Kshs
Fees arrears for current year	1,881,905.30	3,921,097.00
Fees arrears for the previous year	3,921,097.00	3,318,415.00
Fees arrears for prior periods (over two years)	7,086,717.95	7,086,717.95
<b>Total</b>	<b>12,889,720.25</b>	<b>14,326,229.95</b>

**ACCOUNTS PAYABLE NOTE 12**

Description	2020-2021	2019-2020
	Kshs	Kshs
Trade creditors (See ageing below and appendix 1)	8,622,553.00	8,952,399.00
Prepaid fees	831,004.00	111,998.00
Retention monies	-	-
<b>Total</b>	<b>9,453,557.00</b>	<b>9,064,397.00</b>

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

Description	2020-2021	2019-2020
	Kshs	Kshs
Trade creditors for current year	1,722,600.00	4,287,390.00
Trade creditors for the previous year	4,287,390.00	3,248,536.00
Trade creditors for prior periods (over two years)	2,612,563.00	1,416,473.00
<b>Total</b>	<b>8,622,553.00</b>	<b>8,952,399.00</b>

**FUND BALANCE BROUGHT FORWARD NOTE 13**

Description	2020-2021	2019-2020
	Kshs	Kshs
Bank balances	946,567.75	413,749.25
Cash balances	1,360.00	788.00
Short Term Investments	-	-
Receivables	16,328,937.95	13,331,980.25
Payables	(9,064,397.00)	(3,248,536.00)
<b>Total</b>	<b>8,212,468.70</b>	<b>10,497,981.50</b>

**Other important disclosure notes****Non-current Liabilities Summary NOTE 14**

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

**Biological assets NOTE 15**

Description	Numbers	2020-2021	2019-2020
		Kshs	Kshs
Cattle	-	-	-
Goats	-	-	-
Trees	-	-	-
Coffee or tea plantation	-	-	-
Poultry	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Borrowings NOTE 16**

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



Balance at end of the year

-

-

1 Stock/ Inventory NOTE17

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