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

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Jack Mwashimba Secondary School – Taita/Taveta County set out on pages 12 to 22, which comprise of the statement of assets and liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of budgeted versus actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

Inaccuracies in the Financial Statements

Note 15 and Annex 2 to the financial statements indicate that the school did not have any stores and fixed assets balances. However, review of the School records revealed that the Schools had store ledgers with balances and a listing of assets. Further, Annex I on analysis of pending accounts payable reflects a balance of Kshs.86,823 instead of Kshs.316,153 as disclosed in Note 12 to the financial statements resulting to a variance of Kshs.229,330.

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

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

Other Matter

1.0 Budgetary Control and Performance

The statement of budget versus actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.2,092,200 and Kshs.2,630,671 respectively, resulting to an over-funding of Kshs.538,471 or 126% % of the budget. Similarly, the School spent Kshs.1,466,532 against an approved budget of Kshs.2,092,200 resulting to an underperformance of Kshs.625,668 or 70% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the students.

2.0 Under Receipts of School Capitation

Review of actual capitation receipts indicate that the school under received the capitation for both tuition and operations activities as detailed below:

Component	Capitation Received (Kshs.)	Average No. of Students	Actual Capitation per Student (Kshs.)	Expected Capitation per Student (Kshs.)	Under Capitati on per Student (Kshs.)	Total Under Capitation Not Received (Kshs.)
Tuition	133,901	102	2,408	4,644	(2,236)	(228,098)
Operation	1,008,882	102	13,290	15,400	(2,110)	(215,266)
Total	**1,142,783**		**15,697**	**20,044**	**(4,347)**	**(443,364)**

In the circumstances, the school was underfunded by Kshs.443,364 and may have impacted on delivery of services to the school.

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 (18) months as prescribed in 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 the circumstances, Management did not comply with the requirements of the Public Sector Accounting Standards Board.

2. Lack of an Annual Procurement Plan and Disposal Plan

Review of the procurement process revealed that the School had in place a budget and relied on the itemized budget of goods, services and works which is submitted to the Board of Management for approval. However, the School did not have in place an approved procurement plan for the year. In addition, goods and services received were not subjected to an Inspection and Acceptance Committee and theschool did not have in place a disposal plan to enable disposal of obsolete good and services. This was contrary to the requirements of Sections 45 (3)(a), 48 (3) and 163(1) of the Public Procurement and Asset Disposal Act, 2015.

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

3. Lack of a School Improvement Plan

Review of projects revealed that the School did not have a School Improvement Plan as laid out in the Ministry of Education Operation Manual for Utilization of Learner Capitation Grant and Other School Funds. The core areas of enhancing curriculum delivery, enhancing learning outcomes in foundational numeracy and literacy, improving school environment and increasing parental involvement were not clearly defined.

In the circumstances, Management did not comply with the provisions of the Operation Manual for Utilization of Learner Capitation Grant and Other School Funds.

4. Lack of a Disaster Management Committee and Emergency Fund

Review of the Board minutes and the School's policies revealed that there was no Disaster Management Committee in place and mandated to oversee the implementation of disaster management initiatives and ensure that the school had a contingency plan. Further, the budget and financial statements reflect that there was no provision for an emergency fund.

In the circumstances, Management may not properly mitigate and cushion the school in the event of an emergency situation or major disaster.

5. Variance in Student Enrolment Under National Education Management Information System (NEMIS)

Review of NEMIS records from the Ministry of Education revealed that the number of students enrolled as per class registers were one hundred and nine (109) students. However, the number of students as per the NEMIS number was seventy seven (77) students resulting to an unexplained variance of thirty two (32) students.

In the circumstances, the accuracy and completeness of the enrolment numbers at school and NEMIS records could not be confirmed and therefore the funding through capitation may not be based on accurate records.

6. Long Outstanding Receivables

The statement of financial assets and liabilities reflects accounts receivables balance of Kshs.2,979,810 as disclosed in Note 11 to the financial statements. The receivables include a balance of Kshs.2,411,470 owed by students who had completed school. However, the School did not have in place a mechanism to ensure the fees arrears were recovered.

In the circumstances, the recoverability of the long outstanding student balance of Kshs.2,411.470 could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing 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. Weak Internal Controls and Non-Segregation of Duties

Examination of the School's payment systems revealed that the School did not have a full time Accounts Clerk/Bursar despite the position being in the school organogram. The accounting work is done by the Principal who was not well equipped to prepare books of accounts completely and accurately.

Further, review of a sample of payment vouchers revealed that they were not examined, verified and approved by different persons as required instead they were only authorized by the Principal who was the Accounting Officer and therefore no segregation of duties to ensure checks and balances.

In the circumstances, the weak internal controls and lack of segregation of duties may lead to misappropriation of public funds.

2. Inadequate Controls in the Management of Inventory/Stock

Review of store records revealed that the stock take as at the end of the year was not carried out. Further, there were inconsistencies in updating the store ledgers as some items were last updated five (5) years ago. The receipts, issues and balances have not been documented and therefore the correct stores ledger balances could not be confirmed.

In the circumstances, weak controls in the management of inventory may lead to loss or misappropriation of inventories.

3. Lack of Fixed Asset Register

Review of the assets listing indicates that the School did not maintain a comprehensive fixed asset register indicating the values of the assets. Further, the School did not have a depreciation policy with amortization rates to be used in amortizing the assets.

In addition, seventeen (17) acres of land was donated to the school by the community which was hived from the thirty-four (34) acres of land allocated Mwakajo Primary School. However, the allotment process to transfer the seventeen (17) acres had not commenced and the title deed was still in the name of the Primary School nine (9) years since the donation.

In the circumstances, the effective control and management of assets by the School Management could not be confirmed.

4. Under Qualification of Board of Management

Review of the Board of Management Members nomination curriculum vitae (CVs) revealed that two (2) Members had a diploma while the eleven (11) Members had KCSE certificate. This was contrary to Regulation 6 (b) of the Basic Education Regulations, 2015 which states that the minimum qualifications of the Chairmen and Members of Boards of Management shall be in the case of a Secondary School or a middle level college, a degree from a university recognized in Kenya, and a KCSE certificate respectively.

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

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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the School's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the School to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the School to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

12 October, 2023