REPUBLIC OF KENYA

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

SCHOOL EQUIPMENT PRODUCTION UNIT

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON SCHOOL EQUIPMENT PRODUCTION UNIT FOR THE YEAR ENDED 30 JUNE, 2025

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.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on 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

Qualified Opinion

I have audited the accompanying financial statements of the School Equipment Production Unit set out on pages 1 to 34, which comprise the statement of financial position as at 30 June, 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of School Equipment Production Unit as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Cash Flows

Review of the statement of cash flows revealed the following misstatements;

i. The statement reflects prior year operating outflows of Kshs.135,497,353 which varies with the operating outflows of Kshs.27,664,536 reflected in the audited financial statements, resulting to unexplained variance of Kshs.107,832,817;

ii. The statement reflects prior year net increase in cash and cash equivalents amounting to Kshs.6,546,963 instead of the re-casted amount of Kshs.84,407,398, resulting to a variance of Kshs.77,860,435 which was not explained or reconciled;

iii. Note 26 to the financial statements reflects cash used in operations for the prior year amounting to Kshs.29,241,046 while the re-casted amount is Kshs.9,319,243, resulting to unreconciled variance of Kshs.19,921,803.

In the circumstances, the accuracy, completeness, presentation and disclosure of the statement of cash flows could not be confirmed.

2. Anomalies in Presentation and Disclosures of the Financial Statements

Review of the annual report and financial statements revealed the following presentation anomalies;

i. Review of the statement of comparison of budget and actual amounts revealed material adjustments between the original and final budgets as shown below; -

Item	Original Budget (Kshs)	Adjustments (Kshs)	Final Budget (Kshs)
Sale of goods	66,130,000	48,870,000	115,000,000
Transfers from Government	130,000,000	10,000,000	120,000,000

However, Management did not provide Notes to the financial statements to explain significant adjustments to the original budget as per the requirement of Section 81 of the Public Finance Management Act, 2012;

ii. Further, Management did not provide explanatory Notes to the financial statements on significant variances between final budget and actual amounts as per requirement of Section 81 of the Public Finance Management Act, 2012 on the following components; -

Component	Final Budget (Kshs.)	Actual Amounts (Kshs.)	Variance (Kshs.)	Percentage utilization
Compensation of employees	61,556,000	77,837,696	16,281,696	126
Other payments	148,022,000	82,186,355	65,835,645	56
Capital expenditure	11,995,000	1,586,000	10,409,000	13

iii. The statement of comparison of budget and actual amounts reflects final revenue budget of Kshs.235,000,000 against an expenditure budget of Kshs.221,995,000, resulting to a deficit budget of Kshs.13,005,000. This was contrary to Regulation 33(e) of the Public Finance Management (National Government) Regulations, 2015 which provides that the total budgeted revenue shall cover total budgeted expenditure;

iv. The ageing analysis of trade and other payables disclosed in Note 25(a) to the financial statements reflects total trade and other payables balance of Kshs.21,650,186. However, the statement of financial position reflects trade and other payables balance of Kshs.53,532,547, resulting to unexplained variance of Kshs.31,882,361;

v. The ageing analysis of trade and other payables disclosed in Note 25(a) reflects prior year total trade and other payables balance of Kshs.7,209,566. However, the statement of financial position reflects prior year trade and other payables balance of Kshs.12,760,205, resulting to unexplained variance of Kshs.5,550,639;

vi. Management did not disclose for each class of provision, the carrying amount at the beginning and at the end of the period, additional provisions made, amounts used, unused amounts reversed and increase during the period in the discounted amount arising from the passage of time as provided in the reporting template;

vii. No explanatory Note on financial risk management was disclosed;

viii. Ageing analysis on receivables disclosed in Note 19 to the financial statements is indicated in days instead of years as follows; less than one year, between one to two years, two to three years and over three years;

ix. The statement of performance against predetermined objectives was not supported by a report on the achievements disclosed in the statement;

x. The governance audit report on those charged with governance was not provided for audit review;

xi. The reconciliation of tax expense/credit to the expected tax based on accounting profit was not disclosed;

xii. Note 15(a) to the financial statements reflects other operating expenses as per cash flows of Kshs.350,000. However, re-computation yielded Kshs.1,883,261, resulting to unexplained variance of Kshs.1,533,261;

In the circumstances, the annual report and financial statements are not in compliance with the approved reporting template.

3. Encroachment on the Unit's Land

As previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.687,623,700 as disclosed in Note 16 to the financial statements. Included in the balance is land parcel revalued at Kshs.630,000,000 situated at Industrial Area, Nairobi allocated to the Unit in 1996. However, the land parcel is yet to be developed due to encroachment by informal settlers. Management has however sought assistance from the National Land Commission in order to develop the land. As at the time of audit in October, 2025, no response had been received to indicate the progress made in reclaiming the land parcel.

In the circumstances, the ownership and fair statement of the property, plant and equipment balance of Kshs.687,623,700 could not be confirmed.

4. Misstatement of Intangible Assets

The statement of financial position reflects intangible assets balance of Kshs.2,820,476 as disclosed in Note 17 to the financial statements after amortization charge of Kshs.1,208,776 for the year under review. Although the software included installation of eleven (11) modules, it was observed that only two (2) modules had been partially implemented as at 30 June, 2025. Amortization of software which is not fully operationalized is contrary to Paragraph 96 of International Public Sector Accounting Standard 31 which states that, 'amortization shall begin when the asset is available for use i.e, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management'.

In the circumstances, the accuracy and completeness of the intangible assets balance of Kshs.2,820,476 could not be confirmed.

5. Unsupported Long Outstanding Trade Receivables

As previously reported, the statement of financial position reflects receivables and prepayments balance of Kshs.132,940,819 which includes gross trade receivables balance of Kshs.53,854,538 and other current assets balance of Kshs.5,692,650, all totalling Kshs.59,652,938, and a receivables balance of Kshs.75,086,881 from the Ministry of Education-State Department for Basic Education as disclosed in Note 19 to the financial statements. Included in Kshs.59,652,938 is trade receivables and staff advances balance of Kshs.54,964,522, out of which a balance of Kshs.31,325,112 or 57% has been outstanding for more than eleven (11) years. However, no supporting documents were provided for audit review. Further, the balance of Kshs.75,086,881 due from the Ministry of Education - State Department for Basic Education has been outstanding since financial year 2018/2019 but not reflected as a payable in the State Department's financial statements for the year ended 30 June, 2025. Further, the staff advances balance of Kshs.1,109,984 disclosed in Note 19 includes Kshs.840,484 or 76% relating to staff advances due from employees who have since left the Unit while others are deceased.

In addition, Note 19 to the financial statements reflects provision for bad and doubtful debts balance of Kshs.1,799,001 which represents a decrease of Kshs.30,605,662 from the balance reported in the previous year of Kshs.32,404,673. However, the decrease was not credited in the statement of profit or loss and other comprehensive income. No documentary evidence or explanation was provided for the material adjustment of the provisions for bad and doubtful debts. Management has, however, indicated that a fire broke out at the Company's Headquarters in 2007 and destroyed supporting schedules relating to receivables. As a result, recovery of debtors has been affected by lack of evidence.

In the circumstances, the accuracy and full recovery of the receivables and prepayments balance of Kshs.132,940,819 could not be confirmed.

6. Unsupported Long Outstanding Trade and Other Payables

As previously reported, the statement of financial position reflects trade and other payables balance of Kshs.53,532,547 as disclosed in Note 25 to the financial statements. Included in Kshs.53,532,547 is a balance of Kshs.7,209,566 which has been outstanding for between seventeen (17) years and twenty-nine (29) years and whose supporting documentation was not provided for audit. Management explained that the supporting schedules were destroyed by fire which broke out in the Company's Headquarters in 2007. Management had also placed advertisement in the daily newspapers in November, 2016 to inform relevant creditors to present documents supporting the services offered to the Company but with little success. Further, the balance includes retirement benefits and gratuity for pension scheme of Kshs.816,066 and Kshs.1,404,070 respectively with no movement over the last four (4) years. In addition, the Unit failed to pay Ksh.1,681,729 to National Social Security Fund without reasonable cause.

In the circumstances, the accuracy, and fair statement of the trade and other payables balance of Kshs.53,532,547 could not be confirmed.

7. Deferred Special Grant

As previously reported, the statement of financial position reflects deferred special grant balance of Kshs.44,167,394 as disclosed in Note 24 to the financial statements which has been in the books for over five (5) years. Management has not explained why the grant has remained deferred for over a long time.

In the circumstances, the accuracy, presentation and disclosure of the deferred special grant balance of Kshs.44,167,394 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.235,000,000 and Kshs.145,092,488 respectively, resulting to an under-funding of Kshs.89,907,512 (or 38%) of the budget. Similarly, the Unit spent Kshs.187,819,473 against an approved budget of Kshs.221,995,000, resulting to an under-absorption of Kshs.34,175,527 (or 15%) of the budget.

In the circumstances, the under-performance and under-absorption affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

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 effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Unit in 2024/2025 revealed that the matters detailed in Appendix I remained unresolved.

Other Information

The Management is responsible for the Other Information set out on pages vi to xlv which comprise of Key Entity Information and Management, Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance against Predetermined Objectives, for financial year 2024/2025 Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Directors and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the company'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 THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Delayed Implementation of Enterprise Resource Planning System

The statement of financial position reflects intangible assets balance of Kshs.2,820,476 as disclosed in Note 17 to the financial statements. Review of procurement records revealed that the Unit entered into a contract on 9 June, 2023 with a vendor to provide Enterprise Resource Planning (ERP) system at a contract sum of Kshs.3,786,200 with a contract period of six (6) months ending 06 December, 2023. However, at the time of audit in October, 2025, the system had not been fully implemented as only two (2) modules out of the required eleven (11) had been partially implemented, resulting to twenty-two (22) months' delay and no contract extensions were provided for audit. This was contrary to Section 139(2A) of the Public Procurement and Asset Disposal Act, 2015 which provides that, an accounting officer of a procuring entity, on the recommendation of an evaluation committee or as prescribed in the signed contract agreement, may approve the request for the extension of the contract period, which request shall be accompanied by a letter from the tenderer making justifications for such extension.

In the circumstances, value for money has not been achieved on the software costing Kshs.3,786,200 and Management was in breach of the law.

2. Failure to Deduct and Remit Public Procurement Capacity Building Levy

During the year under review, Management procured goods, works and services costing Kshs.72,833,727 but did not deduct and remit the public procurement capacity building levy totalling Kshs.21,850 (0.03% of Kshs.72,833,727). Further, the penalty of 5% of the outstanding levy amounts remains unpaid.

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

3. Nugatory Expenditure

Records provided for audit indicated that the Unit Management signed an agreement with Kenya Revenue Authority on 29 August, 2024 to pay outstanding taxes (PAYE) amounting to Kshs.30,064,545. Included in this balance is nugatory expenditure in the form of interest and penalties on outstanding taxes amounting to Kshs.14,045,053.

In the circumstances, the Unit has not obtained value for money on avoidable interest and penalties totalling Kshs.14,045,053.

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, based on the audit procedures performed, except for the effect of 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 governance were not effective.

Basis for Conclusion

1. Understaffing of the Unit

The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.77,837,696 as disclosed in Note 10 to the financial statements. However, the staff establishment list provided for audit indicated staff-in-post of forty-nine (49) against an approved establishment of one hundred and twelve (112), resulting to understaffing of sixty-three (63) as at 30 June, 2025.

In the circumstances, service delivery by the Unit is negatively affected

2. Failure to Dispose Inventories

The statement of financial position reflects inventories balance of Kshs.31,244,909 as disclosed in Note 18 to the financial statements. As disclosed in the Note, the balance excludes stocks valued at Kshs.156,244 which were earmarked for disposal. However, the stocks had not been disposed as at 30 June, 2025.

In the circumstances, the internal controls on stocks management are weak.

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, 2015, I report, based on my audit, that:

i. 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;

ii. The information given in the Directors' report on pages xlii to xliii is consistent with the financial statements;

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Unit's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Company'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.

The Board of Directors are responsible for overseeing the Unit'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 of 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

11 November, 2025

Appendix I: Unresolved Prior Year Matters

1. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects net increase in cash and cash equivalents amounting to Kshs.6,546,963 instead of the re-casted amount of negative Kshs.25,009,527 resulting to a variance of Kshs.31,556,490 which was not explained or reconciled.

2. Inaccuracies in the Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.698,226,438 as disclosed in Note 13 to the financial statements. However, re cast of the balances in the Note revealed various errors.

3. Expired Inventories

As previously reported, the statement of financial position reflects inventories balances of Kshs.35,434,442 as disclosed in Note 15 to the financial statements which includes chemical inventories worth Kshs.3,231,840. However, included in Kshs.3,231,840 is chemical inventories balance of Kshs.67,429 which had expired but not written off.

4. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.180,000,000 and Kshs.231,975,741 respectively, resulting to an overcollection of Kshs.52,175,741 (or 29%) of the budget. Similarly, the Unit spent Kshs.136,633,166 against an approved budget of Kshs.182,823,000, resulting to an under-absorption of Kshs.46,189,834 (or 25%) of the budget.

5. Anomalies in Presentation and Disclosures of the Financial Statements

Review of the annual report and financial statements revealed the following presentation anomalies;

i. Management did not prepare a reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements, identifying basis for differences, contrary to the reporting template requirement that "where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation";

ii. The amounts and balances in the statement of comparison of budget and actual amounts could not be traced in the budget;

iii. The statement of comparison of budget and actual amounts reflects percentages of budget utilizations which are erroneous as follows;

   a. The percentages utilization on sales of goods is 204% instead of 104%;

   b. The percentages utilization on transfers from government is 99% instead of 0.077%;
   c. The percentage utilization on total income is 129% instead of 29%;
   d. The percentage utilization on compensation of employees is 149% instead of 49%;
   e. The percentage utilization on finance cost is 85% instead of 15%;
   f. The percentage utilization on employee costs is 97% instead of 2%;
   g. The percentage utilization on other payments is 148% instead of 48;

iv. Capital expenditures for the purchases of property, plant and equipment and intangible assets of Kshs.7,115,510 and Kshs.4,955,480 presented in the statement of cash flows respectively were not disclosed in the statement of comparison of budget and actual amounts;

v. The statement of cash flows was prepared using indirect method instead of direct method as prescribed;

vi. Note to the financial statements showing how the operating profit was arrived at was not provided;

vii. The reconciliation Note on cash generated from operations was not provided;

viii. Accounting policies on trade and other receivables, taxation, intangible assets, trade and other payables, provision for doubtful debts, provision for staff leave and budget information were not disclosed;

ix. Non-disclosures upon revaluation of the following information:

   - whether an independent valuer was involved,
   - the methods and significant assumptions applied in estimating the assets' fair values and
   - the extent to which the assets' fair values were determined directly by reference to observable prices in an active market or recent market transactions in arm's length terms, or were estimated using other valuation techniques.

In the circumstances, the annual report and financial statements are not in compliance with the approved reporting template.

6. Procurement Plan Lacking Mandatory Details

The statement of profit or loss and other comprehensive income reflects total expenses of Kshs.135,497,353. Review of the approved annual procurement plan revealed that the plan did not include a schedule of the planned delivery and implementation or completion dates for all goods, works, or services required, contrary to Regulation 41(1)(b) of the Public Procurement and Asset Disposal Regulations, 2020 which provides that the annual consolidated procurement plan for each procuring entity shall

include a schedule of the planned delivery, implementation or completion dates for all goods, works, or services required.

7. Unsupported Contract Variation

The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.62,015,410 as disclosed in Note 7 to the financial statements. Included in the amount is Kshs.5,895,799 for insurance premiums (medical). However, review of the insurance contract documents revealed that Management renewed its contract with an insurance company on 12 October, 2023 on the provision of inpatient and outpatient medical services at a contract sum of Kshs.8,472,310 which was an increase of Kshs.972,310 from the Kshs.7,500,000 charged before the renewal. However, no justification was provided for the increase in contract sum from Kshs.7,500,000 to Kshs.8,472,310.

8. Un-surrendered Excess Receipts

The statement of comparison of budget and actual amounts reflects actual sale of goods and budget amounts of Kshs.102,075,741 and Kshs.50,000,000 respectively, resulting to excess revenue amounting to Kshs.52,075,741 and which was not surrendered to the National Treasury. This was contrary to Regulation 117(1)(2) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to surrender unutilized resources to the National Treasury and the National Treasury shall ensure that the funds are re-voted for the project in the following financial year in order to continue the implementation of the project.

9. Weaknesses in Inventories Controls and Stores Management

The statement of financial position reflects a balance of Kshs.35,434,442 in respect of inventories as disclosed in Note 15 to the financial statements. However, review of the inventories management controls in place revealed the following weaknesses;

i. Lack of ledger or bin cards as well as reconciliation of stocks to ascertain stock movement.

ii. Lack of policy on management of stock levels such as re-order levels to prevent wastage, losses, stock outs and unprofitable lock-up of funds.

iii. No segregation of duties in main stores whereby the officer receiving either finished or raw materials is the same officer issuing or dispatching the same.