

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY  
PAPERS Laid

DATE: 22 FEB 2023

TABLED BY: HON. OWEN BAYA, MP  
DEPUTY LEADER OF MAJORITY

CLERK-AT-THE-TABLE: CHRISTINE NJIRITU

OF

**THE AUDITOR-GENERAL**

**ON**

**KENDEGE TECHNICAL AND  
VOCATIONAL COLLEGE**

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





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**KENYATTA TECHNICAL AND VOCATIONAL COLLEGE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

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**I. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

Kendege Technical & Vocational College is situated along the main highway Kehancha-Kegonga highway, 2km away from Kehancha town. The centre is located in Migori County, Kuria East sub-County, Kuria East constituency, Nyabasi West location, Nyaitara Sub location. The centre sits on a 78-acre piece of land and experiences high rainfall conducive for agricultural practice. Kendege Technical & Vocational College was established under the TVET Act, 2013 in the year 2019. The College operates within the mandate of Ministry of Education which provides the general policy and strategic direction on Kenya's higher Education. The college currently has 25 teaching staff and 8 support staff. The institute has the capacity to train, evaluate and certify trainees in the following vocational areas; electrical and electronics engineering, masonry, clothing and textile, building and civil engineering, automotive engineering, agriculture, business courses, fashion and design, social work and community development, ICT, hair and beauty, carpentry and joinery.

**(b) Principal Activities**

The core mandate of Kendege Technical & Vocational College is to offer training to trainees in technical courses and business courses as per the industry needs as examined by KNEC.

**VISION**

To be a college of choice in the development of technical and vocational skills.

**Mission Statement**

Work with industry to produce demand driven competent graduates.

**Motto**

Competence and Honesty.

**Core Values**

Co-operation

Respect and Tolerance

Integrity

Creativity and Innovativeness

Professionalism

Inclusivity

**College Governance**

Kendege Technical and Vocational College is managed by the Board of Governors, appointed by The Cabinet Secretary in charge of Education. The B.O.G. provides leadership in; policy direction and ensures that the institutes programmes and activities are in line with its mandate and set objectives. The principal is

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the secretary to the Board and executes all policies in line with the institute's core mandate. The principal is assisted by the deputy principal.

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	Mr. Ombati Anunda Rogito
2	Deputy principal Academics and Administration	Mr. Kenneth Kahi Kinyangi
3	Registrar	Mr. Erick Mochoge
4	Dean of students	Mr. Erick Osoro

**(d) Fiduciary Oversight Arrangements**

*The college has two oversight committees:*

- *General purpose and Finance and committee*
- *Education, Research and Training committee*

**(e) Entity Headquarters**

KENDEGE TECHNICAL AND VOCATIONAL COLLEGE  
P.O. Box 37-40413  
KEHANCHI-KENYA  
KENDEGE Building  
KEHANCHI - KEGONGA Highway  
KURIA-EAST

**(e) Entity Contacts**

Telephone: (254) 741790941  
E-mail: [kendegetvc@gmail.com](mailto:kendegetvc@gmail.com)  
Website: [www.kendegetvc.ac](http://www.kendegetvc.ac).

**(f) Entity Bankers**

Kenya Commercial Bank-Kisii West  
P.O. Box 4517-40200  
KISII

Kenya Commercial Bank-Kehancha  
P.O. Box 74-40413  
SUNA MIGORI

**(g) Independent Auditors**

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



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**(h) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya


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**II. THE BOARD OF GOVERNORS**

Insert each Director's passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Director's date of birth, key qualifications and work experience
<p>1. Prof. Peter Nyamuhanga Mwita. <b>CHAIRPERSON</b></p>  <p>PHD, MSC, BSC.</p>	<p>Born in 1968 Appointment: 18<sup>th</sup> September, 2019 Inauguration: 10<sup>th</sup> July 2020 <u>Qualification</u> PhD in Statistics <u>Experience</u> Deputy Vice Chancellor (Research, Innovation and Linkages) and full Professor of Statistics at Machakos University. Was founding Chairman of the Kenya National Bureau of Statistics Board, founding Chairman of Kenya National Statistical Society and Council member of Multimedia University of Kenya.</p>
<p>2. Mabel Adhiambo Wendo <b>MEMBER</b></p>  <p><b>Masters in Community Health Development</b></p>	<p>Appointment: 18<sup>th</sup> September, 2019 Inauguration: 10<sup>th</sup> July 2020 <u>Qualification</u> Masters in Community Health Development Diploma in Care &amp; Management of people living with HIV/AIDS. Higher Diploma in Advanced nursing. Diploma in Midwifery Diploma in Registered nursing. <u>Experience.</u> Independent Consultant: UNICEF/KOICA projects for Kenya and Tanzania MoH Regional Technical Advisor in Eastern and Southern Africa (Kenya, Uganda, Tanzania, Rwanda, Ethiopia and Malawi) : Community Health Worker Campaign Secretariat based at the Earth Institute of Columbia University, New York Regional Technical Advisor in (Kenya, Uganda, Tanzania, Rwanda and</p>



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	<p>Zimbabwe): Mild may International, Africa Programs. Project Manager for ADRA South Sudan Malaria Global fund Lecturer: Kenya Medical Training College, Nairobi.</p>
<p>3. Maurice Livingstone O. Owili <b>MEMBER</b></p>  <p><b>Master of Philosophy (M.Phil.)</b></p>	<p><b><u>Date of Birth:</u></b> 10<sup>th</sup> August, 1968 Appointment: 18<sup>th</sup> September, 2019 Inauguration: 10<sup>th</sup> July 2020</p> <p><b><u>Qualification</u></b> On-going PhD in Environmental Planning and Management Master of Philosophy in Environmental Studies (Environmental Information Systems) Bachelor of Technology in Education (Btech) Mechanical Engineering</p> <p><b><u>Experience</u></b> Coordinator Performance Contract, ISO and Strategic Planning ( 2019 – Date) Coordinator Performance Contract, ISO, Resource Mobilization and Strategic Planning ( 2013 – 2019) Deputy Principal – Bushiangel T.T.I (2012 -2013) Deputy Principal – Ramogi Institute of Advance Technology (RIAT) (2011 – 2012) Deputy Principal – Moi Institute of Technology (MIT) (2007 – 2011)</p>

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**4. Dr. James Ng'ang'a Muya  
MEMBER**



**PHD, MBA, P.G.D.E.**

Date of birth: 12/12/1970  
Appointment: 18<sup>th</sup> September, 2019  
Inauguration: 10<sup>th</sup> July 2020

Qualification

PHD in Business management.  
Master's in Business management  
Bachelor of Arts.  
Post graduate diploma in education.

Experience.

Research publication in peer reviewed journals.  
Associate Member of IHRM, Member NO. 07329.  
Senior lecturer-Kisii University College.  
Part time lecturer JKUAT-Kisii CBD campus (May 2010-Dec 2014)  
Part time lecturer – Rongo University(Sept 2010-2014)  
Lecturer- Kamagambo Adventist College(2003-Dec 2014)  
Principal- Rift Valley Secondary School (Oct 2000-Jan 2003)  
Teacher- Mutitu SDA Sec School ( May1997-Sep 2000)  
Teacher- Karura School(Jan 1996-Apr 1997)

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5. Jane Akelo Ombajo  
**MEMBER**



**M Arts, BSC**

Date of Birth: 10/05/1979  
Appointment: 18<sup>th</sup> September, 2019  
Inauguration: 10<sup>th</sup> July 2020



Qualifications.

Masters of Arts in monitoring and  
Evaluation, Africa Nazarene University  
Bachelor of Science  
Diploma in Computer Operations

Experience

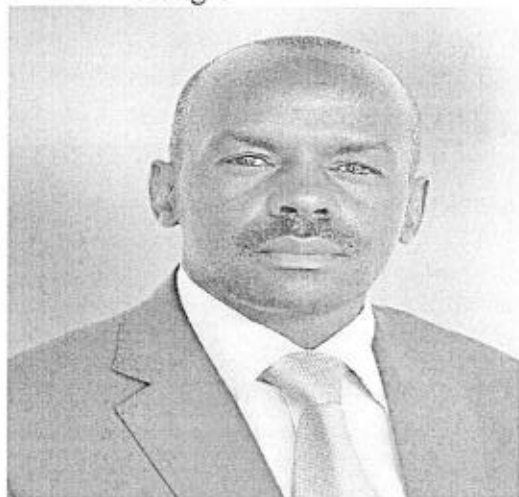
Independent M&E Consultant  
Founder of Angani Virtual Services  
Lead Researcher at Task drive  
Data Specialist at Cloud factory  
Trainer of trainers at UNV/UNDP,  
Emergency Volunteer Scheme  
Medical Representative at Wessex  
Pharmaceuticals

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<p>6. Dr. Ezekiel Nyambega Omwenga <b>MEMBER</b></p>  <p><b>PHD,</b></p>	<p>Date of Birth: 01/05/1962 Appointment: 18<sup>th</sup> September, 2019 Inauguration: 10<sup>th</sup> July 2020</p> <p><u>Qualifications</u> PHD in Education Communication Technology Masters in Curriculum and Instruction. Bachelor of Education Science</p> <p><u>Experience</u> Research publication in peer reviewed journal Associate member of EMSK of Kenya Director of Teaching Practice Kisii University. Lecturer in the department of Curriculum, Instruction and media Kisii University (2017- to date) Head of Teacher training Kamagambo College. (2015-2016) Lecturer Kamagambo College (1991-2015)</p>
<p>7. Margaret Nyaboke Nyanyuki <b>MEMBER</b></p>  <p><b>Bachelor's Degree in Business Management (Finance and Banking)</b></p>	<p>Date of Birth: 12/12/1974 Appointment: 18<sup>th</sup> September, 2019 Inauguration: 10<sup>th</sup> July 2020</p> <p><u>Qualifications.</u> Degree in Business Management- Finance and Banking Moi University Certified Public Accountant-Pinnacle Business school Diploma Teacher in Accounting-Kenya Technical Teachers College Certificate in Banking and Finance-Moi Institute of Technology</p> <p><u>Experience</u> Trainer- Siala technical institute Tutor at Kisii University College Nyakundi Mwencha and Company Associates Omata and Company Associates Kisii Polytechnic</p>

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**8. Tom Olang'o**



**County Director TVET**

**Year of Birth: 1970**

**Qualification and Experience:**

A Deputy Director of Technical Education currently serving as a Regional Director of Technical and Vocational Education and Training (TVET) in charge of Kisii, Nyamira, Migori and Homa Bay Counties. He is a long serving public servant with twenty-six years of experience. He was initially employed as a Graduate Teacher of Mathematics by the Teachers Service Commission and later joined the Ministry of Education as an Education officer in 1999 where he has served to date. He was born in 1970 and is a holder of Master of Education in Curriculum Studies from Nairobi University and currently pursuing a PhD on the same at Kenyatta University. He has been engaged in several international assignments and is currently the Ministry's Focal Point Person for Skills Initiative for Africa Project by AUDA NEPAD.

**9. Mr. Ombati Anunda Rogito**





**Principal/Secretary BOG**

Mr. Ombati Anunda Rogito is in charge of day to day running of the Institute. He is the Chief Executive Officer who reports to all stakeholders. He is also the mandatory signatory to all the Institutes bank accounts and Secretary to Board of Governors



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NAME OF STAFF	RESPONSIBILITY
<p>1.Mr. Ombati Anunda Rogito</p>  <p><b>Principal/Secretary BOG</b></p>	<p>Mr. Ombati Anunda Rogito is in charge of day to day running of the Institute. He is the Chief Executive Officer who reports to all stakeholders. He is also the mandatory signatory to all the Institutes bank accounts and Secretary to Board of Governors</p>
<p>2.Mr. Kenneth Kahi Kinyangi</p>  <p><b>Deputy Principal BSC Agricultural Extension and Education</b></p>	<p>Mr. Kenneth Kahi Kinyangi deputizes the Principal and he is in charge of disciplinary issues concerning students. He attends Board meetings and take minutes as in-attendance member. Ensures academic time tables are made in time. Also ensures that the lessons that appear on the timetable are adequately taught.</p>

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**III. MANAGEMENT TEAM**

3.Mr. Mochoge Erick



**Ag. Registrar  
BSC Information Technology**

Mr. Erick Mochoge ensures that term programmes, students who apply for courses in the institute meet the relevant requirements for admission. He is also in charge of marketing of institute courses to ensure increase in enrolment. He is also in charge of assisting students who apply for HELB loans and other bursary to support payment fees.

4.Mr. Erick Osoro



**Ag. Dean of Students  
Diploma in Mechanical Engineering**

Mr. Erick Osoro is the Dean of Students who is in charge of student affairs i.e. process boarding issues accommodation and disciplinary.

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IV. CHAIRMAN'S STATEMENT

I have the pleasure to present an overview of the institute's performance for the financial year ending 30<sup>th</sup> June 2021. Notwithstanding the challenges facing Technical and Vocational colleges, I am proud to declare that Kendege Technical and Vocational College continues to implement and focus on its mission and objectives.

Academically, the institute has made excellent progress and it's clear that the institute's long-term strategic plan is now yielding results. We have improved and increased examinable courses, training materials and equipment and human resource capacity, all these with the aim of providing affordable training programme delivery as we adhere to quality assurance standards so as to satisfy industry and community needs.

These achievements reflect the enormous hard work of our staff over a period of time. They also reflect the commitment of Board of Governors to the academic strategy and to securing the institute's financial sustainability.

I wish to finally thank the Government of Kenya, Ministry of Education state department of TVET, fellow Board Members, management and staff for their dedication and participation over the financial year in striving to make Kendege TVC globally competitive Technical and Vocational training college for trainees in the region.

  
.....  
PROF. PETER NYAMUHANGA MWITA – BOARD CHAIRPERSON  
ON BEHALF OF BOARD OF GOVERNORS

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**V. REPORT OF THE PRINCIPAL**

Presented here is the yearly report and financial statements of Kendege TVC for the year ended 30<sup>th</sup> June 2021 as required by the Public Finance Management Act, 2012.

Kendege TVC's performance during the year under review is impressive despite being its maiden year since inception. The government capitation still remains as the institute's main source of income.

The college has continued with its core business of disseminating knowledge through, training and innovation. The current trainee population has increased from 430 to 447 and is expected to increase further to 575 by the end of this year.

**Development partners projects**

Currently there is no major on-going development project. However we have bee keeping and maize farming that we are currently involved in. We also have plans to construct temporal workshops within the college compound to be used during practical lessons.

**Income.**

The Kendege Technical and Vocational College received a total of Ksh. **4,381,713**. Out of which; Ksh **1,335,493** was the amount transferred from Kisii National Polytechnic, Ksh 102,380 from maize farming and the remaining amounts collected as school fee.

**Expenses**

The Technical College incurred a total of Kshs **3,588,072** in recurrent expenditure for the financial year 2020/2021.

**Staff Members**

Staff population stood at 33 at the close of fourth quarter for the financial year 2020/2021 and is expected to rise for both academic and administrative in the financial year 2021/2022.

Gender Distribution; Male 18 and Female 15.

**Conclusion**

On behalf of Kendege TVC management and staff, I wish to take this opportunity to thank the Government, our Development partners and all Stakeholders for their continued support.

Finally, I would like to express my sincere gratitude for constituting the College Board of Governors to help provide, policy and strategic guidance, the entire college staff and students who have worked tirelessly to ensure smooth running of the college.

Thank you.

.....  
**OMBATI ANUNDA ROGITO**  
**PRINCIPAL/ C.E.O.**

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**VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES**

Kendege TVC currently has no strategic plan but the management is still working on it.



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**VII. CORPORATE GOVERNANCE STATEMENT**

**Board meetings held**

Kendege TVC board held a total of nine (9) sittings both full board and committee in the FY2020-2021. The attendance of those sittings was good averagely 95 per cent in attendance. The Kendege TVC board achieved its planned activities. However, some of the planned activities were not implemented due to unavailability of the required funds.

**Succession plan**

Three months to the expiry, a proposal of the board will be done by nominations.

**Service charter**

Kendege TVC board had no service charter in the FY 2020-2021, but the board had good commitments to develop a service charter in the FY 2021-2022.

**Roles and functions of the board**

The Kendege TVC board has a role to plan for the college activities and oversight the implementation of the same.

**Induction and training**

As per TVET regulations, the board of Kendege TVC was inaugurated and taken for induction and trained on their work mandate. The induction and training was held on 15th July 2020 at Kisii National Polytechnic for 3 days.

**Board and member performance**

During the FY2020/2021, the Kendege BOG held nine meetings. The major achievements include;

- Facilitation of handing over from the mentor institution.
- Hiring of a competent finance officer and procurement officer.
- Improvement in teaching and learning facilities.
- Increased enrolment.

**Conflict of interest**

In the financial year 2020-2021, the Kendege TVC board was asked to declare conflict of interest any time they had a meeting but none was declared.

**Board remuneration**

Kendege TVC board utilised a total of Ksh 620,470. This total comprises of sitting and transport allowances that costed kshs 578,000 and meals served during board meetings that costed kshs 42470.

**Ethics and conduct as well as governance audit**

The board members adhered to public officer's ethics Acts 2003 while performing their duties during the financial year under review.

**Governance audit**

We are developing a strategic plan which is still in progress. Then from this, we can use it as a tool to audit the performance of the board.

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**VIII. MANAGEMENT DISCUSSION AND ANALYSIS**

Key projects and investment decisions the entity implemented

Kendege technical and vocational college implemented two key projects that contributed to generation of additional income. These projects are:

**Maize Farming.**

The College piloted on maize farming by planting on 10 acres of land. The College invested Ksh.176,318 into the project and was anticipating to receive Ksh. 250,000 in return. However due the challenges of weather issues, the college did not received good returns. Instead the college received Ksh.102,380. For better returns, the college intends to employ better farming and management practices in the next financial year.

**Bee keeping.**

The college purchased and installed 4 bee hives within the compound as a pilot project. The bee project costed the college a total of Ksh. 31,100 in purchasing 4 hives, 4 bee stands and bee wax. At the moment the college is closely watching how this pilot project behaves; If it turns out to be viable, the college will increase the number of bee hives to 24 using the Carpentry Section to produce the hives at a lower cost of Ksh3,500 per bee hive.

**SECTION D**

**Major challenges facing the entity**

Inadequate infrastructure to support increasing number of students.

At the moment, Kendege technical and vocational college is experiencing the following risks

Unreliable power supply

Inadequate learning space

Lack of title deed

Lack of accommodation for students

Lack of viable Income Generating Activities

Inadequate staffing (Teaching and Non-Teaching)

Inadequate teaching materials and equipment.

**SECTION E**

**Material arrears in statutory/ financial obligations**

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Market place practices-

**Responsible competition practice.**

All interested parties who were interested to do business with the institution were given an opportunity and the best out of those interested were hired for service.

The institution has no political favorites but welcomed all who had support to give to the institution without discrimination.

**Product stewardship**

The Kendege students are given the freedom to do courses of their choice and trainers ensure they have received adequate training in readiness for exams and industry.

**Responsible marketing and advertisement**

Kendege TVC carried out aggressive marketing of the college in Kuria East and West sub counties through FM radio Station (Radio Togotane). Further there was distribution of brochures, posters to the residents in market places.

We advertised and recruited suppliers on competitive basis through posters, WhatsApp and the college website

**Responsible Supply chain and supplier relations**

We also maintained good relationship by adhering to Public Procurement and Disposal Act of 2015.

In the FY 2020-2021, we sourced for quotations and we chose the best among those quotations to supply goods and services that were required. Once goods were received, and the user department was satisfied we promptly paid the suppliers.

**Corporate Social Responsibility / Community Engagements**

- During bereavement in the community the college sent representations and financial support.
- The Kendege college family has assisted some students who are facing financial challenges.
- The College established demonstration farm from which members of the community and students are able to learn from it

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**X. REPORT OF THE BOARD OF GOVERNORS**

**Principal activities**

The principal activity of Kendege Technical and Vocational College is to offer technical and business courses to various students in the republic without discrimination on gender, race or even physical appearance.

**BOARD OF GOVERNORS**

The members of the Board who served during the year are shown on page vii to page xi. During the year, director neither retired nor resigned.

**Auditors**

The Auditor General is responsible for the statutory audit of learning institutions in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

The external audit was carried out but under the mentor institution which is Kisii National Polytechnic.

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XI. STATEMENT OF BOARD OF GOVERNORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013 require the board members to prepare financial statements in respect of Kendege, which give a true and fair view of the state of affairs of Kendege at the end of the financial year and the operating results of Kendege TVC for that year. The board members are also required to ensure that Kendege TVC keeps proper accounting records which disclose with reasonable accuracy the financial position of the college. The board members are also responsible for safeguarding the assets of the college.

The board members are responsible for the preparation and presentation of Kendege TVC's financial statements, which give a true and fair view of the state of affairs of Kendege for and as at the end of June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of Kendege; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for Kendege's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Section 81 of the Public Finance Management Act, 2012 and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013. The council members are of the opinion that Kendege's financial statements give a true and fair view of the state of Kendege's transactions during the financial year ended June 30, 2021, and of Kendege's financial position as at that date. The board members further confirm the completeness of the accounting records maintained for Kendege, which have been relied upon in the preparation of Kendege's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the board members to indicate that Kendege will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

Kendege financial statements were approved by the Board on 05<sup>th</sup> JULY 2022 and signed on its behalf by:

Name Prof. Peter Mwita  
Signature [Signature]  
Chairperson of the Board

Name MRS. GRACE MATHI  
Signature [Signature]  
Accounting Officer/Principal





# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: [info@oagkenya.go.ke](mailto:info@oagkenya.go.ke)  
Website: [www.oagkenya.go.ke](http://www.oagkenya.go.ke)



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

## **REPORT OF THE AUDITOR-GENERAL ON KENDEGE TECHNICAL AND VOCATIONAL COLLEGE FOR THE YEAR ENDED 30 JUNE, 2021**

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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 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 financial statements of Kendege Technical and Vocational Training College set out on pages 2 to 31, which comprise of the statement of financial position as at 30 June, 2021 and the statement of financial performance, statement of changes



in net assets, statement of cash flows 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 the Kendege Technical and Vocational Training College 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 (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Technical and Vocational Education Act, 2013.

### **Basis for Qualified Opinion**

#### **1. Undisclosed Property, Plant and Equipment**

The statement of financial position and Note 19 to the financial statements reflects property, plant and equipment balance of Kshs.304,403. However, review of records and physical verification indicated that the College had land on which non-residential and residential buildings are situated. However, title deed for the parcel of land was not provided for audit and a Nil value has been reported in the financial statements in respect to the land. In addition, the College has furniture and fittings, office desks, office tables, office chairs, computers, photocopiers, printers and motor vehicle engine of unknown values and which have not been included in the financial statements.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.304,403 could not be confirmed.

#### **2. Variances in the Bank Balances**

The statement of financial position and Note 16 to the financial statements reflects bank balance of Kshs.1,737,905. However, the balance relate to the bank certificate balances instead of the reconciled cash book balance of Kshs.1,378,905 leading to a variance of Kshs.359,000.

In the circumstances, the accuracy and completeness of the bank balance of Kshs.1,737,905 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kendege Technical and Vocational College 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**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects total budgeted receipts of Kshs.56,279,209 against actual receipts of Kshs.10,713,040 resulting in a revenue shortfall of Kshs.45,566,169 or 81%. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.77,843,986 and Kshs.2,509,468 respectively resulting in an under-expenditure of Ksh.75,334,518 or 97%.

In the circumstances, the shortfall in revenue and under-expenditure affected the planned activities and might have impacted negatively on service delivery to the students, staff and stakeholders of the College.

## **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, I confirm that, nothing 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**

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 matter described in the Basis for Conclusion on Effectiveness of Internal controls, Risk Management and Governance section of my report, I confirm that, nothing has else come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.



## **Basis for Conclusion**

### **1. Lack of Human Resource Instruments**

Review of human resource records indicated that Management had not developed and implemented human resource policies and procedures manual providing for minimum qualification/experience criteria for recruiting skilled and competent staff; training and continuous development of employees; skills retention and monitoring of the competency as well as scales of salaries and allowances. Further, the College did not have an approved staff establishment and an organizational chart that includes every post, levels of authority and the reporting lines.

In the circumstances, it was not possible to confirm existence of effective internal controls that would guarantee that skilled and competent staff are in place at the optimal level to deliver the College's mandate to the students and other stakeholders.

### **2. Lack of a Risk Management Policy and Framework**

Review risk management framework indicated that Management had not put in place an approved risk management policy and framework as well as a risk register. As a result, the College lacks risk management strategies including fraud prevention mechanism and a system of risk management and internal controls that builds robust business operations.

Further, Management had not established an ICT department and ICT policy. Therefore, there was no information system disaster recovery plan and a business continuity plan in the event of an unforeseen calamity.

In the circumstances, Management lacks a mechanism to help in detection and mitigation of any possible risks in the institution.

### **3. Lack of an Audit Committee and Internal Audit Function**

Review of the internal control environment of the College indicated that there was no audit committee of the Board contrary to Regulation 174 of the Public Finance Management (National Government) Regulations, 2015 which stipulates that a National Government entity shall establish an audit committee in accordance with prescribed regulations to monitor the Management's governance process, accountability procedures and control systems and to offer objective advice on issues concerning risk, control, regulatory requirements and governance.

Further, Management had not established an internal audit unit to provide assurance on the state of risks, its management and controls contrary to Section 73(1) Public Finance Management Act, 2012 which requires every National Government entity to ensure that it complies with this Act and has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.



In the circumstances, the effectiveness of the College's controls and governance could not be confirmed.

#### **4. Lack of a Strategic Plan**

Review of the legislative framework of the College indicated that Management had not developed and implemented a strategic plan contrary to Section 29(d) of the Technical and Vocational Education and Training Act, 2013 which requires the governing bodies of training institutions to develop and implement a strategic plan.

In the circumstances, the effectiveness of College's governance could not be confirmed.

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 processes and systems of internal controls, risk management and 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**

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

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

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

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

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

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

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

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

As part of an audit conducted in accordance with ISSAIs, I exercise professional 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 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 College'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 College to cease sustaining 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 College to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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 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**

**29 September, 2022**



KENDEGE TECHNICAL AND VOCATIONAL COLLEGE  
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**XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2020-2021
<b>Revenues</b>		<b>KShs</b>
<b>Revenue from non-exchange transactions</b>		
Transfer from the National Government	6A	9,565,000
Transfer from the mentor	7	1,335,463
<b>Total Revenue from non-exchange transactions</b>		<b>10,900,463</b>
<b>Revenue from exchange transactions</b>		
Rendering of services	8A	33,648,209
Other Income	9	122,380
<b>Total Revenue from exchange transactions</b>		<b>33,770,589</b>
<b>Total Revenue</b>		<b>44,671,052</b>
<b>Expenses</b>		
Goods and Services	10	4,439,846
Employee costs	11A	2,921,850
Board Expenses	12	1,066,891
Repairs and maintenance	13	183,700
Farming Costs	14	207,418
Administration Costs	15	1,491,084
<b>Total Expenses</b>		<b>10,310,789</b>
<b>Surplus for the period</b>		<b>34,360,263</b>

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XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020-2021
<b>Assets</b>		<b>KShs</b>
<b>Current assets</b>		
Cash and Cash Equivalents	16	1,737,905
Receivables from exchange transactions	17	30,724,339
Receivables from non-exchange transactions	18	2,713,673
<b>Total Current Assets</b>		<b>35,175,917</b>
<b>Non-current assets</b>	19	304,403
<b>TOTAL ASSETS</b>		<b>35,480,320</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Prepaid Tuition fee	20	1,069,057
Employee benefit obligation-Salaries	20	51,000
<b>Total Liabilities</b>		<b>1,120,057</b>
Accumulated Surplus		34,360,263
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>35,480,320</b>

Principal/ BOG Secretary  
Governors

Finance Officer

Chairman of Board of

Date: 5/07/2022

ICPAK No (26102)

Date: 05/07/2022

Date: 5/7/22

PRINCIPAL  
KENDEGE TECHNICAL &  
VOCATIONAL COLLEGE

13 JUL 2022

P. O. Box 37 - 40113  
KEMANCHA

**KENDEGE TECHNICAL AND VOCATIONAL COLLEGE  
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**XV. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2021**

	Retained earnings	Total
<b>At July 1, 2020</b>		
Surplus for the year	34,360,263	34,360,263
<b>At June 30, 2021</b>	<b>34,360,263</b>	<b>34,360,263</b>

*Note:*

1. *For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.*
2. *Prior year adjustments should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.*



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**XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2020-2021
		<b>KShs</b>
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from National Government	6B	6,351,327
Transfers from Mentor Institution	7	1,335,463
Rendering of Services	8B	3,992,927
Other Income	9	122,380
<b>Income from operating activities</b>		<b>11,802,097</b>
<b>Payments</b>		
Goods and services	10	(4,439,846)
Compensation of employees	11B	(2,870,850)
Board Expenses	12	(1,066,891)
Repairs and Maintenance	13	(183,700)
Farming costs	14	(207,418)
Administration Costs	15	(1,491,084)
<b>Total payments</b>		<b>10,259,789</b>
<b>Cash flows from Operating Activities</b>		<b>1,542,308</b>
<b>Cash flows from Investing Activities</b>		
Acquisition of Fixed Assets	19	(304,403)
<b>Net Cash flows from Investing Activities</b>		<b>1,237,905</b>
Cash and cash equivalents at the beginning of the financial year		500,000
<b>Cash and cash equivalents at end of financial year</b>	<b>16</b>	<b>1,737,905</b>

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**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021**

	Original budget	Final budget	Actual on comparable basis	Performance difference	Utilisation Difference
	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 %
<b>Revenue</b>					
Transfers from other Govt entities Govt grants	12,000,000	12,000,000	7,686,790	(4,313,210)	99.57%
Rendering of services- Fees from students	33,648,209	33,648,209	2,923,870	(30,724,339)	87.27%
Development Grants	10,000,000	10,000,000	0	(10,000,000)	100.00%
Production Units - Farm Income	631,000	631,000	102,380	(528,620)	83.77%
<b>Total income</b>	<b>56,279,209</b>	<b>56,279,209</b>	<b>10,713,040</b>	<b>45,566,169</b>	
<b>Expenses</b>					XXX%
Compensation of employees	5,552,378	5,552,378	1,331,800	4,220,578	76.01%
School Equipment & Stores	2,082,930	2,082,930	272,420	1,810,510	86.92%
Finance costs				-	
Local Transport & Travelling	2,300,000	2,300,000	272,420	2,027,580	88.16%
Remuneration of Directors				-	#DIV/0!
Contingencies	3,705,400	3,705,400	461,660	3,243,740	87.54%
Electricity, Water & Conservancy	300,000	300,000	<b>14,400</b>	285,600	95.20%
Repair, Maintenance & Improvement	430,878	430,878	<b>136,050</b>	294,828	68.42%
Insurance	500,000	500,000		500,000	100.00%

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Insurance	500,000	500,000			500,000	100.00%
Development Grants	50,000,000	50,000,000			50,000,000	100.00%
Other Operational Expenses- Grant in Aid	1,000,000	1,000,000			1,000,000	100.00%
Infrastructure Development	10,750,700	10,750,700			10,750,700	100.00%
Production Unit	747,700	747,700	20,718		726,982	97.23%
Activity	200,000	200,000			200,000	100.00%
Industrial Attachment	274,000	274,000			274,000	100.00%
<b>Total Payment</b>	<b>77,843,986</b>	<b>77,843,986</b>	<b>2,509,468</b>		<b>75,334,518</b>	<b>96.78%</b>

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**XVIII. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

The Kendege TVC Project was started around 2014. It was one of the first 60 institutions the Government of Kenya had planned for constituencies. The project was handed over for use in May, 2019 under the ministry of education state department of vocational and technical training. The principal activity of Kendege technical and vocational college is to offer technical and business courses to various students in the republic without discrimination on gender, race or even physical appearance.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Kendege TVC

The financial statements have been prepared in accordance with the PFM Act, the TVET Act 2015 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. ADOPTION OF NEW AND REVISED STANDARDS**

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2021.**

Standard	Impact
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> <p><i>(Impact- This will lead to reducing surpluses hence increasing the reserves.</i></p>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Standard	Effective date and impact:
<b>IPSAS 41:</b> Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>•Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>•Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>•Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>It will lead to the entity now restricting itself from investing more to TVET students with an objective of minimising such risk exposures. As a result offering substandard services leading to not delivering desired needs to students.</i></p>
<b>IPSAS 42:</b> Social Benefits	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul> <p><i>This will provide much transparency to the financial statements thereby making users of these financial statement make prudent financial decisions.</i></p>

**KENDEGE TECHNICAL AND VOCATIONAL COLLEGE  
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Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<b>Applicable: 1st January 2023:</b> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> <li>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2021.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

**ii) Revenue from exchange transactions**

**Rendering of services**

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.



**KENDEGE TECHNICAL AND VOCATIONAL COLLEGE  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**b) Budget information**

The original budget for FY 2020/2021 was approved by the Board on 14th July 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not record additional appropriations of any amount in the FY 2020/2021 budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts as per the statement of financial performance has been presented under the financial statements.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Taxes**

*Current income tax*

The entity is exempt from paying taxes as per first schedule of the income tax Act cap 470

*Sales tax/ Value Added Tax*

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model no depreciated was provided for in FY2020/2021

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**f) Leases**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**g) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite

**h) Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**i) Financial instruments**

***Financial assets***

***Initial recognition and measurement***

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

***Held-to-maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated

by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

***Impairment of financial assets***

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

**i) Financial instruments (Continued)**

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

*Financial liabilities*

*Initial recognition and measurement*

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

*Loans and borrowing*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**i) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs



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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**j) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

***Contingent liabilities***

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

***Contingent assets***

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**k) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**l) Changes in accounting policies and estimates**

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**m) Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**n) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**o) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**p) Related parties**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO/principal and senior managers.



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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**q) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**r) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**s) Comparative figures**

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

**t) Subsequent events**

There has been no event subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**Provisions**

No provisions were raised.

**6. (A) TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

Description	2020-2021
	KShs
<b>Unconditional grants</b>	
Capitation grants	9,065,000
Operational grant	500,000
<b>Total government grants and subsidies</b>	<b>9,565,000</b>

**6. (B) TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

Description	2020-2021
	KShs
<b>Transfers from National Government Entities-Amount Recognised in the Statement of Financial Performance</b>	9,065,000
Less: Accrued Revenue Receivable	(2,713,673)
<b>Amount Recognised in Statement of Cash flows</b>	<b>6,351,327</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**7. TRANSFERS FROM OTHER LEVELS OF GOVERNMENT**

Description	2020-2021
	KShs
Transfer from Kisii National Polytechnic	1,335,463
<b>Total Transfers</b>	<b>1,335,463</b>

Note: The amount being for the two quarters i.e quarter 3 and quarter 4.

**8. (A) RENDERING OF SERVICES**

	2020-2021
	KShs
Tuition fees	31,013,969
Activity fees	17,960
Repair, Maintenance and Improvement(R.M.I)	15,300
Personal Emoluments	79,920
Industrial, Attachment, Medical & Insurance	43,780
Registration/Admission fees	45,500
Student ID	24,000
HELB	1,425,600
KNEC	16,880
Others	965,300
<b>Total revenue from the rendering of services</b>	<b>33,648,209</b>

**8. (B) RENDERING OF SERVICES**

Description	2020-2021
	KShs
<b>Rendering of Services-Amount Recognised in the Statement of Financial Performance</b>	<b>33,648,209</b>
Less: Student Debtors	(30,724,339)
Add:- Prepaid Tuition Fees	1,069,057
<b>Amount Recognised in Statement of Cash flows</b>	<b>3,992,927</b>

**9. OTHER INCOME**

Description	2020-2021
	KShs
Farming Activities( Maize)	102,380
Income from Debtors	20,000
<b>Total other income</b>	<b>122,380</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**10. GOODS AND SERVICES**

Description	2020-2021
	KShs
Stores Equipment and Supplies	2,272,420
Local transport & Travel	916,820
Contingencies	1,132,302
Practical	97,074
Attachments	21,230
<b>Total goods and services</b>	<b>4,439,846</b>

**11. EMPLOYEE COSTS**

Description	2020-2021
	KShs
Salaries and wages( BOG Staff)	2,921,850
<b>Employee costs</b>	<b>2,921,850</b>

**11. (B) EMPLOYEE COSTS**

Description	2020-2021
	KShs
Employee Costs-Amount Recognised in the Statement of Financial Performance	2,921,850
<b>Less:- Accrued Employee Benefit Obligations</b>	<b>(51,000)</b>
<b>Amount Recognised in Statement of Cash flows</b>	<b>2,870,850</b>

**12. BOARD EXPENSES**

Description	2020-2021
	KShs
Board Members Sitting allowances	1,024,421
Meals served	42,470
<b>Total director emoluments</b>	<b>1,066,891</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13. REPAIRS AND MAINTENANCE**

Description	2020-2021
	KShs
Property	150,500
Equipment and machinery	29,200
Furniture and fittings	4,000
<b>Total repairs and maintenance</b>	<b>183,700</b>

**14. FARMING COSTS**

Description	2020-2021
	KShs
Bee keeping	31,100
Maize farming	176,318
<b>Total finance costs</b>	<b>207,418</b>

**15. ADMINISTRATION COSTS**

Description	2020-2021
	KShs
Bank charges	7,030
Consultancy Services	1,484,054
<b>Total administration Costs</b>	<b>1,491,084</b>

**16. CASH AND CASH EQUIVALENTS**

Description	2020-2021
	KShs
Current account	1,737,905
<b>Total cash and cash equivalents</b>	<b>1,737,905</b>

**16 (a). DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS**

Financial institution	Account number	2020-2021
		KShs
<b>a) Current account</b>		
Kenya Commercial bank	1280646055	231,650
Kenya Commercial bank	1259204170	1,506,255
<b>Grand total</b>		<b>1,737,905</b>



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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**17. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Description	2020-2021
	KShs
<b>Current receivables</b>	
Student Debtors	30,724,339
<b>Total current receivables</b>	<b>30,724,339</b>

**18. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Description	2020-2021
	KShs
Outstanding Grants	2,713,673
<b>Total</b>	<b>2,713,673</b>

**19. PROPERTY, PLANT AND EQUIPMENT**

	Furniture and Fittings	Total
Cost	KShs	KShs
At 1 July 2020	0	0
Additions	304,403	304,403
<b>At 30<sup>th</sup> June 2021</b>	<b>304,403</b>	<b>304,403</b>
<b>Depreciation and impairment</b>		
At 1 July 2020	0	0
Depreciation	0	0
Impairment	-	
<b>At 30 June 2021</b>	<b>0</b>	<b>0</b>
<b>Net book values</b>		
<b>At 30<sup>th</sup> June 2021</b>	<b>304,403</b>	<b>304,404</b>

**20. CURRENT LIABILITIES**

	KShs
Prepaid Tuition Fee	1,069,057
Employee Benefit Obligation-Salaries	51,000
<b>Total</b>	<b>1,120,057</b>

**Valuation**

Land and buildings were have not been valued by an independent valuer on and thus their values have not been included in the financial statements

**KENDEGE TECHNICAL AND VOCATIONAL COLLEGE  
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**21. FINANCIAL RISK MANAGEMENT**

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The entity's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

**(i) Credit risk**

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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**FINANCIAL RISK MANAGEMENT (Continued)**

**(iii) Market risk**

The entity has put in place an internal audit function to assist it in assessing the risk faced by the entity on the going concern basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

**a) Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

**(iii) Market risk (Continued)**

**a) Foreign currency risk (Continued)**

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

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**FINANCIAL RISK MANAGEMENT (Continued)**

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

*Management of interest rate risk*

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

(iii) Market risk (Continued)

b) Interest rate risk(continued)

*Sensitivity analysis*

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2016: KShs xxx ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2020 – KShs xxx)

iv) **Capital Risk Management**

The objective of the entity's capital risk management is to safeguard the entity's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2021-2021
	Kshs
Revaluation reserve	0
Retained earnings	0
Capital reserve	30,742,458
<b>Total funds</b>	<b>30,742,458</b>
Total borrowings	-
Less: cash and bank balances	1,737,905
Net debt/(excess cash and cash equivalents)	-
<b>Gearing</b>	<b>53%</b>

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**22. RELATED PARTY BALANCES**

**Nature of related party relationships**

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

**Government of Kenya**

The Government of Kenya is the principal shareholder of Kendege TVC, holding 100% of kendege's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Government;
- ii) The Ministry of education;
- iii) Key management;
- iv) Kenya power and lighting company;
- v) Board of directors;

The transactions and balances with related parties during the year are as

	2020-2021
	Kshs
<b>Transactions with related parties</b>	
<b>Key management compensation</b>	
Board of directors' emoluments	578,000
Meals served	42,470
<b>Total</b>	<b>620470</b>

Note: In the FY2020-2021, no payment was made to any other related party other than the directors.

**23. CAPITAL COMMITMENTS**

In the financial year 2020-2021, Kendege TVC had no capital commitment that has been undertaken, but Kendege TVC intends to construct temporal workshop for practical lesson.

**24. DEFERRED TAX LIABILITY**

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

NOTE: Kendege TVC being a learning institution in the public sector, it is not liable to pay differed taxes.

**25. EVENTS AFTER THE REPORTING PERIOD**

Kendege TVC had no material adjusting and non- adjusting events after the reporting period that may lead the financial statement to be adjusted.



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**26. ULTIMATE AND HOLDING ENTITY**

The Kendege TVC is a State Corporation under the Ministry of education. Its ultimate parent is the Government of Kenya.

**28. CURRENCY**

The financial statements are presented in Kenya Shillings (Kshs).

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**XIX. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		This was the first audit		

**Accounting Officer**

Ombati Anunda Rogito

Kendegge Technical and vocational College

Signature.....

Date.

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**XX. APPENDIX I: INTER-ENTITY TRANSFERS**

	ENTITY NAME:	KISII NATIONAL POLYTECHNIC		
	Break down of Transfers from the Kisii National Polytechnic			
	FY 2020/2021			
a.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	1259204170	11 June 2021	421,173	FY 2020/2021
	1280646055	11 June 2021	914,290	FY 2020/2021
		<b>Total</b>	<b>1,335.493</b>	

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Officer  
Kendege TVC

Sign -----

Head of Accounting Unit  
xxx Ministry

Sign-----