

REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
PAGES 1 AND 2  
DATE: 22 FEB 2023  
DAY: \_\_\_\_\_  
REPORT BY: HON. OWEN BAYA, MP  
DEPUTY LEADER OF MAJORITY  
CERTIFIED BY: CHRISTINE NDIRITU  
THE TABLE:

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KIPSOEN TECHNICAL AND VOCATIONAL  
COLLEGE**

**FOR THE YEAR ENDED  
30 JUNE, 2020**





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## **KIPSOEN TECHNICAL AND VOCATIONAL COLLEGE**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2020**

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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. KIPSOEN TECHNICAL AND VOCATIONAL COLLEGE INFORMATION AND MANAGEMENT**

### **(a) Background information**

Kipsoen Technical and Vocational College-Iten was incorporated/established under the TVET Act, 2013 Act on 11<sup>th</sup> April, 2018 (Ref: TVETA/PUBLIC/TVC/010/2018). The entity is domiciled in Kenya. The institute is under the Ministry of Education.

KTVC-Iten academic activities are grouped in two namely: department of Engineering which constitutes Mechatronics Technician, Electrical & Electronics, Civil, Building & Technology, Plumbing and Carpentry and department of ICT/Business which constitutes Agriculture, Secretarial, Information Studies and Accountancy.

### **(b) Principal Activities**

The core mandate of KTVC -Iten is to promote advancement of education and development in the region and the country at large through technical and vocational training, research, innovation and community service.

The vision of the college is *"A leading institution in the Provision of Technical Skills Training and Entrepreneurship"*.

Its mission is: *"To impart quality technical skills through education, training and practical knowledge for self-reliance and economic empowerment in partnership with stakeholders"*.

Core values of KTVC-Iten are: *Integrity, teamwork, professionalism, accountability, inclusivity and health and safety.*

The Objectives of Kipsoen Technical and Vocational and College -Iten are as follows:

- i. To provide, a competent, dependable, innovative and creative human resource.*
- ii. To impart applied knowledge to trainees in order to gain entrepreneurial and problem-solving skills in the world of work;*
- iii. To expand and upgrade the Institute's infrastructure and equipment;*
- iv. To collaborate with Institutions and the community in providing extension services and solutions to emerging issues;*
- v. To promote trainee welfare and maintain co-curricular facilities for training and wellness.*

**(c) Key Management**

The entity's day-to-day management is under the following key organs:

**Board of Governors (BOG)**

The Board meets as often as warranted but not less than three times a year. The day-to-day management of the Institute is the responsibility of the Principal. Various committees assist in running the Institute.

These include-

- Finance, Infrastructural and General Purpose committee
- Human, Resource, Education and Research committee
- Audit and Risk committee

Each of the above committees has specific responsibilities and obligations in as far as the Institute is concerned. They meet often to deliberate on issues affecting the Institute and make appropriate recommendation for further action by the Institute management.

**Principal**

- The Principal is answerable to the Board of Governors and the Government.
- The chief executive of the institute managing it on a day-to-day basis and is the secretary to the Board of Governors.
- Ensures implementation and execution of government policies, programmes and other statutory requirements.

**Deputy Principal**

- The Deputy Principal is answerable to Principal
- The deputy chief executive of the institute assisting the principal in managing it on a day-to-day basis and is the deputy secretary to the Board of Governors.
- Ensures implementation and execution of school policies, programmes and other statutory requirements as directed by the principal.

**Registrar**

- Handle all issues related to student's admissions in general
- Effective management of trainees' records
- Management of trainee evaluation both internally and externally.
- Marketing institute programmes
- Any other functions assigned by the principal

**Dean Of Students**

- Organize proper utilization of all trainees' recreational facilities
- Oversee organization of student's governance, clubs, societies, games etc.
- Arrange regular consultative information oriented meetings with class representative, HODs and Principal
- Approve student's leave of absence during non-tuition time.
- Prepare budget related to all co-curricular activities
- Keep records and correspondence on trainees' issues and welfare.
- Any other functions assigned by the principal.

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	<b>Eric K. Tanui</b>
2.	Deputy Principal Finance	<b>Samuel K. Lagat</b>
3.	Registrar(s)	<b>Festus K. Rotich</b>
4.	Dean of Students	<b>Maurice K. Chemitei</b>
5.	Head of Finance	<b>Jonathan K. Yator</b>
6.	Head of Department-Engineering	<b>Peres Chepkemei</b>
7.	Head of Department-ICT/Business/Agriculture	<b>Aaron Chemwolo</b>

**(e) Fiduciary Oversight Arrangements***Audit and Risk committee*

Members of Kipsoen Technical and Vocational College-Iten Board of Governors (BOG) have established an *Audit and risk committee*, which attends to the college audit requirements from time to time. Auditing is scheduled as per the GOK requirements relating to public institutions. Internal and external auditors are involved for this purpose.

*Finance, Infrastructural and General Purpose committee*

The Kipsoen Technical and Vocational College-Iten has an existing *Finance and operations committee* that is constituted by some the members of the Board of Governors (BOG). This committee performs functions such as college budget approval, regulation of expenditures, identifications of Income Generating Activities (IGA) and other sources of revenues.

*Human, Resource, Education and Research committee*

Kipsoen Technical and Vocational College-Iten core mandate is to promote advancement of education and development in the region and the country at large through technical and vocational training, research, innovation and community service. The Board of Governors has therefore established a special committee that is dedicated to issues relating to academic activities such development of policies, acquisition of teaching and learning materials amongst others.



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S/No	Name of committee	Members
1.	<i>Finance, Infrastructural and General Purpose committee</i>	<ol style="list-style-type: none"> <li>1. Duncan Kimaiyo-Chairperson</li> <li>2. Boaz Kipkurui Kipchoge</li> <li>3. Nyabuto Diafna Lucy</li> <li>4. Accounts Clerk-May be Co-opted</li> </ol>
2.	<b>Human Resource, Education and Research committee</b>	<ol style="list-style-type: none"> <li>1. Boaz Kipkurui Kipchoge-Chairperson</li> <li>2. Duncan Kimaiyo</li> <li>3. Nyabuto Diafna Lucy</li> <li>4. HoD-Academics may be co-opted</li> </ol>
3	<i>Audit and Risk committee</i>	<ol style="list-style-type: none"> <li>1. David Kimosop Chesire- Chairperson</li> <li>2. Dr. Castro Felix M. Mugalla</li> <li>3. Janet Jepchirchir Kimutai</li> </ol>

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

**(f) Entity Headquarters**

Kipsoen Technical and Vocational College,  
Off Iten-Eldoret Road.  
P.O. Box 344-30700,  
ITEN, KENYA

**(g) Entity Contacts**

Telephone: (254) 797868786  
E-mail: kipsoentvc@gmail.com  
Website: www.kipsoentvc.ac.ke

**(h) Entity Bankers**

Equity Bank Ltd  
Iten Branch  
P.O. Box 616-30700  
Iten, Kenya







**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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



## II. THE COUNCIL/BOARD OF GOVERNORS

No.	Member/ Director	Details
1.	 James Kemboi Keitany. <i>Bachelor in Project, Planning and Management</i>	Born in 21 <sup>st</sup> September 1962. Holder of Bachelor in Project, Planning and Management. Deployed to the County Department for Lands, Water, Environment and Natural Resources Chairperson BOG
2.	 Duncan Kimaiyo. <i>Bachelor of Science in Mathematics</i>	Born in 5 <sup>th</sup> May 1986. Holder of Bachelor of Science in Mathematics. He is a Business Person-Agricultural Input and General Supplies. Executive member BOG, member Human, Resource, Education and Research Chairperson Finance, Infrastructure and General Purpose Committee.
3.	 Janet Jepchirchir Kimutai. <i>Master of Business Administration-Finance</i>	Born in 29 <sup>th</sup> January, 1984 Holder of Master of Business Administration-Finance. She has a 10-year experience as an accountant. Executive member BOG and Member Audit and Risk Committee.
4.	 Dr. Castro Felix M. Mugalla. <i>Master of Medicine</i>	Born in 27 <sup>th</sup> October 1979 Holder of Master of Medicine. A career medical doctor. Executive member BOG and Member Audit and Risk Committee.
5.	 David Kimosop Chesire <i>Bachelor of Science in Computer Science</i>	Born in 27 <sup>th</sup> July 1980 Holder of Bachelor of Science in Computer Science. Senior Manager, Business Systems & Analysis. Executive member BOG and Chairperson Audit and risk Committee.
6.	 Boaz Kipkurui Kipchoge <i>BSc. Telecommunications &amp; I.T</i>	Born in 10 <sup>th</sup> March 1986 Holder of BSc. Telecommunications & I.T. He is Trainee Engineer - Networks. Executive member BOG, member and Chairperson Human, Resource, Education and Research Committee. Member of Finance, Infrastructure and General Purpose Committee.








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7.	 <p>Nyabuto Diafna Lucy <i>B.Eng. Geospatial Engineering</i></p>	<p>Born in 4<sup>th</sup> April 1991. Holder of B.Eng. Geospatial Engineering. She is a Geospatial engineer. Executive member BOG and Member Human, Resource, Education and Research Committee. Member of Finance, Infrastructure and General Purpose Committee.</p>
8.	 <p>Eric K. Tanui. <i>Master Of Science (Pure Mathematics)</i></p>	<p><i>Born in 21<sup>st</sup> June, 1972</i> Holder of Master of Science (Pure Mathematics). Experienced educational manager. Currently serves as the principal/ Secretary BOG</p>

### III. MANAGEMENT TEAM

No.	Member/ Director	Details
1.	 Eric K. Tanui <i>Master Of Science (Pure Mathematics)</i>	Principal
2.	 Samuel K. Lagat <i>Bachelor of Education in Technology Education (Electrical &amp; Electronics Engineering)</i>	Deputy Principal
3.	 Festus K. Rotich <i>Bachelor of Education (Technology Education - Electrical &amp; Electronics Engineering)</i>	Ag. Registrar
4.	 Maurice K. Chemitei <i>Bachelor of Education-Business and Secretarial.</i>	Ag. Dean of Students
5.	 Peres Chepkemei <i>Diploma in Technical Education, Diploma in Electrical &amp; Electronics Engineering (Power Option)</i>	Ag. Head of Department- Engineering

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ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

6.	 Aaron K. Chemwolo	Ag. Head of Department- ICT/Business/Agriculture/Garment Making
7.	 Jonathan K. Yator <i>Bachelors In Business Management (Finance And Banking), ICPAK</i>	Accounts clerk




#### IV. CHAIRMAN'S STATEMENT

I have the pleasure to present an overview of the Kipsoen Technical and Vocational College performance for the year ended 30<sup>th</sup> June 2020. KTVC endeavors to continually improve on the implementation of its mission and Objectives

Board of Governors were inaugurated in 2019. Various committees were constituted to oversee functions relating to finance, operations, infrastructure, audit and risk, human resource, education and research. The board has held general and committee meetings.

I am thankful to the government of Kenya, Board of Governors, Management and staff for their dedication and participation over the year in striving to make KTVC-Iten achieve its vision and mission so as to achieve its objectives.

Signature.......... Date 25/07/2022

**James Kemboi Keitany**

#### CHAIRMAN, BOARD OF GOVERNORS

#### V. REPORT OF THE PRINCIPAL

I am delighted to have the opportunity to give a report on Kipsoen Technical and Vocational College. The college was officially registered with the relevant government bodies in accordance with TVET Act 2013. We undertook a vigorous exercise of marketing our courses within Elgeyo Marakwet County and beyond its borders between June to September, 2019 that saw the admission of approximately 103 students who were admitted to various courses in artisan, craft and diploma levels.

We envisage to promote highly and advanced technical trained manpower in the various fields as part of the college's contribution towards the achievement of Vision 2030 by providing quality technical training for self-reliance and economic empowerment for sustainable development.

The Government of Kenya through Ministry of Education and the Board of Governors have greatly assisted us in the employment of skilled trainers and non-teaching staff to help the college deliver on its core mandate. The government has provided funding to the institution through capitation, HELB loans and NG-CDF student bursaries that has seen the college carry out its functions fairly well. The college strives to use funds to facilitate its activities and enhance its infrastructure.

To this end, we look forward to work towards attainment of our main objectives hence deliver on our core mandate.

Signature.......... Date 25/7/2022

**PRINCIPAL/BOG SECRETARY**

**VI. STATEMENT OF PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES**

Section 81 Sub-section 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Kipsoen Technical and Vocational College has *four (4)* strategic pillars /issues/ themes and objectives within current Strategic Plan for the FY 2019-2020. These strategic pillars are as follows:

Pillar/ theme/issue 2: Resources (financial and human)

Pillar/ theme/issue 3: Access, Equity and Quality Assurance

Pillar/ theme/issue 5: Collaboration and Linkages

Pillar/ theme/issue 6: Communication and Public Relation

Kipsoen Technical and Vocational College develops its annual work plans based on the above *four (4)* pillars.

Strategic Pillar		Objective	Key Performance Indicators	Activities	Achievements
Pillar / theme / issue 1	Financial Resources	Diversify sources and increase funding	Increased student population	Increase student's enrolment.enrolment of students/trainees	GOK capitation not increased.
	Human Resources	Harness Human resource	Recruitment of staff	Receiving job applications	Staff hired.
Pillar / theme / issue 2	Access, Equity and Quality Assurance		Number of students assisted.	Assist potential trainees to access funding for their tuition.	Several applications received.
			Number of training/workshop attended.	Sponsor guidance and counselling staff for training/Workshop	Improved guidance and counselling services
Pillar / theme / issue 3	Collaboration and Linkages	Enhance collaboration and linkages with industries, TVET institutions and schools	Number of Collaborations established.	Nurture and expand collaboration and linkages	Enhanced collaborations and linkage
			No of benchmark trips	Benchmarking trips to other TVET institution	Bench marking reports
			Number of networks established.	Visiting industries and companies	Cordial working relationship
Pillar / theme / issue 4	Public Relations and Communication	To ensure effective public relation communication	Number of social responsibilities undertaken.	Participation in tree planting, cleaning activities, offering agriculture	Raise our corporate image and good will.

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		between the college and our publics		extension to our neighbourhood, fund raising activities. Amongst others	
			Number of activities conducted in relation to marketing.	Go to local barazas, use of social medias	Increased visibility of our college.
			Number of forums attended.	Sensitization of local community on importance of TVET courses	Local community sensitized
			Number of TVET services and products exhibited.	Participate in TVET Open Days.	Showcased TVET services and products



## **VII. CORPORATE GOVERNANCE STATEMENT**

Kipsoen technical and vocational college is organised under the category of Technical and Vocational Colleges to offer programmes up to Diploma level, in accordance with the TVET Act No. 29 of 2013. The institute is governed by the Board of Governors (BOG). The membership of the BOG comprises the Chairperson, representative of the Principal Secretary, State Department of Vocational and Technical Training, Ministry of Education, representative of the Governor of Uasin Gishu within which the institute is located, Six other persons appointed on the basis of their knowledge and experience in leadership and management, financial management, technology, industry, engineering and Information Communication Technology. The Principal/Accounting Officer/Executive officer being the secretary to the BOG.

In appointing and reappointing of board members, commencement dates of some members are staggered to maintain continuity in the affairs of the board.

The appointment of a member to the BOG may be revoked if the member resigns, becomes insolvent, imprisoned for a term of six months or more, incapacitated by physical or mental illness, absent from three consecutive meetings of the board without leave, inability to discharge his/her function or appointment revoked by the appointing authority.

The BOG meets at least once every four months. Quorum for the conduct of business at a meeting of the BOG is two-thirds of the total number of members of the Board.

### **The functions of the Board Include:**

- Overseeing the conduct of education and Training in the institute
- Promoting and maintaining quality standards and relevance in education and Training
- Administering and managing the institutes property
- Preparing annual estimates of revenue and expenditure as well as incurring expenditure
- Receiving fees, grants, subscriptions, donations and other moneys and making disbursements
- Mobilising resources for the institute
- Developing and reviewing training programmes
- Regulating admissions subject to the Act
- Approving collaborations or associations with other institutions and industries
- Recruiting trainers from among qualified professionals
- Determining suitable terms and conditions of service for support staff and trainers and remunerating them in consultation with the Authority.
- Making regulations governing the institute, conduct and discipline of staff and students.
- Preparing annual reports in areas of their mandate
- Providing for the welfare of staff and students
- Encouraging, nurturing and promoting democratic culture, dialogue and tolerance in the institute.

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**VIII. MANAGEMENT DISCUSSION AND ANALYSIS**

**SECTION A**

Kipsoen technical and vocational college operational and financial performance

During the financial year the institute realized Appropriation in Aid revenue of **Ksh. 4,373,817** and Government grants of **Ksh.0.00** and recurrent expenditure stood at **Ksh. 3,342,785**.

**SECTION B**

Kipsoen technical and vocational college compliance with statutory requirements

Kipsoen technical and vocational college has complied with all statutory requirements which include prompt remittance of NSSF, NHIF, PAYE and HELB.

## SECTION C

### Major risks facing Kipsoen Technical and vocational college

Kipsoen Technical and Vocational College desires to enhance its performance and competitiveness in the tertiary education sector in the face of competition of already established institutions and private colleges/institutions. However, to succeed in competitive environment the Institute requires a lot of support from the Government and other stakeholders in terms of funding and other development projects because there is lack of; hostels for students and staff, inadequate classroom infrastructure, inadequate land for expansion, insufficient funds, inadequate library space and books and means of transport-utility vehicles.

The challenges include Inadequate Development and Recurrent grants that reduces implementation of procurement plan activities and Untimely disbursement of student Capitation.

## SECTION D

### Material arrears in statutory and other financial obligations

Kipsoen Technical and Vocational College is law abiding Institution and is committed to its core mandate hence it has no Statutory or tax default to date.

## SECTION E

### The entity's financial probity and serious governance issues

The Institute has no governance issues among the Board of Governors members or the top management in so far as conflict of interest is concerned.

## IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Kipsoen Technical and Vocational College exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/citizen first, delivering relevant goods and services, and improving operational excellence.

### Sustainability strategy and profile

Through its strategic planning the entity has drawn its sustainability and profile from its vision, mission and core values

### Environmental performance

Kipsoen technical and vocational college is guided by the environmental sustainability guidelines in accordance to chapter 5 of the constitution of kenya and the Environmental Management and Coordination Act(EMCA) OF 1999. Environmental sustainability refers to concerted efforts put in place to mitigate against environmental degradation.it is the maintenance of factors and practises that contribute to the quality of environment on a short and long term basis.

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**Employee welfare**

Kipsoen technical and vocational college is guided by the policies under the labour laws.

The entity also complies with the occupation safety and health Act 2007,(OSHA)

Persons with the right qualifications and competence were hired following established process of advertising existing posts, receiving applications, shortlisting of qualified candidates and inviting for an interview conducted based on established criteria that include gender consideration, experiences and relevant qualifications.

**Market place practises**

a) Responsible competition practise.

the entity is guided by the Kenya constitution that has endeavoured to uphold fairness, equity and transparency during implementation of its projects. In the implementation of the curriculum the management ensured that the training offered was of high quality. Instructional training, continuous assessment and evaluation conducted in line with the academic policy

b) Responsible supply chain and supplier relations.

The entity through its strategic plan identified various stakeholders including the suppliers and is committed towards strengthening supplier relations through sensitisation and prequalification of all suppliers who meet requirements, timely payments for goods and services provided, provide feedback mechanism and effective communication linkages.

c) Responsible marketing and advertisement

To enhance its marketing strategies, the entity has continuously done road trips, barazas, updating the online platform and publicise its information in its website mainly aimed at reaching out to the youth. Advertisements of tenders has been done widely on local platforms and major tenders in newspapers.

d) Product stewardship

The entity has ensured that its consumers rights and interests have been safeguarded. the entity participates in science fairs, sports, staff training and development to enhance the delivery of services to its clients.

**Corporate social responsibility/community engagement**

Partnered with the community in tree planting to increase the Kenya's forest cover.

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

The Board members submit their report together with the financial statements for the year ended June 30, 2020 which show the state of the entity's affairs.

### **Principal activities**

The principal activities of the entity are;

- To offer technical training
- To provide and promote life-long learning

### **Results**

The results of the entity for the year ended June 30, 2020

## **BOARD OF GOVERNORS**

The members of the Board who served during the year are shown on page vi, vii and viii.

### **Auditors**

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

By Order of the Board of Governors



**PRINCIPAL/BOG SECRETARY.**

Date: 25/7/2022



## **XI. STATEMENT OF BOARD OF GOVERNORS/ COUNCIL MEMBERS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013*) - require the council members to prepare financial statements in respect of *Kipsoen Technical and Vocational College*, which give a true and fair view of the state of affairs of the *Kipsoen Technical and Vocational College* at the end of the financial 2019/2020 and the operating results of the *Kipsoen Technical and Vocational College* for 2019/2020. The council members are also required to ensure that the *Kipsoen Technical and Vocational College* keeps proper accounting records that disclose with reasonable accuracy the financial position of *Kipsoen Technical and Vocational College*. The council members are also responsible for safeguarding the assets of the *Kipsoen Technical and Vocational College*.

The council members are responsible for the preparation and presentation of the *Kipsoen Technical and Vocational College* financial statements, which give a true and fair view of the state of affairs of the *Kipsoen Technical and Vocational College* for and as at the end of the financial year 2019/2020 ended on June 30, 2020. 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 the *Kipsoen Technical and Vocational College*;
- (v) Selecting and applying appropriate accounting policies;
- (vi) Making accounting estimates that are reasonable in the circumstances.

The council members accept responsibility for the *Kipsoen Technical and Vocational College* 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 (*the State Corporations Act, and the TVET Act*). The council members are of the opinion that the *Kipsoen Technical and Vocational College's* financial statements give a true and fair view of the state of *Kipsoen Technical and Vocational College* transactions during the financial year ended June 30, 2020, and of the *Kipsoen Technical and Vocational College's* financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the *Kipsoen Technical and Vocational College*, which have been relied upon in the preparation of the *Kipsoen Technical and Vocational College's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the council members to indicate that the *Kipsoen Technical and Vocational College* will not remain a going concern for at least the next twelve months from the date of this statement.

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**Approval of the financial statements**

The *Kipsoen Technical and Vocational College's* financial statements were approved by the Board on 11/10/2021, and signed on its behalf by:

Name: James Kemboi Keitany

Signature.....

Chairperson of the Board/Council

For Name: Eric K. Tanui

Signature.....

Accounting Officer/Principal





# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KIPSOEN TECHNICAL AND VOCATIONAL COLLEGE FOR THE YEAR ENDED 30 JUNE, 2020**

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kipsoen Technical and Vocational College set out on pages 1 to 47, which comprise of the statement of financial position as at 30 June, 2020 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kipsoen Technical and Vocational College as at 30 June, 2020, 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**

##### **1.0 Unsupported Capital Development Grants**

The statement of changes in net assets reflects total net assets of Kshs.62,568,135. Included in this balance, is an amount of Kshs.60,000,000 in respect of capital development grants which was not supported with schedules of how the funds were utilized.

In the circumstances, the accuracy and completeness of the capital development grants could not be confirmed.

##### **2.0 Property, Plant and Equipment**

The statement of financial position reflects property plant and equipment balance of Kshs.59,320,400 and as disclosed in Note 31 to the financial statements. Review of the financial records revealed the following observations;



- i. The initial financial statements had a property, plant and equipment balance of Kshs.104,800,000 while the revised statements had a balance of Kshs.59,320,400 resulting in a variance of Kshs.45,479,600. However, Management did not provide journal vouchers to support the amendments.
- ii. The values of land and buildings were not supported with valuation reports.
- iii. The assets register did not include assets valued at Kshs.60,937,600 as detailed at Appendix I. In addition, assets donated by the Ministry of Education were not valued and included in the assets register as detailed at Appendix II.
- iv. Title documents for the land on which the College is located were not provided.
- v. According to the asset register the College had a land rover, which was donated to the College by the Keiyo North CDF office on 17 February, 2020. However, the log book for the vehicle was not provided for audit verification.
- vi. The College was mentored by Rift Valley College of Science and Technology (RVIST). However, the mentoring Institution did not provide a handing over report. Therefore, the details of assets handed over could not be ascertained.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.59,320,400 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kipsoen 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 reflects final receipts budget and actual on a comparable basis of Kshs.5,892,000 and Kshs.7,277,000 respectively resulting in over collection of Kshs.1,385,000. Similarly, the College expended Kshs.4,708,865 against an approved budget of Kshs.5,892,000 resulting to an under-expenditure of Kshs. 1,183,135 or 20% of the budget. The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.



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

### Conclusion

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

### Basis for Conclusion

#### 1.0 Failure to Deduct and Remit National Social Security Fund (NSSF) and National Hospital Insurance Fund (NHIF) Contributions

The statement of financial performance reflects employee costs of Kshs.817,500. During the year under review, Management failed to deduct and remit NSSF and NHIF statutory contributions, contrary to Section 20 of the NSSF Act, 2013 and Sections 15 & 16 of the NHIF Act, 1998.

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

#### 2.0 Failure to Remit Industrial Training Levy

The statement of financial performance reflects total expenses amount of Kshs.4,708,865 which, according to Note 16 to the financial statements, includes salaries and wages amounting to Kshs.817,500. During the year under review, Management had not been registered as an employer with the Director of Industrial Training, contrary to Paragraph 3(2) of the Industrial Training (Training Levy) Order, 2007 which stipulates that a person who becomes an employer after the commencement of this Order shall, within thirty days of becoming an employer, apply to the Director in the Form 1 set out in the Schedule to be registered as an employer.

Subsequently, for the year under review, Management had not remitted the requisite Industrial Training Levy contrary to paragraph 4(1) of the Industrial Training (Training Levy) (Amendment) Order, 2020 which requires that at the end of each financial year, an employer shall remit to the Director a levy of six hundred shillings per employee per year or pro rata for their term of service. (2) Payment of the levy due shall be accompanied by an annual return in Form 2 set out in the Schedule.

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

#### 3.0 Non-Compliance with the Law on Ethnic Composition & Gender Rules

Review of human resource records revealed that 87% of the members of the Board of Governors and senior management staff were from one dominant community contrary to Section 7 of the National Cohesion and Integration Act, 2008 which requires that all public establishments should seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment shall have more than one third of its establishment from the same ethnic community.

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

#### **4.0 Lack of Approved Staff Establishment**

Review of human resource records confirmed that management did not have in place an approved human resource plan and staff establishment record contrary to Paragraph B.2(1) of the Human Resource Policies and Procedures Manual for the Public Service May, 2016 which requires that every Ministry/State Department shall prepare Human Resource Plans to support achievement of goals and objectives in their Strategic plans. It was therefore not possible to ascertain the human resource requirements and establish the basis of recruitment of new employees, both permanent and temporary.

Hence, Management was in breach of the law.

#### **5.0 Late Submission of the Financial Statements**

The College's financial statements for the year ended 30 June, 2020 were submitted to the Office of the Auditor-General on 21 October, 2021 instead of 30 September 2020. This was contrary to Section 68(2k) of the Public Finance Management Act, 2012 which stipulates that an accounting officer shall prepare annual financial statements within three months after the end of the financial year and submit them to Auditor-General for audit. Management did provide reasons for the delay in submission of financial statements.

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

#### **6.0 Remuneration of Directors**

The statement of financial performance reflects remuneration of directors (Board of Governors) expenses totalling to Kshs.157,000 . However, the following observations were made:

- (i) The letter appointing the Secretary to the Board was not provided for audit review contrary to Paragraph 5(3) of the Second Schedule S.28(3) (Membership and Governance Procedures for Boards of Governors for Training Institutions) of the Technical and Vocational Education and Training Act, 2013 which stipulates that no person shall participate in any proceedings or otherwise conduct the business of the Committee of Board without first being appointed.
- (ii) The Board Work Plan was not provided for review contrary to Chapter 1.9 (1) of the Mwongozo code which requires that Board members should ensure the development of an annual Board work plan.
- (iii) Board Calendar/Almanac and notices of Board & Committee meetings to Board members were not provided contrary to Paragraph 11(2) of the TVET Act, 2013 which stipulates that every meeting of the Board of Governors shall be convened by giving at least fourteen days' notice in writing to every member unless three quarters of the total members of a Board of Governors otherwise agree.
- (iv) There was no evidence of any Board member being a bona fide member of ICPAK contrary to Chapter 1.1 (6) of the Mwongozo Code (the Code of Governance for State Corporations) which requires that at least one Board

member should be a financial expert, meaning that he or she has the necessary qualifications and expertise in financial management or accounting and is a *bona-fide* member of a professional body regulating the Accountancy profession, and in compliance with the requirements thereof.

- (v) The gazette notice appointing the Board members was not provided contrary to Chapter 1.1 (11) of the Mwongozo code which stipulates that each Board member shall be formally appointed to the Board through a Gazette Notice and thereafter an appointment letter.
- (vi) Board resolution forming the various Board committees and defining their terms of reference was not provided contravening Chapter 1.7 (1) of the Mwongozo code which states that the Board should: (c) Provide Terms of Reference for each committee which should set out, as a minimum, objectives, delegated authority, operations and reporting mechanism to the Board.
- (vii) Board Charter not provided contrary to Chapter 1.11 (1) of the Mwongozo code which stipulates that the Board should develop and adopt a Board Charter.
- (viii) Board annual evaluation had not been done contrary to Chapter 1.13 (1) of the Mwongozo code which requires the Board, in consultation with the Oversight Office, to ensure that it subjects the organization to an annual governance audit by a member regulated by the Institute of Certified Public Secretaries of Kenya (ICPSK) and accredited for that purpose.
- (ix) No evidence that the Board was certified by an accredited body within six months of their appointment contrary to Chapter 1.10 (2) (c) of the Mwongozo code which requires that the Board should be certified by an accredited body within six months of their appointment.

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

## **7.0 Lack of Approved Annual Estimates and Cash Flow Plan**

The statement of comparison of budget and actual amounts indicates that the College had a final budget amount of Kshs.5,892,000. During the year, payments amounting to Kshs.4,708,865 or 80% of the budgeted funds were made. However, the Management did not provide the annual estimates approved by the Cabinet Secretary contrary to Section 22(2) of the Second Schedule of the Technical and Vocational Education and Training Act, 2013. Further, Management did not provide quarterly cash flow projections supported by a procurement plan approved in accordance with the Public Procurement and Disposal Act, contrary to Regulations 44(4) of the Public Finance Management (National Government) Regulations, 2015.

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

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

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

### Conclusion

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

### Basis for Conclusion

#### 1.0 Lack of an Internal Audit Function

Review of internal control environment confirmed that the College did not have an Internal Audit Department to guide and evaluate its internal controls. This is contrary to Section 73(1)(a) of Public Finance Management Act, 2012 which states that, every National Government entity shall ensure that it has appropriate arrangements in place for conducting Internal Audit according to the guidelines of Public Sector Accounting Standards Board.

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

#### 2.0 Lack of a Risk Management Policy

Review of the internal control environment of the College confirmed that the Management did not have in place a risk management policy contrary to Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to ensure that the national government entity develops - (a) risk management strategies, which include fraud prevention mechanism; and (b) a system of risk management and internal control that builds robust business operations. Further, there is no evidence that the institution's Finance, Infrastructural and general-Purpose Committee submitted quarterly reports of its work including recommendations to the responsible Cabinet Secretary, as required under Regulation 19(2) of the Public Finance Management (National Government) Regulations, 2015.

In the absence of a risk management policy, the Management is unlikely to respond effectively to emerging risks that may subsequently result in weak internal controls and subsequent loss of funds.

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

### Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards -



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

In preparing the financial statements, Management is responsible for assessing the College's ability to continue 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. 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 control 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 control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

01 September, 2022



**Appendix I: Assets not Included in the Asset Register**

<b>No.</b>	<b>Item</b>	<b>Amount (Kshs.)</b>
1	1 Building	60,000,000
2	1 Samsung Cellphone	35,000
3	9 White board	157,500
4	9 Grid Board	130,500
5	2 Sign Post	35,000
6	24 Drawing Tables	151,200
7	24 Drawing stools	96,000
8	20 Lecture Chairs	76,000
9	20 Plastic Chairs	16,400
10	20 Steel beds	240,000
	<b>Total</b>	<b>60,937,600</b>



## Appendix II: Assets Donated by the Ministry of Education

No.	Date Supplied	Quantity	Item	Class
1	1 July, 2019	20	HP Desktop Computer complete	Computers
2	1 July, 2019	20	UPS	Computers
3	1 July, 2019	3	HP Laser Jet Printers	Computers
4	1 July, 2019	3	Laptops	Computers
5	1 July, 2019	2	Projectors	Computers
6	1 July, 2019	1	14-seater boardroom table	Furniture
7	1 July, 2019	10	boardroom chairs	Furniture
8	1 July, 2019	1	Principal's office Desk	Furniture
9	1 July, 2019	1	Principals Executive Seat	Furniture
10	1 July, 2019	1	filing cabinet	Furniture
11	1 July, 2019	1	computer table	Furniture
12	1 July, 2019	1	Fire proof compact safe	Furniture
14	1 July, 2019	1	3 door book shelves	Furniture
15	1 July, 2019	6	visitors' chairs	Furniture
16	1 July, 2019	10	staff writing tables	Furniture
17	1 July, 2019	10	Teachers desks with drawers	Furniture
18	1 July, 2019	80	classroom training chairs	Furniture
19	1 July, 2019	5	Industrial Manipulator Training device	Industrial equipment
20	1 July, 2019	20	Digital Multimeter	Industrial equipment
21	1 July, 2019	50	Tool kits	Industrial equipment
22	1 July, 2019	10	Cabinets	Industrial equipment
23	1 July, 2019	5	Mechatronics training device	Industrial equipment
24	1 July, 2019	5	Production line training	Industrial equipment
25	1 July, 2019	5	PLC controlled hydraulic and pneumatic training device	Industrial equipment
26	1 July, 2019	5	Mechanotronics installation and control training device	Industrial equipment
27	1 July, 2019	1	Hydraulic Lifter	Industrial equipment
28	1 July, 2019	2	Hydraulic Cart	Industrial equipment
29	1 July, 2019	5	projectors	Computers
30	1 July, 2019	25	Desk Top Computers	Computers
31	1 July, 2019	25	UPS	Computers

**XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2019-2020	2018-2019
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the National Government – grants/ gifts in kind	6	3,317,500	-
Grants from donors and development partners	7	-	-
Transfers from other levels of government	8	-	-
Public contributions and donations	9	-	-
		<b>3,317,500</b>	-
<b>Revenue from exchange transactions</b>			
Rendering of services- Fees from students	10	3,959,500	-
Sale of goods	11	-	-
Rental revenue from facilities and equipment	12	-	-
Finance income - external investments	13	-	-
Other income	14	-	-
		<b>3,959,500</b>	-
<b>Total revenue</b>		<b>7,277,000</b>	-
<b>Expenses</b>			
Use of goods and services	15	2,115,465	-
Employee costs	16	817,500	-
Remuneration of directors	17	157,000	-
Depreciation and amortization expense	18	1,617,200	-
Repairs and maintenance	19	1,700	-
Contracted services	20	-	-
Grants and subsidies	21	-	-
Finance costs	22	-	-
		<b>4,708,865</b>	-
<b>Other gains/(losses)</b>			
Gain on sale of assets	23	-	-
Unrealized gain on fair value of investments	24	-	-
Impairment loss	25	-	-
		-	-
<b>Total other gains/(losses)</b>		-	-
<b>Net Surplus for the year</b>		<b>2,568,135</b>	-
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		-	-

The notes set out on pages 20 to 50 form an integral part of the Annual Financial Statements.

**KIPSOEN TECHNICAL AND VOCATIONAL NATIONAL COLLEGE**  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

**XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Notes	2019-2020	2018-2019
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	26	1,031,032	-
Current portion of receivables from exchange transactions	27(a)	668,156	-
Receivables from non-exchange transactions	28	3,317,500	-
Inventories	29	-	-
Investments	30	-	-
		<b>5,016,688</b>	-
<b>Non-current assets</b>			
Property, plant and equipment	31	59,320,400	-
Investments	30	-	-
Intangible assets	32	-	-
Investment property	33	-	-
Long term receivables from exchange transactions	27(b)	-	-
		<b>59,320,400</b>	-
<b>Total assets</b>		<b>64,337,088</b>	-
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	34	1,655,953	-
Refundable deposits from customers	35	113,000	-
Current Provisions	36	-	-
Finance lease obligation	37	-	-
Current portion of borrowings	41	-	-
Deferred income	38	-	-
Employee benefit obligation	39	-	-
Payments received in advance		-	-
		<b>1,768,953</b>	-
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	39	-	-
Non-current provisions	40	-	-
Borrowings	41	-	-
Service concession liability	42	-	-
Deferred tax liabilities	49	-	-
		<b>1,768,953</b>	-
<b>Total liabilities</b>		<b>1,768,953</b>	-
<b>Reserves</b>			
Surplus for the year		2,568,135	-
Accumulated surplus		-	-
Capital Fund		60,000,000	-
<b>Total net assets and liabilities</b>		<b>64,337,088</b>	-

The Financial Statements set out on pages 1 to 2 were signed on behalf of the Institute Council/ Board of Governors by:

Chairman of Council/Board of Governors

Finance Officer

Principal

Date

25/7/2022

Date

ICPAK No 26189  
25.7.2022

Date

25/7/2022

## XV. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2020

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
<b>At July 1, 2018</b>	-	-	-	-	-
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	-	-	-
Capital/Development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-
<b>At June 30, 2019</b>	-	-	-	60,000,000	60,000,000
<b>At July 1, 2019</b>	-	-	-	60,000,000	60,000,000
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	2,568,135	-	2,568,135
Capital/Development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-
<b>At June 30, 2020</b>	-	-	2,568,135	-	62,568,135



**XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

		2019-2020	2018-2019
	Note	Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other Government entities/Govt. grants		-	-
Public contributions and donations		-	-
Rendering of services- Fees from students		4,373,817	-
Sale of goods		-	-
Rental revenue from facilities and equipment		-	-
Finance income		-	-
Other income		-	-
<b>Total Receipts</b>		<b>4,373,817</b>	<b>-</b>
<b>Payments</b>			
Compensation of employees		817,500	-
Use of goods and services		1,668,985	-
Remuneration to directors		157,000	-
Repairs and maintenance		1,700	-
Finance cost		-	-
Rent paid		-	-
Taxation paid		-	-
Other payments		-	-
Grants and subsidies paid		-	-
<b>Total Payments</b>		<b>2,645,185</b>	<b>-</b>
<b>Net cash flows from operating activities</b>	43	<b>1,728,632</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(697,600)	-
Proceeds from sale of property, plant and equipment		-	-
Decrease in non-current receivables		-	-
Increase in investments		-	-
<b>Net cash flows used in investing activities</b>		<b>(697,600)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Increase in deposits		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,031,032</b>	<b>-</b>
Cash and cash equivalents at 1 JULY 2019	26	-	-
<b>Cash and cash equivalents at 30 JUNE 2020</b>	26	<b>1,031,032</b>	<b>-</b>



## XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Utilisation Difference
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Transfers from other Govt entities Govt grants	3,000,000	-	3,000,000	3,317,500	317,500	10.58%
Public contributions and donations	-	-	-	-	-	-
Rendering of services- Fees from students	2,892,000	-	2,892,000	3,959,500	1,067,500	36.91%
Sale of goods	-	-	-	-	-	-
Finance Income	-	-	-	-	-	-
Other Income	-	-	-	-	-	-
Gains on disposal, rental income and agency fees	-	-	-	-	-	-
<b>Total income</b>	<b>5,892,000</b>	-	<b>5,892,000</b>	<b>7,277,000</b>	<b>1,385,000</b>	
Expenses						
Compensation of employees	1,152,000	-	1,152,000	817,500	-334,500	-29.04%
Use of Goods and services	4,189,500	-	4,189,500	2,115,465	-2,074,035	-49.51%
Finance costs	-	-	-	-	-	-
Repairs and maintenance	182,500	-	182,500	1,700	-180,800	-99.07%
Remuneration of directors	368,000	-	368,000	157,000	-211,000	-57.34%
Provision for depreciation	-	-	-	1,617,200	1,617,200	0.00%
Grants and subsidies paid	-	-	-	-	-	-
<b>Total expenditure</b>	<b>5,892,000</b>	-	<b>5,892,000</b>	<b>4,708,865</b>		
<b>Surplus for the period</b>				<b>2,568,135</b>		

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**XVIII. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

*Kipsoen Technical and Vocational College* is established by and derives its authority and accountability from TVET Act 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is technical training.

**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 *Kipsoen Technical and Vocational College's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Kipsoen Technical and Vocational College*.

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

**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 2020.**

Standard	Impact
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ul>



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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 2020.**

<b>Standard</b>	<b>Effective date and impact:</b>
<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>
<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>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1st January 2023:</b></p> <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> </ul>

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Standard	Effective date and impact:
	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.

**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.

**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.

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

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

**a) Revenue recognition (Continued)**

**ii) Revenue from exchange transactions (continued)**

**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 2019/2020 was approved by the Council or Board on **25/09/2019**. 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 on the FY 2019/2020 budget following the Council/Board's approval.

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 and the actuals as per the statement of financial performance has been presented under section **xxx** of these financial statements.

**c) Taxes**

**Current income tax**

The entity is not exempt from paying taxes since it deducts PAYE and remits for its employees.

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

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

**c) Taxes (continued)**

***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 and are depreciated over a period of xxx years.

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

**4 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.

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.

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

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

**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 a 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 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:

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

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

**i) Financial instruments (Continued)**

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

- The debtors or a 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



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

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

**i) Inventories (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.

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

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

**k) Nature and purpose of reserves**

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

**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) Employee benefits**

**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

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of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

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

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

**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.

**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 have been no events 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.

**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**

The college uses **Reducing Balance Depreciation Method** in depreciating its assets.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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

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

Description	2019-2020	2018-2019
	KShs	KShs
<b>Unconditional grants</b>		
Capitation grants	3,317,500	-
Operational grant	-	-
Other grants	-	-
	<b>3,317,500</b>	<b>-</b>
<b>Conditional grants</b>		
Library grant	-	-
Hostels grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
Learning facilities grant	-	-
Other organizational grants	-	-
<b>Total government grants and subsidies</b>	<b>3,317,500</b>	<b>-</b>

**(b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES**

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2019-2020 KShs
Ministry/State Department of Vocational and Technical Training	3,317,500	-	-	-	3,317,500
Ministry	-	-	-	-	-
<b>Total</b>	<b>3,317,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,317,500</b>

*(Ensure that the amount recorded above as having been received from the Ministry fully reconciles to the amount recorded by the sending Ministry. An acknowledgement note/receipt should be raised in favour of the sending Ministry. The details of the reconciliation have been included under appendix xxx)*

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)****7. GRANTS FROM DONORS AND DEVELOPMENT PARTNERS**

Description	2019-2020	2018-2020
	KShs	KShs
JICA- Research grant	-	-
World Bank grants	-	-
In-kind Donations	-	-
Other grants	-	-
<b>Total grants from development partners</b>	-	-

**Reconciliations of grants from donors and development partners**

Description	2019-2020	2018-2020
	KShs	KShs
<b>Balance unspent at beginning of year</b>	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions to be met - remain liabilities</b>	-	-

No donor funding received during the financial year

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

Description	2019-2020	2018-2019
	KShs	KShs
Transfer from County xxx	-	-
Transfer from xxx University	-	-
Transfer from xxx institute	-	-
<b>Total Transfers</b>	-	-

**9. PUBLIC CONTRIBUTIONS AND DONATIONS**

Description	2019-2020	20xx-20xx
	KShs	KShs
Public donations	-	-
Donations from local leadership	-	-
Donations from religious institutions	-	-
Donations from alumni	-	-
Other donations	-	-
<b>Total donations and sponsorships</b>	-	-

No public contributions and donations



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

**10. RENDERING OF SERVICES**

Description	2019-2020	2018-2019
	KShs	KShs
Tuition fees and related income	3,154,960	-
Activity fees		-
Industrial attachment fees		-
Examination fees	804,540	-
Library fees		-
Facilities and materials		-
Registration fees		-
Others ( <i>Specify</i> )		-
<b>Total revenue from the rendering of services</b>	<b>3,959,500</b>	<b>-</b>

The institution received income from the collection of fees from students only

**11. SALE OF GOODS**

Description	2019-2020	2018-2019
	KShs	KShs
<b>Sale of goods</b>		
Sale of books	-	-
Sale of publications	-	-
Sale of farm produce	-	-
Cafeteria	-	-
Other(include in line with your organisation)	-	-
<b>Total revenue from the sale of goods</b>	<b>-</b>	<b>-</b>

No sale of goods during the year

**12. HIRE OF FACILITIES AND EQUIPMENT**

Description	2019-2020	2018-2019
	KShs	KShs
Hire of facilities and equipment	-	-
Contingent rental	-	-
operating lease revenue	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

No hire of facilities during the year

**13. FINANCE INCOME**

Description	2019-2020	2018-2019
	KShs	KShs
Cash investments and fixed deposits	-	-
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
<b>Total finance income</b>	<b>-</b>	<b>-</b>

There were no funds invested or interest charged to debtors during the year hence no income received



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

**14. OTHER INCOME**

Description	2019-2020	2018-2019
	KShs	KShs
Insurance recoveries	-	-
Consultancy fees	-	-
Income from sale of tender	-	-
Services concession income	-	-
Reimbursements and refunds	-	-
Graduation fees	-	-
Miscellaneous ( <i>Specify</i> )	-	-
<b>Total other income</b>	-	-

We did not receive any other income during the year

**15. USE OF GOODS AND SERVICES**

Description	2019-2020	2018-2019
	KShs	KShs
Teaching and learning materials	1,050,835	-
Industrial attachment costs	-	-
Electricity	130,500	-
Water	29,960	-
Security	-	-
Professional and Consultancy services	-	-
Subscriptions	100,000	-
Advertising	-	-
Examination fees	400,940	-
Audit fees	-	-
Catering, Conferences, and delegations	-	-
Travelling and accommodation	390,000	-
Fuel and oil	-	-
Insurance	-	-
Legal expenses	-	-
Licenses and permits	-	-
Postage	9,450	-
Printing and stationery	-	-
Bank charges and commissions	3,780	-
Rent expenses	-	-
Skills development levies	-	-
Telephone expenses	-	-
Internet expenses	-	-
Training expenses	-	-
Other ( <i>Specify</i> )	-	-
<b>Total good and services</b>	<b>2,115,465</b>	-

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**16. EMPLOYEE COSTS**

	2019-2020	2018-2019
	KShs	KShs
Salaries and wages	817,500	-
Employee related costs - contributions to pensions and medical aids	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	-
Housing benefits and allowances	-	-
Overtime payments	-	-
Performance and other bonuses	-	-
Social contributions	-	-
<b>Employee costs</b>	<b>817,500</b>	<b>-</b>

**17. REMUNERATION OF DIRECTORS**

Description	2019-2020	2018-2019
	KShs	KShs
BOG expenses	157,000	-
Directors emoluments	-	-
Other allowances	-	-
<b>Total director emoluments</b>	<b>157,000</b>	<b>-</b>

**18. DEPRECIATION AND AMORTIZATION EXPENSE**

Description	2019-2020	2018-2019
	KShs	KShs
Property, plant and equipment	1,617,200	-
Intangible assets	-	-
Investment property carried at cost	-	-
<b>Total depreciation and amortization</b>	<b>1,617,200</b>	<b>-</b>

**19. REPAIRS AND MAINTENANCE**

Description	2019-2020	2018-2019
	KShs	KShs
Property	1,700	-
Investment property – earning rentals	-	-
Equipment and machinery	-	-
Vehicles	-	-
Furniture and fittings	-	-
Computers and accessories	-	-
Other	-	-
<b>Total repairs and maintenance</b>	<b>1,700</b>	<b>-</b>

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**20. CONTRACTED SERVICES**

Description	2019-2020	2018-2019
	KShs	KShs
Actuarial valuations	-	-
Investment valuations	-	-
Property valuations	-	-
<b>Total contracted services</b>	-	-

**21. GRANTS AND SUBSIDIES**

Description	2019-2020	2018-2019
	KShs	KShs
Community development	-	-
Education initiatives and programs	-	-
Social development	-	-
Community trust	-	-
Sporting bodies	-	-
<b>Total grants and subsidies</b>	-	-

**22. FINANCE COSTS**

Description	2019-2020	2018-2019
	KShs	KShs
Borrowings (amortized cost)*	-	-
Finance leases (amortized cost)	-	-
Unwinding of discount	-	-
Interest on Bank overdrafts	-	-
Interest on loans from commercial banks	-	-
<b>Total finance costs</b>	-	-

We did not undertake any borrowing during the financial year

**23. GAIN ON SALE OF ASSETS**

Description	2019-2020	2018-2019
	KShs	KShs
	-	-
Property, plant and equipment	-	-
Intangible assets	-	-
Other assets not capitalised	-	-
<b>Total gain on sale of assets</b>	-	-



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

**24. UNREALIZED GAIN ON FAIR VALUE INVESTMENTS**

Description	2019-2020	2018-2019
	KShs	KShs
Investments at fair value	-	-
<b>Total gain</b>	-	-

**25. IMPAIRMENT LOSS**

Description	2019-2020	2018-2019
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
<b>Total impairment loss</b>	-	-

**26. CASH AND CASH EQUIVALENTS**

Description	2019-2020	2018-2019
	KShs	KShs
Current account	1,031,032	-
On - call deposits	-	-
Fixed deposits account	-	-
Staff car loan/ mortgage	-	-
Cash in hand	-	-
<b>Total cash and cash equivalents</b>	<b>1,031,032</b>	-

*(The amount should agree with the closing and opening balances as included in the statement of cash flows)*



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

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

Financial institution	Account number	2019-2020 KShs	2018-2019 KShs
<b>a) Current account</b>			
Equity Bank-fee collection	1530279317994	1,031,032	-
Equity Bank -capitation	1530279318067	-	-
<b>Sub- total</b>		<b>1,031,032</b>	-
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
<b>Sub- total</b>		-	-
<b>c) Fixed deposits account</b>			
Kenya Commercial bank		-	-
Bank B		-	-
<b>Sub- total</b>		-	-
<b>d) Staff car loan/ mortgage</b>			
Kenya Commercial bank		-	-
Bank B		-	-
<b>Sub- total</b>		-	-
<b>e) Others(specify)</b>			
Cash in transit		-	-
cash in hand		-	-
Mobile Money account		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>1,031,032</b>	-

**27. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

**27(a) Current Receivables from Exchange Transactions**

Description	2019-2020 KShs	2018-2019 KShs
<b>Current receivables</b>		
Student debtors	668,156	-
Rent debtors	-	-
Consultancy debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total current receivables</b>	<b>668,156</b>	-

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**27(b) Long- term Receivables from Exchange Transactions**

Description	2019-2020	2018-2019
	KShs	KShs
<b>Non-current receivables</b>		
Refundable deposits	-	-
Advance payments	-	-
Public organizations	-	-
Less: impairment allowance	-	-
<b>Total</b>	-	-
Current portion transferred to current receivables	-	-
<b>Total non-current receivables</b>	-	-
<b>Total receivables</b>	-	-

**27 (c) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions**

Description	2019-2020	2018-2019
	KShs	KShs
At the beginning of the year	-	-
Provisions during the year	-	-
Recovered during the year	-	-
Write offs during the year	-	-
At the end of the year	-	-

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

Description	2019-2020	2018-2019
	KShs	KShs
<b>Current receivables</b>		
Capitation grants*	3,317,500	-
Transfers from other govt. entities	-	-
Undisbursed donor funds	-	-
Other debtors (non-exchange transactions)	-	-
Less: impairment allowance	-	-
<b>Total current receivables</b>	3,317,500	-

*\*Receivables on capitation grants is recognised for monies received after year end but relating to the year under review.*

**28 (b) Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions**

Description	2019-2020	2018-2019
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

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

**29. INVENTORIES**

Description	2019-2020	2018-2019
	KShs	KShs
Consumable stores	-	-
Maintenance stores	-	-
Health unit stores	-	-
Electrical stores	-	-
Cleaning materials stores	-	-
Catering stores	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	-	-

**30. INVESTMENTS**

Description	2019-2020	2018-2019
	KShs	KShs
<b>a) Investment in Treasury bills and bonds</b>		
<b>Financial institution</b>		
CBK	-	-
CBK	-	-
<b>Sub- total</b>	-	-
<b>b) Investment with Financial Institutions/ Banks</b>		
Bank x	-	-
Bank y	-	-
<b>Sub- total</b>	-	-
<b>c) Equity investments (specify)</b>		
Equity/ shares in company xxx	-	-
<b>Sub- total</b>	-	-
<b>Grand total</b>	-	-

**d) Shareholding in other entities**

For investments in equity share listed under note 30 (c) above, list down the equity investments under the following categories:

Name of entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	%	%	%	Shs	Shs	Shs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-

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Entity C	-	-	-	-	-	-
Entity D	-	-	-	-	-	-
	-	-	-	-	-	-



### 31. PROPERTY, PLANT AND EQUIPMENT

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**KIPSOEN TECHNICAL AND VOCATIONAL COLLEGE**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Valuation**

The College Received donated assets from Ministry of Education as listed below.

1. Land (5 Acres)
2. mechatronics Training equipment's
3. Furniture
4. Computer equipment's
5. College vehicle (Land Rover GKA 363U) donated by Keiyo North CDF.

The college intends to do valuation of all the assets it received from the ministry of Education and will adopt the values in to the financial statements.

**31 (b) Property, Plant and Equipment at Cost**

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	-	-	-
Buildings	60,000,000	1,500,000	58,500,000
Plant and machinery	598,000	74,750	523,250
Motor vehicles, including motorcycles	-	-	-
Computers and related equipment	-	-	-
Office equipment, furniture, and fittings	339,600	42,450	297,150
<b>Total</b>	<b>60,937,600</b>	<b>1,617,200</b>	<b>59,320,400</b>

**32. INTANGIBLE ASSETS-SOFTWARE**

	2020	2019
	Kshs	Kshs
<b>Cost</b>		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Additions—internal development	-	-
At end of the year	-	-
Amortization and impairment	-	-
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
<b>NBV</b>	<b>-</b>	<b>-</b>

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**33. INVESTMENT PROPERTY**

Description	2019-2020	2018-2019
	KShs	KShs
At beginning of the year	-	-
Additions	-	-
Disposal during the year	-	-
Depreciation	-	-
Impairment	-	-
At end of the year	-	-

*(This note applies to investment property held at cost. For investment property held at fair value, changes in fair value should go through the statement of financial performance).*

**34. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Description	2019-2020	2018-2019
	KShs	KShs
Trade payables	686,480	-
Fees paid in advance	969,473	-
Employee advances	-	-
Third-party payments	-	-
Other payables	-	-
Total trade and other payables	1,655,953	-

**35. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS**

Description	2019-2020	2018-2019
	KShs	KShs
Consumer deposits	-	-
Caution money	113,000	-
Other refundable deposits	-	-
Total deposits	113,000	-

**36. CURRENT PROVISIONS**

Description	Leave provision	Bonus provision	Gratuity Provisions	Other provision	Total
	KShs	KShs	KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-	-
Additional Provisions	-	-	-	-	-
Provision utilised	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-
Transfers from non-current provisions	-	-	-	-	-
Total provisions	-	-	-	-	-



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**37. FINANCE LEASE OBLIGATION**

Description	2019-2020	2018-2019
	KShs	KShs
At the start of the year	-	-
Discount interest on lease liability	-	-
Paid during the year	-	-
At end of the year	-	-

**Maturity Analysis**

Period	Amount
Year 1	-
Year 2	-
Year 3	-
Year 4	-
Year 5 and onwards	-
Less: Unearned interest	-
	-

**Analysed as:**

Description	Amount
Current	-
Non- Current	-
<b>Total</b>	-

**38. DEFERRED INCOME**

Description	2019-2020	2018-2019
	KShs	KShs
National government	-	-
International funders	-	-
Public contributions and donations	-	-
<b>Total deferred income</b>	-	-



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

The deferred income movement is as follows:

	National government	International funders/ donors	Public contributions and donations	Total
Balance brought forward	-	-	-	-
Additions during the year	-	-	-	-
Transfers to Capital fund	-	-	-	-
Transfers to income statement	-	-	-	-
Other transfers	-	-	-	-
Balance carried forward	-	-	-	-

**39. EMPLOYEE BENEFIT OBLIGATIONS**

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	20xx-20xx	20xx-20xx
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
<b>Total employee benefits obligation</b>	-	-	-	-	-

**Retirement benefit Asset/ Liability**

The entity operates a defined benefit scheme for all full-time employees from July 1, 20XX. The scheme is administered by xxx while xxx are the custodians of the scheme. The scheme is based on xxx percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at xxx June xxx by xxx actuarial valuers on this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

	2019-2020	2018-2019
	Kshs	Kshs
Discount rates	X%	X%
Future salary increases	X%	X%
Future pension increases	X%	X%
Mortality (Pre- retirement)	X%	X%
Mortality (Post- retirement)	X%	X%
Withdrawals	xx	Xx
Ill health	xx	xx
Retirement	Xx years	Xx years

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**Recognition of Retirement Benefit Asset/ Liability**

**a) Amounts recognised under other gains/ Losses in the statement of Financial Performance:**

	2019-2020	2018-2019
Description	Kshs	Kshs
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others (Specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
<b>Remeasurement of the net defined benefit liability (asset)</b>	-	-

**b) Amounts recognised in the Statement of Financial Position**

	2019-2020	2018-2019
Description	Kshs	Kshs
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	-	-
Funded Status(=a-b)	-	-
Restrictions on asset recognised	-	-
Others	-	-
<b>Net Asset or liability arising from defined benefit obligation</b>	-	-

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs.360 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by XXX Pension Fund. Employees contribute xx% while employers contribute xx% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)****40. NON-CURRENT PROVISIONS**

Description	Long service leave	Bonus Provision	Gratuity	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-	-
Additional Provisions	-	-	-	-	-
Provision utilised	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-
Less: Current portion	-	-	-	-	-
<b>Total deferred income</b>	-	-	-	-	-

(NB: The current portion deducted in this note should tie to line on current portion transferred from non- current provisions under note 34)

**41. BORROWINGS**

Description	2019-2020	2018-2019
	KShs	KShs
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	-	-
Balance at end of the year	-	-

**41 a) ANALYSIS OF EXTERNAL AND DOMESTIC BORROWINGS**

	2019-2020	2018-2019
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from 'xxx organisation'	-	-
Sterling Pound denominated loan from 'yyy organisation'	-	-
Euro denominated loan from zzz organisation'	-	-
<b>Domestic Borrowings</b>	-	-
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
<b>Total balance at end of the year</b>	-	-



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

**41 b) BREAKDOWN OF LONG- AND SHORT-TERM BORROWINGS**

Description	2019-2020	2018-2019
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
<b>Total</b>	-	-

(NB: the total of this statement should tie to note 42 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

**42. SERVICE CONCESSION ARRANGEMENTS**

Description	2019-2020	2018-2019
	KShs	KShs
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	-	-
Net carrying amount	-	-
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	-	-

**43. CASH GENERATED FROM OPERATIONS**

	2019-2020	2018-2019
	KShs	KShs
Surplus for the year before tax	2,568,135	
<b>Adjusted for:</b>		
Depreciation	1,617,200	-
Non-cash grants received	-	-
Contributed assets	-240,000	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Finance income	-	-
Finance cost	-	-
<b>Working Capital adjustments</b>	3,945,335	
Increase in inventory	-	-
Increase in receivables	(3,985,656)	-
Increase in deferred income	-	-
Increase in payables	1,768,953	-
Increase in payments received in advance	-	-
<b>Net cash flow from operating activities</b>	<b>1,728,632</b>	-

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)



**KIPSOEN TECHNICAL AND VOCATIONAL COLLEGE**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)****44. 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:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2019</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2020</b>				
Receivables from exchange transactions	668,156	668,156	-	-
Receivables from non exchange transactions	3,317,500	3,317,500	-	-
Bank balances	1,031,032	1,031,032	-	-
<b>Total</b>	<b>5,016,688</b>	<b>5,016,688</b>	-	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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

**44. FINANCIAL RISK MANAGEMENT (Continued)**

**(i) Credit risk (continued)**

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 entity has significant concentration of credit risk on amounts due from xxxx

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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2019</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2020</b>				
Trade payables	-	686,480	-	686,480
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	686,480	-	686,480

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

**44. 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 an ongoing 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:

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 20xx</b>			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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.



**KIPSOEN TECHNICAL AND VOCATIONAL COLLEGE**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**44. FINANCIAL RISK MANAGEMENT (Continued)**

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2020</b>			
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

**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.

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
<b>20xx</b>			
Euro	10%	xxx	Xxx
USD	10%	xxx	Xxx
<b>20xx</b>			
Euro	10%	xxx	Xxx
USD	10%	xxx	Xxx

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.



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

**44 FINANCIAL RISK MANAGEMENT (Continued)**

(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:

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	2,568,135	-
Capital reserve	-	-
		-
<b>Total funds</b>	<b>2,568,135</b>	<b>-</b>
Total borrowings	-	-
Less: cash and bank balances	(1,031,032)	-
Net debt/(excess cash and cash equivalents)	xxx	-
<b>Gearing</b>	<b>xx%</b>	<b>0%</b>

**KIPSOEN TECHNICAL AND VOCATIONAL COLLEGE**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**45. 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 the *entity*, holding 100% of the *entity'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 Parent Ministry
- iii) Key management;
- iv) Board of directors;

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

	2019-2020	2018-2019
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of electricity to Govt agencies	-	-
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Others (Specify)	-	-
<b>Total</b>	-	-
<b>b) Purchases from related parties</b>		
Purchases of electricity from KPLC	-	-
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Others (specify)	-	-
<b>Total</b>	-	-
<b>b) Grants /Transfers from the Government</b>		
Grants from National Govt	-	-
Grants from County Government	-	-
Donations in kind	-	-
<b>Total</b>	-	-
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
<b>Total</b>	-	-
<b>d) Key management compensation</b>		
Directors' emoluments	-	-
Compensation to key management	-	-
<b>Total</b>	-	-

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

**46. SEGMENT INFORMATION**

**KIPSOEN TECHNICAL AND VOCATIONAL COLLEGE****ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

*(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segments)*

**47. CONTINGENT ASSETS AND CONTINGENT LIABILITIES****Contingent Assets**

	2019-2020	2018-2019
	Kshs	Kshs
<b>Contingent assets</b>		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Others (Specify)	-	-
<b>Total</b>	-	-

**Contingent Liabilities**

	2019-2020	2018-2019
	Kshs	Kshs
<b>Contingent liabilities</b>		
Court case xxx against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	-	-
Others (Specify)	-	-
<b>Total</b>	-	-

*(Give details)*

**48. CAPITAL COMMITMENTS**

<b>Capital commitments</b>	2019-2020	2018-2019
	Kshs	Kshs
Authorised for	-	-
Authorised and contracted for	-	-
<b>Total</b>	-	-

*(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the entity but at the end of the year had not been contracted or those already contracted for and ongoing)*

**KIPSOEN TECHNICAL AND VOCATIONAL COLLEGE**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**49. 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:

	2019-2020	2018-2019
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
<b>Net deferred tax liability/(asset)</b>	-	-
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	-	-
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-

*[In ordinary circumstances public sector entities under IPSAS are not expected to pay taxes. However, in specific cases where this is applicable an organisation is supposed to seek guidance on accounting for income taxes from IAS 12]*

**50. EVENTS AFTER THE REPORTING PERIOD**

There were no material adjusting and non- adjusting events after the reporting period.

**51. ULTIMATE AND HOLDING ENTITY**

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of education. Its ultimate parent is the Government of Kenya.

**52. CURRENCY**

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



**KIPSOEN TECHNICAL AND VOCATIONAL COLLEGE**  
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**APPENDIX 1: 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)

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Accounting Officer

Name

(Enter title of head of entity)

Signature

Date.

**KIPSOEN TECHNICAL AND VOCATIONAL COLLEGE**  
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**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

**Status of Projects completion**

*(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)*

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

**KIPSOEN TECHNICAL AND VOCATIONAL COLLEGE**  
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**APPENDIX III: INTER-ENTITY TRANSFERS**

KIPSOEN TECHNICAL AND VOCATIONAL COLLEGE			
ENTITY NAME:			
Break down of Transfers from the State Department of TVET			
FY 2019/2020			
a.	Recurrent Grants		
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A	-	
		-	
		-	
	<b>Total</b>	-	
b.	Development Grants		
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A	-	
		-	
		-	
	<b>Total</b>	-	
c.	Direct Payments		
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
		-	
		-	
	<b>Total</b>	-	
d.	Donor Receipts		
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
		-	
		-	
	<b>Total</b>	-	

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

PRINCIPAL  
KIPSOEN TVC

Sign



Head of Accounting Unit  
Ministry of Education

Sign-----

**KIPSOEN TECHNICAL AND VOCATIONAL COLLEGE**  
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**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Donor Fund/Direct Payment	Total Amount - KES	Where Recorded/recognized				Others - must be specific	Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables		
Ministry of Education		Recurrent	-	3,317,500	60,000,000	-	668,156	-	-
Ministry of Education		Development	-	-	-	-	-	-	-
USAID		Donor Fund	-	-	-	-	-	-	-
Ministry of Education		Direct Payment	-	-	-	-	-	-	-
<b>Total</b>			-	3,317,500	60,000,000	-	668,156	-	-