REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KIPTARAGON TECHNICAL AND VOCATIONAL COLLEGE

FOR THE YEAR ENDED 30 JUNE, 2020

OFFICE OF THE AUDITOR GENERAL
SOUTH RIFT HUB
02 AUG 2022
RECEIVED
P.O. Box 1050-20100, NAKURU

KIPTARAGON TECHNICAL AND VOCATIONAL COLLEG

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR NINE MONTHS ENDING

30 JUNE 2020

ACCOUNTING METHOD: IPSAS ACRUAL BASIS

Table of Contents

I. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Kiptaragon Technical and vocational College was incorporated under the TVET Act 2013, section 20 (1) on 23rd September 2019. The entity is domiciled in Kenya. The institute is under the Ministry of Education.

b) Principal Activities

The principal activity of Kiptaragon TVC is training middle level technicians and continues to be so.

c) VISION

To be a centre of excellence in technical and vocational Education and training

d) MISSION

To promote and impart vocational and technical competencies and entrepreneurial skills for socio-economic self-reliance.

e) Key Management

The Kiptaragon technical and vocational college day-to-day management is under the following key organs:

- Board Management
- Principal
- Deputy principal
- Registrar
- Dean of students

f) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 202020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	**Mr. Daniel Maswai**
2	Registrar	**Mr. Moses Randich**
3	Dean of students	**Mr. Hentry Toroitich**
4	Procurement Officer	**Caroline Kailel**
5	Finance Officer	**Kiporir Ngasura**

g) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- *Audit and risk committee activities*
- *Finance and operations committee activities*
- *Academic committee activities*

- *Development partner oversight activities*
- *Other oversight activities*

h) Entity Headquarters
Kiptaragon Technical & Vocational College
P.O Box 175 – 20152
Olenguruone

i) Entity Contacts
Kiptaragon Technical and Vocational College
P.O Box 175 – 20152
Olenguruone
Telephone: (254) 750724092
e-mail: kiptaragontvc@gmail.com
website: www.kiptaragontvc go.ke

j) Entity Bankers
Kiptaragon TVC Bankers

National bank of Kenya ltd
P.O box 68 – 20106
Molo

Access bank Kenya plc
P.O. Box 44 – 20152
Olenguruone

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

l) Principal Legal Advisor
The Attorney General
State Law office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

II. THE BOARD OF GOVERNORS

 ENG. JOSEPH ROP	Bachelor of Degree – Civil Engineering Board Chairman.
 DR. THIGA MOSES	PhD Information System M.Sc. Information System Management. B.Sc. Computer Science. Member.
 MS. EVERLYINE BETT	Bachelor of Business Information Technology Advanced Diploma in Information Technology Member.
 DR. JOSEPH MUTAI	PhD Business Management- Strategic Management. Master's Degree in Corporate Leadership and Governance Bachelor of Arts- Development Studies. Member.
 MR. FESTUS KORIR	Master's in Business Administration (Finance Option). Bachelor of science (Double Mathematics) Certified public Accountant Cpa part III SEC 6 Member.
 MRS. EDITH IMBAYI	Bachelor of Arts- Education. Member.
 DR. OTIENO DANIEL	PhD Educational Administration Master of Education- Educational Administration Bachelor of Education Arts Member.
 MR. MASWAI DANIEL	Bachelor of science Technical Education Board Secretary.

III. MANAGEMENT TEAM

 Mr. Daniel Maswai	Bachelor of science Technical Education **Principal**
 Mr. Moses Randich	Bachelor of Science in Information Technology **Registrar**
 Mr. Henry Toriotich	Masters degree in Agricultural Economics and Resources Management Bachelor of Science in Agricultural Economics and Resources Management **Dean of Trainees**.
 Caroline Kailel	Diploma in Purchase and Supplies Management **Procurement Officer**.
 Kipkorir Ngasura	Bachelor of Commerce – Finance Option Certified public Accountant part iii sec 6 **Finance Officer.**

IV. CHAIRMAN'S STATEMENT

1. CHAIRMAN'S STATEMENT FY 2019-2020

Kiptaragon TVC opened its doors for the first admissions in September 2019. The Board of Governors were inaugurated in October 2019. The Board comprise a strong team of professionals drawn from all sectors, different places and backgrounds.

The first infrastructural project initiated in quarter three was the construction of a six-door pit latrine for female trainees amounting Kshs. 600,000 and students' chairs were purchased at a total cost Kshs. 224,000 both funded by NG-CDF Kuresoi South and successfully completed in quarter four.

The B.O.G had only met once before the outbreak of COVID 19 in March 2020 and much was not realized at the last quarter of 2019/2020 financial year. The expected revenue was not received because the College was closed for six months. Government Capitation was not forthcoming due to the same challenge. Total revenue support received from Government in the is Kshs. 1,090,000 against the expected amount of about Ksh.4 million.

The challenges of Covid- 19 made the board to think broadly on other ways of getting alternative funding to supplement the Government support. One of the strategies was to start business enterprises within the College. Other strategies include putting more resources into marketing and equipment for market driven programs.

The Board began working on the strategic plan in June 2019 when a stakeholders meeting was held at the College. The same forum was used to sensitize the community on the programs offered at the College and how they can work with the college to uplift their economic activities. The need to work together on security issues as well as using all community forums to market the College was discussed.

The community was to partner with the college in a number of areas that include:

i. Provide raw materials e.g., milk and meat for the College agriculture value addition equipment.
ii. Milk plants and tea factories to provide attachment to trainees and work with the college on research.
iii. Doing business with the college as suppliers and providers of accommodation for both the trainers and trainees and related services.

2. REPORT OF THE PRINCIPAL FY 2019-2020

Kiptaragon TVC (KTVC) was mentored by Ol'lessos TTI from inception and the institution was handed over to the incoming Principal on the 19th of June 2019. The College was assessed for registration and licensing by Technical and Vocational Training Authority (TVETA) and fully accredited to offer TVET courses on the 23rd of September, 2019. The Cabinet Secretary Ministry of Education appointed the Board of Governors for KTVC on the 9th of July 219 and inaugurated on the 4th of October.

The first Principal was posted to the institution in March 2019 and deputy principal was posted in July the same year. The first five trainees from Public Service Commission reported after posting in August 2019. The College having received administrators and trainers, it paved way for the first cohort of students' admission at in September 2019 after a thorough marketing done in August throughout Kuresoi South sub-county. Thanks to the area MP honourable Joseph Tonui who gave one-year scholarship to the first 101 trainees admitted.

NG-CDF Kuresoi South did construct a six-door pit latrine during this period. Ministry of Education delivered 80 trainees chairs and NG-CDF added another 180 chairs. Office furniture were also delivered by the Ministry of Education together with aforesaid trainees' chairs.

By the time we closed for COVID 19 interventions by the Ministry of health and closure of schools, colleges and universities announced by His Excellency the President, the student population was at 258. The institution was picking well in terms of enrolment but payment of fees was a big challenge. Many of our first cohort of admission came with the notion of free learning emanating from the marketing strategy used to convince them to join TVET.

It is during the first year of existence of KTVC that additional 6 trainers and 14 support staff were hired on Board of Governors terms. The BoG staff had to go without wages during the peak of COVI 19 outbreak because there was no income from fees collection, capitation and recurrent grants from the Ministry of Education. The number of staff engaged was a bit higher than expected but this has since been corrected by freezing further hiring unless where there is need and sanctioned by the board of governors. The board of governors has established a human resource manual to give guidelines on employment and all human resource issues.

The College Strategic Plan 2020-225 is operational although its implementation is adversely affected by lack of funds. The outbreak of COVID 19 retarded the strategic growth of the institution at a time when it had just begun. The board is working on a recovery path to compensate on the lost time. This has necessitated the restructuring of the strategic plan though recovery is not yet visible in terms of resource mobilization. The management is committed to achieve its strategic objectives within stipulated time frame despite the challenges of lack of resources.

Kiptaragon TVC is centre of excellence in agriculture value addition. The Government of Kenya through the Ministry of Education installed modern equipment for training agriculture value addition related courses. The management rolled out food science and preservation technology as the main course in this area both at diploma and certificate levels. There are two major requirements that were to be met for full operationalization of the equipment:

1. Connectivity to large power, and
2. Availability of clean water

The equipment installed for value addition despite being a blessing posed another challenge. It occupied all the workshop space available including four classrooms and one office space.

It therefore posed a challenge for classroom space and the equipment is not currently utilized because of lack of power and water as mentioned earlier.

The College initiated partnerships with the surrounding community and its administrative and political leadership immediately it became operational. Meetings were held to sensitize the community on provision of accommodation, food and security to the trainees and trainers. College administration always planned and participated in community gatherings through physical presence and material assistance where needed. Consultative meetings were done with community administrators, security officers and political leadership. In response to community and leadership engagement, the area MP and County MP offered to sponsor 101 and 15 trainees respectively. In addition, County MP donated 100 avocado seedlings to the College.

During its first year of existence, Kiptaragon TVC was accredited by TVETA to offer 9 diploma programs, 13 craft certificate programs and 3 artisan certificate programs. The programs are spread in 3 academic departments namely: - Applied Sciences; Building and Civil Engineering; and ICT and Business. 90% of the trainees enrolled take STEM courses and the board of governors are pursuing strategies to continually enhance quality through up-scaling equipment and up-skilling trainers.

On financial stewardship, there were quite a number of goods taken on credit so as to operationalize the College. Total amount credits carried over to next financial year is Kes. 1,606,126. This is likely to reduce drastically in the next financial year if the economy bounces back to normalcy and the stringent measures put in place by the board to reduce the credits.

V. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Kiptaragon Technical and Vocational College has 8 strategic pillars and objectives within its Strategic plan for the FY 2020/2021 – 2024/2025. These strategic pillars are as follows:

Pillar 1: Governance and Management

Pillar 2: Finance

Pillar 3: Academic Programs

Pillar 4: Information/Communication Technology

Pillar 5: Students' Welfare

Pillar 6: Business Enterprises

Pillar 7: Infrastructure

Pillar 8: Human Resource

Kiptaragon TVC develops its annual work plans based on the above 8 pillars. Assessment of the Board's performance against its annual work plan was not done in FY 2019/2020 because the Strategic Plan had not been finalized.

Strategic Pillar		Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:					

The strategic plan for Kiptaragon TVC was not in place in FY 2019-2020.

VI. CORPORATE GOVERNANCE STATEMENT

Kiptaragon TVC Board had two meetings during FY 2019/2020 because the College was in session for only two terms covering quarter two and three. The opening of the institution and board inauguration was done in quarter two. Inauguration board meeting on the 4th of October 2019 and seven board members were present. The next meeting was held on February 7th, 2020. Five members attended and there were four apologies.

There was no board charter in place by then and the deputy principal had been posted to the institution as a principal assistant of the principal. The board had envisaged any need for a succession plan because the institution had just been opened and the board was also new.

The appointment of the board was done in accordance to TVET Act 2013 second schedule section 1 and 2. The board further established four board committees namely: -

(i) Finance and General-purpose committee
(ii) Education and Research Committee
(iii) Audit, Risk and Governance committee
(iv)Development and Infrastructure committee

On inauguration, the board were taken through their roles and functions as stipulated in the Act section 29(1). The principal was to liaise with the Ministry on scheduling of induction for the board of governors. Remuneration of the Board of Governors was discussed and unanimously agreed that the basis shall be what the institution can afford to pay at the time. It would be reviewed upwards at an appropriate time as dictated by the financial position of the institution.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

The reports of the Board of Governors Chairman and that of the principal captured all the information. In addition, the Final Financial Statements with its accompanying notes gives the details of financial performance for the FY2019/2020.

The institution did not have any major project and investment.

VIII. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kiptaragon TVC 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. Below is a highlight of strategies and activities that promote the organisation's strategic objectives.

1. Sustainability strategy and profile

Kiptaragon Technical and Vocational College core mandate is training. The institution has made inroads in marketing its programs through public meetings, posters, brochures, digital platforms and through the customers who are our trainees. The college is working closely with political and administrative leaders as well as community opinion leaders to ensure all stakeholders participation and ownership of the institution.

The management is pursuing international best practices in strategic management, performance contracting and quality assurance.

Kiptaragon TVC endeavor to diversify its income sources through optimal use of resources and introduction of income generating activities. This will go a long way in increasing organizational sustainability.

2. Environmental performance

The institution manages well its environment although there is no policy on environment currently.

3. Employee welfare

Kiptaragon TVC Human Resource Manual is currently in final stages of completion. Once in operation it will cater for all employee need. Staff welfare is functional with a proposed constitution being worked on. Gender ratio of one-third for Board of Governors employees is taken care in the current establishment. Recruitment of all employees is done competitively through interviews.

4. Market place practices

a) Kiptaragon Technical and Vocational College has seven core values which include integrity, transparency and accountability. We in Kiptaragon TVC treasure our core values and is embedded in all our services. As a government entity we practice impartiality with no political inclination in the discharge our duties to the Republic of Kenya and its people. All our clients, stakeholders and partners are given equal opportunity and access to our services without discrimination. We respect our competitors because we uphold teamwork, innovation and creativity as we endeavor to give the best to our clients/customers.

b) To maintain good business practices suppliers are given equal opportunities through ope.. tender. Tenders are evaluated as per the regulations of Public Procurement and Disposal Act 2015. Our suppliers are treated responsibly by honoring contracts and respecting payment practices.

c) All our marketing practices are anchored on our core values of integrity and transparency as is for all our activities. We are committed to strict adherence to ethics code of conduct for public servants.

d) There are scheduled meetings with our trainees for one-on-one engagements on service delivery. We also utilize other feedback channels like suggestion box and complaint registers.

5. Community Engagements

The College Board of Governors and administrations has always engaged and worked with the community in many fronts. The College has always participated in community fundraising to offset medical bills and burial expenses. The sponsor through the local church work with the college to care for the spiritual welfare of trainees. The college partners with the community to provide accommodation and related services to the trainees. Whenever community members have functions that needs large volume of water, we give them for free.

IX. REPORT OF THE BOARD OF GOVERNORS

By the time of reporting the institution had not been audited for the year ended June 30th 2020 which could have shown the state of Kiptaragon TVC affairs.

Principal activities

The principal activity of Kiptaragon TVC is training middle level technicians and continues to be so.

Results

The academic results in examination performance for Kiptaragon TVC is yet to be realised and therefore there were no results attached.

COUNCIL/BOARD OF GOVERNORS

The members of the Board /Council who served during the year are shown on page IV. During the year no board member retired/resigned.

Auditors

The Auditor General is responsible for the statutory audit of the *entity* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Corporate Secretary

Nairobi

Date:……….

X. 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 - (entities should quote the applicable legislation under which they are regulated))* require the council members to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* for that year/period. The council members are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The council members are also responsible for safeguarding the assets of the *entity*.

The council members are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, x. 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 *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The council members accept responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*the State Corporations Act, and the TVET Act*) – *entities should quote applicable legislation as indicated under)*. The council members are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2, and of the *entity's* financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity'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 *entity* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Kiptaragon TVC financial statements were approved by the Board on the 26th October 2021 and signed on its behalf by:

Name Mr. Joseph Rop
Signature………………
Chairperson of the Board

Name Mr. Daniel Maswai
Signature…………………………
Accounting Officer/Principal

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

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HEADQUARTERS
Anniversary Towers
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P.O. Box 30084-00100
NAIROBI

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kiptaragon Technical and Vocational College set out on pages 1 to 45, which comprise of the statement of financial position as at 30 June, 2020 and the statement of financial performance, the statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the period 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kiptaragon 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 do not comply with the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act, 2013.

Basis for Adverse Opinion

1. Errors in Annual Report and Financial Statements

The table of contents in financial statements is not sequentially numbered and the statement of financial performance year is erroneously indicated as 2021 instead of 2020. Further, Notes 15,16,17,18,26,27(a), 31,34 and 35 to the financial statements do not match the respective components.

In the circumstances, the financial statements did not comply with the reporting template as prescribed by the Public Sector Accounting Standards Board.

2. Unsupported Revenue from Exchange Transactions

The statement of financial performance and Note 10 to the financial statements reflects revenue from exchange transactions balance of Kshs.6,430,000. However, the supporting schedule provided reflects a balance of Kshs.6,605,000 resulting to an unexplained variance of Kshs.175,000. Further, the balance includes fees of

Kshs.1,505,940 in respect of fifty-seven (57) students whose admission numbers or course details were not provided for audit.

In the circumstances, the accuracy and completeness of revenue from exchange transaction balance of Kshs.6,430,000 could not be confirmed.

3. Employee Costs

The statement of financial performance and Note 16 to the financial statements reflects employee cost amount of Kshs.1,001,700. However, the payroll provided reflected a gross amount of Kshs.1,129,000 resulting to an unexplained and unreconciled variance of Kshs.127,300.

In the circumstances, the accuracy and completeness of employee costs balance of Kshs.1,001,700 could not be confirmed.

4. Unsupported Current Portion of Receivables from Exchange Transactions

The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs.3,289,600. However, a detailed schedule showing student name, invoice serial number, amount invoiced and payments made during the period under review and how the College arrived at the balance was not provided for audit.

In the circumstances, the accuracy and completeness of the current portion of receivables from exchange transactions balance of Kshs.3,289,600 could not be confirmed.

5. Undisclosed Property, Plant and Equipment

The statement of financial position and Note 31 to the financial statements reflects property, plant and equipment balance of Kshs.2,214,120. However, review of the fixed assets register revealed that the College owns a two-storey building comprising of an administration block and classrooms valued at Kshs.50,000,000 which were omitted from the financial statements. Further, several assets including laboratory for food products, laboratory for livestock products, laboratory for vegetable processing, milk processing plant, one dairy cow and a calf and a parcel of land measuring 11.8 hectares on which the College is built, have not been valued and disclosed in the financial statements.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs. 2,214,120 could not be confirmed.

6. Unsupported Trade and Other Payables from Exchange Transactions

The statement of financial position and Note 34 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.2,503,051 of which an amount of Kshs.896,850 is in respect of advance fees payments. However, the detailed schedule showing name of student, admission number, invoice number and advance fees paid by each student was not provided for audit.

In the circumstances, the accuracy, completeness and validity of the trade and other payables from exchange transactions balance of Kshs.896,850 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kiptaragon 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 adverse 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 a total revenue budget of Kshs.14,830,000 against actual receipts of Kshs.7,520,000 on a comparable basis resulting to revenue shortfall of Kshs.7,310,000 or 49% of the budget. Similarly, the statement reflects a final expenditure budget of Kshs.14,830,000 against actual expenditure of Kshs.4,537,884 resulting to budget under performance of Kshs.10,292,116 or 78% of the budget.

The revenue shortfall and under expenditure 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, because of the significance of the matter discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that, public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Payment of Basic Salaries Below Minimum Wage

Review of the payroll records revealed that the lowest and highest paid staff were earning a monthly salary of Kshs.5,000 and Kshs.12,000 respectively. This is contrary to the Legal Notice No. 2 on the Regulation of Wages (General Amendment) Order, 2018 that prescribes the minimum wage in Kenya exclusive of housing allowance of Kshs.7,241 for all other areas.

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 and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Memorandum Cash Book for Standing Imprest

Cash withdrawals totalling to Kshs.493,500 were made from the College's bank account in respect of office standing imprest during the year under review. However, no imprest warrants and memorandum cashbook were maintained for its accountability. This is in breach of Regulation 93(14) of the Public Finance Management (National Government) Regulations, 2015 which provides that the holder of a standing imprest shall keep a memorandum cash book to record all receipts and payments.

In the circumstances, internal controls relating to standing imprest could not be confirmed.

2. Irregular Salary Advances

Review of records revealed that, the College awarded five (5) members of staff, employed by the Public Service Commission (PSC), serving in different departments, salary advances totalling to Kshs.95,000. However, there was no evidence that they requested for the salary advances. As at the time of audit in May, 2022 the salary advances had not been recovered.

In the circumstances, the Management was in breach of its Human Resource Policy in awarding salary advance to non-College staff members.

3. Irregularities in Recruitment of Staff

Review of payroll records revealed that the College recruited twenty (20) members of staff during the year under review. However, the College did not maintain the recruitment files for the members of staff which would contain advertisements for the jobs, list of applicants, shortlisting panel, list of shortlisted applicants, interview selection panel, interview list with dates and location of interview, individual score sheets, successful candidates, letters of appointment and acceptance of positions stated. In addition, staff personal files provided did not contain CVs, application letters, certificates and testimonials for the members of staff.

In the circumstances, it could not be established whether there was need to recruit the staff and if the process was fair and transparent.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the College's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 controls 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 College's policies and procedures may deteriorate.

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 October, 2022

XII. STATEMENT OF FINANCIAL PERFORMANC FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2019-2020	2018-2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	6	1,090,000	
Grants from donors and development partners			
Transfers from other levels of government			
Public contributions and donations			
		1,090,000	
Revenue from exchange transactions			
Rendering of services- Fees from students	10	6,430,000	
Sale of goods			
Rental revenue from facilities and equipment			
Finance income - external investments			
Other income			
Revenue from exchange transactions		**6,430,000**	
Total revenue		**7,520,000**	
Expenses			
Use of goods and services	15	2,956,952	
Employee costs	16	1,001,700	
Board expenses	17	68,000	
Depreciation and amortization expense	18	477,300	
Repairs and maintenance			
Contracted services			
Grants and subsidies c			
Finance costs			
Total expenses		**4,503,952**	
Other gains/(losses)			
Gain on sale of assets			
Unrealized gain on fair value of investments			
Impairment loss			
Total other gains/(losses)			
Net Surplus for the year		**3,016,048**	
Attributable to:			
Surplus/(deficit) attributable to minority interest			
Surplus attributable to owners of the controlling entity			

The notes set out on pages 19 to 48 form an integral part of the Annual Financial Statements.

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2019-2020	
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	26	190,379	
Current portion of receivables from exchange transactions	27(a)	3,289,600	
Receivables from non-exchange transactions			
Inventories			
Investments			
Total current assets		3,479,979	
Non-current assets			
Property, plant and equipment	31	2,214,120	
Investments			-
Intangible assets			
Investment property			
Long term receivables from exchange transactions			
Total Non-current Assets		2,214,120	
Total assets		5,694,099	
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	34	2,503,051	
Refundable deposits from customers	35	175,000	
Current Provisions			
Finance lease obligation		-	
Current portion of borrowings			
Deferred income			
Employee benefit obligation			
Payments received in advance			
Total Current liabilities		2,678,051	
Non-current liabilities			
Non-current employee benefit obligation			
Non-current provisions			
Borrowings			
Service concession liability			
Deferred tax liabilities			
Total liabilities		2,678,051	
Net assets			
Reserves			
Accumulated surplus		3,016,048	
Capital Fund			
Total Capital and reserves		3,016,048	
Total net assets and liabilities		5,694,099	

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

Mr. Joseph Rop **Chairman Board of Governors**	**Mr. Kipkorir Ngasura** **Finance Officer**	**Mr. Daniel Maswai** **Principal**
Date.26th October 2021	**Date 26th October 2021**	**Date 26th October 2021**

XIV. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE x

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2017					
Revaluation gain		-	-	-	
Fair value adjustment on quoted investments	-		-	-	
Total comprehensive income	-	-	3,016,048	-	3,016,048
Capital/Development grants received during the year	-	-	-		
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-		()	-
At June 30, 2018			**3,016,048**		**3,016,048**
At July 1, 2018			**3,016,048**		**3,016,048**
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	-	-		()	-
At June 30, 2019			**3,016,048**		**3,016,048**

Note:

1. *For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.*

2. *Prior year adjustments should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.*

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

		2019-2020	2018-2019
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants		1,090,000	
Public contributions and donations			
Rendering of services- Fees from students		4,212,325	
Sale of goods			
Rental revenue from facilities and equipment			
Finance income			
Other income			
Total Receipts		**5,302,325**	
Payments			
Compensation of employees		929,700	
Use of goods and services		2,612,106	
Finance cost			
Rent paid			
Taxation paid			
Other payments		68,000	
Grants and subsidies paid			
Total Payments		**3,609,806**	
Net cash flows from operating activities	43	**1,569,819**	
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		1,502,140	
Proceeds from sale of property, plant and equipment			
Decrease in non-current receivables			
Increase in investments			
Net cash flows used in investing activities		**1,502,140**	
Cash flows from financing activities			
Proceeds from borrowings			
Repayment of borrowings			
Increase in deposits			
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		**190,379**	
Cash and cash equivalents at 1 JULY 2020	26		
Cash and cash equivalents at 30 JUNE2020	26	**190,379**	

XVI. 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	Utilizations 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	7,500,000		7,500,000	1,090,000	6,410,000	85%
Public contributions and donations						
Rendering of services- Fees from students	7,330,000		7,333,000	6,430,000	900,000	12%
Sale of goods		-				
Finance Income		-				
Other Income		-				
Gains on disposal, rental income and agency fees						
Total income	**14,830,000**		**14,830,000**	**7,520,000**	**7,310,000**	49%
Expenses						
Compensation of employees	2,880,000	-	2,880,000	1,001,700	1,878,300	65%
Use of Goods and services	815,000		815,000	228,441	586,559	22%
Finance costs						
Rent paid					-	
Remuneration of directors	300,000		300,000	68,000	232,000	77%
Grants and subsidies paid	10,710,000	125,000	10,835,000	2,285,933	8,549,067	78%
Total expenditure	**14,705,000**	**125,000**	**14,830,000**	**4,537,884**	**10,292116**	69%
Surplus for the period	**125,000**	**125,000**		**1,222,973**	**2,911,416**	

Budget notes

1. The government underfunded by 85%
2. Expected number of trainees was 280 but we invoiced 250 trainees

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

entity is established by and derives its authority and accountability from Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is training middle level technicians.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Kiptaragon Technical & 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 2021.

Standard	Impact
Other Improvements to IPSAS	**Applicable: 1st January 2021:** 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. 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. 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. 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. *(Entity to state the impact of the amendments to the financial statements))*

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2023:** 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: •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; •Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and •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. *(State the impact of the standard to the entity if relevant)*
IPSAS 42: Social Benefits	**Applicable: 1st January 2023** 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: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. *(State the impact of the standard to the entity if relevant)*
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2023:** 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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.

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 2018/2019 was approved by the Council or Board on ***x***. 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 recorded additional appropriations of ***x*** on the FY 2018/2019 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 of these financial statements.

c) Taxes

Current income tax

The entity is exempt from paying taxes as per schedule ***of*** the ***Act***.

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 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.

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:

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. *Entity to state the reserves maintained and appropriate policies adopted.*

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 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

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

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.

(include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. (a)TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2019-2020 KShs	2018/2019 KShs
Unconditional grants		
Capitation grants	90,000	
Operational grant	1,000,000	
Other grants		
Conditional grants		
Library grant		
Hostels grant		
Administration block grant		
Laboratory grant		
Learning facilities grant		
Other organizational grants		
Total government grants and subsidies	**1,090,000**	

(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
Vocational and Technical Training	1,090,000				1,090,000
Ministry of Education.					
Total					

(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)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GRANTS FROM DONORS AND DEVELOPMENT PARTNERS

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

Reconciliations of grants from donors and development partners

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

8. TRANSFERS FROM OTHER LEVELS OF GOVERNMENT

Description	2019-2020	2018/2019
	KShs	KShs
Transfer from County		
Transfer from University		
Transfer from institute		
Total Transfers		

9. PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2019-2020	2018/2019
	KShs	KShs
Public donations		
Donations from local leadership		
Donations from religious institutions		
Donations from alumni		
Other donations		
Total donations and sponsorships		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. RENDERING OF SERVICES

Description	2019-2020	2018/2019
	KShs	KShs
Tuition fees	3,343,600	
Personal emolument	1,286,000	
Electricity and water	385,000	
Local travel and transport	321,500	
R.M.I Dev	192,900	
activity sport expense	385,800	
Student union/ATT	257,200	
Medical fees	64,300	
Total revenue from the rendering of services	**6,430,000**	

11. SALE OF GOODS

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

12. HIRE OF FACILITIES AND EQUIPMENT

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

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		
Total finance income		

14. OTHER INCOME

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

USE OF GOODS AND SERVICES

Description	2019-2020 KShs	2018/2019 KShs
Printing and stationery	410,629	
Teaching and learning materials	456,060	
Electricity Water	228,441	
Farm expenses	70,200	
Administration expenses	839,712	
sports	138,350	
Subscriptions		
Advertising		
Examination fees		
Audit fees		
Catering, Conferences, and delegations	86,160	
Travelling and accommodation	700,400	
Fuel and oil		
Insurance		
Legal expenses		
Licenses and permits		
Postage		
Printing and stationery		
Hire charges		
Rent expenses		
Skills development levies		
Telephone expenses		
Internet expenses		
Training expenses		
Other (*Specify*)		
Total good and services	**2,956,952**	

15. EMPLOYEE COSTS

	2019-2020	2018/2019
	KShs	KShs
Salaries and wages	916,200	
Employee related costs - contributions to pensions and medical aids	13,500	
Travel, motor car, accommodation, subsistence and other allowances		
Housing benefits and allowances		
Overtime payments		
Performance and other bonuses		
Social contributions	72,000	
Employee costs	**1,001,700**	

16. REMUNERATION OF DIRECTORS

Description	2019-2020	2018/2019
	KShs	KShs
Chairman's Honoraria		
Directors' emoluments		
Board Allowances	68,000	
Total director emoluments	**68,000**	

17. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018/2019
	KShs	KShs
Property, plant and equipment	477,300	
Intangible assets		
Investment property carried at cost		
Total depreciation and amortization	**477,300**	

18. REPAIRS AND MAINTENANCE

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. CONTRACTED SERVICES

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

20. GRANTS AND SUBSIDIES

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

21. 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		
Total finance costs		

GAIN ON SALE OF ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

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

23. IMPAIRMENT LOSS

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

24. CASH AND CASH EQUIVALENTS

Description	2019-2020	2018/2019
	KShs	KShs
Operation account	13,965	
Main account	176,414	
Fixed deposits account		
Staff car loan/ mortgage		
Others(specify)		
Total cash and cash equivalents	**190,379**	

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

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
a) **Current account**			
Access Bank	090100000154	13,965	
National Bank	01022221620100	176,414	
Sub- total		**190,379**	
b) On - call deposits			
Kenya Commercial bank			
Equity Bank – etc			
Sub- total			
c) Fixed deposits account			
Kenya Commercial bank			
Bank B			
Sub- total			
d) Staff car loan/ mortgage			
Kenya Commercial bank			
Bank B			
Sub- total			
e) Others(specify)			
Cash in transit			
cash in hand			
Mobile Money account			
Sub- total			
Grand total			

25. RECEIVABLES FROM EXCHANGE TRANSACTIONS

a) Current Receivables from Exchange Transactions

Description	2019-2020 KShs	2018/2019 KShs
Current receivables		
Student debtors	3,289,600	
Rent debtors		
Consultancy debtors		
Other exchange debtors		
Less: impairment allowance		
Total current receivables		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Long- term Receivables from Exchange Transactions

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

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		

26. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

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

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

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		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. INVENTORIES

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

28. INVESTMENTS

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

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						
Entity C						
Entity D						

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets (Specify)	Plant and equipment	Capital Work in progress	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1July								
Additions			36,000	**1,276020**		**134000-**	**1,245,400**	**2,691,420**
Disposals						-		
Transfers/adjustments						-		
At 30th June			36,000	**1,276020**		**134000-**	**1,245,400**	**2,691,420**
Depreciation and impairment								
At 1 sept 2019						-		
Depreciation			4500	424,915		16750-	31,1135	**477,3000**
Impairment		-	-	-		-	-	
At 30th June			4500	424,915		16750-	31,1135	**477,3000**
Net book values			**31,500**	**851,105**		**117,250**	**1,214,265**	**2,214,120**
[Include brief description of WIP as a footer]								

WORK IN PROGRESS.

Total amounts of kshs 1,245,400 was incurred in building twin workshop and a cafeteria for food and beverage class.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a) Valuation

Land and buildings were valued by independent valuer on basis of valuation. These amounts were adopted on.

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			
Plant and machinery			
Motor vehicles, including motorcycles			
Computers and related equipment			
Office equipment, furniture, and fittings			
Total			

30. INTANGIBLE ASSETS-SOFTWARE

Description	2019-2020	2018/2019
	KShs	KShs
Cost		
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		
NBV		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. 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).

32. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018/2019
	KShs	KShs
Trade payables	1,606,201	
Fees paid in advance	896,850	
Employee advances		
Third-party payments		
Other payables		
Total trade and other payables	**2,503,051**	

33. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2020-2021	2018-2019
	KShs	KShs
Consumer deposits		
Caution money		
Other refundable deposits	175,000	
Total deposits	**175,000**	

34. 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					

35. 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	
Total	

36. DEFERRED INCOME

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

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				

37. EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2019-2020	2018-2019
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation					
Non-current benefit obligation					
Total employee benefits obligation					

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 while are the custodians of the scheme. The scheme is based on 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 June by 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		
Future salary increases		
Future pension increases		
Mortality (Pre- retirement)		
Mortality (Post- retirement)		
Withdrawals		
Ill health		
Retirement		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Recognition of Retirement Benefit Asset/ Liability

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

Description	2019-2020 Kshs	2018-2019 Kshs
The return on defined plan assets		
Actuarial gains/ losses arising from changes in demographic assumptions		
Actuarial gains/ losses arising from0020changes in financial assumptions		
Actuarial gains and losses arising from experience adjustments		
Others (Specify)		
Adjustments for restrictions on the defined benefit asset		
Remeasurement of the net defined benefit liability (asset)		

b) Amounts recognised in the Statement of Financial Position

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

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. per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. 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					
Total deferred income					

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

39. 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		

40. ANALYSIS OF EXTERNAL AND DOMESTIC BORROWINGS

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

41. BREAKDOWNS OF LONG- AND SHORT-TERM BORROWINGS

Description	2019-2020 KShs	2018-2019 KShs
Short term borrowings (current portion)		
Long term borrowings		
Total		

(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).

1. SERVICE CONCESSION ARRANGEMENTS

Description	2019-2020 KShs	2018-2019 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		

2. CASH GENERATED FROM OPERATIONS

Surplus for the year before tax	2019-2020 KShs	2018-2019 KShs
Adjusted for:		
Depreciation		
Non-cash grants received		
Contributed assets		
Impairment		
Gains and losses on disposal of assets		
Contribution to provisions		
Contribution to impairment allowance		
Finance income		
Finance cost		
Working Capital adjustments		
Increase in inventory		
Increase in receivables		
Increase in deferred income		
Increase in payables		
Increase in payments received in advance		
Net cash flow from operating activities		

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. 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
At 30 June 20xx				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
Total				
At 30 June 20xx				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
Total				

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

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 x

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 Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 20xx				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				
At 30 June 20xx				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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
At 30 June 20xx			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

a) Foreign currency risk (Continued)

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2020			
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
20xx			
Euro	10%		
USD	10%		
20xx			
Euro	10%		
USD	10%		

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.

FINANCIAL RISK MANAGEMENT (Continued)

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 (2016: KShs). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs (2020 – KShs)

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		
Capital reserve		
Total funds		
Total borrowings		
Less: cash and bank balances		
Net debt/ (excess cash and cash equivalents)		
Gearing	xx%	xx%

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) ;
iv) ;
v) ;
vi) Key management;
vii) Board of directors;

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. SEGMENT INFORMATION

(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
Contingent assets		
Insurance reimbursements		
Assets arising from determination of court cases		
Reimbursable indemnities and guarantees		
Others (Specify)		
Total		

Contingent Liabilities

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

(Give details)

48. CAPITAL COMMITMENTS

Capital commitments	2019-2020	2018-2019
	Kshs	Kshs
Authorised for		
Authorised and contracted for		
Total		

(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)

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 Kshs	2018-2019 Kshs
Accelerated capital allowances		
Unrealised exchange gains/(losses)		
Revaluation surplus		
Tax losses carried forward		
Provisions for liabilities and charges		
Net deferred tax liability/(asset)		
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. Its ultimate parent is the Government of Kenya.

52. CURRENCY

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

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.

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, i.e., 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							

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from the State Department of			
	FY 2019/2021			
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	Capitation	19/5/2021	90,000	FY2019/2020
	Operation	19/5/202	1,000,000	FY2019/2020
		Total		
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		Total		
c.	Direct Payments			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		Total		
d.	Donor Receipts			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			xx	
		Total		

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

Finance Manager
entity

Sign ---------------

Head of Accounting Unit
Ministry

Sign--------------

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received			Where Recorded/recognized					
	as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
Ministry of Education		Recurrent	1,090,000						1,090,000
Ministry of Education		Development							
USAID		Donor Fund							
Ministry of Education		Direct Payment							
Total									