


REPUBLIC OF KENYA



*Enhancing Accountability*

|   |         |
|---|---------|
| <br><b>REPORT</b><br>THE NATIONAL ASSEMBLY<br>PARLIAMENT |         |
| DATE: 16 NOV 2021   |         |
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**THE AUDITOR-GENERAL**

**ON**

**NDIA TECHNICAL AND VOCATIONAL  
COLLEGE**

**FOR THE YEAR ENDED  
30 JUNE, 2019**





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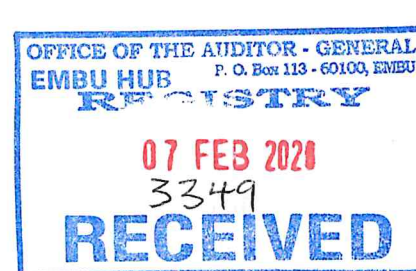
**NDIA TECHNICAL AND VOCATIONAL COLLEGE  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

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**NDIA TECHNICAL & VOCATIONAL COLLEGE**

**P.O BOX 4 10230**

**SAGANA**



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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED**

**30<sup>TH</sup> JUNE 2019**

**NDIA TECHNICAL AND VOCATIONAL COLLEGE**  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

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## **II. KEY COLLEGE INFORMATION AND MANAGEMENT**

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

Ndia Technical and vocational College is located at Gacharu Village in Kirinyaga County. The construction of Ndia T.V.C started in 2014. It was a joint effort of the Kenya Government and the C.D.F. of Ndia Constituency. The Government contributed Ksh. 40 millions whereas the C.D.F. of Ndia constituency contributed ksh. 10 million. It was mentored by Michuki Technical Institute in Murang'a County. It was completed in February 2017 and the TSC posted the first principal in July 2017. The Government equipped the college with Automotive Engineering Machines, and training equipment. The government also equipped the college with computers and computer accessories. The college admitted the first students in January 2018. The current enrolment is 130 students. The government has already posted 9 teachers in various courses. The B.O.G. has employed 5 teachers, an accounts clerk, a secretary and a watchman. Casual workers are hired occasionally depending on the work demands. Our goal is to reach an enrolment of 300 students by the end of 2019.

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

The Mandate of Ndia Technical & vocational college is to provide Technical, Vocational and Entrepreneurship Training (TVET) in a conducive environment using appropriate technology to empower her trainees for individual and national development. (to insert mission statement for Ndia TVC)

It is our responsibility to provide the required leadership in designing suitable plans and strategies that will contribute to high and sustainable socio-economic development. It is our undertaking to ensure that Ndia Technical & vocational college has a credible & prudent financial management system that ensures efficient and transparent use of public resources.

#### **(a) Vision**

To be a centre of excellence in Technical and Vocational Training.

#### **(b) Mission**

To provide quality skills sustainable and innovative technology.

### **(c) Addresses & offices**

P.O. Box 4 10230 Sagana  
Kirinyaga County  
Ndia Sub County  
3km off Sagana Kagio road

### **(d) Contacts**

Telephone : (254) 0784712479  
E-mail: [ndiatechnical@gmail.com](mailto:ndiatechnical@gmail.com)  
Website: [www.ndiatvc.com](http://www.ndiatvc.com)

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**(e) Ndia Technical & vocational college Bankers**

Kenya Commercial Bank Ltd  
Muranga Branch  
Muranga Town

**(f) Ndia Technical & vocational college Independent Auditors**

Auditor General  
Office of the auditor general  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya





**NDIA TECHNICAL AND VOCATIONAL COLLEGE**  
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**I KEY COLLEGE INFORMATION AND MANAGEMENT**

**(g) Principal Legal Adviser**

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

**(h) Board Members**

| <br>Michael Maringa Gitari<br>P.O Box 21046- 00100<br>Nairobi | <p><b><u>Date of birth:</u></b> 22<sup>nd</sup> Feb 1969</p> <p><b><u>Qualifications:</u></b><br/>Master of business administration in Finance<br/>Bachelor of commerce in (banking &amp; finance)<br/>Certified public accountant (CPA-K)</p> <p><b><u>Work Experience</u></b><br/>Over 22 years of experience in accounting, financial management auditing.<br/>Sits in the Board of several organizations and BoM of a Secondary School.</p> |
|---|---|
| <br>Eng. Anthony Wandu<br>P.O BOX 17085- 00100<br>Nairobi    | <p><b><u>Date of birth:</u></b> 2<sup>nd</sup> December 1974</p> <p><b><u>Qualifications:</u></b><br/>Bachelor of science civil engineering university of Nairobi</p> <p><b><u>Work experience:</u></b><br/>Over 20 years of experience in Project management, structural design and supervision with various civil and engineering companies.</p>  |

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|  |   |
|--|---|
|  <p>Jacqueline Kendi Ithiria<br/>P.O BOX 1418 – 60200<br/>Meru</p>    | <p><b>Date of birth:</b> 26<sup>th</sup> October 1971</p> <p><b>Qualifications:</b><br/>Bachelor Of Commerce (Human Resource Management Option) from Meru University Of Science &amp; Technology.<br/>Diploma in Business Administration from Meru University of Science And Technology.<br/>Diploma in secretarial studies – St Marys Secretarial College</p> <p><b><u>Work experience</u></b><br/>20 yrs in secretarial<br/>5 years in Human Resource</p>   |
|  <p>Yvonne Achieng Murenga<br/>P.O Box 21046- 00100<br/>Nairobi</p>  | <p><b><u>Date of birth:</u></b> 11<sup>th</sup> Dec 1987</p> <p><b><u>Qualifications:</u></b><br/>Bachelor Of Science In Information Technology Jomo Kenyatta University Of Science &amp; Technology. (JKUAT)<br/>Diploma In Information Technology Jomo Kenyatta University Of Science &amp; Technology. (JKUAT)</p> <p><b><u>Work experience</u></b><br/>She is a senior ICT Officer- National Construction Authority. She has a working experience of 8 years in ICT systems Administration, network management, user support and training.</p>                              |
|  <p>Kiplangat Cherono Nelly<br/>P.O Box 3622- 00100<br/>Nairobi</p> | <p><b>Date of birth:</b> 06<sup>th</sup> October 1990</p> <p><b>Qualifications:</b><br/>Master of Science in geospatial information systems and remote sensing<br/>Bachelor of Science in soil, water and environmental engineering Jomo Kenyatta University Of Science &amp; Technology.</p> <p><b><u>Professional Qualification</u></b><br/>Area of specialisation: geospatial analysis, water engineering and environmental management.</p> <p><b><u>Work experience</u></b><br/>Lecturer for 2 years in water and environmental engineering and G15 and remote sensing.</p> |



**NDIA TECHNICAL AND VOCATIONAL COLLEGE**  
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QS Jedida Waguthii Muchoki  
P.O BOX 75422- 00200  
Nairobi

**Date of birth:** 18<sup>th</sup> Feb. 1979

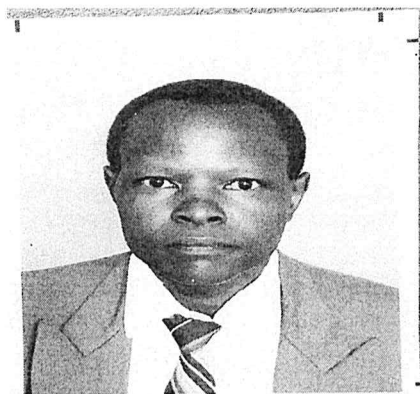
**Qualifications:**

Masters of arts in construction management – ongoing at University of Nairobi.

Bachelor Of Arts (Building Economics) University Of Nairobi

**Work experience**

Over 15 years in Project management, building and civil engineering law and management, cost planning and cost control, building design economics , housing and investment



Mr Benjamin Gikonyo Muchiri  
P.O BOX 4 10230  
Sagana

**Date of birth;** 7<sup>th</sup> may 1959

**Qualifications:**

Executive masters degree in business management. Moi University

higher diploma in entrepreneurship development (KNEC)

diploma in technical education(KTTC)

Diploma in Mechanical Engineering(KTTC – KNEC)

**Work experience**

He has a working experience of 34years in the following Technical institute

Masaai T.T.I 1984 – 1985 as a trained technical teacher, 1886 – April 2005 Mathenge T T I as a teacher and acting deputy principal for 7 Years then appointed by TSC as registrar. April 2005 – July 2017 deployed by TSC as deputy principal at Michuki T T I. From July 2017 upto date, Deployed by TSC as principal Ndia TVC.

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**(i) Board Committees**


| Name of the Committee           | Members   |
|---------------------------------|---|
| Finance and Audit Committee     | Mr Michael G Maringa<br>Eng. Anthony G Wandu<br>Ms Nelly C Kiplangat          |
| Governance and Ethics Committee | Ms.Jedida W Muchoki<br>Ms. Jacqueline Kendi Ithiria<br>Yvonne Achieng Murenga |



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**I KEY COLLEGE INFORMATION AND MANAGEMENT**

|   |   |
|---|---|
|    | Mr. Benjamin muchiri<br>Principal<br><u>QUALIFICATIONS</u><br>Executive Masters degree in Business Management                       |
|    | Mrs. Josphine W Wachuri<br>Deputy Principal /Academic<br><u>QUALIFICATIONS</u><br>Masters in Business Management (Entrepreneurship) |
|    | Mr. Zachary Mugo<br>Ag H O D Electrical<br><u>QUALIFICATIONS</u><br>Higher Diploma in Electronics                                   |
|   | Ms. Tabitha Indiori<br>Ag H O D Hair Dressing<br><u>QUALIFICATIONS</u><br>Diploma in Hairdressing & Beauty Therapy                  |
|  | Ms. Eunice N Kimani<br>Ag H O D I C T<br><u>QUALIFICATIONS</u><br>Diploma in Information Communication Technology                   |
|  | Mr. Charles K Wamugunda<br>Ag H O D automotive<br><u>QUALIFICATIONS</u><br>Diploma in Automotive Engineering                        |
|  | Mr. James Karuri<br>Ag H O D Building<br><br><u>QUALIFICATIONS</u><br><br>Diploma in Building and Civil Engineering                 |
|  | Patricia W Maringa<br>Finance Officer<br><u>QUALIFICATIONS</u><br>CPA Part II- Section IV<br>KATC 1 & II                            |

|   |  |
|---|--|
|  | <p>Lucy Wambura Kabuitu<br/>Secretary<br/><u>QUALIFICATIONS</u><br/>Certificate in Secretarial</p> |
|---|--|

#### Approval of the quarterly financial statements

Ndia Technical & vocational college quarterly financial statements have been prepared in accordance with Section 83 of the PFM Act and were approved by the Board of governor on 30th June 2019 and signed on its behalf by:

  
 Principal/Sec BoG

  
 BoG Chairman

**PRINCIPAL**  
**NDIA TECHNICAL & VOCATIONAL COLLEGE**  
 P. O. Box 4 - 10230,  
**SAGANA**



**III. MANAGEMENT DISCUSSION AND ANALYSIS**

**SECTION A**

**Ndia TVC operational and financial performance**

The PFM act of 2012 requires that the BoG to prepare financial statement in respect of the institute which gives true and fair view of the state of affairs of the college and operating results of the college. The BoG is also required to ensure that the college keeps proper accounting records which disclose with accuracy the financial position of the college and safeguard the college assets.

The BoG is responsible for the preparation and presentation of the college financial statement which give a true & fair view of the college. The responsibility include:

- 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 college.
- 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 misstatement, whether due to error or fraud.
- iv. safeguard the college assets
- v. selecting & applying appropriate accounting policies
- vi. Making accounting estimates that are reasonable in the circumstances.

**NDIA TECHNICAL AND VOCATIONAL COLLEGE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

**SECTION B**

**compliance with statutory requirements**

Ndia Technical & vocational college has been submitting the monthly statutory deductions on the due date.

They include

- KRA PAYE
- N S S F
- N H I F

**SECTION C**

**Key projects the institute is implementing**

The institute is renovating the play ground, planting trees and beatification of the college.

Construction of water storage tank and installation of gutters to harvest rain water.

The college is in process of starting a driving school

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### III. MANAGEMENT DISCUSSION AND ANALYSIS

#### SECTION D

##### Major risks facing the college

| RISK  | INTERNAL CONTROLS IN PLACE  | MITIGATION MEASURES  | RESPONSIBILITY    | TIMELINE   | KPI/OVI   |
|---|---|----------------------|-------------------|--|---|
| System hacking  | <ul style="list-style-type: none"> <li>Assigned individual user accounts in place</li> <li>Use of passwords</li> <li>Bank reconciliation</li> </ul>                                   | Accept the risk      | Finance Officer   | Accept and Continually monitor   | Maintain a register on incidences of interference with payments   |
| Unbudgeted expenditure  | <ul style="list-style-type: none"> <li>Engagement of all HODs in the budgeting process</li> <li>Budget review</li> </ul>  | Accept the risk      | Principal         | Accept and Continually monitor   | Minutes of BoG on budget review   |
| Unauthorized expenditure  | <ul style="list-style-type: none"> <li>Compliance with of Financial Management and EACC Acts</li> </ul>   | Accept the risk      | Principal         | Accept and Continually monitor   | Accounting records  |
| Uncollected fees  | <ul style="list-style-type: none"> <li>Use of exam cards</li> <li>Admission upon payment of at least 75% of total fees</li> </ul>   | Accept the risk      | Principal         | Termly   |   |
| Theft college property  | <ul style="list-style-type: none"> <li>Circumference fence</li> <li>Security office</li> <li>Rock and keys</li> <li>Security light</li> </ul>   | Installation of CCTV | Principal         | By June 2019   | Installed CCTV  |
| Accidents   | <ul style="list-style-type: none"> <li>Comprehensive insurance for institute vehicles</li> <li>Employment of competent drivers</li> </ul>   | Accept the risk      | Transport manager | Annual   | Insurance Covers Driver records   |
| Loss of revenue due to payment for hours not worked.                          | <ul style="list-style-type: none"> <li>Clocking in register for workers</li> <li>Time table for lecturers</li> <li>Lecturer monitoring tool</li> <li>Disciplinary measures</li> </ul> | Accept the risk      | Principal         | <ul style="list-style-type: none"> <li>Daily</li> <li>Every Term / Semester</li> </ul> | <ul style="list-style-type: none"> <li>Lecture attendance reports</li> <li>Clocking register reports</li> <li>Disciplinary records</li> </ul> |
| Delayed in completion of budgeted projects due to delayed GoK/ sponsor grants | Lobbying with MoE/sponsors for funds Intensify internal revenue collection  | Accept the risk      | Principal         | Accept and Continually monitor   | Receivables records   |

**NDIA TECHNICAL AND VOCATIONAL COLLEGE**  
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**SECTION E**

**Material arrears in statutory/financial obligations**

*The institute does not have any pending obligations*

**SECTION F**

**The college's financial probity and serious governance issues**

*The institute does not have any improbity and governance issues*



**NDIA TECHNICAL AND VOCATIONAL COLLEGE**  
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**CHAIRMAN'S STATEMENT**

The first Board of Governors were inaugurated in 3rd March 2018, with a mandate to start learning and training at the **Ndia Technical and Vocational Training College**. The BOG is the one solely responsible for the governance of the institution and will list its members elsewhere in this document.

The first batch of students was admitted in May 2018. The enrollment picked quickly and by December, we had over 60 students.

The official opening was on 1<sup>st</sup> of December 2018, by H.E. Dr. William Ruto the Deputy President of the Republic of Kenya. In his speech he put emphasis on the Government's Development Big 4 Agenda, and specifically the Industrialization agenda where the TVET has a role to play by offering relevant and effective training skills to the youth.

Corporate Governance provides the scale by which entities are weighed (performance) the world over. It is against this view that we have developed our first 5 year Strategic Plan that will guide or give us direction of where we want to go as an institution.

The College has also entered into performance contracting with the Ministry of Education. Negotiations and Vetting has been completed, and the PC is awaiting signing by the Cabinet Secretary and the BOG representative.

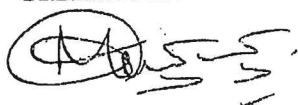
We've had challenges as a new institution. These include low levels of enrollment. We have put in place a sensitization program to encourage school leavers to pursue technical causes. We are also talking to parents as well and we have held stake holders meetings including parents, area administration and other stakeholders. The feedback is encouraging, and we hope to continue with this collaboration.

Due to low student levels we have also not been able to get adequate funding, both for operations through capitation and development.

We are also encouraging students to seek bursaries and County Government assistance to bridge the gaps since the levels of income for locals is quite low, the area economic activity is basically peasant farming.

At a different level, we are also telling investors to invest in housing for hostels around the college with a view to approaching NYS for trainees to build our numbers.

**CHAIRMAN**



.....  
**MICHAEL M. GITARI**

**NDIA TECHNICAL AND VOCATIONAL COLLEGE**  
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**REPORT OF THE PRINCIPAL**

I'm delighted to present the Annual Report and Financial Statements For the period ended 30<sup>th</sup> June 2019. The total revenue collection for the period Amounted to Ksh. 6,353,250.00.

The institute has put mechanisms for managing costs.

The total recurrent Expenditure, inclusive of employee costs amounted to Ksh. 4,175,555.00 .

The college has experienced low growth because of low students enrolment and failure of the government to release capital grants in this regard the projects had to be moved forward pending the availability of funds.

During the financial year the students enrolment increased from 15 students to 86 students by the end of June 2019.


The main challenge facing the college is low enrolment in the programs offered. This could be avoided if the college had boarding facilities.

I wish to thank all our stakeholders for their contribution towards the achievements made since the college started in January 2018.

Thank you.

Mr. Benjamin G. Muchiri

Principal / Secretary BOG

  
**PRINCIPAL**  
**NDIA TECHNICAL & VOCATIONAL**  
**COLLEGE**  
**P.O. Box 4, SAGANA**

## **CORPORATE GOVERNANCE STATEMENT**

The college derives its authority and accountability from the education Act of 2012 and TVET act of 2013 which outline the commitment required of members of the BOG to discharge their mandate.

This guarantees their effectiveness and contribution in the governance of the college by ensuring there is independent judgement, where professional competence and ethical standards are highly observed in decision making.

Education act of 2012 provides that there shall be a Board of Governor who are appointed by cabinet secretary. During the period under review the BOG consisted of (8) members

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The responsibilities of the members of the board are clearly spelt out in both the Education's Act of 2012. The Board sets out objectives and ensuring that procedures and practices are in place to protect the college's assets and reputation. It also reviews the strategic direction and adopts business plans presented by Management, review processes for the identification and management of business risks and compliance with key regulatory and legal issues. It also provides oversight of performance against target and objective.

The constitution of the BOG in terms of Male and Female members were four and three respectively. This transits to 57% males and 43% ladies. 0



**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

In accordance with the principles of good corporate governance each member takes to always act in the best interest of the college and exercise his/her power in the execution of duties in good faith and act with care and prudence by subscribing to the college's core values. That is:

- i. Quality service
- ii. Team work
- iii. Efficiency and effectiveness
- iv. Transparency and Accountability
- v. Innovation and Creativity

**NDIA TECHNICAL AND VOCATIONAL COLLEGE**  
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**REPORT OF THE COUNCIL/BOARD OF GOVERNORS**

The Council/Board members submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the *college's* affairs.

**COUNCIL/BOARD OF GOVERNORS**

1. Michael Gitari Maringa - (Ag.)Chairman
2. Benjamin Gikonyo Muchiri - Secretary
3. Antony Gichira Wandu
4. Nelly Cherono Kiplang'at
5. Jacqueline Kendi Ithiria
6. Yvonne Achieng' Murenga
7. Jedida W. Muchoki
8. TVET County Director
9. Mr. Bernard Wanjohi Muriuki - (resigned)

During the year 2018 the chairman resigned 24<sup>th</sup> July and Mr. Michael M. Gitari was appointed with effect from 14<sup>th</sup> August 2018.

**Auditors**

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

## **STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITIES**

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

The board members are responsible for the preparation and presentation of the *college's* financial statements, which give a true and fair view of the state of affairs of the *college* for and as at the end of the financial period ended on June 30, 2019. 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 college;
- (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 *college*;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for the *college'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 TVET Act. The board members are of the opinion that the *college's* financial statements give a true and fair view of the state of *college's* transactions during the financial year ended June 30, 2019, and of the *college's* financial position as at that date. The board members further confirm the completeness of the accounting records maintained for the *college*, which have been relied upon in the preparation of the *college's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the council members to indicate that the *college* 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 *college's* financial statements were approved by the Board on 20<sup>th</sup> September and signed on its behalf by:

MICHAEL MARIACIA  
Council Member

NELLY KIDUNGAT  
Council Member

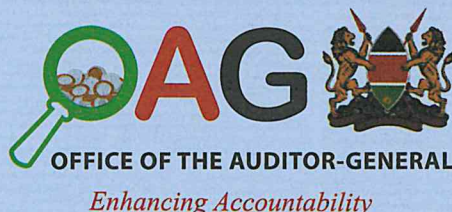
ANTONY WANJA  
Council Member





# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON NDIA TECHNICAL AND VOCATIONAL COLLEGE FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Adverse Opinion**

I have audited the accompanying financial statements of Ndia Technical and Vocational College set out on pages 20 to 45, which comprise of the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 the Ndia Technical and Vocational College as at 30 June, 2019, 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**

##### **1.0 Inaccuracies in the Financial Statements**

##### **1.1 Variances Between the Financial Statements and the Ledger Balances**

The financial statements for the year ended 30 June, 2019 reflects Kshs.7,144,833 in respect to three (3) items. However, the respective supporting ledgers reflects Kshs.7,621,433 in respect to the same items resulting to an un-explained and unreconciled absolute variance of Kshs.2,805,068 as follows;



| Item                                      | Note | Financial statements (Kshs) | Supporting Ledgers (Kshs) | Variance (Kshs)  |
|---|------|-----------------------------|---------------------------|------------------|
| Transfers from National Government        | 6    | 2,000,000                   | 3,640,834                 | 1,640,834        |
| Rendering of services- Fees from students | 7    | 3,674,775                   | 2,865,356                 | 809,419          |
| General Expenses                          | 12   | 1,470,058                   | 1,115,243                 | 354,815          |
| <b>Total</b>                              |      | <b>7,144,833</b>            | <b>7,621,433</b>          | <b>2,805,068</b> |

In the circumstances, the accuracy of the financial statements for the year under review could not be ascertained.

## 1.2 Statement of Financial Position

The statement of financial position reflects Kshs.3,323,623 in respect to total assets. However, the balance does not include automotive engineering machines, training equipment, computers and computer accessories of undetermined value as mentioned in Section II (a) on key college information at page (1), and approximately five (5) acres of land where the College is located. In addition, the College's financial statements do not include a schedule of property, plant and equipment showing the costs and the respective assets depreciation and net book value as at 30 June, 2019. Further, the corresponding capital reserve which financed these assets is not reflected in the financial statements.

In addition, the statement of financial position as at 30 June, 2019 reflects Kshs.414,510 in respect to surplus brought forward whose breakdown was not availed for audit review.

In the circumstances, the accuracy of the statement of financial position as at 30 June, 2019 could not be ascertained.

## 1.3 Statement of Financial Performance

The report of the Principal at Page 14 to the financial statements reflects Kshs.6,353,250 and Kshs.4,175,555 in respect to total revenue and total expenditure respectively. However, the statement of financial performance reflects Kshs.5,674,775 and Kshs.3,583,344 respectively on the same items resulting to an unexplained and unreconciled variance of Kshs.678,475 and Kshs.592,211 for the revenue and expenditure respectively.

In the circumstances, the accuracy of the statement of the financial performance for the year under review could not be confirmed.

## 1.4 Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts for the year under review reflects Kshs.545,977 in respect to a performance difference between the original budget and actual expenditure on use of goods and services. However, re-casting of the

respective budgeted expenses and actual expenses of Kshs.370,000 and Kshs.232,317 respectively as reflected in the statement of comparison of budget and actual amounts gave a performance difference of Kshs.137,683 resulting to unexplained and unreconciled variance of Kshs.408,294. In addition, the column for final budget reflects nil balances in respect to total revenue and total expenditure. However, the original budget column in the statement of comparison of budget and actual amounts reflects Kshs.8,001,000 on both revenue and expenditure budget which should have been replicated in the final budget column since there was no adjustments in the year under review.

Further, the statement of comparison of budget and actual amounts reflects a total of Kshs.5,631,499 in respect to four (4) items while the statement of financial performance reflects Kshs.6,989,638 in respect to the same items resulting to an unexplained and unreconciled negative variance of Kshs.1,358,139 as shown below: -

| Items                  | Note | Statement of<br>Comparison of<br>Budget and<br>Actual<br>Amounts<br>(Kshs) | Statement of<br>Financial<br>Performance<br>(Kshs) | Variance<br>(Kshs) |
|------------------------|------|--|--|--------------------|
| Rendering of services  | 7    | 3,232,550  | 3,674,775  | (442,225)          |
| Employee costs         | 9    | 1,283,706  | 1,414,805  | (131,099)          |
| Directors Remuneration | 10   | 0  | 430,000  | (430,000)          |
| General expenses       | 12   | 1,115,243  | 1,470,058  | (354,815)          |
| <b>Total</b>           |      | <b>5,631,499</b>   | <b>6,989,638</b>                                   | <b>(1,358,139)</b> |

In the circumstances, the accuracy of the statement of comparison of budget and actual amounts for the year under review could not be confirmed.

## 2.0 Cash and Cash Equivalents

Note 13 to the financial statements reflects Kshs.2,742,545 in respect to cash and cash equivalents as at 30 June, 2019. However, a review of the bank reconciliation statements revealed a balance of Kshs.183,528 in respect to receipts in bank statement not recorded in the cash book thereby understating the cashbook balance by the same amount. In addition, the bank reconciliation statements reflect Kshs.2,050 in respect to payments in the bank statement not recorded in the cash book and therefore overstating the cash book balance as at 30 June, 2019 by the same amount.

Further, the bank reconciliation statements reflects Kshs.16,250 in respect to receipts in cash book not in bank statements which had not been credited to the bank since September 2017 thereby understating the bank statement balance by the same amount. In addition, Kshs.16,250 still remained unaccounted for as at 30 June, 2019.

In the circumstances, the accuracy of Kshs.2,742,545 in respect to cash and cash equivalents as at 30 June, 2019 could not be confirmed.



### **3.0 Lack of Fixed Assets Valuation Records**

Section II (a) on key College information at Page 1 of the financial statements for the year under review indicates that the College was equipped by the Government with automotive engineering machines, training equipment, computers and computer accessories. However, the financial statements do not reflect any fixed assets as at 30 June, 2019. In addition, records provided for audit review showed that the land hosting the College is approximately five (5) acres. However, the valuation and ownership documents for the assets were not availed for audit review.

In the circumstances, the ownership and valuation of the College's fixed assets as at 30 June, 2019 could not be ascertained.

### **4.0 Government of Kenya Grants**

Note 6 to the financial statements reflects Kshs.2,000,000 in respect to GOK recurrent the grants. However, records maintained at the Ministry of Education reflects Kshs.3,640,884 on the same item resulting to unexplained variance of Kshs.1,640,884.

In the circumstances, the accuracy of the Kshs.2,000,000 grants reflected in the financial statements for the year under review could not be ascertained.

### **5.0 Presentation of Financial Statements**

The presentation of the College's financial statements for the year ended 30 June, 2019, provided for audit review reflects the following anomalies: -

- (i) The financial statements did not include the statement of changes in net assets, as stipulated by the Public Sector Accounting Standards Board (PSASB) reporting template.
- (ii) The statement of cash flows for the year ended 30 June, 2019 does not include separate sections on cash flows from operating activities, adjustment for working capital changes if any, cash flows from investing activities and cash flows from financing activities as required by PSASB. In addition, the statement of cash flows does not indicate the corresponding notes in respect to account balances as required by PSASB.
- (iii) The Management discussion and analysis is repeated twice at the table of contents and at pages 9 and 16 of the financial statements.
- (iv) The detailed analysis of cash and cash equivalent at page 38 to the financial statements is indicated as Note 12(a) instead of Note 13(a) to the financial statements.
- (v) The cover page of the College financial statements reflects "annual report and financial statements for the period ended 30 June, 2019" instead of "annual report and financial statements for the year ended 30 June, 2019".

In the circumstances, the financial statements have not been prepared in accordance with the PSASB prescribed format.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Ndia 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 other 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 revenue budget and actual on comparable basis of Kshs.8,001,000 and Kshs.5,232,550 respectively resulting to and under funding of Kshs.2,768,450 or 35% of the budget. Similarly, the College expended Kshs.2,667,430 against a budget of Kshs.8,001,000 resulting to an under expenditure of Kshs.5,333,570 or 67% of the budget. The underfunding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the College.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1.0 Non-Remittance of Statutory Deductions**

Note 9 to the financial statements reflects Kshs.1,414,805 in respect to employee costs. An audit review of the College payroll for the year under review revealed that Pay as You Earn (PAYE), National Hospital Insurance Fund (NHIF) and National Security Services

Fund (NSSF) for the months of July, August and September, 2018 totalling to Kshs.23,808 were not deducted from the payroll and remitted to the relevant institutions as detailed below: -

| <b>Month</b>   | <b>PAYE<br/>(Kshs)</b> | <b>NSSF<br/>(Kshs)</b> | <b>NHIF<br/>(Kshs)</b> | <b>Total<br/>(Kshs)</b> |
|----------------|------------------------|------------------------|------------------------|-------------------------|
| July 2018      | 1,886                  | 2,400                  | 3,600                  | 7,886                   |
| August 2018    | 1,886                  | 2,400                  | 3,600                  | 7,886                   |
| September 2018 | 2,036                  | 2,400                  | 3,600                  | 8,036                   |
| <b>Total</b>   | <b>5,808</b>           | <b>7,200</b>           | <b>10,800</b>          | <b>23,808</b>           |

Failure to deduct and remit statutory deductions is contrary to Section 19(4) of the Employment Act, 2007 and Section 130 (4)(1) of the Income Tax Act, 2018 (Revised) CAP 470.

In the circumstances, the College is in breach of the law.

## **2.0 Failure to Provide Staff Recruitment Records**

Note 9 to the financial statements reflects Kshs.1,414,805 in respect to employee costs. A review of the College's human resource records revealed that during the financial year under review, two (2) employees were recruited for the positions of hair dressing and beauty and plumbing lecturers. However, the recruitment records including interview and selection records were not provided for audit review. In addition, the college did not provide the approved staff establishment and approved salary structure.

In the circumstances, it was not possible to ascertain whether the recruitment process was based on fair competition and merit and also if it considered the diverse Kenyan communities and equal opportunities to all as required by Section B.5 of the Human Resource Policies and Procedures Manual for the Public Service 2016. It was not possible to ascertain whether the College adhered to the set rules and regulations in the human resources recruitment processes.

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

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

In preparing the financial statements, Management is responsible for assessing the Ndia Technical and Vocational 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 the intention to terminate the Vocational 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 College's 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 the entity 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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



or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
Nancy Gathungu  
**AUDITOR-GENERAL**

**Nairobi**

**25 October, 2021**





**NDIA TECHNICAL AND VOCATIONAL COLLEGE**  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

**IV. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019**

|   | Notes | 2018 - 2019         | 2017-2018 |
|---|-------|---------------------|-----------|
|   |       | Kshs                | Kshs      |
| <b>Revenue from non-exchange transactions</b> |       |                     |           |
| Transfers from the National Government        | 6     | 2,000,000.00        |           |
|   |       | <b>2,000,000.00</b> |           |
| <b>Revenue from exchange transactions</b>     |       |                     |           |
| Rendering of services- Fees from students     | 7     | 3,674,775.00        |           |
|   |       | <b>3,674,775.00</b> |           |
|   |       |                     |           |
| <b>Total revenue</b>                          |       | <b>5,674,775.00</b> |           |
| <b>Expenses</b>                               |       |                     |           |
| Use of goods and services                     | 8     | 232,317.00          |           |
| Employee costs                                | 9     | 1,414,805.00        |           |
| Directors Remunerations                       | 10    | 430,000.00          |           |
| Repairs and maintenance                       | 11    | 36,164.00           |           |
| General expenses                              | 12    | 1,470,058.00        |           |
| <b>Total expenses</b>                         |       | <b>3,583,344.00</b> |           |
| <b>Net Surplus for the year</b>               |       | <b>2,091,431.00</b> |           |

The notes set out form an integral part of the Annual Financial Statements.



**NDIA TECHNICAL AND VOCATIONAL COLLEGE**  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

**V. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2019**

|   | Notes | 2018 - 2019         | 2017 - 2018 |
|---|-------|---------------------|-------------|
|   |       | Kshs                | Kshs        |
| <b>Assets</b>                                       |       |                     |             |
| <b>Current assets</b>                               |       |                     |             |
| Cash and cash equivalents                           | 13    | 2,742,545.00        |             |
| Receivables from exchange transactions              | 14    | 581,078.00          |             |
|   |       | <b>3,323,623.00</b> |             |
| <b>Total assets</b>                                 |       |                     |             |
| <b>Liabilities</b>                                  |       |                     |             |
| <b>Current liabilities</b>                          |       |                     |             |
| Trade and other payables from exchange transactions | 15    | 817,682.00          |             |
|   |       | <b>817,682.00</b>   |             |
| <b>Total liabilities</b>                            |       | <b>817,682.00</b>   |             |
| <b>Net assets</b>                                   |       | <b>2,505,941.00</b> |             |
|   |       |                     |             |
| Surplus B/F   |       | 414,510.00          |             |
| Net surplus for the year                            |       | <b>2,091,431.00</b> |             |
| Accumulated surplus                                 | 13    | <b>2,505,941.00</b> |             |
| <b>Total net assets and liabilities</b>             |       |                     |             |

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

MICHAEL MARINGA

Chairman of Council/Board of Governors

Date: 30-6-2019

[Signature]  
Finance Officer

ICPAK No  
Date: 30-6-2019

[Signature]  
Principal

Date: 26/6/2019

**NDIA TECHNICAL AND VOCATIONAL COLLEGE**  
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**VI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

|   |             | <b>2018-2019</b>           | <b>2017-2018</b> |
|---|-------------|----------------------------|------------------|
|   | <b>Note</b> | <b>Kshs</b>                | <b>Kshs</b>      |
| <b>Cash flows from operating activities</b>           |             |                            |                  |
| <b>Receipts</b>                                       |             |                            |                  |
| Transfers from other Government entities/Govt. grants |             | 2,000,000.00               |                  |
| Rendering of services- Fees from students             |             | 3,674,775.00               |                  |
| <b>Total Receipts</b>                                 |             | <b><u>5,674,775.00</u></b> |                  |
| <b>Payments</b>                                       |             |                            |                  |
| Compensation of employees                             |             | 1,414,805.00               |                  |
| Use of goods and services                             |             | 232,317.00                 |                  |
| Other payments  |             | 1,936,222.00               |                  |
| <b>Total Payments</b>                                 |             | <b><u>3,583,334.00</u></b> |                  |
| <b>Net cash flows from operating activities</b>       |             | <b><u>2,091,431.00</u></b> |                  |
| <b>(add) payables</b>                                 |             |                            |                  |
| <b>(less) receivables</b>                             |             | 817,682.00                 |                  |
|   |             | (581,078.00)               |                  |
|   |             | <b><u>2,328,035.00</u></b> |                  |
| Cash and cash equivalents at 1 July 2018              |             | 414,510.00                 |                  |
| <b>Cash and cash equivalents at 30 June 2019</b>      |             | <b><u>2,742,545.00</u></b> |                  |

**VII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

|  | Original budget     | Adjustments | Final budget | Actual on comparable basis | Performance difference |
|--|---------------------|-------------|--------------|----------------------------|------------------------|
|  | 2018-2019           | 2018-2019   | 2018-2019    | 2018-2019                  | 2018-2019              |
| <u>Revenue</u>                                 | Kshs                | Kshs        | Kshs         | Kshs                       | Kshs                   |
| Transfers from other Govt entities Govt grants | 3,000,000           | 0.00        | 0.00         | 2,000,000.00               | 1,000,000.00           |
| Public contributions and donations(bursaries)  | 0.00                | 0.00        | 0.00         | 0.00                       | 0.00                   |
| Rendering of services- Fees from students      | 5,001,000.00        | 0.00        | 0.00         | 3,232,550.00               | 1,768,450.00           |
| <b>Total income</b>                            | <b>8,001,000.00</b> | <b>0.00</b> | <b>0.00</b>  | <b>5,232,550.00</b>        |                        |
| <u>Expenses</u>                                |                     |             |              |                            |                        |
| Compensation of employees                      | 1,692,000.00        | 0.00        | 0.00         | 1,283,706.00               | 408,294.00             |
| Use of Goods and services                      | 370,000.00          | 0.00        | 0.00         | 232,317.00                 | 545,977.00             |
| General expenses                               | 5,074,500.00        | 0.00        | 0.00         | 1,115,243.00               | 3,959,257.00           |
| Repairs & maintenance                          | 864,500.00          | 0.00        | 0.00         | 36,164.00                  | 828,336.00             |
| <b>Total expenditure</b>                       | <b>8,001,000.00</b> |             |              | <b>2,667,430.00</b>        |                        |
| <b>Surplus for the period</b>                  |                     |             |              | <b>2,565,120.00</b>        |                        |

**Budget notes**

Note 1. Compensation of employee's - the college has engaged 6 trainers to meet the shortage of staffs engaged by the PSC

Note 2. Use of goods and services - the college is to buy training materials in the subsequent quarters.



**NDIA TECHNICAL AND VOCATIONAL COLLEGE**  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

**VIII. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Ndia Technical & vocational college is established by and derives its authority and accountability from Education Act. The college is wholly owned by the Government of Kenya and is domiciled in Kenya. The college's principal activity is vocational training.

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

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the 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 the current year.

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

**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

| Standard                                       | Impact   |
|--|--|
| <b>IPSAS 40:</b><br>Public Sector Combinations | <b>Applicable: 1<sup>st</sup> January 2019</b><br>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. |

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

**3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)**

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

| <b>Standard</b>                           | <b>Effective date and impact:</b>  |
|---|--|
| <b>IPSAS 41:</b><br>Financial Instruments | <p><b>Applicable: 1<sup>st</sup> January 2022:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the college's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between a college's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> |
| <b>IPSAS 42:</b><br>Social Benefits       | <p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting college provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the college;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the college's financial performance, financial position and cash flows.</li> </ul>  |

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

**iii. Early adoption of standards**

The college did not early – adopt any new or amended standards in year 2019.

**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 college 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 college 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 college.

**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 college's right to receive payments is established.

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

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

**a) Revenue recognition (Continued)**

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

**Rental income**

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

**b) Budget information**

The original budget for FY 2018/2019 was approved by the Council or Board on *30<sup>th</sup> June 2018*

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

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

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

**c) Taxes**

***Current income tax***

The college is exempt from paying taxes as per schedule xxx of the xxx 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 ~~xxx~~ years.

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

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

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the college 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 College. 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 College 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 College 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 College. 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 College expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the College 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 College 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 College 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 College assesses at each reporting date whether there is objective evidence that a financial asset or a college of financial assets is impaired. A financial asset or a college 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 college of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

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

**i) Financial instruments (Continued)**

***Financial assets (Continued)***

***Impairment of financial assets (Continued)***

- The debtors or a college 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 College 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 College.

**j) Provisions**

Provisions are recognized when the College 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 College 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 College 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 College 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 College 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 College creates and maintains reserves in terms of specific requirements.

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

The College 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 College provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an college pays fixed contributions into a separate college (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 College regards a related party as a person or a college with the ability to exert control individually or jointly, or to exercise significant influence over the College, 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 College 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 College 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 College 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, 2019.

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

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

The preparation of the College'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 College 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 College. 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 College
- 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 xxx.

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

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

**6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

| Description                                  | 2018-2019                  | 2017-2018 |
|--|----------------------------|-----------|
|  | KShs                       | KShs      |
| <b>Unconditional grants</b>                  |                            |           |
| Operational grant                            | 2,000,000.00               |           |
| <b>Total government grants and subsidies</b> | <b><u>2,000,000.00</u></b> |           |

**7 RENDERING OF SERVICES**

| Description          | 2018-2019                  | 2017-2018 |
|----------------------|----------------------------|-----------|
|                      | KShs                       | KShs      |
| S.E.S/TUTION         | 1,140,659.00               |           |
| P.EMOLUMENT          | 480,121.00                 |           |
| E.W.C                | 259,034.00                 |           |
| R M I                | 141,247.00                 |           |
| L. T & T             | 226,747.00                 |           |
| ADMINISTRATION       | 276,652.00                 |           |
| CASUALS              | 108,503.00                 |           |
| COMPUTER MAINTENANCE | 44,200.00                  |           |
| STUDENT WELFARE      | 41,550.00                  |           |
| ACTIVITY             | 52,570.00                  |           |
| ATTACHMENT           | 13,050.00                  |           |
| PRACTICALS           | 189,023.00                 |           |
| K N E C              | 679,719.00                 |           |
| INSURANCE            | 21,700.00                  |           |
|                      | <b><u>3,674,775.00</u></b> |           |

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**NOTES TO THE FINANCIAL STATEMENTS**

**8 USE OF GOODS AND SERVICES**

| Description                    | 2018-2019         | 2017-2018   |
|--------------------------------|-------------------|-------------|
|                                | KShs              | KShs        |
| School equipments & stores     | 232,317.00        | 0.00        |
| <b>Total good and services</b> | <b>232,317.00</b> | <b>0.00</b> |

**9 EMPLOYEE COSTS**

|                       | 2018-2019           | 2017-2018 |
|-----------------------|---------------------|-----------|
|                       | KShs                | KShs      |
| Salaries and wages    | 1,414,805.00        |           |
| <b>Employee costs</b> | <b>1,414,805.00</b> |           |

**10 DIRECTORS FEES**

|                | 2018-2019         | 2017-2018 |
|----------------|-------------------|-----------|
|                | KShs              | KShs      |
| BoG allowances | 430,000.00        |           |
|                | <b>430,000.00</b> |           |

**11 REPAIRS AND MAINTENANCE**

| Description                          | 2018-2019        | 2017-2018 |
|--------------------------------------|------------------|-----------|
|                                      | KShs             | KShs      |
| Property                             | 36,164.00        |           |
| <b>Total repairs and maintenance</b> | <b>36,164.00</b> |           |

**12 GENERAL EXPENSES**

| Description          | 2018-2019           | 2017-2018 |
|----------------------|---------------------|-----------|
|                      | KShs                | KShs      |
| E.W.C                | 24,333.00           |           |
| L. T & T             | 245,368.00          |           |
| ADMINISTRATION       | 511,810.00          |           |
| COMPUTER MAINTENANCE | 1,400.00            |           |
| STUDENT WELFARE      | 980.00              |           |
| ACTIVITY             | 1,130.00            |           |
| PRACTICALS           | 11,267.00           |           |
| K N E C              | 148,070.00          |           |
| INSURANCE            | 700.00              |           |
| AUDIT FEES           | 525,000.00          |           |
| <b>Total</b>         | <b>1,470,058.00</b> |           |

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

**13 CASH AND CASH EQUIVALENTS**

| Description                            | 2018-2019           | 2017-2018 |
|--|---------------------|-----------|
|  | KShs                | KShs      |
| Cash at hand                           |                     |           |
| Current account                        | 2,742,545.00        |           |
| <b>Total cash and cash equivalents</b> | <b>2,742,545.00</b> |           |

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

|                           |                | 2018-2019                  | 2017-2018 |
|---------------------------|----------------|----------------------------|-----------|
| Financial institution     | Account number | KShs                       | KShs      |
| a) <b>Current account</b> |                |                            |           |
| Kenya Commercial bank     |                | 2,742,545.00               |           |
| <b>Sub- total</b>         |                | <b><u>2,742,545.00</u></b> |           |
| b)                        |                |                            |           |
| cash in hand              |                | 0.00                       |           |
| <b>Sub- total</b>         |                |                            |           |
| <b>Grand total</b>        |                | <b><u>2,742,545.00</u></b> |           |



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

**14 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

| Description                | 2018 - 2019       | 2017-2018 |
|----------------------------|-------------------|-----------|
|                            | KShs              | KShs      |
| <b>Current receivables</b> |                   |           |
| Student debtors            | 581,078.00        |           |
| <b>Total receivables</b>   | <b>581,078.00</b> |           |

**15 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

| Description                           | 2018-2019         | 2017-2018 |
|---------------------------------------|-------------------|-----------|
|                                       | KShs              | KShs      |
| <b>Prepaid fees</b>                   | 152,583.00        |           |
| Audit fees                            | 525,000.00        |           |
| Employees cost                        | 140,099.00        |           |
| <b>Total trade and other payables</b> | <b>817,682.00</b> |           |

**NOTES TO THE FINANCIAL STATEMENTS**

**16 FINANCIAL RISK MANAGEMENT**

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

**(i) Credit risk**

The college 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 college's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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

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

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

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

The college has significant concentration of credit risk on amounts due from xxxx

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

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the college's directors, who have built an appropriate liquidity risk management framework for the management of the college's short, medium and long-term funding and liquidity management requirements. The college 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.

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

**(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the college 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 college'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 company'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 college's exposure to market risks or the manner in which it manages and measures the risk.

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a) Foreign currency risk

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

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

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

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

**Foreign currency sensitivity analysis**

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

**a) Interest rate risk**

Interest rate risk is the risk that the college'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.

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

**45 FINANCIAL RISK MANAGEMENT (Continued)**

(iii) Market risk (Continued)

b) Interest rate risk(continued)

*Sensitivity analysis*

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2016: KShs xxx ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2012 – KShs xxx)

**iv) Capital Risk Management**

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



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**NOTES TO THE FINANCIAL STATEMENTS**

**17 RELATED PARTY BALANCES**

**Nature of related party relationships**

Entities and other parties related to the college 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 college, holding 100% of the college equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the college, both domestic and external. Other related parties include:

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management;
- iv) Board of directors;

**18 EVENTS AFTER THE REPORTING PERIOD**

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

**19 ULTIMATE AND HOLDING COLLEGE**

The college is a technical vocational college under the Ministry of education Its ultimate parent is the Government of Kenya.

**20 Currency**

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

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**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | 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 college 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.

Director General/C.E.O/M.D (enter title of head of college)  
Chairman of the Board

Date.....

