REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

DAVID MBITI WAMBULI TECHNICAL AND VOCATION COLLEGE

FOR THE YEAR ENDED 30 JUNE, 2019

HARAMBEE

International Public Sector Accounting Standards (IPSAS)
Annual Financial Reporting Template for
Technical Vocational Education Training (TVET) Institutions, National Polytechnics and Teacher Training Colleges

DAVID MBITI WAMBULI TECHNICAL AND VOCATIONAL COLLEGE
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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th June 2019

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

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DAVID MBITI WAMBULI TVC INFORMATION AND MANAGEMENT

(a) Background information

The proportion of establishing the college started early in 2010.the government requested the local community to provide the land and then the area MP committed to fund 10m from the CDF then the government funded the rest. The government through the tendering procedures approved for the construction of college in 2012 by Admo Construction Company, the community through the TAA group proposed the college to be named David Mbiti who was the donor of the land in honor of his name. After the completion of the college the government equipped the electrical departments with machines, ICT department and the office furniture. David Mbiti Wambuli is located in Makueni County, Mbooni West Sub Country. From Machakos its located 15KM through kikima kali route. It occupies 5ha of land and is in semi-arid region. The college was officially opened in September 2018 teaching the varieties of courses, the courses offered are examined by KNEC.The college is managed by a board of governors (BOG) appointed by the cabinet secretary, Ministry of education as stipulated by the TVETA Act (January,2013).

(b) Principal Activities

The core mandate of the college is providing the knowledge and skills to the people in the whole world.

Vision:

(c) Key Management

The *college* day-to-day management is under the following key organs:

- Board of council members/ Council/ Management etc;
- Accounting officer/ Principal
- Deputy Principal
  Head of Finance

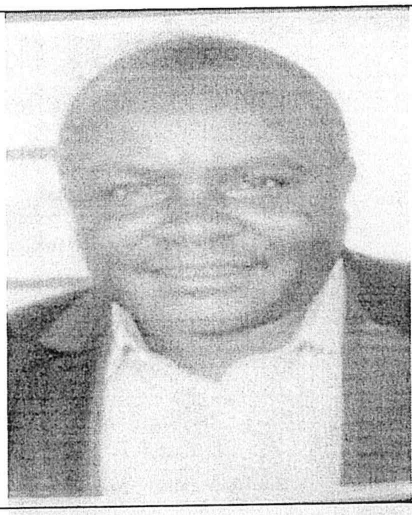
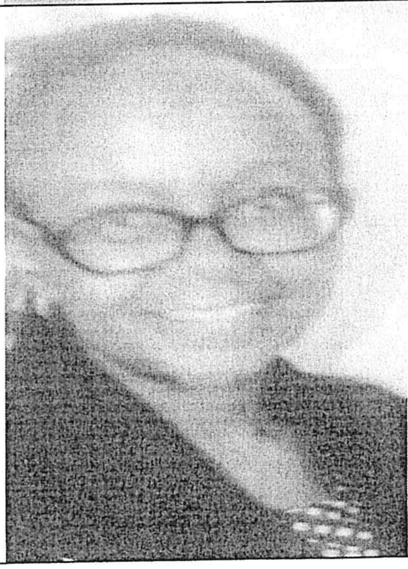
(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	**Thomas Ndambu**
2.	Ag.Head of Finance	**Imeldah Titus**
3	Deputy Principal	**Josephine Nzyoki**

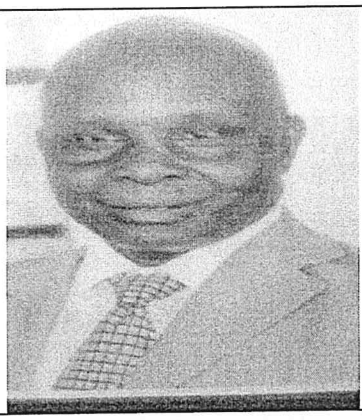
THE COUNCIL/BOARD OF GOVERNORS

S/ No	Governor	Title	photograph	Responsibility	Date of birth qualifications and work experience
1	Amb:Dennis Awori	Chairman		Overall management of the board of governors activities	Date of birth:1957 BSC Aeronautical Engineering
2	Thomas Ndambu	Principal/secretary, BOG		In charge of the overall management of the college	Date of birth:.1962 BSC in Chemical Engineering
3	Mr. Samuel Mativo	Member		Risk and Audit committee	Date of birth 1960 M.A. Economics

4	Dr.Fredrick Kasomi	Member		Finance and resource mobilization committee	Date of birth :1977 PHD in business Administration/Bachelor in economics
5	Mr. Stephen Kyande	Member		Finance and resource mobilization committee	Date of birh:1964 MBA strategic management
6	Ms. Irene Okeyo	Member		Academic committee	Date of birth:1972 Master of architecture Engineering

7	Ms.Redempta Kavindu	Member		Academic committee	Master's in Business Studies
8	Ms.Juliana Kivasu	Member		Governance/ strategies/huma n resource committee	Date of birth:1965 BA/Master in business administration
9	Ms.Ruth Okowa	Member		Governance/ strategies/huma n resource committee	Date of birth:1973 Masters in democracy (population studies)

MANAGEMENT TEAM

S/no	Manager	Title	Photograph	Responsibility	Date of birth, qualifications & work experience
1	Thomas Ndambu	Principal/Secretary, BOG		Overall in charge of institute Affairs	Date of birth:1962 BSC in Chemical Engineering
2	Josephine Nzyoki	Deputy principal		Planning, Administration & Academics	Date of birth:1968 Master in business administration (strategic management)
3	Jackson Swili	Accountant		Financial management of the college	Date of birth:1996 Diploma in Accountancy/ Continuing with CPA

CHAIRMAN'S STATEMENT

David Wambuli TVC was established with the aim of proving knowledge and skills to people of large Makueni and beyond.

Key activities

During the 2018/2019 financial year the college undertook the following activities

i. Registration with various bodies e.g. KUCCPS, HELB

Challenges

During the FY 2018/2019 the institute faced the following challenges

i. Inadequate water supply
ii. Inadequate staff, both trainers and support staff
iii. Inadequate furniture
iv. Inadequate physical infrastructure-lecture rooms, staff houses
v. Delayed GOK funding.

Way forward/future outlook

In order to address the above challenges, the college has planned to carry out the following activities during the FY 2019/2020

i. Construct pit latrine for both staff and trainees
ii. construct underground water tank 200,000lires
iii. Construct tuition block
iv. Erecting perimeter fence, gate and land scaping
v. Equipping ICT lab, Library and electrical installation workshop
vi. The college also plans to increase industrial linkages so as to enhance trainings.
vii. strengthen college financial base through increasing income generating activities

Amb: Dennis Awori
Chairman, BOG

PRINCIPAL STATEMENT

During the financial year 2018/2019 the college undertook the following activities

Key Activities

i. Registration with various bodies e.g. KUCCPS, HELB
ii. Marketing the college targeting the locals
iii. presented candidates for KNEC examination

Challenges

i. Inadequate physical infrastructure –the college is facing this challenge due to growing numbers of staff and students
ii. Inadequate staff, both support staff and teaching staff
iii. Inadequate water supply-the college is in semi-arid region hence facing major water challenge due to inadequate and unreliable water supply.
iv. inadequate furniture for staff
v. Delayed GOK funding-due to delayed disbursement of development fund the college has not been able to meet the planned projects.

Way forward/future outlook

In order to address those challenges, the college has planned to carry out the following activities during the FY 2019/2020

i. Procure furniture's for both staff and trainees
ii. Erecting the perimeter fence, gate and land scaping
iii. Constructing the pit latrines for both trainers and staff
iv. Recruiting support staff
v. strengthen the college financial state through increasing income generating activities and also partnership with County Government of Makueni, JICA, Toyota Kenya Academy etc
vi. increasing the enrolment to 150
vii. Equipping ICT lab, Library and electrical installation workshop
viii. Start both business course and agricultural value addition course
ix. The college also plans to increase industrial linkages so as to enhance trainings.

PRINCIPAL
DAV... WAMBULI TECHNICAL &
V... ONAL COLLEGE
... 3303-90100, MACHAKOS

Thomas Ndambu
Principal/Secretary, BOG

CORPORATE GOVERNANCE STATEMENT

Appointment of BOG Members

The cabinet secretary, ministry of education appoints members of the board following proposals from the principal of the college. The board consist of nine members.

Role and functions of Board of Governors

i. Promoting and maintaining standards, quality and relevance in education and training in the institutions in accordance with this TVET Act and any other written law
ii. Developing and implementing the institutions' strategic plan
iii. Preparing annual estimates of revenue and expenditure for the institution and incurring expenditure on behalf of the institutions
iv. Determining the fees payable and prescribing conditions under which fees may be remitted in part or in whole in accordance with the guidelines developed under the provisions TVET Act; 8
v. Mobilizing resources for the institutions
vi. Developing and reviewing programmes for training and to make representations there on to the Board;
vii. Approving collaboration or association with other institutions and industries in and outside Kenya
viii. Recruiting and appointing trainers from among qualified professionals and practising trade's persons in relevant sectors of industry;
ix. Determining suitable terms and conditions of service for support staff, trainers and instructors and remunerating the staff of the institutions, in consultation with the TVET Authority;
x. Preparing comprehensive annual reports on all areas of their mandate, including education and training services and submits the same to the ministry
xi. Providing for the welfare of the students and staff of the institutions
xii. Encouraging, nurturing and promoting democratic culture, dialogue and tolerance in the institutions
xiii. Administering and managing the property of the institution

The college give the sitting allowances to board members to cater for their transport.

Full board meeting are held once every term.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial performance of college
The college is fairly stable financially. It operates on fees received from students, G.O.K capitation, H.E.L.B Funds.

Institute's compliance with statutory requirements
The college complies with making statutory payments before the relevant deadlines.

Major risks facing the college
Financial litigation – due to limited finances, the college has not been able to start any projects and recruit support staffs.

Material arrears in statutory /financial obligations
At end of the financial year 2018/2019 no single project for the college had been constructed

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Two-to-three pages
(The organisation gives details of CSR activities carried out in the year and the impact to the society. The statement may also include how the organisation conserves the environment, promotes education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives). Where no CSR activities are undertaken during the year, there is no need to include the statement).

REPORT OF THE COUNCIL/BOARD OF GOVERNORS

The Board members submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the *David Mbiti Wambuli Technical and Vocational College's* affairs.

Principal activities

The principal activities of the college are Provision of Technical and Vocational Training.

Results

The results of the college for the year ended 30 June 2019 are set out on page 1

BOARD/BOARD OF GOVERNORS

The members of the Board who served during the year are shown on page vi to viii
During the year that ended 30 June 2019, none of members retired or resigned

Auditors

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

By Order of the Board

STATEMENT OF BOARD OF GOVERNORS/ COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013* require the Board members to prepare financial statements in respect of Wambuli TVC, which give a true and fair view of the state of affairs of the *TVC* at the end of the financial year and the operating results of the *TVC* for that year. 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 year (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 State Corporations Act, and the TVET Act* 2013*)*. 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 board 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 ________________ and signed on its behalf by:

PRINCIPAL
DAVID M. WAMBULI TECHNICAL & VOCATIONAL COLLEGE
P.O. Box 3308-90100, MACHAKOS
CEL: 0743 896 827

Principal

Board Member

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON DAVID MBITI WAMBULI TECHNICAL AND VOCATIONAL COLLEGE FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of David Mbiti Wambuli Technical and Vocational College set out on Pages 1 to 45, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 David Mbiti Wambuli 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 Technical and Vocational Education Training Act, 2013 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Presentation of the Financial Statements

The annual reports and the financial statements presented for audit had the following errors:

i. Page numbering ii and iv have been repeated while page x is missing.

ii. Date of approval of the financial statements has not been indicated and the report of Board of Governors on page xi is not signed.

iii. Several notes to the financial statements are blank.

The footnote under the statement of financial performance indicated that the notes are set out on pages x to page xx instead of pages 7 to 42.

iv. Note 6 to the financial statements reflects receipts from the National Government balance of Kshs.995,000. However, the amount has not been analyzed under Note 6(b) and details of the reconciliations of the amount received has not been provided in appendix to the financial statements.

v. The financial statements presented for audit do not have comparative figures for 2017/2018 financial year and disclosure on opening balances. This is contrary to paragraph 53 of International Public Sector Accounting Standards (IPSAS 1) on financial statements presentation that requires an entity to present comparative information disclosure in respect of the previous period for all amounts reported in the financial statements.

In view of the foregoing, the financial statements presented do not fully comply with the reporting format prescribed by the Public Sector Accounting Standards Board.

2. Discrepancy on Revenue from Exchange Transactions

The statement of financial performance reflects total revenue figure of Kshs.1,390,390. However, an amount of Kshs.395,390 is erroneously shown as the sub-total for revenue from exchange transactions instead of an amount of Kshs.582,500 reflected as revenue from rendering of services in the statement and as disclosed in Note 10 to the financial statements. Further, recasting of the revenue balances revealed revenue totalling to Kshs.1,577,500 instead of Kshs.1,390,390 now shown resulting in an unreconciled variance of Kshs.184,110.

In the circumstance, the accuracy and completeness of the revenue from exchange transactions of Kshs.1,390,390 could not be confirmed.

3. General Expenses

The statement of financial performance reflects general expenses of Kshs.806,410 which as further disclosed in Note 22 to the financial statements includes an amount of Kshs.435,680 in respect of local transport and travelling. However, the ledger provided in support of the local transport and travelling expenditure had a balance of Kshs.697,000 resulting into an unexplained variance of Kshs.261,320. Further, the expenditure was not supported with relevant documents.

Consequently, the accuracy and completeness of the general expenses of Kshs.806,410 could not be confirmed.

4. Unbalanced Statement of Financial Position

The statement of financial position does not show total assets and total liabilities. Further, the statement reflects assets balances under cash and cash equivalents, receivables from exchange transactions balances of Kshs.129,904 and Kshs.491,310 respectively compared with liabilities balances of trade and other payables from exchange transaction and accumulated surplus of Kshs.381,357 and Kshs.129,904 respectively, indicating that the statement of financial position did not balance by Kshs.109,583.

Due to the foregoing, the total net assets and liabilities is inaccurate.

5. Inaccuracies in Cash and Cash Equivalents

The statement of financial position reflects cash and equivalents balance of Kshs.129,534. However, disclosure Note 27 to the financial statements includes unusual and erroneous cash at hand negative balance of Kshs.49,891. Further, the statement of financial position reflects opening cash and cash equivalents balance of Kshs.992,950 and a similar net increase in cash and cash equivalents during the year. However, no documents were provided to support the balance.

In the circumstances, the accuracy and fair presentation of cash and cash equivalents balance of Kshs.129,534 as at 30 June, 2019 could not be confirmed.

6. Statement of Changes in Net Assets

The College presented statement of changes in net assets for the year ended 30 June, 2019 without balances. However, the statement of financial performance and statement of financial position reflect similar net surplus and accumulated surplus balances of Kshs.129,904 which has not been disclosed or analyzed in the statement of changes in net assets. Further, receipts in respect of capital funds from the parent Ministry and other government agencies have not been recognized and disclosed in the statement.

Consequently, the validity, completeness and accuracy the statement of changes in net for the year ended 30 June, 2019 could not be ascertained.

7. Failure to Prepare a Trial Balance

Management did not prepare and present for audit a trial balance in support of the account balances for the year ended 30 June, 2019.

Consequently, the accuracy and completeness of the financial statements could not be confirmed.

8. Undisclosed Property, Plant and Equipment

The statement of financial position reflects nil balance in respect of total assets property, plant and equipment as at 30 June, 2019. However, as disclosed in Annex II of the financial statements, the College has land, office furniture, computers and accessories, training machines and equipment and library books that were not valued and included in these financial statements. Further, Annex II to the financial statements on projects implemented by the College reflects an amount of Kshs.56,048,091 in respect of buildings, septic and external drainage and firefighting equipment which have not been included in these financial statements.

Under the circumstances, the accuracy and completeness of the assets as at 30 June, 2019 could not be confirmed.

9. Land Without Title Deeds

As disclosed under Background Information on Page ii of the financial statements, the College premises is situated on a 5 hectares piece of land donated by an individual after whom the College is named. However, the College does not have title deed for the parcel of land has not been valued for inclusion in the financial statements.

Consequently, the ownership, valuation and security of the land could not be ascertained.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects budgeted revenue and actual amount on comparable basis of Kshs.4,812,000 and Kshs.1,390,390 respectively resulting in revenue shortfall of Kshs.3,421,610 or 71% of the approved budget. Further, Management has not provided explanations on differences between the budget and actual amounts exceeding 10% as required.

The shortfall in the budgeted revenue implies that the College did not implement some of the budgeted programmes and activities for the year and is indicative of inability by the Management to put in place required systems and mechanisms to ensure realization of the all revenue due to the College.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that, public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Failure to Remit Statutory Deductions

Review of records on remittance of statutory deductions for the year revealed that Management did not remit statutory deductions in time totalling to Kshs.21,357 comprising of unremitted dues to National Hospital Insurance Fund (NHIF), National Social Security Fund (NSSF) and Pay As You Earn (PAYE) of Kshs.7,800, Kshs.5,351 and Kshs.8,206 respectively.

Failure to deduct and remit statutory deductions in time may lead to wastage of public funds on unnecessary penalties and interest.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1.0 Lack of Procurement Function

During the year under review, the College operated without a procurement division staffed with procurement professionals concerned with managing the procurement and asset disposal process. As a result, the Principal and Secretary undertook all procurements during the year. Further, the College did not have an approved procurement plan contrary to Section 45(1) of the Public Procurement and Asset Disposal Act, 2015, which requires all procurements to be within an approved budget of an entity and planned through an annual procurement plan.

Consequently, the College was in breach of the law.

2.0 Lack of Human Resources Department

A review of human resource records revealed that the College does not have a Human Resource Department or an officer trained and experienced in human resource management. Further, no human resource policy documents had been developed to guide in the determination of staffing requirement, job descriptions, key competences, qualifications required, terms of service, career progression, training and development.

In the absence of this key function, the College may face challenges in determination of staffing needs, recruitment and remuneration of staff.

3.0 Lack of Risk Management Policy

During the period under review, the College did not have a risk management strategy contrary to Section 165. (1) of the Public Finance Management (National Governments) Regulations, 2015 and Treasury Circular No. 3/2009 of 23 February, 2009 which requires Accounting Officers to develop risk management strategies, including fraud prevention mechanism and internal control that builds robust business operations.

Under the circumstances, the adequacy and effectiveness of the risk management strategies and controls put in place could not be established.

4.0 Lack of Automation of Key Processes

The College had not implemented any Electronic Resource Planning (ERP) system to manage its operations. The College was using manual records which are prone to errors and lack data integrity and confidentiality. Further, manual processing is cumbersome and denies the College the benefits of speedy processing and retrieval of information and inefficient operations.

5.0 Lack of Internal Audit Function

The College operated without an internal audit function contrary to Section 73(1) and 73(5) of the Public Finance Management Act, 2012 which requires every public entity to have arrangement in place for internal audit function for the purpose of carrying out in depth reviews of management operations and internal controls and audit committee in place during the year under review.

In the absence of internal audit function, review of the effectiveness of internal control, risk management systems, and overall governance processes were not executed which may have hindered the efficient and effective execution of the College activities.

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

Responsibilities of Management and those Charged with Governance

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the College to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 January, 2022

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

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants capitation	6	995,000	
Grants from donors and development partners	7		
Transfers from other levels of government	8		
Public contributions and donations	9		
		995,000	
Revenue from exchange transactions			
Rendering of services- Fees from students	10	582,500	
Sale of goods	11		
Rental revenue from facilities and equipment	12		
Finance income - external investments	13		
Consultancy fees	14		
Other income			
Revenue from exchange transactions		395,390	
Total revenue		**1,390,390**	
Expenses			
Use of goods and services	15	55,000	
Employee costs	16	314,794	
Remuneration of directors	17		
Depreciation and amortization expense			
Repairs and maintenance	19	81,980	
Contracted services	21		
Grants and subsidies			
General expenses	22	806,410	
Finance costs	23	2,302	
Total expenses		**1,260,486**	
Other gains/(losses)			
Gain on sale of assets	25		
Gain on foreign exchange transactions	26		
Unrealized gain on fair value of investments			
Impairment loss			
Total other gains/(losses)			
Net Surplus for the year		**129,904**	
Attributable to:			
Surplus/(deficit) attributable to minority interest			
Surplus attributable to owners of the controlling college			

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

V. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	Notes	2018-2019 Kshs	2017-2018 Kshs
Assets			
Current assets			
Cash and cash equivalents	27	129,534	
Receivables from exchange transactions	28	491,310	
Receivables from non-exchange transactions	29		
Current portion of long-term receivables from exchange transactions	30		
Inventories	31		
Investments	32		
Non-current assets			
Property, plant and equipment	33		
Investments	32		
Intangible assets	34		
Investment property			
Long term receivables from exchange transactions	30		
Total assets		**129,904**	
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	35	381,357	
Refundable deposits from customers	37		
Provisions	38		
Finance lease obligation	39		
Current portion of borrowings	43		
Deferred income	40		
Employee benefit obligation	41		
Payments received in advance			
Non-current liabilities			
Non-current employee benefit obligation	41		
Non-current provisions	42		
Borrowings	43		
Service concession liability	44		
Deferred tax liabilities	53		
Total liabilities			
Net assets			
Reserves			
Accumulated surplus		**129,904**	
Capital Fund			
Total net assets and liabilities			

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

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Chairman of Council/Board of Governors	**Finance Officer**	**Principal**
	ICPAK No	
Date.......................................	Date	Date..................................

PRINCIPAL
DAVID MBITI WAMBULI TECH
VOCATIONAL COLLEGE
P. O. Box 5308-90100, MACH
CELL: 0743 896 827

VI. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2019

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

Note:

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

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

VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

		2018-2019	2017-2018
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government units/Govt. grants		995,000	
Public contributions and donations			
Rendering of services- Fees from students		395,390	
Sale of goods			
Rental revenue from facilities and equipment			
Finance income			
Consultancy income			
Other income, rentals and agency fees			
Total Receipts		**1,390,390**	
Payments			
Compensation of employees			
Use of goods and services		55,000	
Finance cost		2,302	
Employee costs	16	314,794	
Repairs and maintenance	19	81,980	
Rent paid			
Taxation paid			
Other payments		806,410	
Grants and subsidies paid			
Total Payments		**1,260,486**	
Net cash flows from operating activities		**129,904**	
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets			
Proceeds from sale of property, plant and Equipment			
Decrease in non-current receivables			
Increase in investments			
Net cash flows used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings			
Repayment of borrowings			
Increase in deposits			
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		992,950	
Cash and cash equivalents at 1 JULY 2018	27	992,950	
Cash and cash equivalents at 30 June 2019	27	129,534	

(IPSAS 2 allows an college to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation).

VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Transfers from other Govt entities Govt grants	2,000,000		2,000,000	995,000	1,005,000
Public contributions and donations					
Rendering of services- Fees from students	2,812,000		2,812,000	395,390	2,416,610
Sale of goods					
Finance Income					
Consultancy Income					
Gains on disposal, rental income and agency fees					
Total income	**4,812,000**		**4,812,000**	1,390,390	**3,421,610**
Expenses					
Compensation of employees					
Use of Goods and services	200,000		200,000	55,000	145,000
Finance costs				2,302	(2,302)
Employee costs	1,000,000		1,000,000	314,794	685,206
Repairs and maintenance	50,000		50,000	81,980	(31,980)
Rent paid					
Remuneration of directors					
General expenses	3,532,000		3,532,000	806,410	2,725,590
Grants and subsidies paid					
Total expenditure	**4,812,000**		**4,812,000**	**1,260,486**	**3,551,514**
Surplus for the period				**129,904**	**(129,904)**

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14

2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

IX. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

David Wambuli TVC is established by and derives its authority and accountability from TVET Act. David Wambuli TVC is wholly owned by the Government of Kenya and is domiciled in Kenya. The college principal activity is to provide knowledge and skills to people in the whole world.

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's* accounting policies.

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 all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	**Applicable: 1st January 2019** 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. *The college did not have any transactions that require adoption of this standard*

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2022:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an college's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an college's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. *The college did not deal in any Financial instruments during the year under review*
IPSAS 42: Social Benefits	**Applicable: 1st January 2022** 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: (a) The nature of such social benefits provided by the college; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the college's financial performance, financial position and cash flows. *The college did not have any reason to early adopt this standard*

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.

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 ------- Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the college upon receiving the respective approvals in order to conclude the final budget. Accordingly, the college recorded additional appropriations of *xxxx* on the FY 2018/2019 budget following the Council/ Board's approval.

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

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

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

c) Taxes

Current income tax

The college is exempt from paying taxes as per First Schedule Section 10 subsection (a) and (b) of the ***2010 income tax*** 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.

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 an 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:

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 has not created or maintained any 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 an 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.

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

There were no provisions raised during the year under review.

6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2018-2019	2017-2018
	KShs	KShs
Unconditional grants		
Operational grant	500,000	
Other grants-capitation	495,000	
Conditional grants		
Library grant		
Hostels grant		
Administration block grant		
Laboratory grant		
Learning facilities grant		
Other organizational grants		
Total government grants and subsidies	**995,000**	

6b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the College sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2017-2018
			KShs	KShs	KShs
Xxx Ministry/State Department					
Xxx Ministry					
Total					

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

7 GRANTS FROM DONORS AND DEVELOPMENT PARTNERS

Description	2018-2019	2017-2019
	KShs	KShs
JICA- Research grant		
World Bank grants		
Other grants		
Total grants from development partners		

Reconciliations of grants from donors and development partners

Description	2018-2019	2017-2017
	KShs	KShs
Balance unspent at beginning of year		
Current year receipts		
Conditions met - transferred to revenue		
Conditions to be met - remain liabilities		

There were no grants from donors and development partners during the year under review

8 TRANSFERS FROM OTHER LEVELS OF GOVERNMENT

Description	2018-2019	2017-2018
	KShs	KShs
Transfer from County xxx		
Transfer from xxx University		
Transfer from xxx institute		
Total Transfers		

9 PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2018-2019	2017-2018
	KShs	KShs
Public donations		
Donations from local leadership		
Donations from religious institutions		
Donations from alumni		
Other donations		
Total donations and sponsorships		

There were no public contributions and donations during the year under review

10 RENDERING OF SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Tuition fees	582,500	
Activity fees		
Examination fees		
Library fees		
Accommodation		
Personnel emolument		
Facilities and materials		
Repair maintenance		
Registration fees		
Total revenue from the rendering of services	582,500	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 SALE OF GOODS

Description	2018-2019	2017-2018
	KShs	KShs
Sale of goods		
Sale of books		
Sale of publications		
Sale of farm produce		
Other (include in line with your organisation)		
Total revenue from the sale of goods		

There were no sales during the year under review

12 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2018-2019	2017-2018
	KShs	KShs
Straight-lined operating lease receipts		
Contingent rentals		
Total rentals		

There was no rental revenue from facilities and equipment during the year under review

13 FINANCE INCOME

Description	2018-2019	2017-2018
	KShs	KShs
Cash investments and fixed deposits		
Interest income from Treasury Bills		
Interest income from Treasury Bonds		
Interest from outstanding debtors		
Total finance income		

There was no finance income during the year under review

14 OTHER INCOME

Description	2018-2019	2017-2018
	KShs	KShs
Insurance recoveries		
Income from sale of tender		
Services concession income		
Skills development levy		
Income from disposal of assets		
Total other income		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 USE OF GOODS AND SERVICES

Description	2018-2019 KShs	2017-2018 KShs
Electricity water &conservancy	55,000	
Water		
Security		
Professional services		
Subscriptions		
Total good and services	**55,000**	

16 EMPLOYEE COSTS

	2018-2019 KShs	2017-2018 KShs
Salaries and wages	314,794	
Employee related costs - contributions to pensions and medical aids		
Travel, motor car, accommodation, subsistence and other allowances		
Housing benefits and allowances		
Overtime payments		
Performance and other bonuses		
Social contributions		
Employee costs	**314,794**	

17 REMUNERATION OF DIRECTORS

Description	2018-2019 KShs	2017-2018 KShs
Chairman's Honoraria		
Directors emoluments		
Other allowances		
Total director emoluments		

18 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019 KShs	2017-2018 KShs
Property, plant and equipment		
Intangible assets		
Investment property carried at cost		
Total depreciation and amortization		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018
	KShs	KShs
Property		
Investment property – earning rentals		
Equipment and machinery		
Vehicles		
Furniture and fittings	81,980	
Computers and accessories		
Other		
Total repairs and maintenance	**81,980**	

20 CONTRACTED SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Actuarial valuations		
Investment valuations		
Property valuations		
Total contracted services		

21 GRANTS AND SUBSIDIES

Description	2018-2019	2017-2018
	KShs	KShs
Community development		
Education initiatives and programs		
Social development		
Community trust		
Sporting bodies		
Total grants and subsidies		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 GENERAL EXPENSES

Description	2018-2019 KShs	2017-2018 KShs
Advertising		
Admin fees		
Audit fees		
Conferences and delegations		
Consulting fees		
Consumables		
Exam materials	85,730	
Contingencies	18,000	
Local transport &travelling	435,680	
Kenya Association of Technical Training Institute (KATTI)	267,000	
Licenses and permits		
Postage		
Printing and stationery		
Hire charges		
Rent expenses		
Security costs		
Sewage treatment costs		
Skills development levies		
Inventory scrapping		
Telecommunication		
Training expenses		
Other		
Total general expenses	**806,410**	

23 FINANCE COSTS

Description	2018-2019 KShs	2017-2018 KShs
Borrowings (amortized cost)		
Finance leases (amortized cost)		
Bank charges	2,302	
Unwinding of discount		
Interest on Bank overdrafts		
Interest on loans from commercial banks		
Total finance costs	**2,302**	

*Borrowing costs that relate to interest expense on acquisition of non- current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 GAIN ON SALE OF ASSETS

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment		
Intangible assets		
Other assets not capitalised		
Total gain on sale of assets		

25 UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

Description	2018-2019	2017-2018
	KShs	KShs
Investments at fair value		
Total gain		

26 IMPAIRMENT LOSS

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment		
Intangible assets		
Total impairment loss		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 CASH AND CASH EQUIVALENTS

Description	2018-2019 KShs	2017-2018 KShs
Current account	179,425	
On - call deposits		
Fixed deposits account		
Staff car loan/ mortgage		
cash at hand	(49,891)	
Total cash and cash equivalents	**129,534**	

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

27 (a). DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

Financial institution	Account number	2018-2019 KShs	2017-2018 KShs
a) **Current account**			
Kenya Commercial bank	1253017115	179,425	
Equity Bank, etc			
Sub- total			
b) **On - call deposits**			
Kenya Commercial bank			
Equity Bank - etc			
Sub- total			
c) **Fixed deposits account**			
Kenya Commercial bank			
Bank B			
Sub- total			
d) **Staff car loan/ mortgage**			
Kenya Commercial bank			
Bank B			
Sub- total			
e) **Others(specify)**			
Cash in transit			
cash in hand			
M pesa			
Sub- total			
Grand total			

28 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Student debtors	491,310	
Rent debtors		
Consultancy debtors		
Other exchange debtors		
Less: impairment allowance		
Total current receivables		
Non-current receivables		
Refundable deposits		
Advance payments		
Public organizations		
Less: impairment allowance		
Total		
Current portion transferred to current receivables		
Total non-current receivables		
Total receivables	**491,310**	

29 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2018--2019	2017-2018
	KShs	KShs
Current receivables		
Transfers from other govt. entities		
Undisbursed donor funds		
Other debtors (non-exchange transactions)		
Less: impairment allowance		
Total current receivables		

30 INVENTORIES

Description	2018-2019	2017-2018
	KShs	KShs
Consumable stores		
Maintenance stores		
Health Unit stores		
Electrical stores		
Cleaning materials stores		
Catering stores		
Total inventories at the lower of cost and net realizable value		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 INVESTMENTS

Description	2018-2019	2017-2018
	KShs	KShs
a) Investment in Treasury bills and bonds		
Financial institution		
CBK		
CBK		
Sub- total		
b) Investment with Financial Institutions/ Banks		
Bank x		
Bank y		
Sub- total		
c) Equity investments (specify)		
Equity/ shares in company xxx		
Sub- total		
Grand total		

d) Shareholding in other entities

For investments in equity share listed under note 31 (c) above, list down the equity investments under the following categories:

Name of college where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	%	%	%	Shs	Shs	Shs
College A						
College B						
College C						
College D						

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets (Specify)	Plant and equipment	Capital Work in progress	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1July 2018								
Additions								
Disposals								
Transfers/adjustments								
At 30th June 2019								
Additions								
Disposals								
Transfer/adjustments								
At 30th June 2019								
Depreciation and impairment								
At 1July 2018								
Depreciation								
Impairment								
At 30 June 2019								
Depreciation								
Disposals								
Impairment								
Transfer/adjustment								
At 30th June 2019								
Net book values								
At 30th June 2019								
At 30th June 2019								
[Include brief description of WIP as a footer]								

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 INTANGIBLE ASSETS-SOFTWARE

Description	2018-2019	2017-2018
	KShs	KShs
Cost		
At beginning of the year		
Additions		
At end of the year		
Additions–internal development		
At end of the year		
Amortization and impairment		
At beginning of the year		
Amortization		
At end of the year		
Impairment loss		
At end of the year		
NBV		

34 INVESTMENT PROPERTY

Description	2018-2019	2017-2018
	KShs	KShs
At beginning of the year		xxx
Additions		
Fair value gain		
Depreciation(where investment property is at cost)		
At end of the year		

35 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Trade payables	360,000	
Fees paid in advance		
Employee advances		
Third-party payments		
Other payables(statutory Deductions)	21,357	
Total trade and other payables	**381,357**	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2018-2019	2017-2018
	KShs	KShs
Consumer deposits		
Caution money		
Other refundable deposits		
Total deposits		

37 CURRENT PROVISIONS

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

38 FINANCE LEASE OBLIGATION

Description	Minimum lease payments	Future finance charges	Present value of minimum lease payments	2018-2019
	KShs	**KShs**	**KShs**	**KShs**
Within current year				
Long term portion of lease payments				
Total provisions				

39 DEFERRED INCOME

Description	2018-2019	2017-2018
	KShs	KShs
National government		
International funders		
Public contributions and donations		
Total deferred income		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The deferred income movement is as follows:

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

40 EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2018-2019	2017-2018
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation					
Non-current benefit obligation					
Total employee benefits obligation					

The college operates a defined benefit scheme for all full-time employees from July 1, 2018. The scheme is based on xxx percentage of salary of an employee at the time of retirement. During the year, 2019 actuarial valuers were engaged to value the scheme. The liability at the end of the year is as follows:

	2018-2019	2017-2018
	KShs	KShs
Valuation at the beginning of the year		
Changes in valuation during the year		
Valuation at end of the year		

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.XXX per employee per month.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

41 NON-CURRENT PROVISIONS

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

(NB: The current portion deducted in this note should tie to line on current portion transferred from non- current provisions under note 37)

42 BORROWINGS

Description	2018-2019	2017-2018
	KShs	KShs
Balance at beginning of the period		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the year		
Repayments of domestics borrowings during the year		
Balance at end of the period		

42 a) ANALYSIS OF EXTERNAL AND DOMESTIC BORROWINGS

	2018-2019	2017-2018
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organisation'		
Sterling Pound denominated loan from 'yyy organisation'		
Euro denominated loan from zzz organisation'		
Domestic Borrowings		
Kenya Shilling loan from KCB		
Kenya Shilling loan from Barclays Bank		
Kenya Shilling loan from Consolidated Bank		
Total balance at end of the year		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

42 b) BREAKDOWN OF LONG AND SHORT TERM BORROWINGS

Description	2018-2019 KShs	2017-2018 KShs
Short term borrowings(current portion)		
Long term borrowings		
Total		

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

43 SERVICE CONCESSION ARRANGEMENTS

Description	2018-2019 KShs	2017-2018 KShs
Fair value of service concession assets recognized under PPE		
Accumulated depreciation to date		
Net carrying amount		
Service concession liability at beginning of the year		
Service concession revenue recognized		
Service concession liability at end of the year		

44 CASH GENERATED FROM OPERATIONS

Surplus for the year before tax	2018-2019 KShs	2017-2018 KShs
Adjusted for:	**129,904**	
Depreciation		
Non-cash grants received		
Contributed assets		
Impairment		
Gains and losses on disposal of assets		
Contribution to provisions		
Contribution to impairment allowance		
Finance income		
Finance cost		
Working Capital adjustments		
Increase in inventory		
Increase in receivables		
Increase in deferred income		
Increase in payables		
Increase in payments received in advance		
Net cash flow from operating activities	**129,904**	

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

45 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:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions				
Receivables from non exchange transactions				
Bank balances				
Total				
At 30 June 2019				
Receivables from exchange transactions				
Receivables from non exchange transactions				
Bank balances				
Total				

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

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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				
At 30 June 2019				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				

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.

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:

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2019			
Financial assets(investments, cash ,debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2019			
Financial assets(investments, cash ,debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2018			
Euro	10%		
USD	10%		
2019			
Euro	10%		
USD	10%		

b) 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:

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve		
Retained earnings		
Capital reserve		
Total funds		
Total borrowings		
Less: cash and bank balances		
Net debt/(excess cash and cash equivalents)		
Gearing		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46 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's* 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;

	2018-2019	2017-2018
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of goods to xxx		
Sales of services xxx		
Total		
b) Grants from the Government		
Grants from National Govt		
Grants from County Government		
Donations in kind		
Total		
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees		
Payments for goods and services for xxx		
Total		
d) Key management compensation		
Directors' emoluments		
Compensation to the CEO		
Compensation to key management		
Total		

47 SEGMENT INFORMATION

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

48 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	2018-2019	2017-2018
	Kshs	Kshs
Court case xxx against the company		
Bank guarantees in favour of subsidiary		
Total		

(Give details)

49 CAPITAL COMMITMENTS

Capital commitments	2018-2019	2017-2018
	Kshs	Kshs
Authorised for		
Authorised and contracted for		
Total		

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

50 EVENTS AFTER THE REPORTING PERIOD

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

51 ULTIMATE AND HOLDING COLLEGE

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

52 Currency

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

David Mbiti Wambuli TVC
Chairman of the Board

Date.......................................

APPENDIX II: PROJECTS IMPLEMENTED BY THE COLLEGE (non-current Assets)

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

Asset	Date procured/Received	Value (Kshs.)
Land		
Building	8.8.2016	50,876,935
Septic and external Drainage	8.8.2016	4,319,056
Firefighting Equipment	8.8.2016	852,100
Office furniture	Not specified	-
Computers and Accessories	Not specified	-
Training Machines and equipment's	Not specified	-
Library Books	Not specified	-
Total		**56,048,091**

APPENDIX III: INTER-COLLEGE TRANSFERS

	COLLEGE NAME:			
	Break down of Transfers from the State Department of Technical and Vocational College			
	FY 2018/2019			
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	2018/2019
		Total		
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	2018/2019
		Total		
c.	Direct Payments			
		Bank Statement Date	Amount (KShs)	2018/2019
		Total		
d.	Donor Receipts			
		Bank Statement Date	Amount (KShs)	2018/2019
		Total		

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

Finance Manager
David Mbiti Wambuli TVC
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Head of Accounting Unit
Ministry of education

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

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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