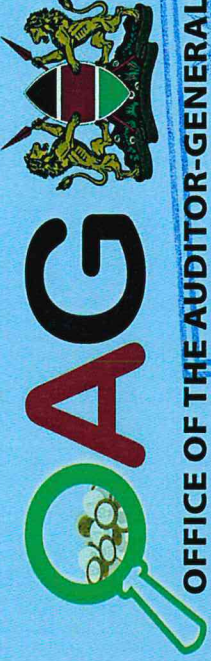


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 24 FEB 2021

DAY:
Thurs

REPORT

BY:

LOM

CLERK-AT
THE-TABLE:

Mairah Wangiku

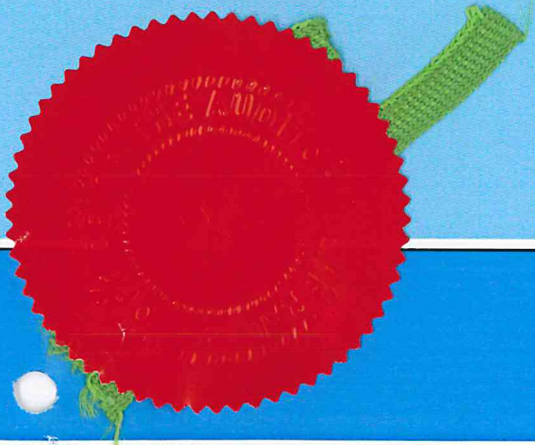
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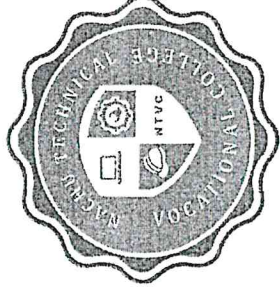
**NACHU TECHNICAL AND VOCATIONAL
COLLEGE**

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





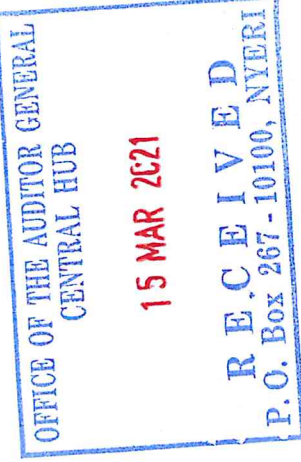
NACHU TECHNICAL AND VOCATIONAL COLLEGE



P.O. BOX 1455-00902,
KIKUYU
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**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH JUNE 2020**

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



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

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**NACHU TECHNICAL AND VOCATIONAL COLLEGE
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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Nachu Technical and Vocational College (NTVC) was established under the TVET Act of 2013 and registered in 2017, Registration certificate number TVETA/PUBLIC/RC/0039/2017. It is domiciled in Kenya under the Ministry of Education. NTVC is represented by the Cabinet Secretary for Education who is responsible for the general policy and strategic direction of the College.

(b) Principal Activities

The principal activity of the Nachu Technical and Vocational College is to provide quality technical and vocational training.

VISION

A centre of excellence in sustainable skills development.

MISSION

To provide and promote quality competency based Technical and Vocational Training for sustainable development for local and global market.

STRATEGIC OBJECTIVES

- (i) Achieve a student enrolment of at least 200 students by 30th June 2021
- (ii) To promote access and equity to competency based training
- (iii) To achieve and maintain 85% adherence to the approved policies and procedures manuals

STRATEGIC DESTINATION

To provide quality training that will empower the youths with technical and vocational skills with right attitudes, youth who are innovative and in demand in Kenya and the global market.

CORE VALUES

- Accountability – Commitment, result oriented and taking responsibility of our actions.
- Responsive – Listening, taking action and being solutions oriented.
- Innovative – creative in all undertakings.
- Integrity –honesty, fairness and trustworthiness.
- Safety – ensuring safety for ourselves and safety of others.

(c) Key Management

NTVC day-to-day management is under the following key organs:

I. Board of Governors (BOG)

The responsibilities of the board are:

- i. Providing strategic direction
- ii. Developing and implementing the College strategic plan
- iii. Managing the property of the College
- iv. Growing College's enrolment to enhance access.
- v. Creating community linkage
- vi. Providing / sourcing for resources and support
- vii. Adding value to the community and Country.
- viii. Enabling the Government achieve its key agenda in its manifesto.
- ix. Ensuring quality and relevance in training in line with vision 2030.

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II. Principal

Takes overall responsibility in the day today running of the College on behalf of the board of governors by:

- a) Implementing the strategic direction approved by the BOG.
- b) Managing the property of the College
- c) Increasing College's enrolment.
- d) Adding value to the community and Country.
- e) Ensuring quality and relevance in training in line with vision 2030.

(d) Fiduciary Management

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

1. James C. Chege Irungu : Principal
2. George Mugo: In Charge of Publicity/ admissions, Guidance and Counselling and Head of Department of Automotive Engineering
3. Stanley Mageria: Head of Department Welding and Fabrication
4. Richard Macharia: Head of Department Building
5. James Gitonga: Head of Department ICT
6. Jaqueline Kabugi: Accountant
7. Joseph Kageni: Head of Examinations

**NACHU TECHNICAL AND VOCATIONAL COLLEGE
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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)**

(e) Entity Contacts

Nachu Technical and Vocational College
P.O. Box 1455 00902
Kikuyu, Kenya
Telephone: (254) 729 043 346, 0735736864
E-mail: nachutechnical@gmail.com

(f) Entity Bankers

Kenya Commercial Bank
Kikuyu Branch,
P.O BOX 148-00902
Kikuyu.

(g) Independent Auditors

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

(h) Principal Legal Adviser

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

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2. THE BOARD OF GOVERNORS

1. **Mr Samuel Kibunjia Watene** is the Chairman of the Board of Governor.

He was born on 8th October, 1975.

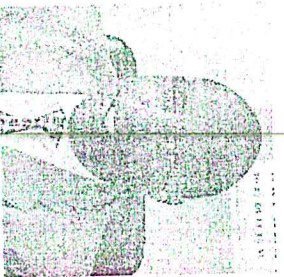
He holds a Master's Degree in Business Administration from University of Cape town, Bachelor of Commerce from University of Nairobi, Certified Public Accountant (CPAK), Certified Change Management Practitioner, Certified KenBlanchard leadership Trainer and a Certified Executive leadership coach. He is an adjunct faculty of Strathmore Business School. He is a founder trustee of Kikuyu Constituency Education Foundation (KICE).

He is the Managing Director, Altima Africa Ltd and Managing Director Stratostaff East Africa Ltd.

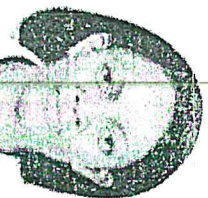
2. **James C. Chege Irungu: Principal**

He was born on 3rd September, 1968.

Prior to his appointment he was the Deputy Principal at Kiambu Institute of Science and Technology. He has over 23 years of experience in the education sector. He holds a degree in Bachelor of Science Degree from the University of Nairobi and a Post Graduate Diploma in Education from Kenyatta University.



3. **Ms. Anne Tepeiya Lantey** was born on 14th July, 1971. She holds a Master



in Psychology and Counselling, Bachelor of Art, Post Graduate Diploma in Business Management and has the following certification; Performances Development Planning, Unilever (Egypt), Strategic Human Resource management (Witwersand SA), New Labour Laws of Kenya, Competency Based Recruitment (Marcus Evans SA).

She is the General manager Saurus Networks Kenya Ltd and Principal Business consultant ATL Global Business services.

4. **Dr. Stella Nabwile Makokha** was born on 27th November, 1963. She holds

a PhD in Agricultural Economics, Masters in Agricultural Economics and a BSC Economics.

She is a Consultant and a Researcher and she has published many scientific research papers. In particular, she won a 2-year scholarship from African Women in Agricultural Research and Development (AWARD) for her outstanding work research.

She has worked with the many organisations among them Kenya Agricultural and Livestock Research Organisation.

She is a board member of Africa Biotechnology Stakeholders Forum (ABSF) and Sustainable Agriculture Centre for Research, Extension & Development in Africa (SACRED AFRICA).

She has been Consultant for the following organisation; Africa Harvest Biotech Foundation, Open forum on Agricultural Biotechnology, Kenya (OFAB), Eastern Africa Farmers Federation (EAF), Ministry of Agriculture, international Livestock Research Institute, German GTZ.

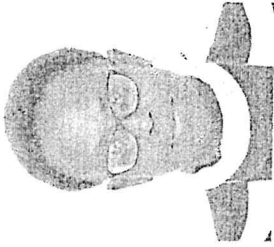
**NACHU TECHNICAL AND VOCATIONAL COLLEGE
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5.



Mr George Njuguna Ngugi, was born on 25th September, 1975. He holds a Bachelor's Degree in Business Administration from Limkokwing University of creative Technology, Malaysia.
He previously worked in the Banking sectors as a Bank Manager, Corporate Relation Manager, Head of Corporate schemes and Head of Retail Banking in Barclays Bank of Kenya, Standard Chartered Bank and National Bank of Kenya.
He is Current the Managing Director Manpower Group Ltd.

6.



Ms Ruth Wanja Wachira was born on 30th December, 1970. She holds a Bachelors of Information Technology from Devry University and a Bachelor of Mathematics and Computer Science from Indiana University. She is currently the Director, Data Management Business and Consulting Nairobi. Previously she was the Human Resource System Administrator at Mumias Sugar Company. System Administrator at First Data Corporation, Columbus, OH. Worked at Bank One Corporation as a check control and later as a computer control specialist in Columbus OH.

7.



Mr Job Ouma Ochola was born in 1969. He holds a Bachelor of Science in Civil Engineering. He is a registered Engineer and has worked with the private sector as a Structural Engineer. Among the organisations he has consulted are: Standard Gauge Railway, Construction of Churches, Hotels, Roads, Schools, Office blocks, Apartments, Hospitals and general construction.

8.

Lydia Wambui Kiarie

Ms Lydia Wambui Kiarie was born on 14th April, 1972. She holds a Master's in Business Administration (Finance) from University of Nairobi, Bachelor of Arts (Economics) from Moi University and certified public accountant. She has worked in various organisations in the following positions: Audit Assistant, Credit Controller, Financial Accountant, Finance Officer, and currently she is the Director Finance, Operations and Logistics at Integrated Logistics Ltd.

9.

Charles Nyota

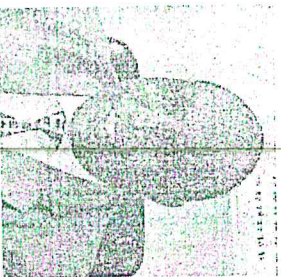
He is the Regional County Director, TVET and the representative of Cabinet Secretary, Ministry of Education.

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
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3. MANAGEMENT TEAM

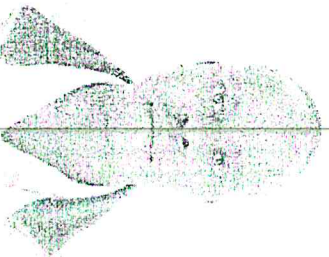
1. James C. Chege Irungu: Principal

He was born on 3rd September, 1968. Prior to his appointment he was the Deputy Principal at Kiambu Institute of Science and Technology. He has over 23 years of experience in the education sector. He holds a degree in Bachelor of Science Degree from the University of Nairobi and a Post Graduate Diploma in Education from Kenyatta University.



2. George Mugo - Head of Automotive, In charge publicity and Guidance and Counselling.

He was born on 28th June, 1987. He holds a Bachelor of Business management (Entrepreneurship option) Mt. Kenya University, Diploma in Automotive Engineering at Kenya Technical Trainers College, Diploma in Technical Education at Kenya Technical Trainers College.



Responsibilities: Coordinating and planning the learning in Automotive Engineering Department, writing proposals for any tools, equipment and facilities required in Automotive Engineering Department. He organises Publicity and admission of students and also hold brief in the Guidance and counselling office.

3. Stanley Mageria-Head of Department Welding and Fabrication

He was born on 13th March, 1988. He holds a diploma in Automotive Engineering from Mathenge Technical Institute and also has been trained as a welding technology trainer by AVIC International Holding, China. He is a welding & fabrication and automotive engineering Trainer.



Responsibilities: Maintaining the welding and fabrication workshop.

4. Richard Macharia-Head of Department Plumbing

He was born on 7th April, 1969. He has over 22 years' experience as a trainer in plumbing, drawing and design. He holds a Diploma in Technical education from Kenya Training and Technical College and also holds a Craft III certificate in Plumbing.



Responsibilities: Training of students in plumbing Courses, working in conjunction with the examination officer during the exam period, Liaising with the Principal in writing proposals for the plumbing Department

5. James Gitonga-Head of Department ICT

He was born on 14th November, 1980. He has a Diploma in Computer Studies from Kabete Technical Training Institute (2005-2008) and Diploma in Technical Education from Kenya Technical Teachers College (KTTC) from 2009-2011. He has worked with several Institutions in ICT/Computer studies department. This includes

Ngaru girls in the year 2009(Computer Studies Teacher), Kerugoya Boys 2010-2014 (Computer Studies teacher/HOS), Gatanga Girls 2015-2016

NACHU TECHNICAL AND VOCATIONAL COLLEGE
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(Computer studies teacher) St. Michaels Secondary school 2016-2018
(Computer Studies teacher/HOS).

Responsibilities: Installing and repairing computer and the components related, ensuring that the learner is fully equipped in the ICT department, Coordinating with the administration for provision of relevant materials.

6.



Jaqueline Kabugi - Accountant

She was born on 24th January, 1984.

She is currently the accountant at Nachu TVC having prior experience in accounting, Finance and administration work for over 10 years. She holds a degree in Economics and Administration from Kenyatta University, and also a certified public accountant of Kenya.

Responsibilities: Preparation and execution of budgets, maintaining accounting controls by preparing and recommending policies and procedures.

7.



Joseph Kageni-Head, Examinations

He was born on 27th June, 1983.

He holds a Bachelor Degree in Industrial Technology from Egerton University, Diploma in Automotive Engineering at Kirinyaga Technical Institute. He has attended a Technical and Vocational Training CDACC as Trainer of Trainers and also an AVIC INTL Welding Technology Training. He has worked at KNEC Industrial Area Branch and also in Technical/Business Examinations Marking Centre as a Casual Clerk. Previously he worked at Vineyard Auto Garage as a Supervisor.

Responsibilities: In charge of Internal and External Examinations.

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020
4. CHAIRMAN'S STATEMENT



It is my pleasure to present the College's annual report and financial statement for the year ended 30th June, 2020. On behalf of the Board of Governors Members.

I am grateful to the Ministry of Education for continued support to the College during the period. The College received operational grants of Kshs. 1,000,000 and Capitation of Kshs. 1,155,000.

I commend the Board members, Management, and staff of the College for their commitment and great works. I wish to thank the well-wishers who volunteer their services, donated items to the College especially in the areas of Automotive Technology and Plumbing. I thank the Government for providing the state of the art welding and fabrication equipment which have been used for both training and production.

In the period under the review, the College increased enrolment from Seventy seven students to one hundred and five through public awareness, mainly on 1st February, 2020 the College held an open day which sensitized the Community on courses offered at College and its progress.

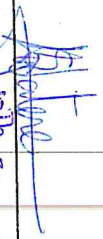
The College planted 265 trees donated by KEFRI following our request.

The College offered internship, employment and created business in the local area where food outlets and accommodation facilities and School related business have come up.

The College main challenges continue to be associated with mobilization of resource which the Board of Governors continue to address. It is seeking collaborations and partnerships with several private and public organisations with the aim of creating synergy to enhance training infrastructure.

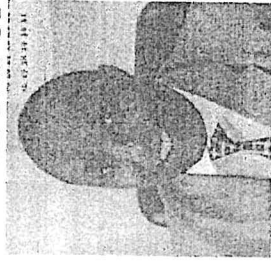
The Board's short and long term goals are well set out in order to give direction and increase internal capacity to members of staff with an aim of continuous improvement of performance.

Mr. Samuel Watene,
Chairman, Board of Governors

Sign: 
12th February 2021

NACHU TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

5. REPORT OF THE PRINCIPAL



Nachu Technical and Vocational College was registered by Technical and Vocational Education and Training Authority (TVETA) under the TVET Act no. 29 of 2013, to operate as a Technical and Vocational college in 2017 and had its first intake in May 2018 of 8 students. It has one block with state of the Art Welding and Fabrication equipment and ICT Equipment.

In the period under the review the College has ensured that the students acquire required competencies i.e. skills, knowledge and attitude and an Innovative mind-set by staff continuously laying great emphasis on worker behaviour. Mainly on honesty, fairness, trustworthiness, taking responsibility of own actions, nurturing a solutions oriented human being and in mind ensuring safety for oneself and humanity.

The College main aim just like in the previous year's continue to be that of increasing enrolment. Hence its main activities continued to be geared towards awareness campaigns for current and future intakes.

On 1st February 2020, the College held an open day which was grace by the members of the Boards, Ministry officials and local leaders. The open day sensitized the Community on Technical and Vocational Education and Training (TVET) courses at all levels; Vocational centres, Technical and Vocation Colleges, National Polytechnics and Technical Universities. It guided form 4 leavers on applying for the courses through Kenya Universities and Colleges Central Placement Services (KUCCPS) and informed the Community on the Nachu TVC's Welding centre of Excellence.

Nachu TVC trainers participated in several occupation standard competency based curriculum's validation workshops in Automotive Technology and mainly in construction industry; Building Technology, Electrical, Plumbing and Welding and Fabrication. One staff attended a counselling workshop, one on Competency based curriculum among others.

In an effort to green the environment the College planted 265 trees in June 2020 amidst COVID-19 which were donated by KEFRI which was an addition of trees planted the previous year. During this forum the College was able to enhance collaboration with KEFRI and made plan for future afforestation.

During the same period the Board of Governor members were inducted by the Ministry of Education on their roles and functions of Board of Government as Mandated from the TVET Act 2013.

The College has had several successes among them, it has increased access to technical and Vocational training to the local community by increasing enrolment to 105 students in the following fields; Welding and Fabrication, Automotive Technology, Plumbing and Information Communication and Technology. Due to increase in population in the locality, the College has offered internship, employment and created business. Food outlets and accommodation facilities and School related business have come up. However, this gains were extremely affected by the outbreak of COVID-19 pandemic.

The College benefited for well-wishers among them more donations from members of the Board of Governors and staff especially in the areas of Motor mechanics / automotive technology and plumbing. The major donation was from the NG-CDF which elected of a fence all around the College and a gate at a cost of Kshs 2,074,934

The College has experienced several Challenges in the year mainly associated with the financial constraints. The College being in a semi -arid area and categorised as hardship, the community financial ability is low. Hence the students admitted to the College expect full sponsorship, which has not yet been forthcoming.

NACHU TECHNICAL AND VOCATIONAL COLLEGE
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Dry spells have seen economic activities which are mainly farming diminish with time. Construction of Standard Rail Gauge created unskilled employment for the many youths, but after end of the contracts the same youths were left without employment. The Impact is that most of the youths are engaging in unlawful behaviour among the drug abuse and crimes leaving the College venerable.

Management appreciates financial support received from the Government, comprising Kshs. 1,000,000.as recurrent grants and Kshs. 1,155,000 as Capitation.

The College continue to introduce accountability policies to plan and improve the systems, among them the strategic plan. It has employed highly qualified and competent staff in area of finance /accounts and trainer. The College has also embarked on several collaborations and partnerships with private and public organisations with the aim of creating synergy to enhance the College vision, participate in the National agenda and support competency training through development or implementation of competency based curricula and improvement of training infrastructure.

The College has focused employees to its short term and long term goals mainly as below

SHORT TERM GOALS

- Increase enrolment to 200
- Achieve 80 % pass in relevant assessment
- Train in Artisan and Craft Certificate levels (level 3, Level 4 and level 5) in Construction related courses (Welding, Plumbing, Masonry, Electrical) Automotive, ICT and Supply Chain)
- Offer short Courses Welding, ICT, Plumbing and Automotive
- Achieve a 1/3 of either gender in short courses offered
- Develop a strategic plan
- Develop and implement an Income generating policy
- Develop and implement a Corporate Social policy
- Collaborate with Kiambu County Government and Private organisation
- To be a Competency based training Assessment Centre in Welding and Fabrication
- Integrate ICT in training

Mr. James C. Irungu

Principal

LONG TERM GOALS

- Increase enrolment to 5,000
- Ensure our students will be employees of with Integrity, right attitudes and passionate
- Train in Diploma /level 6 in Construction related courses, Automotive, ICT, Supply Chain, Electrical and Entrepreneurship and Collaborate with a National Polytechnics / Technical University to offer degree.
- Offer short Courses Welding, ICT, Automotive Entrepreneurship, Electrical, Masonry, Plumbing
- Sustain the 1/3 either gender in short courses offered
- Implement the strategic plan
- Ensure Sustainability of all programmes through Incubation Centres and Income generating activities
- Offer Corporate Social responsibility to the community
- Collaboration with other County Government / International bodies
- To be a Competency based Competency Assessment Centre in Automotive and Building Technology
- Integrate e- learning in Competency based training

Sign: _____

13TH February 2021

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

**6. REVIEW OF NACHU TECHNICAL AND VOCATIONAL COLLEGE PERFORMANCE
FOR FY 2019/2020**

Nachu TVC has established three strategic pillars and objectives within its Strategic Plan for the FY 2020/2021- 2024/2025. These strategic pillars are as follows:

Pillar 1: Academic Excellence

Pillar 2: Student Experience

Pillar 3: Innovation and Research

Nachu TVC will develop an annual work plan based on the above three pillars. Assessment of the Board's performance against its annual work plan will be done on a quarterly basis. The achievement of its performance targets set for the FY 2020/2021 period for the strategic pillars shall be evaluated.

**NACHU TECHNICAL AND VOCATIONAL COLLEGE
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7. CORPORATE GOVERNANCE STATEMENT

The Board of Governors of Nachu TVC are responsible for College. The Boards and staff committed themselves to proper corporate governance, guided by the College core values.

The Role of the Board of Governors

The Board's responsibilities are set out in the TVET Act 2013. Its mandate is to provide strategic leadership and ensure implementation of government policies. It ensures that the development of institutional policies are in line with the Government's policy direction. It is in charge of the Human resources management and financial management through approval of budgets and procurement plans, fees and income generating activities, sources for funds, use of funds and oversight. It oversees and ensures compliance in curriculum implementation, students' management, branding and Innovation.

The Board brought a great wealth of experience and knowledge from the private sector. The board delegates authority of its day-to-day activities to the Management through the Principal.

Composition of the Board of Governance (BOG)

The BOG comprises ten members including the Principal. Seven of them appointed by the Cabinet Secretary. The other two are representative of County Government and the Cabinet secretary, National Government. The term of the Board is three (3) years from the date of appointment and are eligible for re-appointment.

Board of Governors Meetings

The Board of Governors schedule of meetings is prepared annually in advance but were affected by inadequate resources and the COVI-19. The Board held its meetings in every Quarter and special meetings were called when necessary.

Committees of the BOG

The Board has three main Committees; (i) Finance, Administration and Infrastructure, (ii) Education, Training and Research and (iii) The Risk and Audit Committee which meet under defined terms of reference set by the Board. This facilitate prompt and thought-out decision-making by the BOG in managing its responsibilities.

Board Accountability

The Board committed itself to sign a performance contract in the subsequent year starting with the year 2020/2021.

Training and Development

The College briefs in building capacities of the Board and management. It is in this regards that the Board has sponsored relevant training and capacity development opportunities whenever applicable and available.

Conflict of Interest

The BOG Members are required to make disclosures of any transaction which would constitute a conflict of interest and therefore they are required to abstain from voting when such matters are being considered.

Board Remuneration

The Board approved the required remuneration, which has been used to remunerate the BOG Members without discrimination.

Ethics and Conduct

The BOG Members conducted them self ethically and there was no incidence of unethical behaviour / conducts

Governance Audit

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In the year 2019/2020 a Governance Audit was not conducted to the prevailing COVID-19. The Governance Audit will be conducted in the year 2020/2021 Financial Year.

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

8. MANAGEMENT DISCUSSION AND ANALYSIS

a) Students enrolment

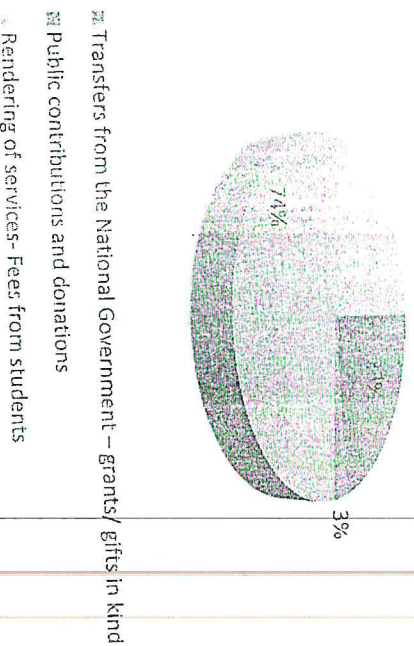
Student enrolment in the financial year 2019/2020 stood at 86 as compared to 82 in the previous year which represents a growth of about 5%.



b) Revenue

The revenue of the College comprises of grants from the government, fees charged for services rendered and donations from well-wishers and partners to the College. Operational grant from the government for the year under review amounted to Kshs 1 Million. The total revenue received from students amounted to Kshs 3,152,770.

Revenue Stream



NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
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c) Performance Results

The College recorded a deficit of Kshs 3,174,878 for the financial year ending 2019/2020. The performance deficit is mainly attributed to the effect of depreciation of the College property.

d) Compliance with Statutory requirements

The College as a government institution is responsible for remittance and payment of statutory deductions namely: NHIF, NSSF, and PAYE. There were no unpaid balances relating to the same at the end of the financial year 19/20.

e) Key projects and investment decisions the entity is planning/Implementing

Currently the College does not have any ongoing projects but the college has plans and proposal for various projects as outlined below to assist in carrying out its mandate. The projects include:

- i. Fencing the College Land using chain link
- ii. Construction and equipment of an Automotive workshop
- iii. Integrate ICT in training and management
- iv. Construction of a toilet block
- v. Construction and equipment of a Plumbing workshop
- vi. Construction and equipment of Masonry workshop
- vii. Construction of twin block hostels
- viii. Furnishing the library
- ix. Furnishing the kitchen

f) Section F: The entity's financial probity and serious governance issues

Nachu Technical and Vocational College Board of Governors recognizes the importance of corporate governance and as such it carries out its mandate with honesty, openness and integrity.

The Board is responsible for overseeing the management of the College and provides guidance and direction to attain corporate objectives

**NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020
REPORT OF THE BOARD OF GOVERNORS**

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

Principal activities

The principal activity of the Nachu Technical and Vocational College is to provide quality technical and vocational training.

Results

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

BOARD OF GOVERNORS

The members of the Board who served during the year are shown on page v and vi. During the year 2020 none of the board members retired/ resigned.

Auditors

The Auditor General is responsible for the statutory audit of Nachu TVC in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or the Auditor General can nominate other auditors to carry out the audit of the Nachu TVC for the year ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020

9. STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITIES

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

The board is responsible for the preparation and presentation of the College 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 ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the College(v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board accepts responsibility for the College's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the TVET Act. The board is 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, 2020, and of the College's financial position as at that date. The board further confirms the completeness of the accounting records maintained for the College, which have been relied upon in the preparation of the College's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

Nachu Technical and Vocational College financial statements were approved by the Board on
..... 30.06.2020 ..and signed on its behalf by:


.....

Chairperson of the Board


.....

Principal





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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nachu Technical and Vocational College set out on pages 1 to 32, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Nachu Technical and Vocational College as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Technical and Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

The statement of financial position as at 30 June, 2020 reflects property, plant, and equipment balance of Kshs.54,664,886. However, as previously reported the balance excludes unknown value of land and of buildings owned by the College, various equipment purchased by the College and assets purchased by the Government of Kenya under the Kenya-China project on equipping technical training institutions. Further, the College is situated on a parcel of land measuring approximately five acres which was hived off a neighbouring secondary school. However, the land had not been registered in the name of the College as at 30 June, 2020.

Consequently, the accuracy and completeness of the property, plant and equipment balance of Kshs.54,664,886 as at 30 June, 2020 could not be ascertained.

2. Inaccuracy of the Financial Statements

The statement of changes in net assets for the year ended 30 June, 2020 reflects retained earnings and capital/development grants as at 1 July, 2019, of Kshs.2,437,570 and Kshs.55,419,780 respectively. However, these balances are at variance with the statement of financial position comparative balances of Kshs.2,461,840 and nil resulting to unexplained variances of Kshs.24,270 and Kshs.55,419,780 for accumulated surplus and capital fund respectively.

In the circumstances, the accuracy and completeness of the financial statements for the ended 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me

to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 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 Board of Governors

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

In preparing the financial statements, Management is responsible for assessing the College's ability to 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 financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 based on these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on

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

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

I communicate with 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 Gatungu, CBS
AUDITOR-GENERAL

Nairobi

03 February, 2022



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

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

	Notes	2019-2020 Kshs	2018-2019 Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	6	1,000,000	2,000,000
Public contributions and donations	7	137,200	85,000
		1,137,200	2,085,000
Revenue from exchange transactions			
Rendering of services- Fees from students	8	3,152,770	3,632,830
Revenue from exchange transactions		3,152,770	3,632,830
Total revenue		4,289,970	5,717,830
Expenses			
Use of goods and services	9	2,333,933	1,612,057
Employee costs	10	1,798,529	1,222,821
Remuneration of directors	11	310,200	413,500
Depreciation and amortization expense	12	2,999,719	-
Repairs and maintenance	13	11,600	84,372
Finance costs	14	10,867	3,226
Total expenses		7,464,848	3,335,976
Net Deficit for the year		(3,174,878)	2,381,854

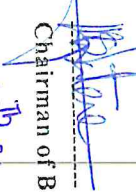
The notes set out on pages 6 to 36 form an integral part of the Annual Financial Statements.

NACHU TECHNICAL AND VOCATIONAL COLLEGE
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FOR THE YEAR ENDED 30TH JUNE 2020


12. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

	Notes	2019-2020 Kshs	2018-2019 Kshs
Assets			
Current assets			
Cash and cash equivalents	15	480,873	689,340
Current portion of receivables from exchange transactions	16	2,264,629	2,681,630
		2,745,502	3,370,970
Non-current assets			
Property, plant and equipment	17	54,664,886	194,160
Long term receivables from exchange transactions		3,000	3,000
		54,667,886	197,160
Total assets		57,413,388	3,568,130
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	280,565	387,590
Refundable deposits from customers	19	54,500	41,500
Current portion of borrowings	20	180,000	677,200
Payments received in advance		140,916	-
		655,981	1,106,290
Accumulated surplus		2,241,175	2,461,840
Capital Fund		54,516,232	-
Total Capital and Reserves		56,757,407	
Total net assets and liabilities		57,413,388	3,568,130

The Financial Statements set out on pages 1 to 5 were signed on behalf of the College Board of Governors by:


 Chairman of Board of Governors
 Date: 18th February, 2021


 Finance Officer
 ICPAK No
 Date: 18th February 2021


 Principal
 Date: 18th February, 2021

NACHU TECHNICAL AND VOCATIONAL COLLEGE
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13. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2020

	Retained earnings	Capital / Development Grants / Fund	Total
At July 1, 2018		58,336,611	58,336,611
Depreciation	(2,941,101)		(2,941,101)
Total comprehensive income	2,461,840	-	2,461,840
Transfer of depreciation/amortisation from capital fund to retained earnings	2,916,831	(2,916,831)	-
At June 30, 2019	2,437,570	55,419,780	57,857,350
At July 1, 2019	2,437,570	55,419,780	57,857,350
Capital/Development grants received during the year		2,074,934	2,074,934
Total comprehensive income	(3,174,878)		(3,174,878)
Transfer of depreciation/amortisation from capital fund to retained earnings	2,978,482	(2,978,482)	-
At June 30, 2020	2,241,175	54,516,232	56,757,407

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

	Note	2019-2020	2018-2019
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants		1,000,000	2,000,000
Public contributions and donations		137,200	85,000
Rendering of services- Fees from students		3,152,770	3,632,830
Total Receipts		4,289,970	5,717,830
Payments			
Compensation of employees		1,798,529	1,222,821
Finance cost		10,867	3,226
Other payments		2,655,733	2,109,929
Total Payments		4,465,129	3,335,976
Net cash flows from operating activities	21	(175,159)	2,381,854
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	(194,160)
Net cash flows from investing activities		417,001	(2,624,488)
Increase in Trade payables		46,891	414,147
Net cash flows used in investing activities		463,892	(2,404,501)
Cash flows from financing activities			
Proceeds from borrowings		-	677,200
Repayment of borrowings		(497,200)	-
Increase in deposits		-	(3000)
Net cash flows used in financing activities		(497,200)	674,200
Net increase/(decrease) in cash and cash equivalents		(208,467)	651,553
Cash and cash equivalents at 1 JULY	15	689,340	37,787
Cash and cash equivalents at 30 JUNE	15	480,873	689,340

NCHU TECHNICAL AND VOCATIONAL COLLEGE
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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs
Revenue										
Transfers from Govt entities, Govt grants	43,704,130		(43,704,130)		-		1,000,000		(1,000,000)	
Public contributions and donations	200,000		(150,000)		50,000		137,200		(87,200)	
Rendering of services- Fees from students	9,405,540		(2,813,540)		6,592,000		3,152,770		3,439,230	
Total income	53,309,670		(46,667,670)		6,642,000		4,289,970		2,352,030	
Expenses										
Compensation of employees	2,640,000		(737,068)		1,902,932		1,798,529		104,403	
Finance costs	10,000		12,147		22,147		10,867		11,280	
Remuneration of directors	1,424,000		(1007,600)		416,400		310,200		106,200	
General Expenses	49,235,670		(44,935,149)		4,300,521		2,345,533		1,954,988	
Total expenditure	53,309,670		(46,667,670)		6,642,000		4,465,129		2,176,871	
Surplus for the period							(175,159)		(175,159)	

**NACHU TECHNICAL AND VOCATIONAL COLLEGE
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15. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Nachu TVC is established by and derives its authority and accountability from the TVET Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activity of Nachu Technical and Vocational College is to provide quality technical and vocational training.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. 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 TVET Act, and International Public Sector Accounting Standards (IPSAS). The accounting policy adopted have been consistently applied to all the transactions 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 has not applied the standard in the preparation of the financial statements.

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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 2020

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>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 entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>The College has not applied any of the new or revised Standards and Interpretations that have been published but are not yet effective for the year beginning 1 January 2019, and the Council does not plan to apply any of them until they become effective</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ol style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of

**NACHU TECHNICAL AND VOCATIONAL COLLEGE
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Standard	Effective date and impact:
	accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p> <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

The College has not applied any of the new or revised Standards and Interpretations that have been published but are not yet effective for the year beginning 1 July 2019, and the College does not plan to apply any of them until they become effective.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

NACHU TECHNICAL AND VOCATIONAL COLLEGE
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ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2019/2020 was approved by the Board on 26th June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Property, plant and equipment

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

f) Leases

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

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

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

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

g) Intangible assets

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

h) Research and development costs

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

- The technical feasibility of completing the asset so that the asset will be available for use or sale

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

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

i) **Inventories**

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. NTVC maintains its reserves in form of accumulated earnings.

l) Changes in accounting policies and estimates

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

**m) Employee benefits
Retirement benefit plans**

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

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

n) Foreign currency transactions

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

o) Borrowing costs

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020

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

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

**NACHU TECHNICAL AND VOCATIONAL COLLEGE
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6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2019-2020 KShs	2018-2019 KShs
Unconditional grants	1,000,000	2,000,000
Operational grant	1,000,000	2,000,000
Total government grants and subsidies	1,000,000	2,000,000

6b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2019-2020 KShs
Education Ministry	1,000,000	-	-	1,000,000	1,000,000
Total	1,000,000	-	-	1,000,000	1,000,000

7 PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2019-2020 KShs	2018-2019 KShs
Donations from local leadership	112,000	85,000
Total donations and sponsorships	112,000	85,000

The amount Comprises of assets donated as indicated below:

Donation by		Amount
Kiambu Institute of Science and Technology	Waiver of expenses directly paid by the Institute	97,200
Principal	Car Engine	10,000
Principal and Head ICT	Website	5,000
Chairman	Vehicle body	25,000
Total donations		137,200

8 RENDERING OF SERVICES

Description	2019-2020 KShs	2018-2019 KShs
Tuition fees	3,015,270	3,252,060
Examination fees	137,500	377,170
Registration fees	-	3,600
Total revenue from the rendering of services	3,152,770	3,632,830

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 USE OF GOODS AND SERVICES

Description	2019-2020 KShs	2018-2019 KShs
Electricity	112,921	158,254
Water	3,510	-
Security	4,265	4,195
Local travel and transport	190,700	166,750
Recruitment	278,263	100,090
Advertising	63,505	63,519
Training Materials	39,070	70,409
Collaboration	-	3,000
Examinations	265,670	76,500
Examination Materials	203,006	10,590
Licenses and permits	60,000	170,000
Postage	7,725	7,828
Insurance	10,800	-
Tree Planting expenses	4,000	800
Education Trips	-	15,700
Cleaning	28,843	55,744
Printing and stationery	15,123	21,178
Office Expenses	-	4,000
Entertainment	24,216	14,019
Tea and Refreshments	38,457	36,599
Computer consumables	-	5,270
Training, Seminars and workshops	139,710	568,663
Internet	12,000	22,199
Telephone	21,950	36,750
Web hosting	8,099	-
Periodicals	450	-
Industrial Attachment	5,100	-
Bad debts written off	796,550	-
Total good and services	2,333,933	1,612,057

10 EMPLOYEE COSTS

	2019-2020 KShs	2018-2019 KShs
Salaries and wages	1,749,649	1,222,821
Employee related costs - contributions to pensions and medical aids	48,880	-
Employee costs	1,798,529	1,222,821

**NACHU TECHNICAL AND VOCATIONAL COLLEGE
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11 REMUNERATION OF DIRECTORS**

Description	2019-2020 KShs	2018-2019 KShs
Directors emoluments	310,200	413,500
Total director emoluments	310,200	413,500

12 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020 KShs	2018-2019 KShs
Property, plant and equipment	2,999,719	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	2,999,719	-

13 REPAIRS AND MAINTENANCE

Description	2019-2020 KShs	2018-2019 KShs
Property	11,600	84,372
Total repairs and maintenance	11,600	84,372

14 FINANCE COSTS

Description	2019-2020 KShs	2018-2019 KShs
Bank Charges	10,867	3,226
Total finance costs	10,867	3,226

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

15 CASH AND CASH EQUIVALENTS

Description	2019-2020 KShs	2018-2019 KShs
Current account	479,226	689,313
Others Cash in hand	1,647	27
Total cash and cash equivalents	480,873	689,340

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

Financial institution	Account number	2019-2020 KShs	2018-2019 KShs
a) Current account			
Kenya Commercial bank		479,226	689,313
Sub- total		479,226	689,313
b) Others(specify)			
cash in hand		1,647	27
Sub- total		1,647	27
Grand total		480,873	689,340

16 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020 KShs	2018-2019 KShs
Current receivables		
Student debtors	2,264,629	2,681,630
Less: impairment allowance	(-)	(-)
Total current receivables	2,264,629	2,681,630

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

17 PROPERTY, PLANT AND EQUIPMENT

The annual depreciation rates in use are:

	Rate (%)
Asset	NIL
Land	5
Buildings	25
Motor vehicles	12.5
Furniture and fittings	30
Computers, photocopiers and other accessories	20
Equipment and Machinery	10
Fence and Gate	10

	Land and Buildings Shs	Furniture and fittings Shs	Fence and Gate Shs	Plant and equipment Shs	Total Shs
Cost	58,336,611	-	-	-	58,336,611
At 1 July 2018	-	194,160	-	-	194,160
Additions	-	-	-	-	-
Disposals	(-)	-	-	-	(-)
At 30 th June 2019	58,336,611	194,160	-	-	58,530,771
Additions	-	-	2,074,934	-	-
Disposals	(-)	-	-	-	(-)
At 30 th June 2020	58,336,611	194,160	2,074,934	-	60,605,705
Depreciation and impairment	-	-	-	-	-
At 1 July 2018	(-)	(-)	-	-	(-)
Depreciation	(2,916,831)	(24,270)	-	-	(2,941,101)
At 30 June 2019	(2,916,831)	(24,270)	-	-	(2,941,101)
Depreciation	(2,770,989)	(21,236)	(207,493)	-	(2,999,719)
At 30 th June 2020	(5,687,820)	(45,506)	-	-	(5,940,819)
Net book values	-	-	-	-	-
At 30 th June 2020	52,648,791	148,654	1,867,441	-	54,664,886
At 30 th June 2019	55,419,780	169,890	-	-	55,589,670

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NOTES TO THE FINANCIAL STATEMENTS (Continued)**

18 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020 KShs	2018-2019 KShs
Trade payables	280,565	375,004
Fees paid in advance	140,916	12,586
Total trade and other payables	421,481	387,590

19 REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2019-2020 KShs	2018-2019 KShs
Caution money	54,500	41,500
Total deposits	54,500	41,500

20 BORROWINGS

Description	2019-2020 KShs	2018-2019 KShs
Balance at beginning of the period	677,200	-
Domestic borrowings during the year	-	677,200
Repayments of domestic borrowings during the year	(497,200)	(-)
Balance at end of the period	180,000	677,200

20 a) ANALYSIS OF DOMESTIC BORROWINGS

Description	2019-2020 KShs	2018-2019 KShs
Domestic Borrowings		
Soft loan from Kiambu Institute of Science and Technology	180,000	677,200
Total balance at end of the year	180,000	677,200

20 b) BREAKDOWN OF LONG AND SHORT TERM BORROWINGS

Description	2019-2020 KShs	2018-2019 KShs
Short term borrowings(current portion)	180,000	677,200
Total	180,000	677,200

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 CASH GENERATED FROM OPERATIONS

	2019-2020	2018-2019
	KShs	KShs
Surplus for the year before tax		
Adjusted for:		
Depreciation	-	-
Non cash grants received	112,200	85,000
Transfer from government	1,000,000	2,000,000
Fees from Students	3,152,770	3,632,830
Finance cost	10,867	(3,226)
Other payments	3,632,712	(3,332,750)
Adjustment in surplus	(796,550)	-
Net cash flow from operating activities	(175,159)	2,381,854

22 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2020				

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Receivables from exchange transactions	2,264,629	-	2,264,629	-
Bank balances	480,873	480,873	-	-
Total	2,745,502	480,873	2,264,629	-
At 30 June 2019				
Receivables from exchange transactions	2,681,630	1,660,514	1,021,116	-
Bank balances	689,313	689,313	-	-
Total	3,370,943	2,349,827	1,021,116	-

22 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

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

The entity has significant concentration of credit risk on amounts due from students

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

(ii) Liquidity risk management

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

The table below represents cash flows payable by the college 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	Between 1-3	Over 5	Total
	month	months	months	
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Trade payables	208,700	-	267,281	475,981
Current portion of borrowings	-	-	180,000	180,000
Total	208,700	-	447,281	655,981
At 30 June 2019				
Trade payables	110,320	247,270	71,500	429,090
Current portion of borrowings	-	-	677,200	677,200
Total	110,320	247,270	707,200	1,106,290

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 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 entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

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

a) Interest rate risk

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

Management of interest rate risk

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

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22 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

Interest rate risk (continued)

Sensitivity analysis

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

iv) Capital Risk Management

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

	2019-2020	2018-2019
	Kshs	Kshs
Retained earnings	2,241,175	2,461,840
Capital reserve	52,648,791	-
Total funds	54,889,966	2,461,840
Total borrowings	180,000	677,200
Less: cash and bank balances	(480,873)	(689,340)
Net debt/(excess cash and cash equivalents)	(300,873)	(12,140)
Gearing	37.4%	98.2%

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Kiambu Institute of Science and Technology;
- iv) Kikuyu Constituency Office
- v) Nachu ward Office
- vi) Key management;
- vii) Board of governors

	2019-2020	2018-2019
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	1,000,000	2,000,000
Capitation	1,155,000	315,000
Donations in kind	137,200	85,000
Total	2,292,200	2,400,000
b) Loan		
Kiambu Institute of Science and Technology	180,000	677,200
Total	180,000	677,200
c) Key management compensation		
Directors' emoluments	310,200	413,500
Compensation to key management	1,096,000	563,571
Total	3,878,400	4,054,271

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 EVENTS AFTER THE REPORTING PERIOD

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

25 ULTIMATE AND HOLDING ENTITY

The College is under the State department of vocational and technical training under the Ministry of education. Its ultimate parent is the Government of Kenya.

26 Currency

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

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16. APPENDICES

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)
4.1.1	Failure to Account for 2 Months' Operations in the Financial Statements	The College has a full set of financial statements for the two months i.e May and June 2018. The statements were submitted to treasury and Ministry of Education. Attached find the statements and supporting documents for your perusal. This will confirm the opening balances of Kshs 79,986 in the statement of changes in equity and Kshs 37,787 in cash flow statement. The reason for using the short period was advice given by treasury during the training workshops and preparation of the financial statements.	Jaqueline Accountant	Resolved	
4.2	Budgetary Performance	Nachu TVC being an upcoming new institution depends on government for funding of projects and developments. The management drafted and submitted to MOE financial proposals for various projects for the College which were included in budget for the year under review. However, the College did not receive any of the proposed funding hence the variances between the budgeted and actual revenue from non-exchange transactions.	Jaqueline Accountant	Resolved	

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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)
		The variance in revenue from exchange transactions is caused by unanticipated low enrollment of students. This resulted in under expenditure of various votes except for salaries where the College had an over expenditure. This was due to employment of BOG trainers which were not provided by Public Service Commission. The College will ensure it implements its projects and programs as per the approved budget.			
4.3.1	Inaccurate Property, Plant and Equipment Balance in the Financial Statements	Nachu TVC should adjust the financial statements as appropriate	Jaqueline Accountant Principal James Chege	Not resolved	30 th June 2021
4.3.2	Lack of Title Deed for Nachu TVC Land	The College will follow up on the land title with NG-CDF Kikuyu constituency office, Kiambu.	Principal James Chege	Not resolved	30 th June 2021
4.3.3	Failure to Tag and Record Fixed Assets for Control and Safety.	The College will tag all assets during the process of updating the asset register	Jaqueline	Resolved	
4.3.4	Failure to Update the Assets Register.	The College has commenced and is in the process of updating the asset register.	Jaqueline Accountant	Not resolved	30 th June 2021

Principal (Nachu TVC)
 Date... 18th February 2021

Chairman of the Board.....

