REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KIPTARAGON TECHNICAL AND VOCATIONAL COLLEGE

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

KIPTARAGON TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTSFOR

THE YEAR ENDED
30 JUNE 2021

ACCOUNTING METHOD: IPSAS ACCRUAL BASIS

KIPTARAGON TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL
STATEMENTSFOR THE YEAR ENDED 30TH JUNE 2021.

Table of Contents

I. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

b) Principal Activities

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

c) VISION

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

d) MISSION

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

e) Key Management

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

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

f) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June2021 and who had direct fiduciary responsibility were:

No.	Designation	Name

- *Audit and risk committee activities*
- *Finance and operations committee activities*
- *Academic committee activities*
- *Development partner oversight activities*
- *Other oversight activities*

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

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

j) Entity Bankers
Kiptaragon TVC Bankers

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

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

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

II. THE BOARD OF GOVERNORS

 ENG. JOSEPH ROP	BSc. Civil Engineering **Board Chairman.**
 DR. THIGA MOSES	PhD Information System M.Sc. Information System Management.B.Sc. Computer Science. **Member.**
 MS. EVERLYINE BETT	Bachelor of Business Information Technology Advanced Diploma in Information Technology **Member.**
 DR. JOSEPH MUTAI	PhD Business Management- Strategic Management. Master's Degree in Corporate Leadership and GovernanceBachelor of Arts- Development Studies. **Member.**
 MR. FESTUS KORIR	Master's in Business Administration (Finance Option).Bachelor of science (Double Mathematics) Certified Public Accountant CPA Part III SEC 6 **Member.**
 MRS. EDITH IMBAYI	Bachelor of Education (Early Childhood Learning) **Member.**

III. MANAGEMENT TEAM

 MR. DANIEL K. MASWAI	Bachelor of Education (Technical Education)Diploma Technical Education Diploma Building Construction **Principal.**
 Mr. Moses Randich	Bachelor of Science in Information Technology **Registrar**
 Mr. Henry Toriotich	Master's degree in Agricultural Economics and ResourcesManagement Bachelor of Science in Agricultural Economics and Resources Management **Dean of Trainees**.
 Caroline Kailel	Diploma in Purchase and Supplies Management **Procurement Officer**.
	Bachelor of Commerce – Finance OptionCertified Public Accountant Part III sec 6

IV. CHAIRMAN'S STATEMENT

1. CHAIRMAN'S STATEMENT

The financial year began with the challenges of COVID 19 pandemic and that all institutions had been closed. The board and college management proposed a budget hoping that normalcy would return soon. The budget estimates for FY 2020-2021 was over Kshs. 30 million with the hope of good enrolment as a result of much marketing and sensitization already done.

The situation on the effects of covid-19 pandemic did not improve as soon as was expected.

The biggest challenge was payment of wages for staff employed by the Board and the Board had to negotiate with the employees on the terms of retaining workers while working from home until theworking conditions return to normalcy.

The successes achieved during the year include:

Requisition of tools and equipment for building and civil engineering worth over Kshs. 450,000 Initiated construction of two workshops and small restaurant for teaching purposes at a cost of Kshs. 2million.

Reduction of credits carried from the previous financial year by almost reducing new credits.Induction of the Board of governors was successfully done.

Managed a smooth transition from former principal who was transferred and the incoming principal.

Stakeholders' day at the college with national government administration officers from the entire subcounty led by deputy county commissioner. 200 trees were planted in the college and more sensitization on college marketing done where targets on enrolment were set.

In the annual plan the board proposed to initiate income generating activities and it began with one dairy cow donated by a strategic partner.

The challenges faced by the board in the FY 2020-2021 among others include:

Delayed release of capitation for trainees.

Inconsistent amount of capitation received.

Non-payment of fees by trainees.

trainees reported back after the 9-month break. Between the second and the fourth quarter we admitted 41 trainees against a projection of at least 200. The low turn up of new and continuing trainees adversely affected fees collection which is our main revenue.

Despite some shortcomings, the amount of capitation received from the Government improved from Kes. 1,090,000 in the previous year to Kes. 5,737,000 in FY 2020-2021. There was marginal increase in fees collection from Kes. 6,430,000 to Kes. 6,823,790 and total revenue increased from Kes. 7,520,000 to Kes. 12,591,590.

In the FY 2020-2021 quality assurance rating of the college improved drastically because 5 trainers were posted to the College by Public Service Commission. In addition, 3 trainers were given clearance to join Kenya Technical Trainers' College for in-service pedagogy course. This will go a long way in improving quality of training and management when they complete their course. Still on quality assurance, tools and equipment worth 450,000 were procured for building and civil engineering department.

During the year TVETA assessed the College's readiness to offer additional courses and as a result 4 diploma, 5 craft certificate, and 3 trade test courses were approved.

40 trainees registered for KNEC examination being the first cohort of trainees to sit for external exams in our college. Other achievements during the year include:

i. Supply of water from the sunk borehole courtesy of area MP honorable Joseph Tonui.
ii. Construction of power line, installation of transformer and low voltage board.
iii. Designing and starting construction of plumbing and carpentry workshops.
iv. Designing and starting construction of a mini food and beverage restaurant.
v. Donation of a dairy cow for starting a production unit by a strategic partner.
vi. Induction of board members was successfully planned and executed.

V. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

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

Pillar 1: Governance and ManagementPillar 2: Finance
Pillar 3: Academic ProgramsPillar 4: Infrastructure
Pillar 5: Students' Welfare
Pillar 6: Information/Communication TechnologyPillar 7: Human Resource
Pillar 8: Business Enterprises

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

Strategic Pillar	Objective	Key Performance	Activities	Achievement
			storage and post- harvest technology	
			Universal HealthCare Sensitization— on COVID19, HIV- AIDS pandemic and non-communicable diseases. Collaborations with other local health center to provide health service and free medical camps andcampaigns to the students, local community and its environs Sensitization of NHIF to the students and the local community Deduction of NHIFdues from the staff	- - - Deduction of NHIF dues donemonthly
			Manufacturing Milk and beef products valueaddition Introduce Baking unit andcourses Commercialize carpentry	- - -

Strategic Pillar	Objective	Key Performance	Activities	Achievement
			/Private Partnership Increase Courses in building andconstruction technology Review the building and constructioncourses to incorporate new technologies Offer short courses to the local artisans including women and youth on latestbuilding technologies (construction management)	Dip civil engineering introduced
Pillar 2: Finance	To achieve the Financial Sustainability of Kiptaragon TVC to carry out its	Set up publicity/ marketing strategies	Introduce income generatingactivities Establish vibrant marketing team	Potato farming introduced Began dairyfarming Team createdunder Registrar's office

Strategic Pillar	Objective	Key Performance	Activities	Achievement
			Debt analysis- Identify bad debts and seek approval of write offs	-
	To strength Kiptaragon TVC financial management system	Promote prudent financial management	Form a budget planning, controllingand monitoring committee	-
			Training of users on compliance to financial framework	-
			Interface Finance department with thebank	-
			Automation of procurement & finance department	-
		Asset management	Institute machine replacement policy	-
			Form a disposal committee	Committee formed

Pillar 3: Academic Programmes And Quality Assurance	Increase students' enrolment from 254 to 2500 byyear 2024/25	Improve on corporate communication	Develop corporate communication strategies	-
			Develop student training, assessment and monitoringof trainer's tools	Done regularly
	To develop high quality market driven training and	To develop high quality market drivenacademic andresearch	Create linkage and collaboration with industry	ILO established
			Develop competence-based training	

		teaching and learning	Develop & implement a performance management system for trainers	-
			Improve educational portals /blogs and create more awareness through training	-
			Purchase more reference materials, textbooks and manuals	-
			Digitize assessment of trainers and trainees and supervisory model for students on attachment	-
		Encourage creativity and innovation	Establish research fund	-
			Innovation and knowledge management fund	-
Pillar 4: Infrastructure	To provide adequate teaching, learning, facilities	Provide modern facilities, and equipment for teaching, learning and operations	Construction and completion of an ultra-modern library	-
			Construction and completion of Multipurpose Hall	-
			Construction of lecture halls	-
			Construct and equip drawing labs	Drawing lab equipped
			Construction of workshops	Two workshops under construction
			Construct and Equipcomputer labs	-
			Completion and Equippingof Applied sciences laboratory	Equipping is ongoing
			Equip hospitality, Food and Beverage lab	Construction & equipping ongoing

Strategic Pillar	Objective	Key Performance	Activities	Achievement
		Propagate a performance-oriented culture	Institute a performance management framework	Training done
			Introduce the implementation of the Service charter	Done
		Setting up of committees	Strategic plan implementation committee College Masterplan committee	SP implantation committee appointed
		Develop initiatives for funding	Capacity building of Finance and human resource committee	BoG induction done
		Kiptaragon TVC developments	Capacity building ofrisk and audit committee	BoG induction done
		Promote national values and principles of sound financial management	Capacity building to enhance nationalvalues and principles of governance (patriotism, equity,anti-corruption, ethics, whistle blowing) Create suggestionboxes Capacity building on risk assessment and mitigation plan Rewarding celebrated staff who are exemplary in values and careers Develop policieson gender, ethnicity and	Continuallydone Suggestion boxfixed

Strategic Pillar	Objective	Key Performance	Activities	Achievement
			recruitment and promotion of staffand student admission. Review customer service delivery charter (when needarise) Capacity buildingon personal financial management and retirement plan	
		Corporate identity	Capacity buildingon corporate identity Adherence to Corporate color (s) Introduce branding activities Conduct corporate identity activities	Corporate colorsin use
		Security and safety measures	Capacity buildingfor students and staff Installation of security equipment Security of information (ISMS)	4 trainers inKTTC
		Big FourAgenda	**Food security**	

		Maintaince of Kiptaragon TVC facilities	Construction parking facilities, laying of Gabro Blocks on the front of the college	-
			General repair and maintenance of all machines and equipment	-
		Provide facilities forextra-curriculum activities	Construct, develop and maintain the sporting facilities; Track and field Indoor games	-
Pillar 5: Student Welfare	To enhance well-being of the students in KTVC	Improve health services	Introduce sporting activities and societies	1 active society
		Develop co-curriculum activities and societies	Partnering with local community landlords for accommodation and enlisting them in KiptaragonTVC website	Partnering established
			Use motivation speakers	-
	To develop high moral values and sound life skills among students	Strengthen Guidance and counselling	Training peer counsellors	-
			Training staff in all departments on guiding and counselling	-
			Establish a counselling department	Established
			Introduction of students' constitution	Draft stage
		Establish student's union/ leadership	Provide continuous trainingon students' leadership	-

			Procure additional ICT devices - Laptops, tablets among others	5 LaptopsProcured
		Integrate communication networks	Set up a VOIP network atall officers and operationalize (CISCO)	In use in main offices
			Redesign website to bemore interactive	Ongoing
		Secure KiptaragonTVC information resources	Installation of firewalls and anti-viruses	-
			Design the LAN to Worldbest standards	-
			Create awareness on cyber security issues (ISMS)	-
			Develop ICT manual withall the requisite policies	-
			Enforcement of the ISMSand other ICT policies	-
			Specialized training for key personnel	-
			Develop a standard severroom	-
			Using more technology indata backups like cloud technology	-
		Ensure adequate access to ICT facilities	Develop and equip labs forall academic departments	-
		Enhance ICT literacy among the Kiptaragon TVC staff	Industry attachment	-
			Develop short course for technician/trainers and staff	-
			Offer periodic trainings	-
			Train staff on technological culture change	-
Pillar 7: Human	To recruit,	Equip trainers	Industry attachment	-

		competent staff	Establish good jobdescription	-
			Attractive remuneration and incentives package and recruitment (on control per annum)	-
		Increase staff performance and productivity	Merit based promotions	-
			Conduct staff performance appraisals	-
		Equip staff with relevantskills and competencies	Establish staff trainingpolicy	-
			Establish staff educational Fund	-
		Develop a staff welfare scheme	Provide workman compensation insurancecover	-
			Conduct sensitization meetings on health issues	-
			Team building	-
Pillar 8: Business Enterprise	Generate income to supplement government capitation and tuition fees for college sustainability .	To generate income for the college's sustainability.	Formation of a business enterprise unit	-
			Preparation of Businessplans	-
			Patent Kiptaragon TVC inventions and innovations	
			Build a college kitchen and Restaurant and provide catering services	Mini unit construction ongoing
			Build a college Cafeteria	-
			Purchase milk from local framers for value addition.	-
			Purchase meat from local framers for value addition	-
			Construct a cow shade	-
			Construct poultry cages to	-

			Purchase a truck to be usedfor offering driving instructions.	-
		Offer driving courses at competitive rate	Acquire 2 motor cycles	-
			Enter into an MOU with the sub-county health center for medical services to the trainees	MOU draftready

VI. CORPORATE GOVERNANCE STATEMENT

Kiptaragon TVC Board held three meetings during FY 2020/2021. There was no meeting held in quarterone due to COVID 19 restrictions and the college was still closed. The first board meeting was held the 27th of November, 2020 and the last held on the 18th of July, 2021. Quorum was met in all the three meetings. There was no board charter in the FY 2020-201. Board induction was done from the 17th to 19th of March, 2021. The board successfully managed a smooth transition from the previous Principal who was transferred to the current one. Handing/takeover was held on 25/09/2020.

The appointment of the board was done in accordance to TVET Act 2013 second schedule section 1 and 2

The board further established four board committees namely: -

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

VII. MANAGEMENT DISCUSSION AND ANALYSIS

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

The institution did not have any major project and investment.

well as community opinion leaders to ensure all stakeholders participation and ownership of the institution. The management is pursuing international best practices in strategic management, performance contracting and quality assurance. Kiptaragon TVC endeavor to diversify and broaden its income base through introduction of incomegenerating activities and seeking more development partners as a strategy to enhance organizational sustainability.

2. Environmental performance

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

3. Employee welfare

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

4. Market place practices

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

b) To maintain good business practices suppliers are given equal opportunities through open tender. Tenders are evaluated as per the regulations of Public Procurement and Disposal Act 2015 and Public Procurement and Asset Disposal Regulations 2020. Our suppliers are treated responsibly by honoring contracts and respecting payment practices.

IX REPORT OF THE COUNCIL/BOARD OF GOVERNORS

By the time of reporting the institution had not been audited for the year ended June 30th 2021 which could have shown the state of Kiptaragon TVC affairs.

Principal activities

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

Results

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

COUNCIL/BOARD OF GOVERNORS

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

Auditors

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

By Order of the Board

Corporate Secretary

X. STATEMENT OF BOARD OF GOVERNORS/ COUNCIL MEMBERS' RESPONSIBILITIES

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

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

The council members accept responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*the State Corporations Act, and the TVET Act*) – *entities should quote applicable legislation as indicated under)*. The council members are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2, and of the *entity's* financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KIPTARAGON TECHNICAL AND VOCATIONAL COLLEGE FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the financial statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in use of public resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and

and actual amounts for the period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kiptaragon Technical and Vocational College as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act, 2013.

Basis for Adverse Opinion

1. Unsupported Capitation Grants

The statement of financial performance and Note 4 to the financial statements reflects transfer from the National Government (Capitation Grant) amount of Kshs.5,737,500. However, the students list showing amount of capitation for each, receipts issued and returns made to the Ministry of Education were not provided for audit.

In the circumstances, the accuracy and completeness of the transfers from the National Government amount of Kshs.5,737,500 could not be confirmed.

2. Unsupported Revenue from Exchange Transactions

The statement of financial performance and Note 8 to the financial statements reflects revenue from exchange transactions amount of Kshs.8,338,750 in respect of fees from students. However, the fees register revealed that the College had three hundred and sixty-two (362) students paying fees at the rate of Kshs.26,420 per annum resulting to total fees revenue of Kshs.9,564,040, thereby resulting to an unexplained variance of Kshs.1,225,290. Further, the fees register did not indicate receipt numbers, date of payment and the respective term. In addition, the admission numbers of fifty-one (51) students from whom fees of Kshs.1,321,000 was received were not provided for audit review.

In the circumstances, the accuracy and completeness of the revenue from exchange transaction amount of Kshs.8,338,750 could not be confirmed.

In the circumstances, the accuracy and completeness of the use of goods and services amount of Kshs.3,382,233 could not be confirmed.

4. Employee Costs

The statement of financial performance and Note 14 to the financial statements reflects employee cost amount of Kshs.1,541,400. However, the balance differed with the gross payroll amount of Kshs.2,149,750 resulting to an unexplained and unreconciled variance of Kshs.608,350.

In the circumstances, the accuracy and completeness of the employee costs amount of Kshs.1,541,400 could not be confirmed.

5. Unsupported Board Expenses

The statement of financial performance and Note 15 to the financial statements reflects Board expenses amount of Kshs.373,300. However, the detailed schedule showing names of the Board Members, rate of pay, dates of meetings and attendance list were not provided for audit review.

In the circumstances, the accuracy and completeness of the Board expenses amount of Kshs.373,300 could not be confirmed.

6. Current Portion of Receivables from Exchange Transactions

The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs.9,830,560 in respect of student debtors. However, the balance differed with the supporting schedule balance of Kshs.3,872,720 resulting to an unexplained and unreconciled variance of Kshs.5,957,840. Further, a detailed schedule showing the opening balance, additions for the year and payments so as to arrive at the closing balance was not provided for audit review.

In the circumstances, the accuracy and completeness of the current portion of receivables from exchange transactions balance of Kshs.9,830,560 could not be confirmed.

7. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.2,946,141. However, Note 29 to the financial statements reflects Kshs.3,218,929 as net book value of the College's assets resulting to an unexplained variance of Kshs.272,788. Further, review of the fixed asset register revealed that the entity owns a

8. Unsupported Trade and other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.2,926,502 which includes Kshs.1,295,020 in respect of advance fees payments. However, the detailed schedule showing name of student, admission number, invoice number and advance fees paid by each student was not provided for audit review. Further, the balance includes a loan of Kshs.600,000 obtained from another technical training institute, whose terms and conditions of agreement were not provided for audit review.

In the circumstances, the accuracy and completeness of trade and other payables from exchange transaction balance of Kshs.2,926,502 could not be confirmed.

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

Key Audit Matters

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

Other of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a total revenue budget of Kshs.34,789,580 against actual receipts of Kshs.11,599,819 on a comparable basis resulting to revenue shortfall of Kshs.23,189,761 or 67% of the budget. Similarly, the statement reflects approved expenditure budget of Kshs.34,789,580 against actual expenditure of Kshs.8,880,704 resulting to budget under performance of Kshs.25,908,876 or 74% of the budget.

The underfunding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

Basis for Conclusion

1. Errors in Annual Report and Financial Statements

The financial statements table of contents is not numbered sequentially, the report of the Board of Governors on page xix is neither signed nor dated, pages 3, 4, 5 and 6 of the financial statements have not been labelled and Appendix III to the financial statements on page 48 has not been signed. Further, the property, plant and equipment movement schedule in Note 29 to the financial statements indicates that the College depreciates assets at the following rates: buildings at 2.5%, furniture and fittings at 12.5% and computers at 33.3%. However, these rates have not been disclosed under the significant accounting policies.

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

2. Payment of Basic Salaries below Minimum Wage

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

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

3. Irregular Salary Advances to Public Service Commission Staff

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

In the circumstances, Management was in breach of the policy on salary advances to non College staff members.

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 report, based on audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Memorandum Cash Book for Standing Imprest

Cash withdrawals totalling to Kshs.501,025 were made from the College's bank account in respect of office standing imprest during the year under review. However, and as previously reported, no imprest warrants and memorandum cashbook were maintained for its accountability. This is in breach of Regulation 93 (14) of the Public Finance Management (National Government) Regulations, 2015 which provides that the holder of a standing imprest shall keep a memorandum cash book to record all receipts and payments.

In the circumstances, it could not be established whether internal controls relating to standing imprest were functioning as intended.

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

Responsibilities of Management and those Charged with Governance

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

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

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

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal controls 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 controls may not prevent or detect misstatements and instances of non compliance. Also, projections of any evaluation of fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

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

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

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

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

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

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

CPA Nancy Gathungu, CBS
AUDITOR GENERAL

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

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	4	5,737,500	1,090,000
Grants from donors and development partners		-	
Transfers from other levels of government		-	
Public contributions and donations		-	
Total revenue from non-exchange transactions		5,737,500	**1,090,000**
Revenue from exchange transactions			
Rendering of services- Fees from students	8	8,338,750	6,430,000
Sale of goods	9	30,300	
Rental revenue from facilities and equipment			
Finance income - external investments		-	
Other income		-	
Revenue from exchange transactions		8,369,050	**6,430,000**
Total revenue		14,106,550	**7,520,000**
Expenses			
Use of goods and services	13	3,382,233	2,956,952
Employee costs	14	1,541,400	1,001,700
Board expenses	15	373,300	68,000
Depreciation and amortization expense	16	643,026	477,300
Repairs and maintenance	17	32,300	
Contracted services			
Grants and subsidies c			
Finance costs			
Total expenses		5,972,259	**4,503,952**
Other gains/(losses)		-	
Gain on sale of assets		-	
Unrealized gain on fair value of investments		-	
Impairment loss			

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2019-2020	2019-2020
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	24	1,515,040	190,379
Current portion of receivables from exchange transactions	25	9,830,560	3,289,600
Receivables from non-exchange transactions		-	
Inventories			
Investments		-	
Total current assets		11,345,600	3,479,979
Non-current assets			
Property, plant and equipment	31	2,946,141	2,214,120
Investments		-	
Intangible assets		-	
Investment property		-	
Long term receivables from exchange transactions			
Total Non-current Assets		2,946,141	2,214,120
Total assets		14,291,741	5,694,099
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	32	2,926,502	2,503,051
Refundable deposits from customers	33	214,900	175,000
Current Provisions		-	
Finance lease obligation		-	-
Current portion of borrowings		-	
Deferred income		-	
Employee benefit obligation		-	
Payments received in advance			
Total Current liabilities		3,141,402	2,678,051
Non-current liabilities		-	
Non-current employee benefit obligation		-	

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

………………	………………………	………………………
Mr. Joseph Rop	Mr. Kipkorir Ngasura	Mr. Daniel Maswai
Chairman Board of Governors	**Finance Officer**	**Principal**
Date.28th September 2021	Date.28th September 20	Date.28th September 2021

CATIONAL COLLEGE
STATEMENTS
2021
IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2021

	Revaluation reserve	Fair value adjustment reserve	Retainedearnings	Capital/ Development Grants/Fund	Total
		-	-	-	
stments	-		-	-	
	-	-	8,134,291		8,134,291
during the	-	-	-		
from capital	-	-			-
			3,016,048	-	3,016,048
			3,016,048	-	3,016,048
		-	-	-	
stments	-		-	-	
	-	-	8,134,291		8,134,291
during the	-	-	-		
from capital	-	-			-
			11,150,339	-	11,150,339

ancial statements, the entity should include a note on what they relate to – either on theface of the or among the notes to the financial statements.

aborate note describing what the amounts relate to. In such instances a restatement ofthe opening balances

FOR THE YEAR ENDED 30TH JUNE 2021

XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

		2020-2021	2019-2020
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants		5,737,500	1,090,000
Public contributions and donations			
Rendering of services- Fees from students		2,568,150	4,212,325
Sale of goods			
Rental revenue from facilities and equipment			
Finance income			
Other income			
Total Receipts		**8,335,950**	**5,302,325**
Payments			
Compensation of employees		1,541,400	929,700
Use of goods and services		3,380,925	2,612,106
Finance cost			
Rent paid			
Taxation paid			
Other payments		1,113,885	68,000
Grants and subsidies paid			
Total Payments		6,036,210	**3,609,806**
Net cash flows from operating activities	43	**2,299,740**	**1,569,819**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		915,815	
Proceeds from sale of property, plant and equipment			
Decrease in non-current receivables			
Increase in investments			
Net cash flows used in investing activities		**915,815**	**1,502,140**
Cash flows from financing activities			
Proceeds from borrowings			
Repayment of borrowings			

D VOCATIONAL COLLEGE
:IAL STATEMENTS
:NE 2021
RISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Utilizations Difference
	2020-2021	**2019-2020**	2020-2021	2020-2021	2020-2021	
	Kshs	**Kshs**	Kshs	Kshs	Kshs	
;ovt grants	14,600,000		14,600,000	5,737,500	8,862,500	60.70%
	2,000,000		2,000,000		2,000,000	100.00%
udents	17,409,580		17,409,580	5,832,019	11,577,561	66.50%
	780,000	-	780,000	30,300	749,700	96.12%
		-	-		-	
		-	-		-	
d agency fees			-		-	
	34,789,580		34,789,580	11,599,819	23,189,761	66.66%
	4,320,000	-	4,320,000	1,541,400	2,778,600	64.32%
			-		-	
			-		-	
			-		-	
	1,360,000		1,360,000	373,300	986,700	72.55%
	29,109,580		29,109,580	5,949,071	23,160,509	79.56%
			-	1,016,933	-1,016,933	
	34,789,580		34,789,580	8,880,704	25,908,876	74.47%
				2,719,115	-2,719,115	

by 60% in respect to capitation grants and operation grants
vas 650 as per the budget but 307 trainees were registered and invoiced
ıring the financial year expenses was cut down by 74.47 %

I. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kiptaragon TVC is established by and derives its authority and accountability from TVET Act 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is training middle level technicians.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

1. ADOPTION OF NEW AND REVISED STANDARDS

Relevant new standards and amendments to published standards effective for theyear ended 30 June 2021.

Standard	Impact
Other Improvementsto IPSAS	**Applicable: 1st January 2021:** 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 accountingframeworks. IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved. IPSAS 21, Impairment of Non-Cash-Generating Assets andIPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance toaccount for revalued assets in the scope of IPSAS 17, Property,Plant, and Equipment and IPSAS 31, Intangible Assets. IPSAS 33, First-time Adoption of Accrual Basis InternationalPublic Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2023:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: •Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; •Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and •Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk managementstrategy.
IPSAS 42: Social Benefits	**Applicable: 1st January 2023** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: The nature of such social benefits provided by the entity; The key features of the operation of those social benefit schemes; and The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from	**Applicable: 1st January 2023:** Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when

2. 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 entityand can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statementof financial position and realised in the statement of comprehensive income over theuseful life of the assets that has been acquired using such funds

ii. Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewardsof 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 theeconomic 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Revenue recognition (Continued)

Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

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

The entity's budget is prepared on a different basis to the actual income and expendituredisclosed 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 financialperformance, 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 reclassifiedby presentation to be on the same basis as the approved budget. A comparison of budgetand actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes (continued)

Sales tax/ Value Added Tax

Expenses and assets are recognized net of the amount of sales tax, except:

When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority isincluded 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 investmentproperty 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 fairvalue at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of ***years***.

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

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

e) Property, plant and equipment

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 financecharges and reduction of the lease liability so as to achieve a constant rate of interest onthe remaining balance of the liability. Finance charges are recognized as finance costs insurplus 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 estimateduseful 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 thelease 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 ofthe exchange. Following initial recognition, intangible assets are carried at cost less anyaccumulated amortization and accumulated impairment losses. Internally generatedintangible 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

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 determinablepayments 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 accountany 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 fixedmaturities are classified as held to maturity when the Entity has the positive intentionand ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, lessimpairment. 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 afinancial asset or an entity of financial assets is impaired. A financial asset or a entityof financial assets is deemed to be impaired if, and only if, there is objective evidenceof impairment as a result of one or more events that has occurred

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 financialreorganization

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 liabilitiesat 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 arerecognized 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 costof the inventory is its fair value at the

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 economicbenefits 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, underan insurance contract, the reimbursement is recognized as a separate asset only when thereimbursement 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 outflowof 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 assetwhose 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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits Retirement benefit plans

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

Defined benefit plans are post-employment benefit plans other than defined-contributionplans. The defined benefit funds are actuarially valued tri-annually on the projected unitcredit 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 ofexchange 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 settlementof 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

p) Related parties

The Entity regards a related party as a person or an entity with the ability to exert controlindividually 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 whatprice. 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 depositson 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 insignificantrisk of changes in value. Bank account balances include amounts held at the Central Bankof 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 termcash imprests and advances to authorized 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 amendedor reconfigured to

3. 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 amountsof revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimatescould 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 andassumptions about future developments may change due to market changes or circumstancesarising 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 andprocesses
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. a) TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2020-2021	2019-2020
	KShs	KShs
Unconditional grants		
Capitation grants	5,737,500	90,000
Operational grant		1,000,000
Other grants		
Conditional grants		
Library grant		
Hostels grant		
Administration block grant		
Laboratory grant		
Learning facilities grant		
Other organizational grants		
Total government grants and subsidies	**5,737,500**	1,090,000

(b)TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive IncomeKShs	Amount deferred under deferred income KShs	Amount recognisedin capital fund.	Total grant income during the year	2020-2021
			KShs	KShs	KShs
Vocational and Technical Training	5,737,500				5,737,500
Ministry of Education.					
Total					

(Ensure that the amount recorded above as having been received from the Ministry fully reconciles to the amount recorded by the sending Ministry. An acknowledgement note/receipt should be raised in favour of

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. GRANTS FROM DONORS AND DEVELOPMENT PARTNERS

Description	2020-2021	2019-2020
	KShs	KShs
JICA- Research grant		
World Bank grants		
In-kind Donations		
Other grants		
Total grants from developmentpartners		

Reconciliations of grants from donors and development partners

Description	2020-2021	2019-2020
	KShs	KShs
Balance unspent at beginning of year		
Current year receipts		
Conditions met - transferred to revenue		
Conditions to be met - remainliabilities		

6. TRANSFERS FROM OTHER LEVELS OF GOVERNMENT

Description	2020-2021	2019-2020
	KShs	KShs
Transfer from County		
Transfer from University		
Transfer from institute		
Total Transfers		

7. PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2020-2021	2019-2020
	KShs	KShs
Public donations		
Donations from local leadership		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. RENDERING OF SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Tuition Fees	4,217,689	3,343,600
personal emolument	1,622,188	1,286,000
electricity &water	486,656	385,800
Local travel & Transport	405,547	321,500
Development	243,328	192,900
Sports expense	486,656	385,800
Student union	324,438	257,200
Medical fees	81,109	64,300
Repair and maintenance	243,328	192,900
Examination Fees	227,810	
Total revenue from the rendering of services	8,338,750	6,430,000

Invoiced students 307* 26420= 8,110,940
Examination Fees 227,810
Totals 8,338,750.

9. SALE OF GOODS

Description	2020-2021	2019-2020
	KShs	KShs
Sale of goods		
Sale of books		
Sale of publications		
Sale of farm produce (**Sale of potatoes**)	30,300	
Cafeteria		
Other (include in line with your organisation)		
Total revenue from the sale of goods		

10. HIRE OF FACILITIES AND EQUIPMENT

Description	2020-2021	2019-2020

Interest income from Treasury Bills		
Interest income from Treasury Bonds		
Interest from outstanding debtors		
Total finance income		

Not applicable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. OTHER INCOME

Description	2020-2021	2019-2020
	KShs	KShs
Insurance recoveries		
Consultancy fees		
Income from sale of tender		
Services concession income		
Reimbursements and refunds		
Graduation fees		
Miscellaneous (*Specify*)		
Total other income		

13. USE OF GOODS AND SERVICES

Description	2020-2021	2020-2021
	KShs	KShs
Printing and stationery	96,300	410,629
Teaching and learning materials	614,991	456,060
Electricity Water	153,500	228,441
Farm expenses	118,250	70,200
Administration expenses	1,241,102	839,712
sports	11,200	138,350
Subscriptions		
Advertising		
Examination fees	213,510	
Audit fees		
Catering, Conferences, and delegations	111,390	86,160
Travelling and accommodation	592,350	700,400
Fuel and oil		
Insurance		
Legal expenses		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. EMPLOYEE COSTS

	2020-2021	2019-2020
	KShs	KShs
Salaries and wages	1,467,350	916,200
Employee related costs - contributions to pensions and medical aids	44,450	13,500
Travel, motor car, accommodation, subsistence and other allowances		
Housing benefits and allowances		
Overtime payments		
Performance and other bonuses		
Social contributions	29,600	72,000
Employee costs	**1,541,400**	**1,001,700**

15. REMUNERATION OF DIRECTORS

Description	2020-2021	2019-2020
	KShs	KShs
Chairman's Honoraria		
Directors' emoluments		
Board Allowances	373,300	68,000
Total director emoluments	**373,300**	**68,000**

16. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	643, 026	477,300
Intangible assets		
Investment property carried at cost		
Total depreciation and amortization	**643, 026**	477,300

17. REPAIRS AND MAINTENANCE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. CONTRACTED SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Actuarial valuations		
Investment valuations		
Property valuations		
Total contracted services		

19. GRANTS AND SUBSIDIES

Description	2020-2021	2019-2020
	KShs	KShs
Community development		
Education initiatives and programs		
Social development		
Community trust		
Sporting bodies		
Total grants and subsidies		

20. FINANCE COSTS

Description	2020-2021	2019-2020
	KShs	KShs
Borrowings (amortized cost) *		
Finance leases (amortized cost)		
Unwinding of discount		
Interest on Bank overdrafts		
Interest on loans from commercial banks		
Total finance costs		

21. GAIN ON SALE OF ASSETS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

Description	2020-2021	2019-2020
	KShs	KShs
Investments at fair value		
Total gain		

23. IMPAIRMENT LOSS

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment		
Intangible assets		
Total impairment loss		

24. CASH AND CASH EQUIVALENTS

Description	2020-2021	2019-2020
	KShs	KShs
Operation account- Access Bank	54,370	13,965
Main account- National Bank	1,460,670	176,414
Fixed deposits account		
Staff car loan/ mortgage		
Others(specify)		
Total cash and cash equivalents	**1,515,040**	190,379

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Financial institution	Account number	2020-2021 KShs	2019-2020 KShs
a) **Current account**			
Access Bank	090100000154	54,370	13,965
National Bank	01022221620100	1,460,670	176,414
Sub- total		**1,515,040**	**190,379**
b) On - call deposits			
Kenya Commercial bank			
Equity Bank – etc			
Sub- total			
c) Fixed deposits account			
Kenya Commercial bank			
Bank B			
Sub- total			
d) Staff car loan/ mortgage			
Kenya Commercial bank			
Bank B			
Sub- total			
e) Others(specify)			
Cash in transit			
cash in hand			
Mobile Money account			
Sub- total			
Grand total			

25. RECEIVABLES FROM EXCHANGE TRANSACTIONS

(a) Current Receivables from Exchange Transactions

Description	2020-2021 KShs	2019-2020 KShs
Current receivables		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(b) Long- term Receivables from Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Non-current receivables		
Refundable deposits		
Advance payments		
Public organizations		
Less: impairment allowance	()	()
Total		
Current portion transferred to current receivables	()	()
Total non-current receivables		
Total receivables		

(c) Reconciliation for Impairment Allowance on Receivables from ExchangeTransactions

Description	2020-2021	2019-2020
	KShs	KShs
At the beginning of the year		
Provisions during the year		
Recovered during the year		
Write offs during the year		
At the end of the year		

26. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Capitation grants*		
Transfers from other govt. entities		
Undisbursed donor funds		
Other debtors (non-exchange transactions)		
Less: impairment allowance		
Total current receivables		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. INVENTORIES

Description	2020-2021	2019-2020
	KShs	KShs
Consumable stores		
Maintenance stores		
Health unit stores		
Electrical stores		
Cleaning materials stores		
Catering stores		
Total inventories at the lower of cost and net realizable value		

28. INVESTMENTS

Description	2020-2021	2019-2020
	KShs	KShs
a) Investment in Treasury bills and bonds		
Financial institution		
CBK		
CBK		
Sub- total		
b) Investment with Financial Institutions/Banks		
Bank x		
Bank y		
Sub- total		
c) Equity investments (specify)		
Equity/ shares in company		
Sub- total		
Grand total		

Shareholding in other entities

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

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. STATEMENTS
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EMENTS (Continued)
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d	Buildings	Furniture and fittings	Computers	Other Assets (Specify)	Plant and equipment	Capital Work in progress	Total
	0.025	0.125	0.333		0.125		
	Shs	Shs	Shs	Shs	Shs	Shs	Shs
		36,000	**1,276020**		**134000-**	**1,245,400**	**2,691,420**
					-		
					-		
		36,000	**1,276020**		**134000-**	**1,245,400**	**2,691,420**
					-		
		4500	424,915		16750-	31,1135	**477,3000**
	-	-	-		-	-	
		4500	424,915		16750-	31,1135	**477,300**
		31,500	**851,105**		**117,250**	**1,214,265**	**2,214,120**
		232,415	**367,600**			**570,520**	**1,170,535**
							-
							-
		268,415	1,643,620	0	0	1,815,920	3,861,955
							-
				-	-	-	-
		29,052	122,411	-	-	14,263	**165,726**
		33552	547326	0	0	325398	643026
		234,863	1,096,294	0	0	1,490,522	3,218,929
				-	-	-	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

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

Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land			
Buildings (WIP)	1,815,920	325,398	1,490,522
Plant and machinery			
Motor vehicles, including motorcycles			
Computers and related equipment	1,643,620	547,326	1,096,294
Office equipment, furniture, and fittings	268,415	33,552	234,863
Total	**3,861,955**	**643, 026**	**3,218,929**

30. INTANGIBLE ASSETS-SOFTWARE

Description	2020-2021	2019-2020
	KShs	KShs
Cost		
At beginning of the year		
Additions		
At end of the year		
Additions–internal development		
At end of the year		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. INVESTMENT PROPERTY

Description	2020-2021	2019-2020
	KShs	KShs
At beginning of the year		
Additions		
Disposal during the year		
Depreciation		
Impairment		
At end of the year		

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

32. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	KShs	KShs
Trade payables	1,031,482	1,606,201
Fees paid in advance	1,295,020	896,850
Employee advances		
Third-party payments		
Other payables- OLessos TTI	600,000	
Total trade and other payables	**2,926,502**	**2,503,051**

33. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2020-2021	2019-2020
	KShs	KShs
Consumer deposits		
Caution money		
Other refundable deposits	214,900	175,000
Total deposits	**214,900**	**175,000**

34. CURRENT PROVISIONS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. FINANCE LEASE OBLIGATION

Description	2020-2021	2019-2020
	KShs	KShs
At the start of the year		
Discount interest on lease liability		
Paid during the year		
At end of the year		

Maturity Analysis

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

Analysed as:

Description	Amount
Current	
Non- Current	
Total	

The deferred income movement is as follows:

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

37. EMPLOYEE BENEFIT OBLIGATIONS

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

Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all full-time employees from July 1, 20XX. The scheme is administered by while are the custodians of the scheme. The scheme is based on percentage of salary of an employee at the time of retirement.
An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at June by actuarial valuers on this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method.
The principal assumptions used for the purposes of valuation are asfollows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Recognition of Retirement Benefit Asset/ Liability

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

Description	2020-2021 Kshs	2019-2020 Kshs
The return on defined plan assets		
Actuarial gains/ losses arising from changes indemographic assumptions		
Actuarial gains/ losses arising from0020changes infinancial assumptions		
Actuarial gains and losses arising from experience adjustments		
Others (Specify)		
Adjustments for restrictions on the defined benefit asset		
Remeasurement of the net defined benefit liability(asset)		

Amounts recognised in the Statement of Financial Position

Description	2020-2021 Kshs	2019-2020 Kshs
Present value of defined benefit obligations(a)		
Fair value of plan assets(b)		
Funded Status(=a-b)		
Restrictions on asset recognised		
Others		
Net Asset or liability arising from defined benefit obligation		

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currentlyat KShs. per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by Pension Fund. Employees contribute xx% while employers contribute xx% of basic salary. Employer

NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. NON-CURRENT PROVISIONS

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

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

39. BORROWINGS

Description	2020-2021	2019-2020
	KShs	KShs
Balance at beginning of the year		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the year		
Repayments of domestic borrowings during theyear		
Balance at end of the year		

40. a) ANALYSIS OF EXTERNAL AND DOMESTIC BORROWINGS

	2020-2021	2019-2020
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'organization'		
Sterling Pound denominated loan from 'xyy		

b) BREAKDOWN OF LONG- AND SHORT-TERM BORROWINGS

Description	2020-2021	2019-2020
	KShs	KShs
Short term borrowings (current portion)		
Long term borrowings		
Total		

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

41. SERVICE CONCESSION ARRANGEMENTS

Description	2020-2021	2019-2020
	KShs	KShs
Fair value of service concession assets recognizedunder PPE		
Accumulated depreciation to date		
Net carrying amount		
Service concession liability at beginning of the year		
Service concession revenue recognized		
Service concession liability at end of the year		

42. CASH GENERATED FROM OPERATIONS

	2020-2021	2019-2020
Surplus for the year before tax	KShs	KShs
Adjusted for:		
Depreciation		
Non-cash grants received		
Contributed assets		
Impairment		
Gains and losses on disposal of assets		
Contribution to provisions		
Contribution to impairment allowance		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

43. FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risksand effects of changes in foreign currency. The company's overall risk management programmefocuses 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. Thecompany does not hedge any risks and has in place policies to ensure that credit is only extendedto 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 depositswith 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 orexternal assessment in accordance with limits set by the directors. The amounts presented inthe 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 currenteconomic environment.

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

	Totalamount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 20xx				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
Total				
At 30 June 20xx				
Receivables from exchange				

FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

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

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

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

ii. Liquidity risk management

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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

FINANCIAL RISK MANAGEMENT (Continued)

iii. Market risk

The entity has put in place an internal audit function to assist it in assessing the risk faced bythe 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 andcontrol market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchasesof goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice andconversion at the time of payment is done using the prevailing exchange rate.

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 20xx			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			

FINANCIAL RISK MANAGEMENT (Continued)
Market risk (Continued)
Foreign currency risk (Continued)

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

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

	Change incurrency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
20xx			
Euro	10%		
USD	10%		
20xx			
Euro	10%		
USD	10%		

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

Management of interest rate risk
To manage the interest rate risk, management has endeavoured to bank with institutionsthat offer favourable interest rates.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FINANCIAL RISK MANAGEMENT (Continued)
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 performedon the same basis as the prior year.
Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs (2016: KShs). A rateincrease/decrease of 5% would result in a decrease/increase in profit before tax of KShs(2020 – KShs)

iv. Capital Risk Management

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

	2020-2021	2019-2020
	Kshs	**Kshs**
Revaluation reserve		
Retained earnings		
Capital reserve		
Total funds		
Total borrowings		
Less: cash and bank balances		
Net debt/ (excess cash and cashequivalents)		
Gearing	xx%	xx%

44. RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercisecontrol 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 Ministry of Education;
iii. HELB;
iv. TVETA;
v. KNEC;
vi. Key management;
vii. Board of directors;

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

	2020-2021	2019-2020
	Kshs	**Kshs**
Transactions with related parties		
a) Sales to related parties		
Sales of electricity to Govt agencies		
Rent Income from govt. agencies		
Water sales to Govt. agencies		
Others (Specify)		
Total		
b) Purchases from related parties		
Purchases of electricity from KPLC		
Purchase of water from govt service providers		
Rent expenses paid to govt agencies		
Training and conference fees paid to govt. agencies		
Others (specify)		
Total		

45. SEGMENT INFORMATION

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

46. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets

	2020-2021	2019-2020
	Kshs	**Kshs**
Contingent assets		
Insurance reimbursements		
Assets arising from determination of court cases		
Reimbursable indemnities and guarantees		
Others (Specify)		
Total		

Contingent Liabilities

	2020-2021	2019-2020
	Kshs	**Kshs**
Contingent liabilities		
Court case against the entity		
Bank guarantees in favour of subsidiary		
Contingent liabilities arising from contracts including PPPs		
Others (Specify)		
Total		

(Give details)

47. CAPITAL COMMITMENTS

48. DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2020-2021	2019-2020
	Kshs	Kshs
Accelerated capital allowances		
Unrealised exchange gains/(losses)		
Revaluation surplus		
Tax losses carried forward		
Provisions for liabilities and charges		
Net deferred tax liability/(asset)		
The movement on the deferred tax account is as follows:		
Balance at beginning of the year		
Credit to revaluation reserve		
Under provision in prior year		
Income statement charge/(credit)		
Balance at end of the year		

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

49. EVENTS AFTER THE REPORTING PERIOD

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

50. ULTIMATE AND HOLDING ENTITY

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

51. CURRENCY

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observationsfrom Auditor	Managementcomments	Status: *(Resolved /Not Resolved)*	Timeframe: *(Put a date when you expect the issueto be resolved)*

Guidance Notes:

i. Use the same reference numbers as contained in the external audit report;

ii. Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

iii. Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

iv. Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Accounting OfficerName
(Enter title of head of entity)Signature

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

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

Status of Projects completion

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

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

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from the State Department of			
	FY 2019/2021			
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	Capitation	30/7/2020	45,000	2019-2020
	Capitation	6/11/2020	1,785,000	2020-2021
	Capitation	2/2/2021	1,785,000	2020-2021
	Capitation	30/3/2021	690,000	2020-2021
	Capitation	30/6/2021	1,432,500	2020-2021
		Total	**5,737,500**	
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		Total		
c.	Direct Payments			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		Total		

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1

FERS FROM OTHER GOVERNMENT ENTITIES

		Where Recorded/recognized					
ure: urrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
urrent	5,737,500						5,737,500
velopment							
nor Fund							
ect Payment							