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CLERK-AT THE-TABLE: Inzofu Mwale

REPORT

OF

THE AUDITOR-GENERAL

ON

MATHIRA TECHNICAL AND VOCATIONAL COLLEGE

FOR THE YEAR ENDED 30 JUNE, 2021

MATHIRA TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

OFFICE OF THE AUDITOR GENERAL
CENTRAL REGIONAL OFFICE
14 JUL 2022
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Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS).

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I. KEY INSTITUTE INFORMATION AND MANAGEMENT

a) Background information

Mathira Technical and Vocational College ground breaking ceremony was presided over by His Excellency the Deputy President of the Republic of Kenya, Hon William SamoeiRuto on 21st September 2014. The institute is about 800m off the Karatina-Nyeri road along the Ruthagati Kabiru-ini road. The college is located in Kaiyaba sub-location, Ngandu location, Mathira West Sub-County in Mathira Constituency of Nyeri County. The college admitted the first bunch of students in May 2018.Mathira Technical and Vocational College is represented by the Principal Secretary for State Department for Vocational and Technical Training who is responsible for the general policy and strategic direction of the institution.

b) Principal Activities

Vision Statement

'To be the provider of choice for transfer, technical skills, workforce, and lifelong learning among those whom we serve and to be a source of skilled and competent human resource capable of transforming lives through strengthening competitive workforce in our nation for prosperity.''

Mission Statement

To produce highly skilled and competent human resource capable of transforming lives through strengthening self-reliance.

Strategic objectives

The strategic objectives of Mathira Technical & and Vocational College are:

1. To produce diverse community of man power with technical and general education skills
2. To create more departments and well defined organizational structure.
3. To develop a research mentorship program that embrace technical courses
4. To expand revenue generating streams through enhancement of production programs.

c) Mathira TVC Headquarters

P.O. Box 1785-10101
Off Karatina-Nyeri Road
Along Ruthagati Kabiru-ini road Mathira West Sub-County
Karatina, Kenya.

d) Mathira TVC Contacts

Telephone :(254)0720 772225

E-mail: mathiratechnical@gmail.com

Website: www.mathiratechnical.ac.ke

e) Mathira TVC Bankers

1. Central Bank of Kenya
   Haile Selassie Avenue
   P.O. Box 60000
   City Square 00200
   Nairobi, Kenya
2. Kenya Commercial Bank
   P.O Box 192 - 10101
   Karatina, Kenya

f) OFFICE OF THE AUDITOR GENERAL

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

Principal Legal Adviser
The Attorney General
State Law Office
Harambee Avenue
P.O.Box 40112-00200
Nairobi, Kenya

II. BOARD OF GOVERNORS

NAME	BIRTH AND QUALIFICATIONS
 Eng. William WahomeMwangi Chair of the Board	**Born:1965** Degree in BWL from Cologne University Germany; Diploma Civil and Structural Engineering Bochum University; Business Studies from Cologne University, Business Course in banking and Accounting from Nairobi School of Banking, Member of PMI (Project Management Institute)
 David M. Mburu Principal Mathira TVC.	Date of birth: 1965 Bachelor of Science in Electrical & Electronic Engineering; Bachelor of Education, Diploma in Electronic Engineering, Diploma in Education
 Rev. JosephatMachariaWachira Executive Board Member	Date of birth: 1975 Bachelor's degree in Biblical Studies and Community Development from Nation to Nation Christian University, Diploma in Biblical Studies and Theology from Nairobi Pentecostal Bible College,
 **Janet J. Kipkorir** **Non-Executive Board Member**	Date of birth: 1982 Bachelor's degree in Business Management (Finance and Banking Option) from Moi University; Certified Public Accounts (CPA K.) KASNEB,; Masters of Science in Finance and Investment candidate at Kenya Methodist University

 Ms. Jane WanjiruGichohi Executive Board Member	Date of birth: 1971 Master's in Business Management –Strategic Option at Moi University College; Bachelor of Business and Information Technology (BBIT) at Kenya Methodist University
 Florence AdhiamboAwuoro Non-Executive Board Member	Date of birth: 1970 Bachelor in Science degree of the University of Nairobi
 Eng. Patrick Maina Gateru Non- Executive board member	Date of birth: 1965 Master's degree in Environmental Health Engineering from the University of Nairobi; Bachelor degree in Civil Engineering from the University of Nairobi; Water Distribution Systems Design (CBI) from UK; Civil Engineering Contract Procedure course conducted by Kingston University, (UK).

BOARD COMMITTEES

Name of the Committee	Members
Finance and Audit Committee	1. Janet JepletingKipkorir 2. Florence A. Awuoro
Governance and Ethics Committee	1. William WahomeMwangi 2. JosephatMachariaWachira
Information Communication Technology Committee	1. Jane WanjiruGichohi
Engineering Committee	1. Eng.Patrick MainaGateru

III. MANAGEMENT TEAM

Name of the Staff	Responsibility
David M. Mburu	Principal
James Chege Kimani	Accountant
Michael Gichura Wangari	Acting Deputy Principal

FIDUCIARY MANAGEMENT

The key management personnel who held office during the period ended 30 June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal/Sec BOG	David M. Mburu
2.	Accountant	James Chege Kimani
3.	Acting Deputy Principal	Michael Gichura Wangari

(a) Fiduciary Oversight Arrangements

Audit and Finance committee activities

The Committee shall exercise all the powers of BOG in financial matters except in relation to the items, which are reserved, to BOG in these Standing Orders, on which the Committee shall advise BOG. Terms of Reference The role of the Committee shall be to monitor the financial status of the Institute on behalf of BOG. In addition to advising BOG on those matters referred to above, the Committee's responsibilities shall include:

- To monitor and facilitate the implementation of the Institute s strategy with regard to financial matters
- To receive reports from the Principal and the Accountant
- To monitor implementation of the strategy for the Institute
- To receive reports of the extent and condition of the Institute estate including the efficiency of space utilization, the consumption of energy and the adequacy of property insurance arrangements
- To consider the adequacy of the Institute estate and proposals for its maintenance and development, including opportunities to dispose of and acquire new properties.

- To determine the fees and charges made for Institute services and facilities.
- To supervise the financial administration of the Institute and make recommendations to BOG where appropriate.
- To supervise the arrangements for safeguarding the Institute's assets
- To ensure the proper financial evaluation and control of projects
- To supervise the arrangements for investing the Institute's funds, including monitoring the performance of investments
- To make recommendations to BOG on the financing of projects

Senior Management Activities

The main purpose of the Senior Management Team is to:

- Ensure that MTVC's BOG is able to take strategic decisions relating to MTVC's activities.
- Provide leadership in communicating MTVC's mission, values, plans and achievements effectively and consistently to BOG Members, staff, Government, the voluntary and community sector, the general public and other stakeholders;
- Be accountable for the development and implementation of MTVC's strategic, corporate and business plans in line with the mission and values.
- Take a strategic overview of performance in all areas of MTVC's activities.
- Makes recommendations to the BOG on the implementation and achievement of the BOG's Strategic Framework;
- Agrees MTVC's Corporate Plan, and monitor delivery through appropriate key management and performance information reporting to the Board of Governors as appropriate.
- In the light of income projections and forecasts, considers the annual grants and operational expenditure and monitors such expenditure;
- Develops, agrees, monitors and reviews strategies relevant to the effective and efficient operation of MTVC, making recommendations as appropriate to the Board of Governors and/or its relevant Committees;
- Determines strategic issues arising from the introduction of new policies or process, including actively managing risk across the organization and regularly reviewing the corporate risk register;
- Oversees and monitors MTVC's joint work with the other stakeholders
- Considers the impact of external factors and developments, including specific political initiatives and the response to key consultation documents and where appropriate make recommendations to the BOG and/or its relevant Committees.
- Leads all senior managers in motivating and developing MTVC staff to deliver the highest standards of performance and customer service

Government oversight activities

The Government of Kenya's oversight role includes provision of Grants for both Capitation and Development as well as provision of the regulatory framework. The Office of the Auditor General undertakes the audit of the Institutional activities.

IV. CORPORATE GOVERNANCE STATEMENT

Corporate governance comprises rules, procedures, regulations and processes through which the Institute is directed. It involves balancing the interests of the Institute in order to achieve long-term strategic objectives of the Institute.

The roles and functions of the Board members are clearly defined and include giving the overall oversight of management and giving the strategic direction of the Institute. The Board members defines the Institute's strategies, objectives, values and ensures that procedures and practices are put in place to ensure effective control over strategic, financial, operational and compliance issues. The Board members develops short and long-term goals of the Institute, develops strategies to achieve those goals and monitors the performance of the Institute against the set goals. The Board members also spearheads the preparation of financial statements and reports of the Institute, approves and reviews annual budgets and ensures that the Institute has adequate systems of internal controls together with appropriate monitoring of compliance activities to ensure business continuity.

The Board members provides oversight to the Institute's top management and has unrestricted access to timely and relevant information as well as advice and services of the Corporation Secretary to discharge its duties effectively.

Mathira Technical & Vocational College Board members operates in compliance with the Mwongozo code that offers corporate governance framework for all state corporations. The members of Board have duly undergone training under this code.

The Board members prepares an annual almanac showing the schedule of meetings planned for each year. During the year, the Institute Board members held regular quarterly meetings, while special meetings were called when necessary.

The Board is headed by the Chairman and is composed of nine members inclusive of the Principal who is the only executive member. The constitution of the Board members takes into consideration requirements of the sector, diversity of skills, academic qualifications, gender, age and experience necessary to add value to the operations of the Institute. The Board members are appointed to various Board Members' Committees mandated to carry out specified functions. The Board members therefore bring their diverse experiences in deliberations during Board meetings.

The Board members' committees have well defined terms of reference. The committees are intended to facilitate efficient decision making by the Board members in them discharging their duties and responsibilities.

V. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

THE ENTITY'S OPERATIONAL AND FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021:

Mathira TVC operational and financial performance

Mathira Technical and Vocational College's financial statements is indicative of the good performance as it is a going concern. The current assets of the institution are adequate enough to meet the current obligations as at the end of the period ending 30 June 2021.

Funds obtained from the cash flow statement, explains that, cash available in liquid form is mostly generated from operating activities.
The Institution's Board of Governors are of the opinion that, the financial statements give a true and fair view state of financial affairs of the entity.

SECTION B

ENTITY'S COMPLIANCE WITH STATUTORY REQUIREMENTS.

Mathira TVC compliance with statutory requirements

In the financial year 2020/2021, the entity is fully compliant with statutory requirements, in accordance with section 83[5] of Public Finance Management, and the IPSAS applicable for the preparation of the financial statements.

The Board members further accepts, responsibility for maintenance of accounting records that may be relied upon, in preparation of the financial statements as well as adequate systems of internal financial controls.

Mathira Technical and Vocational College has been complying fully to the payments of statutory deductions i.e. NSSF, NHIF and PAYE.

There are no major non-compliance, no pending/ongoing/defaults court cases that may expose the entity to potential contingent liabilities.

SECTION C

KEY PROJECTS AND INVESTMENT DECISIONS THE ENTITY HAS INITIATED AND PLANNING /IMPLEMENTED.

Key projects and investment decisions Mathira TVC is planning/implementing
• Construction of ablution blocks (funded by the Mathira-NG constituency development fund)

SECTION D

MAJOR RISKS FACING THE ENTITY.

Major risks facing the entity
• Lack of students hostels within the institution • Lack of enough fund from the government. • Inadequate learning materials

SECTION E

MATERIAL ARREARS IN STATUTORY AND FINANCIAL OBLIGATIONS.

Material arrears in statutory/financial obligations
The institution has no pending bills, loans default, no outstanding staff and pension obligation pertaining to statutory/financial obligation.

SECTION F

THE ENTITY'S FINANCIAL PROBITY AND GOVERNANCE.

The entity's financial probity and serious governance issues
During the year ended 30 June 2021 the Institution did not report any financial improbity due to improved financial system established. The National Treasury has released guidelines on financial reporting, which we have complied with in this year. No major financial improbity has been brought to our attention by the Treasury department. The board has engaged an internal auditor to give an opinion of the state of the institute's affairs as reported and no financial improbity has been reported as well.

VI. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Mathira Technical & Vocational College exists to transform lives. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

1. Sustainability strategy and profile

Key Institute staff attended career days and workshops for head teachers in order to motivate and mentorship to students in high schools. These motivational talks are a permanent feature in our calendar of events every year and they ensure that the Institute maintains a strong link with students who are aspiring to join Institutes.

2. Environmental performance

Environmental degradation has severe negative effects in the world. It is therefore important for constant efforts to be made to conserve the environment around us. During the year, the Institute started a project to grow trees in the Institute. This project will be continued in subsequent years in order to improve the total tree cover in the Institute. Due to the Impact of Covid-19 the institute has put in place water points for future use.

3. Employee welfare

The Institute has developed a Human resource policy to help in the recruitment of its staff. The policy is also gender sensitive as it has contributed to the third gender rule as per government directives. Employees hold capacity trainings every year to motivate them. This has improved the morale the employees in the place of work and thus improved service delivery. The Institute is in the process of putting in place a safety policy in order to be compliance with Occupational Safety and Health Act of 2007, (OSHA).

There is a reward and appraisal system in place for all the employees of Mathira Technical & Vocational College

4. Community Engagements-

Mathira Technical & Vocational College, as a responsible corporate institution established to achieve public good, recognizes the link between sustainable growth and development of the institution and the need to invest in society, the local community and protection of the environment. This is important to ensure that social, economic and environmental benefits accrue to the society and other stakeholders as the Institute conducts its business. During the year, the Institute contributed to various community initiatives and noble projects, despite the prevailing resource constraints.

VII. REPORT OF THE BOARD OF GOVERNORS

The Board members submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the institute's affairs.

Principal activities

The principal activity of the institute is to : offer competence Based Technical Training, prepare and guide trainees, for evaluation and certification by appropriate examining bodies and promote Science, Technology and Innovation in all training programs.

Results

The results of the institute for the year ended 30 June 2021 are set out on page 1 of these financial statements.

BOARD OF GOVERNORS

The members of the Board who served during the year are shown on page vi-viii.

Auditors

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

By Order of the Board

....

Board of Governors-Secretary

Mathira Technical & Vocational College

Date: 12/7/2022

VIII. STATEMENT OF BOARD OF GOVERNORS MEMBERS' RESPONSIBILITIES

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

The board members are responsible for the preparation and presentation of Mathira Technical & Vocational College financial statements, which give a true and fair view of the state of affairs of Mathira Technical & Vocational College Institute for and as at the end of the financial year ended on June 30, 2021. 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 institute; (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 Mathira Technical & Vocational College (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for the Mathira Technical & Vocational College financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the TVET Act). The board members are of the opinion that the Mathira Technical & Vocational College's financial statements give a true and fair view of the state of Mathira Technical & Vocational College's transactions during the financial year ended June 30, 2021, and of the Mathira Technical & Vocational College's financial position as at that date. The board members further confirm the completeness of the accounting records maintained for the Mathira Technical & Vocational College, which have been relied upon in the preparation of the Mathira Technical & Vocational College's financial statements as well as the adequacy of the systems of internal financial control.
Nothing has come to the attention of the board members to indicate that the Mathira Technical & Vocational College will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Mathira Technical & Vocational College's financial statements were approved by the Board On 12/7/2022 ~~2021~~ and signed on its behalf by:

Chairman of the Board | Accounting officer/Principal

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

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

REPORT OF THE AUDITOR-GENERAL ON MATHIRA 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 responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mathira Technical and Vocational College set out on pages 1 to 21, which comprise of the statement of financial position as at 30 June, 2021, the statement of financial performance, statement of changes in net assets, statement of cash flows, and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly the financial position of Mathira 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 comply with the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act, 2013.

Basis for Qualified Opinion

1. Unsupported Revenue from Student Fees

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects an amount of Kshs.3,198,895 for rendering of services-fees from students. However, student's records which includes student fees ledgers, journal vouchers, general ledger accounts, student fees and arrears subsidiary ledgers and supporting schedules were not provided for review.

In the circumstances the accuracy and completeness of rendering of services amount of Kshs.3,198,895 could not be confirmed.

2. Unsupported Receivables from Exchange Transactions

Statement of financial position and as disclosed in Note 12 reflects a balance of Kshs.3,363,187 in relation to receivables from exchange transactions-student debtors. However, the balance was not supported by an ageing analysis of individual debtors as well as the debtors' ledger. Further, there was no provision for bad and doubtful debts. In addition, the Institute did not have a Debt Management Policy

In the circumstances the accuracy and completeness of receivables from exchange transactions balance of Kshs.3,363,187 could not be confirmed.

3. Unsupported Property, Plant and Equipment

The statement of financial position and as disclosed in Note 17 to the financial statements reflects Kshs.66,220,803 in respect of property, plant and equipment . The following anomalies were noted.

i. Included in this balance is an amount of Kshs.4,500,000 in respect to a parcel of land measuring approximately 6 acres on which the College is located and whose tittle deed, valuation reports, ownership documents or relevant acquisition documents were not provided for review.

ii. The property, plant and equipment balance was arrived at after netting off depreciation expense of Kshs.4,067,564. However, the balance was based on the net book values and not at cost value of the asset categories such as buildings, furniture and fittings and other equipment. Further, Included in this balance is motor cycles depreciation balance of Kshs.105,439 which is under stated by Kshs.9,585 as the recomputed balance based on the depreciation policy of 20% at cost – straight line basis is Kshs.115,024 (20% of Kshs.575,120).

iii. Physical verification and review of records revealed that the property, plant and equipment balance of Kshs.66,220,803 excludes a number of un-quantified loose tools, equipment's, machinery, Intangible assets and CCTV security systems of undetermined value. Further, the furniture, fittings and equipment were not tagged for ease of identification, asset safe guards and tracking, and there was no evidence of asset count, valuation and on asset's insurance. In addition, documents reviewed revealed that the College received various workshop tools from several donors whose values were not disclosed in the financial statements.

In the circumstances, the ownership, accuracy and completeness of the property, plant and equipment totalling Kshs.66,220,803 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.14,664,000 and Kshs.10,244,440 respectively resulting to an under-funding of Kshs.4,419,560 or 30% of the budget. Similarly, the College expended Kshs.6,679,393 against an approved budget of Kshs.14,664,000 resulting to an under-expenditure of Kshs.7,984,607 or 54% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Late Submission of Financial Statements to the Auditor-General

The College's financial statements for the year ended 30 June, 2021 were submitted to the Office of the Auditor-General on 13 October, 2021, thirteen days after the statutory deadline date of 30 September, 2021. This is contrary to provisions of Section 47(1) of Public Audit Act, 2015 which requires the Board of Governors to

submit the financial statements to the Auditor-General within three months after the end of the financial year to which the respective accounts relate.
In the circumstances, the Management was in breach of the law.

2. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees of the College was twenty (20) employees out of which 15 or 75 % were from one dominant ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Internal Audit Function and an Audit Committee of the Board

The Institute has not established an Internal Audit Function and an Audit Committee of the Board. This is contrary to Section 155 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function and an Audit Committee of the Board. As such the Institute did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

In the circumstances, the effectiveness of internal controls and governance could not be confirmed.

2. Lack of Risk Management Policy and Strategy

Review of records revealed that Management had not put in place Risk Management Policy and Strategies. It was, therefore, not clear how risk exposures are managed. This is contrary to Regulation 165 (1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism, and develops a system of risk management and internal control that builds robust business operations.

In the circumstances, existence of an effective risk management measures could not be confirmed.

3. Lack of a Finance and Accounting Policy Manual

Review of the College documents revealed that there was no finance and accounting manual developed to guide Management in processing financial transactions. This is contrary to Section 68 (2)(e) of The Public Finance Management Act, 2012 which states that an Accounting Officer for a National Government entity is accountable to the National Assembly for ensuring that all applicable accounting and financial controls, systems, standards, laws and procedures are followed when procuring or disposing of goods, adequate arrangements are made for their custody, safeguarding and maintenance'.

In the circumstances, the effectiveness of the internal controls could not be confirmed.

4. Lack of Approved Information Technology Security Policy

Review of the College's Information Technology systems revealed that it has in place Enterprise Resource Planning (ERP) to manage its operations. However, there was no approved IT Policy for governance and management of its ICT resources. In addition, there is no ICT Steering Committee in place to assist in the development of ICT Policy framework to enable the College to realize long-term ICT strategic goals and ensure data confidentiality, integrity and availability.

In the circumstances, the effectiveness of the Colleges ICT systems could not be confirmed

5. Lack of Approved Human Resource Policy Documents

Review of personnel documents revealed that the College did not have a Human Resource Department and trained staff on human resources matters.

Further, the College did not have an approved Staff Establishment and Human Resource Policy Manual to guide in staff matters including recruitment, remuneration and career progression. This is a contravention of Part II- Section B2 (1 & 2) of Human Resource Policies and Procedures Manual for Public Service, 2016.

In the circumstances, the College was in breach of law and lacks basis for human resources operations and processes.

6. Failure to Appoint Board of Directors

Review of the College's documents revealed that the contract of all the Board of Directors lapsed on 5 February, 2021 and was operating without one. This is contrary to Chapter 8 paragraph 4.1 of Mwongozo code which states that the Board shall have a minimum of Seven (7) members and a maximum of nine (9) members.

In the circumstances, failure to appoint Board of Directors denied the Institute the benefit of oversight and governance

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

Responsibilities of Management and the Board of Governors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accruals Basis) and for maintaining effective internal 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 governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

- Conclude on the appropriateness of the Management's use of 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
<u>AUDITOR-GENERAL</u>

Nairobi

23 September, 2022

IX. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020/2021 FY	2019-2020 FY
Revenuefromnon-exchangetransactions			
Transfers from the National Government	4a	5,092,500	5,265,000
Transfer from other government agencies-KENHA	4b	1,590,318	-
Total revenue from non-exchange transactions		**6,682,818**	**5,265,000**
Revenuefromexchangetransactions			
Rendering of services- Fees from students	5	3,198,895	3,033,770
Other Incomes	6	362,727	100,900
Total revenue from exchange transactions		**3,561,622**	**3,134,670**
Totalrevenue		**10,244,440**	**8,399,670**
Expenses			
Use of goods	7	3,908,949	3,334,335
Employee costs	8	1,550,041	1,462,176
BOG expenses	9	528,572	144,500
Repairs and maintenance	10	691,831	436,626
Depreciation	17c	4,067,564	5,415,500
Totalexpenses		**10,746,957**	**10,793,137**
Net (deficit)/surplus for the year		- **502,517**	- **2,393,467**

Finance Officer James Chege Kimani
Mathira Technical & Vocational College
ICPAK No. **21228**
Sign ....
Date 12/7/2022

Principal David M. Mburu
Mathira Technical & Vocational College
Sign ....
Date 12/7/2022

X. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2020/2021 FY	2019-2020 FY
Assets			
Currentassets			
Cash and cash equivalents	11	2,690,111	3,403,961
Receivables from exchange transactions	12	3,363,187	2,584,418
Receivables from non-exchange transactions	13	3,597,818	
Total Current Assets		**9,651,116**	**5,988,379**
Non-currentassets			
Property, plant and equipment	17	66,220,803	52,957,021
Total Non-current Assets		**66,220,803**	**52,957,021**
Totalassets		**75,871,919**	**58,945,400**
Liabilities			
Currentliabilities			
Trade and other payables from exchange transactions	14	219,190	121,500
Total Current Liabilities		**219,190**	**121,500**
Totalliabilities		**219,190**	**121,500**
Capital and Reserves			
Reserves	16	86,869,120	69,537,774
Accumulated surplus/deficit	16	- 11,216,391	- 10,713,874
Total Reserves		**75,652,729**	**58,823,900**
Total Liabilities and Reserves		**75,871,919**	**58,945,400**

Finance Officer James Chege Kimani
Mathira Technical & Vocational College
ICPAK No. **21228**
Sign ....
Date 12/7/2022

Principal David M. Mburu
Mathira Technical & Vocational College
Sign ....
Date 12/7/2022

XI. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2021

For the year ended 30 June 2021	Note	Accumulated surplus (Deficit)	Capital Donations &Reserves	Total
Balance brought forward as at 1 July 2020		-10,713,874	69,537,774.00	58,823,900
Capital Donations from Mathira NG-CDF& Capital reserves	**15**	-	17,331,346	17,331,346
Surplus/deficit for the year		-502,517		-502,517
Balance carried forward as at 30 June 2021	16	**-11,216,391**	**86,869,120**	**75,652,729**

Finance Officer James Chege Kimani
Mathira Technical & Vocational College

ICPAK No. 21228
Sign
Date 12/7/2022

Principal David M. Mburu
Mathira Technical & Vocational College

Sign
Date 12/7/2022

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

		2020/2021 FY	2019/2020 FY
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from Government entities/ Operational grants	6a	5,092,500	5,265,000
Transfers from other Government entities	6b	1,590,318	-
Rendering of services- Fees from students	7	3,198,895	3,033,770
Other income	8	362,727	100,900
Total Receipts		**10,244,440**	**8,399,670**
Payments			
Compensation of employees	10	1,550,041	3,334,335
Use of goods and services	9	3,908,949	1,462,176
BOG expenses	**11**	528,572	144500
Repairs and maintenance	**12**	691,831	436,626
Depreciation	**17**	4,067,564	5,415,500
Total Payments		**10,746,957**	**10,793,137**
Net (deficit)/surplus for the year		**-502,517**	**-2,393,467**
Adjustment for non-cash items; Depreciation & Amortization expense	17	4,067,564	5,415,500
Net cash flows from operations		**3,565,047**	**3,022,033**
Cash flows from operations (working capital)			
(Increase)/Decrease in receivables- from exchange transactions	12	-3,597,818	- 552,094
(Increase)/Decrease in receivables- from non-exchange transactions	13	-778,769	
Increase in payables	14	97,690	-2,953
Net cash flows from operating activities		**-4,278,897**	**-555,047**
Cashflows from Investing activities			
Capital Grants & Mathira NG- CDF Donations	15	**17,331,346**	**0**
Purchase (additions) of Property Plant & Equipment and Intangible assets	15	**-17,331,346**	**0**
Net cashflows from investing activities		**0**	**0**
Net increase/(decrease) in cash and cash equivalents		-713,850	2,466,986
Cash and cash equivalents at 1 July 2020	11	3,403,961	936,975
Cash and cash equivalents at 30 June 2021	**11**	**2,690,111**	**3,403,961**

XIII.STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget	Adjustments	Final Budget	Actual Budget	Variance	Change	
	Shs	Shs	Shs	Shs	Shs	%	
	A	b	c= a+b	D			
Revenue							
Transfer from National government	6,000,000		6,000,000	3,592,500	2,407,500	40%	(a)
Development grants from National government	2,000,000	-	2,000,000	1,500,000	500,000	25%	(b)
Transfers from other levels of Government		-		1,590,318	-1,590,318	#DIV/0!	(c)
Income Generating activities	1,380,000	-	1,380,000	362,727	1,017,273	74%	(d)
Rendering of services and other incomes	5,284,000	-	5,284,000	3,198,895	2,085,105	39%	(e)
Total income	**14,664,000**		**14,664,000**	**10,244,440**	4,419,560	30%	
Expenses							
Use of Goods and Services	7,949,750	-	7,949,750	3,908,949	4,040,801	51%	(f)
Personnel emoluments	4,536,000	-	4,536,000	1,550,041	2,985,959	66%	(g)
Remuneration to Board of Governors	1,078,250	-	1,078,250	528,572	549,678	51%	(h)
Repairs and maintenance	1,100,000	-	1,100,000	691,831	408,169	37%	(j)
Total expenses	**14,664,000**		**14,664,000**	**6,679,393**	7,984,607	54%	

Explanation of material variance (< 10%>)

a) Movement of 40% is due low student enrolment due Covid-19 pandemic
b) Movement of 25% is due to grants not given by the government as it had been projected
c) The Error is due to new enrolment from Kenha than wasnot anticipated
d) Movement of 74% is due low enrolment in the newly established driving school and fall of demand of masks
e) Movement of39% is due to low school fees collected due to low enrolment of learners
f,g,h,j) The Movement of 51%, 66% ,51% and 37% respectively showing Low absorption is due to reduced operations as the school learning was grounded for 2 quarters due to Covid-19

XIV. NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Institute's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the institute. The accounting policies have been consistently applied to all the year presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	**(Effective for annual periods beginning on or January 1, 2017)** In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three Quarters to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. The Institute adopted IPSAS in the year ended 30 June 2018 and therefore provisions of first time adoption of accrual basis does apply to the Institute.

IPSAS 34: Separate Financial Statements	**(Effective for annual periods beginning on or January 1, 2017)** In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when a Institute prepares separate financial statements. The Institute does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply
IPSAS 35: Consolidated Financial Statements	**Effective for annual periods beginning on or January 1, 2017)** In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an Institute controls one or more entities. It requires an institution that controls one or more other entities to assess control over those entities based on the following: - Its power over the other Institute - Its exposure or rights to variable benefits from involvement with the other Institute - Its ability to control the nature, timing and amount of benefits from the other Institute. Once control is assessed the controlling Institute is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35. The Institute does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.
IPSAS 36: Investments in Associates and Joint Ventures	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. The Institute does not have investments in associates or joint ventures

IPSAS 37: Joint Arrangements	**(Effective for annual periods beginning on or January 1, 2017)** In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. The Institute does not have an interest in a joint arrangement and therefore the standard does not apply
IPSAS 38: Disclosure of Interests in Other Entities	**(Effective for annual periods beginning on or January 1, 2017)** In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an Institute to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. The Institute does not have interests in other entities and therefore the standard does not apply.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Institute and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the Institute's activities, net of value added tax (VAT), where applicable, and when specific criteria have been met for each of the Institute's activities as described below:

i. Sale of goods and services

The Institute recognizes revenues from sale of goods and services in the year in which the Institute delivers products or services to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Institute and the fair value of the asset can be measured reliably.

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 Institute and can be measured reliably.

ii. **Interest income**

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

iii. **Rental income**

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

iv. **Other income**

Other income is recognized as it accrues.

b) In-kind contributions

In-kind contributions are donations that are made to the Institute in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Institute includes such value in the statement of comprehensive income both as revenue and as an expense and opposite amounts; otherwise, the contribution is not recorded.

c) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

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

d) Property, plant and equipment

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

Land and buildings are not depreciated.

Depreciation on property, plant and equipment is recognized in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Land	0%
Buildings	2.0%
Motor Vehicles	20%
Ablution Block	2.0%
Furniture and fittings	12.50%
Motor cycles	20%
Machinery	12.50%
Other Equipment	12.50%
WIP(plumbing workshop)	0%

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

e) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization calculated on straight-line basis and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is considered to be 5 years.

f) Inventories

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

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

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

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 Institute.

g) Provisions

Provisions are recognized when the institute has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
Where the institute expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.
The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

a) Contingent assets

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

b) Nature and purpose of reserves

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

c) Changes in accounting policies and estimates

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

d) Employee benefits

Retirement benefit plans

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

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

a) Foreign transactions

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

b) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

c) Related parties

The Institute regards a related party as a person or an institute with the ability to exert control individually or jointly, or to exercise significant influence over the institute, or vice versa. Members of key management are regarded as related parties and comprise the B O G members, the principal and senior managers.

d) Service concession arrangements

The Institute 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 institute recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Institute also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

e) Cash and cash equivalents

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

f) Comparative figures

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

g) Subsequent events

The recent turn of events arising from COVID-19 pandemic has had a significant negative impact on the operations of the institution for the year ended 30 June 2021.

h) Events after the reporting period

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

i) Ultimate and Holding Institute

The Institute is a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

j) Currency

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

XVI. NOTES TO THE FINANCIAL STATEMENTS

4.(a) TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Transfers from National Government Ministries	Year ended 30 June 2021	For the Year ended 30 June 2020
Unconditional grants		
Government capitation	3,592,500	3,265,000
National Government Grants	1,500,000	2,000,000
Total Government grants and subsidies	**5,092,500**	**5,265,000**

4. (b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

	Year ended 30 June 2021	For the Year ended 30 June 2020
Transfer from other Government Agencies		
KENHA	1,590,318	-
Total transfers from other Government Agencies	**1,590,318**	-

5. RENDERING OF SERVICES

Rendering of Services	Year ended 30 June 2021	For the Year ended 30 June 2020
School Equipment &Stores(SES)	898,125	813,750
Personal Emoluments(PE)	1,004,703	910,315
Local Travel & Transport (LT&T)	143,700	130,200
Repair Maintenance & Improvement(RMI)	119,750	108,500
Insurance	35,925	32,550
Electricity Water & Conservancy(EWC)	307,758	278,845
Activity Fund	365,238	330,925
Industrial Attachment	221,538	200,725
Registration fee		104,500
Student Id	13,500	17,100
Development		-
ICT Materials		-
Student welfare	21,600	45,600
Gratuity	67,060	60,760
Contingencies		
Total rendering of services	**3,198,895**	**3,033,770**

6. OTHER INCOME

Other incomes	Year ended 30 June 2021	For the Year ended 30 June 2020
Textile unit Income	42,187	-
Driving school	320,540	-
Rentals(hire of institution facilities)		99,900
Sale of tender document		1000
Total other incomes	**362,727**	**100,900**

7. USE OF GOODS AND SERVICES

Use of goods	Year ended 30 June 2021	For the Year ended 30 June 2020
Administration expenses	1,587,078	1928331.31
Activity expenses	128,987	60,842
Electricity and water	184,891	272,310
Driving school	194,100	-
Tuition	777,961	370,298
Industrial attachment	2,200	-
Insurance	225,976	-
Local Travel and transport	226,440	166,170
Contracted services	288,651	532,284
Covid-19 expenses	241,526	-
Textile unit expenses	40,050	-
Student welfare	8,800	-
Bank charges	2,289	4,100
Total use of goods	**3,908,949**	**3,334,335.31**

8. EMPLOYEE COSTS

Employment Cost	Year ended 30 June 2021	For the Year ended 30 June 2020
Personnel Emoluments	1,550,041	1,462,175.65
Total Employee costs	1,550,041	1,462,175.65

9. REMUNERATION OF DIRECTORS

BOG Expenses	Year ended 30 June 2021	For the Year ended 30 June 2020
BOG expenses	528,572	144,500
Total BOG expenses	**528,572**	**144,500**

10. REPAIRS AND MAINTENANCE

	Year ended 30 June 2021	For the Year ended 30 June 2020
Repairs Maintenance and Improvement (RMI)	691,831	436,626
Total Repairs and maintenance	**691,831**	**436,626**

11. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	Year ended 30 June 2021	For the Year ended 30 June 2020
Current account	2,683,789	3,360,846
Cash on hand	6,322	43,115
Total cash and cash equivalents	**2,690,111**	**3,403,961**

12. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Receivables from Exchange Transactions	Year ended 30 June 2021	For the Year ended 30 June 2020
Current receivables		
Receivables		2,270,000
Student debtors	3,363,187	314,418
staff advances		-
Total current receivables	**3,363,187**	**2,584,418**

13. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Receivables from non-exchange transactions	Year ended 30 June 2021	For the Year ended 30 June 2020
Government capitation	2,007,500	-
KENHA	1,590,318	
Total non-exchange receivables	**3,597,818**	-

14. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade and other Payables from Exchange Transactions	Year ended 30 June 2021	For the Year ended 30 June 2020
Trade payables		-
School fees paid in advance	-	-
Examination fees	70,690	-
Accruals	-	-
Refundable deposits from students (Caution fee)	148,500	121,500
Total trade and other payables	**219,190**	**121,500**

15. Capital Donations and Reserves

(a.)	Donations from Mathira NG-CDF		
Date	**Donor**	**Asset**	**Amount**
	Mathira Ng-CDF	Motor vehicles	12,877,122
		Motorcycles	575,120
		Machinery	2,318,596
	Sub-total		**15,770,838**
(b)	Property plant and equipment additions from capital reserves		
Date	**Donor**	**Asset**	**Amount**
	Mathira T.V.C.	Furniture and fittings	191,400
	Mathira T.V.C.	Work in progress Work in progress (WIP)- plumbing workshop	1,369,108
	Sub-total		**1,560,508**
Total			**17,331,346**

16. Movement of Capital & Reserves

Particulars/ Details	**Accumulated surplus (Deficit)**	**Capital Donations & Reserves**	**Total (Kshs)**
Balance brought forward as at 1 July 2020	- 10,713,874	69,537,774	58,823,900
Capital Donations from Mathira NG-CDF & Capital reserves		17,331,346	17,331,346
Surplus/deficit for the year	- 502,517		- 502,517
Balance carried forward as at 30 June 2021	**- 11,216,391**	**86,869,120**	**75,652,729**

17a. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Motor Vehicles	Motor cycles	Ablution Block	Furniture and	Machinery	WIP(plumbing workshop)	Other Equipment	TOTAL
COST	Shs	Shs	Shs		Shs	Shs	Shs		Shs	Shs
At 1 July 2020	4,500,000	46,253,346			1,215,000	555,322			433,353	52,957,021
Additions	0	0	12,877,122	575,120	0	191,400	2,318,596	1,369,108	0	17,331,346
At 30 June 2021	4,500,000	46,253,346	12,877,122	575,120	1,215,000	746,722	2,318,596	1,369,108	433,353	70,288,367
Accumulated Depreciation										
Depreciation	-	925,066.92	2,575,424.4	105,439	24,300	93,340	289,825		54,169	4,067,563.99
Net book values										
At 30 June 2021	4,500,000	45,328,279.08	10,301,697.6	460,096	1,190,700	653,382	2,028,771	1,369,108	379,184	66,220,803
At 30 June 2020	4,500,000	46,253,346			1,215,000	555,322			433,353	52,957,021

17b. DEPRECIATION RATES.

	DEPRECIATION RATES (%	METHOD
Land	0%	
Buildings	2%	Straight line
Motor Vehicles	20%	Straight line
Ablution Block	2%	Straight line
Furniture and fittings	12.5%	Straight line
Motor cycles	20%	Straight line
Machinery	12.5%	Straight line
Other Equipment	12.5%	Straight line
WIP(plumbing workshop)	0%	

Note 17 c: Depreciation Schedule

Asset name/ class	Cost/NBV (Kshs)	Depreciation rate (%)	Amount (Charge for the year)- Kshs
Land	4,500,000	0.0%	-
Buildings	46,253,346	2.0%	925,067
Motor Vehicles	12,877,122	20.0%	2,575,424
Ablution Block	1,215,000	2.0%	24,300
Furniture and fittings	746,722	12.5%	93,340
Motor cycles	575,120	20.0%	115,024
Machinery	2,318,596	12.5%	289,825
Other Equipment	433,353	12.5%	54,169
WIP(plumbing workshop)	1,369,108	0.0%	-
Total	**70,288,367**		**4,077,149**

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*

***NOTE.* Accounts for the previous financial years were not audited by the office of the auditor general therefore there is no issue to report in appendix 1 above.**

Guidance Notes:

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

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

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

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

David M. Mburu

Principal/Sec BOG

Date 12/7/2022

APPENDIX II: PROJECTS IMPLEMENTED BY THE COLLEGE

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)
Plumbing Workshop	1	Mathira T.V.C.	1 year	2000,000	NO	YES

Status of Projects completion

	Project	Total project Cost ksh	Total expended to date ksh	Completion % to date	Budget	Actual	Sources of funds
1	Plumbing Workshop	1,800,000	1,369,108	76%	2000,000	1,369,108	Mathira T.V.C. internally generated funds

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from Mathira Technical & Vocational College			
	FY 2020/2021			
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			0	
			0	
			0	
		Total	0	
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			0	
			0	
			0	
		Total	0	
c.	Direct Payments			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			0	
			0	
			0	
		Total	0	
d.	Donor Receipts			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			0	
			0	
			0	
		Total	0	

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

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received			Where Recorded/recognized					
	as per bank statement	Nature: Recurrent/ Development/Others	Total Amount – KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
Ministry of Youth and Gender	0	Recurrent	0	0	0	0	0	0	0
			0	0	0	0	0	0	0
Total			0	0	0	0	0	0	0

Finance Officer James Chege Kimani
Mathira Technical & Vocational College

ICPAK No. **21228**

Sign ....

Date 12/7/2022

Principal David M. Mburu
Mathira Technical & Vocational College

Sign ....

Date 12/7/2022