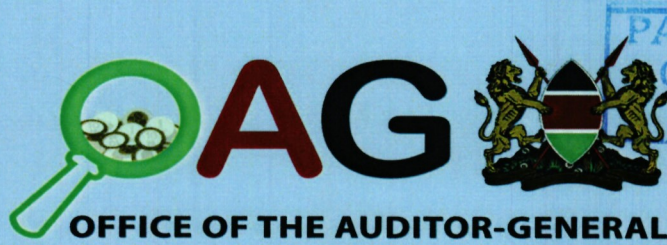



REPUBLIC OF KENYA



PARLIAMENT  
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*Enhancing Accountability*



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**REPORT**

**OF**

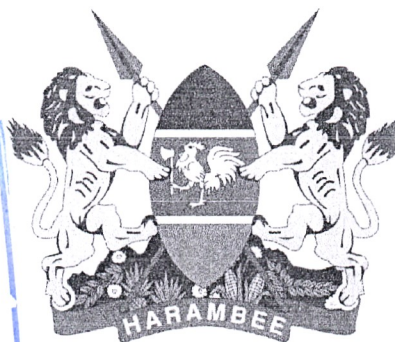
**THE AUDITOR-GENERAL**

**ON**

**CHUKA TECHNICAL AND  
VOCATIONAL COLLEGE**

**FOR THE SEVENTEEN MONTHS PERIOD  
ENDED 30 JUNE, 2019**





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**CHUKA TECHNICAL AND VOCATIONAL COLLEGE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE SEVENTEEN MONTHS PERIOD ENDED**

**30 JUNE 2019**

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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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# CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019

## 1. KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

Chuka Technical and Vocation College is a public registered institution under the Technical and Vocational Education and Training Act (No29of 2013).It was registered in December 2017 and opened its doors in January 2018.

### (b) Principal Activities

The principal activity/mission of the *college* is to provide quality technical vocational education and training and innovation to trainees for industrial revolution.

### (c) Key Management

The *Chuka TVC's* day-to-day management is under the following key organs:

- Board of Governor;
- Accounting officer/ Principal

### (d) Fiduciary Management

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

No.	Designation	Name
1.	Principal	Daniel M Mugambi
2.	Finance officer	Gerald M Rugendo
3.	Procurement officer	Nelly Karwitha

### (e) Fiduciary Oversight Arrangements

Name of the Committee	Members
Executive Committee	<ol style="list-style-type: none"> <li>1. Justus m. kanga – Chairperson</li> <li>2. Daniel mugambi– Secretary</li> <li>3. Evelyne Gitonga Member</li> <li>4. Samuel Gachie- Member</li> </ol>
Development Committee	<ol style="list-style-type: none"> <li>1. Evelyne Gitonga – Chairperson</li> <li>2. Robert Ngaile- Member</li> <li>3. Lazarus Migua – Member</li> <li>4. Daniel Mugambi – Secretary</li> </ol>



**CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**

Academic Committee	<ol style="list-style-type: none"><li>1. Dr. Monica Gitonga - Chairperson</li><li>2. Daniel mugambi- Secretary</li><li>3. Frashiah Mwebia- Member</li><li>4. Samuel Gachie- Member</li></ol>
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**(f) Entity Headquarters**

Chuka Technical and Vocation College  
Along Chuka-Kaanwa Road  
P.O. Box 753-60400,  
Chuka, Kenya.

**(g) Entity Contacts**

Telephone :( 254)0717694181/o732996053  
E-mail:[chukatechnical@gmail.com](mailto:chukatechnical@gmail.com).  
Website: [www.chukatechnical.co.ke](http://www.chukatechnical.co.ke)

**(h) Entity Bankers**

1. Equity Bank  
P.O. Box 75104-00200 Nairobi,  
Tel:020-2262000 Fax:2737276  
Mobile:0763063000  
Email:[info@equitybank.co.ke](mailto:info@equitybank.co.ke)

**(i) Independent Auditors**

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




**(j) Principal Legal Adviser**

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






**CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**

**2. THE BOARD OF GOVERNORS**


Name and Academic Qualification	Details
 <p>Mr. Justus Mwiti Kanga</p> <p>MBA – Strategic Management &amp; BBA Banker</p>	<p>Born in 1975, Has a master in business Administration- Strategic Management &amp; BBA. 23 Years of experience in banking sector and private business. Currently a Chairman of BOG and Executive committee.</p>
 <p>Eng Daniel M Mugambi</p> <p>BSc. Electrical &amp; Electronics Engineering.</p>	<p>Born in 1962. has 25 years in education sectors. Principal and Secretary B.O.G</p>
 <p>Mr. Samuel Gachie Mwangi</p> <p>MBA – MIS option &amp; BA.</p>	<p>Born in 1969, Has a 12 years in Private Business sector. Currently a Member of BOG and in Executive committee.</p>

**CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**


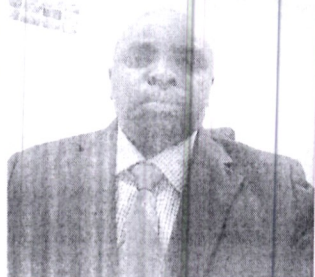
 <p>Ms. Evelyne Karimi Gitonga</p> <p>B.COM Finance option &amp; CPA K</p>	<p>Born in 1991, Has a. 4 Years banking Sector. Currently a Member of BOG and in Executive committee. Credit control consultant</p>
<p>Mr. Lazarus Njagi Migua</p> <p>B.Tech. Electrical &amp; Communication Engineering.</p>	<p>Born in 1960, Has a 25 years in public sector and private business. Currently a Member of BOG. B.Tech. Electrical &amp; Communication Engineering</p>
 <p>Mr. Robert Kassuki Ngaile</p> <p>MBA – Finance option &amp; BSc. Agricultural Economics</p>	<p>Born in 1969, Has 22 Years in private company. Currently a Member of BOG.</p>
 <p>Mrs. Fresiah Wangechi Mwebia</p> <p>MSc. Environmental Studies &amp; BSc. Agriculture.</p>	<p>Born in 1969, Has 12 Years Agricultural sector and private consultancy. Currently a Member of BOG.</p>



**CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**

 <p>Dr Monica Gitonga</p> <p>PHD – Clinical Psychology &amp; MA – Counselling Psychology.</p>	<p>Born in 1956, Has 14 Years Private sector. Currently a Member of BOG</p>
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**3. MANAGEMENT TEAM**

<p>1. Eng Daniel M Mugambi</p>  <p>BSc. Electrical &amp; Electronics Engineering</p>	<p>Principal</p>
<p>2. Gerald Mwangi</p>  <p>Academic qualification-</p>	<p>Accountant</p>
<p>3. Nelly Karwitha</p>	<p>Accountant</p>

**CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**



Profession: Accountant

4. Academic qualification



**CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**

**4. CHAIRMAN'S STATEMENT**

Chuka Technical and Vocation College derives mandate mainly from the legal framework governing TVET, which allowed the management to propose these keys activities in order to provide quality technical vocational education, training and innovation to trainees for industrial revolution during the year. The project were namely; rain water collection and storage facilities, fencing and gate construction, security surveillance system, grills on windows to offices and stores, installation of website, WIFI ,LAN CCTV and intercom, integrated accounting system software ,recruitment of trainers by the government and among others.

The management successfully completed grills on windows to three sensitive rooms and installation of website and Wi-Fi in the college, other project not yet started.

Lack of fund and government failure to response on proposed development grant were the main challenges which hindered the management to implement some of the above project.

The management is following up for the funding of the incomplete projects and nationally marketing the college to increase trainee's enrolment for future at look of the college.



Board Member

**JUSTUS MWITI KANGA**

**DATE: 15/09/2019**

**CHAIRMAN BOARD OF GOVERNORS**

# **CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**

## **5. REPORT OF THE PRINCIPAL**

Chuka Technical And Vocation College has attained 1 ½ year since it opened its door in January 2018, this financial year ending 30<sup>th</sup> June 2019, the college had various activities to implement in which only a few were completed due to challenges of inadequate finance and government failure to response on proposed development grants for smooth training of trainees.

As a result of preparation of final financial statements for the year ended 30<sup>th</sup> June 2019, in accordance with the accrual bases of accounting method under the international public sector accounting standard (IPSAS) ,the College earned an income of KSH 19,337,224 and the expenditure of Kshs.16,060,527 resulting to a surplus of Kshs.3,276,697 which increased the reserve in the financial position.

Due to enrolment of 268 trainees increase with an expectation of free training and delay on HELB disbursement process to the college, more criteria have been introduced to recover the arrears during the next financial year.

**ENG DANIEL M MUGAMBI**



**PRINCIPAL**

**DATE: 15/09/2019**



**CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**

**6. REVIEW OF CHUKA TECHNICAL AND VOCATIONAL COLLEGE’S PERFORMANCE FOR FY 2018/19**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the Accounting officer to include in the financial statement, a statement of the national government entity’s performance against predetermined objectives.

*Chuka TVC* has 5 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

- Pillar 1: Governance
- Pillar 2: Access and Equity
- Pillar 3: Physical Infrastructure
- Pillar 4: Training and Research
- Pillar 5: Collaboration

*Chuka TVC* develops its annual work plans based on the above 5 pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The *Chuka TVC* achieved its performance targets set for the FY 2018/2019 period for its 5 strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar</b>		<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar 1:	Governance	Improve institutional corporate governance	-Developed Policies  - Competent leaders  - Competent Finance and Procurement officers	-Review all institutional policies to align with the strategic plan. -Carry out capacity building for the Top Management and the Staff on leadership. -Carry out Benchmarking on leadership, finance, procurement and curriculum implementation. -Develop and issue Job descriptions to all staff in the institute.	-Reviewed policies  -Capacity building for staff undertaken  -Benchmarking carried out

**CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**

			-Job descriptions developed		-Staff Job descriptions developed
		Mobilize financial resource to fund strategic plan	-Proposals  - Income generating activities enhanced	-Prepare and present proposals per year for funding to the government through the MoE  -Enhance income generating activities	-More funding for the Institute
Pillar 2:	Access and equity	Increase student enrollment	Student enrollment increased	-Marketing through advertisements, use of posters and brochures, -Participation in trade fairs and exhibitions and one on one meeting. -Introduce new programme -Sensitize students and parents on various avenues of funding -Capacity building and training of staff	-Increased student population and branding of the Institution
		Promote equity on the programs offered in the institute		-Sensitization on the programs	



**CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**

				<p>offered in the institute</p> <ul style="list-style-type: none"> <li>-Industrial exposure through educational trips</li> </ul>	
Pillar 3:	Physical Infrastructure	Improve and expand Institutional Infrastructure	<ul style="list-style-type: none"> <li>-Workshops, lecture rooms and ICT infrastructure improved</li> </ul>	<ul style="list-style-type: none"> <li>-Complete the electrical mechanical workshop</li> <li>-Equip the library</li> <li>-Equip all the academic departments</li> <li>-Maintain current infrastructure in good condition</li> <li>-Construct a tuition block with a library and ICT lab.</li> <li>-Construct a food and beverage complex</li> <li>-Acquire additional 2 acres of land</li> <li>-Construct a tuition block funded by the board</li> </ul>	-Good learning environment
Pillar 4:	Training and research	Introduce new academic programs	Increased learning programs	<ul style="list-style-type: none"> <li>-Establish general agriculture program</li> <li>-Establish at least 2 CBET curriculum</li> </ul>	-Increased student population

**CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**

		Streamline curriculum-based research	Projects undertaken and written	-Assign trainee's supervisors during research project writing -Purchase research guide books -Establish research coordinator office	-Well coordinated project writing process
		Enhance innovation	-Innovations developed	-Participate during innovation competitions -Patenting of innovations	- students acquire more knowledge
Pillar 5:	Collaboration	Enhance collaboration with the industry	-Signed MoU's	-Sensitization on skills offered at the institute -Sign MoUs -Timely feedback -Timely information- Competent personnel handl	- Cordial relationship with industries

# CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019

## 7. CORPORATE GOVERNANCE STATEMENT

Chuka TVC is managed by a Board of Governors (BoG). The Board undertakes its mandate in accordance to the provisions of the Education Act (Cap 211). It is headed by a Chairman of BoG and draws its membership from TVET act Section 28 second schedule, as described below:-

1. Composition of Board of Governor for Technical Colleges.

(1) The Board of Governors of a public institution shall consist of not less than seven and not more than nine members appointed by the Cabinet Secretary.

(2) The membership of the Board of Governors shall comprise;

(a) a chairperson;

(b) a representative of the Principal Secretary in the Ministry responsible for technical and vocational training;

[Rev. 2013]

Technical and Vocational Education and Training

NO. 29 OF 2013

T3A - 29 [Issue 2]

(c) a representative of the county Governor of the county within which the institution is located; and

(d) six other persons appointed on the basis of their knowledge and experience in— (i) leadership and management; (ii) financial management; (iii) technology; (iv) industry; (v) engineering; (vi) information communication technology.

(3) The Board of Directors for private institutions shall be composed of such number of members as may be determined and appointed by the sponsor or proprietor as indicated in the certificate of registration of that institution.

(4) The Principal of the institution shall be the Secretary to the Board of Governors.

2. Appointments under paragraph 1(2) shall take into account ethnic and gender balance, and promote inclusion of persons with disabilities, minorities and the marginalized, and ensure balanced competencies among the members.

3. Notwithstanding the provisions of paragraph 1(1) and unless otherwise provided for, the members of a Board of Governors of a public institution placed under another Ministry other than the Ministry for the time being responsible for Technical Education shall be appointed by the Cabinet Secretary within the Ministry that the institution lies.

4. Prohibition from management No person shall engage or be engaged in the promotion, provision or management of Training institutions and training in Kenya whether as a trainer, lecturer, manager or sponsor if that person has been convicted of any offence and imprisoned for a term exceeding six months.

5. Guiding principles for Board of Governors

(1) In carrying out its functions as provided for under this Act, a Board of Governors shall—

(a) Uphold the provisions of this Act;

(b) Ensure— (i) consultation with the Cabinet Secretary or the responsible Cabinet Secretary and appropriate regulatory bodies; and (ii) effective participation of stakeholders in matters relating to the governance and promotion of training by the institution.

(2) No person shall serve as a chairperson or member in more than one Board.

(3) No person shall participate in any proceedings or otherwise conduct the business of the Committee of Board without first being appointed.



**CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**

NO. 29 OF 2013 Technical and Vocational Education and Training

[Rev. 2013]

[Issue 2] T3A - 30

5. Establishment of Committees of Boards of Governors

(1) A Board of Governors may establish such committees as it may deem appropriate to perform such functions and discharge such duties as it may determine.

(2) The Boards of Governors shall appoint the chairperson of a committee established under this section from amongst its own members.

(3) The Boards of Governors may co-opt persons with special knowledge, experience and skill in training into any of its committees established under subsection (1) for a period not exceeding two months.

(4) The composition and membership of the committees of the Boards of Governors shall as much as possible reflect the composition and representation in the Boards.

7. Term of office

(1) Unless the appointment of the chairperson or a member of a Board of Governors is earlier terminated under this Act, a person appointed as chairperson or as a member shall hold office for a term of three years from the date of appointment and shall be eligible for re-appointment for one further term of a period not exceeding three years.

(2) In appointing and reappointing members of Boards of Governors, the Cabinet Secretary shall stagger the commencement dates of some members to maintain a proportion of new membership that ensures continuity in the affairs of the Boards of Governors.

(3) Notwithstanding the foregoing, a person who has served as a member of a Board of Governors for one term at the date of the commencement of this Act may be re-appointed for a second and final term of three years.

8. Resignation from the Board of Governors

(1) A member of a Board of Governors may at any time resign by giving notice in writing to the cabinet Secretary.

(2) A person giving notice under subparagraph (1) shall cease to be a member of the Board from the date specified in the notice or, if no date is specified, from the date of the receipt by the Cabinet Secretary or the Secretary to the relevant Board, as the case may be, of the notice.

9. Revocation of appointment and vacation of office (1) The appointment of a member to a Board of Governors or to its committees shall be revoked and the member shall vacate office if the member—

(a) Resigns in accordance with paragraph 13 of this schedule;

(b) becomes insolvent or has conveyed or assigned his property or has made a proposition or arrangement for the benefit of his creditors;

(c) Is sentenced by a court of law to imprisonment for a term of six months or more;

(d) Is incapacitated by physical or mental illness;

During the year, there were five Board meetings held members attendance to those meeting was 100%.

**CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**

**8. MANAGEMENT DISCUSSION AND ANALYSIS**

As a result of preparation of final financial statements for the year ended 30<sup>th</sup> June 2019, in accordance with the accrual bases of accounting method under the international public sector accounting standard (IPSAS) .the College had an income of Kshs.19,337,224 and the expenditure of Kshs.16,060,527 resulting to a surplus of Kshs.3,276,697 which increase the reserve in the financial position.

Due to enrolment of 268 trainees increase with an expectation of free training and delay on HELB disbursement process to the college, more criteria have been introduced to recover the arrears during the next financial year . Below is the table of the keys projects that were proposed and strategized within the current financial year but only a few implemented due to financial shortage and government failure to respond on development grant in various key projects. The project below attempted, used part of fund from trainees fees.

S/No	CAPITAL PROJECTS	CURRENT STATUS JULY 2018	PROJECTED COMPLETION DATE	BUDGET/ KSH
1.	Construction of a masonry Shed	Started and complete	30 <sup>th</sup> April 2018	150,000
2.	Acquire tools and small equipment for plumbing, building and Civil engineering	A few acquired	30 <sup>th</sup> April 2018	200,000
3.	Increasing enrollment through marketing and advertisements	Started	Continuous	1,000,000
4.	Enhance security by putting grill on window to offices and stores and Workshops	Part of it done	30 <sup>th</sup> April 2018	200,000
5.	Develop and review Policies	Started	30 <sup>th</sup> June 2018	500,000
6.	ICT infrastructure (Website, WIFI, LAN and installation of CCTV)	Quarterly complete	30 <sup>th</sup> August 2018	400,000
7.	Installation of computers tables for Computer Labs	complete	30 <sup>th</sup> August 2018	120,000
8.	20 Computer lab Chairs and 50 office and visitors chairs	50% implemented	31 <sup>st</sup> December 2018	200,000
9.	Acquire 100 additional Lecture Chairs	50% implemented	30 <sup>th</sup> December 2018	350,000
10.	Establishing a library(Acquire library furniture Reading tables and chairs, book shelves)	Not Started	30 <sup>th</sup> July 2019	4,000,000
11.	Gutters and roof catchment and reservoirs	Not started	30 <sup>th</sup> August 2019	1,000,000
12.	Fencing and Gate	Not started	31 <sup>st</sup> July 2019	6,000,000
13.	Security surveillance system	Not started	30 <sup>th</sup> July 2019	300,000



**CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**

14	Water harvesting and water storage	Not started	31 <sup>st</sup> December 2019	2,500,000
15	Construction of 10 semi-permanent lecture rooms	Not started	30 <sup>th</sup> September 2019	3,600,000
16	Construction of 10 permanent lecture rooms	Not started	30 <sup>th</sup> June 2020	18,000,000
17	Develop a master plan	Not started	31 <sup>ST</sup> December 2020	200,000
18	Construction of Building and Civil Engineering Workshops	Not started	30 <sup>th</sup> July 2021	30,000,000
19	Training Materials	Started	Continuous	4,000,000

Major Challenges facing the college are:

1. Poor access road
2. Lack of adequate security (fencing)
3. Lack of adequate water supply
4. Inadequate funding
5. Poor payment of school fees
6. Low student enrollment
7. Inadequate infrastructure
8. Lack of students reference materials
9. Inadequate staffing levels
10. Water shortage



## **9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

1. Chuka tvc exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on 5 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

2.

### **3. Sustainability strategy and profile -**

Chuka tvc has established several strategies to ensure sustainability of its programs amidst many challenges facing the management. The Board has engaged collaborations with the National Government through MoE under the State Department of Vocational and Technical Training for policy direction and funding on major projects. In addition; we have also enhance collaborations with the County Government through the CDF of Igambangombe Sub –County for students' sponsorships and community mobilization in development activities. Chuka tvc will strive to acquire additional land for expansion of the institute and identity.

The management has aggressively invested in the installation Management Information Software for efficiency and effectiveness in management process and data processing. In addition, we are refurbishing the institute website for marketing and for effective communication to all our stakeholders. Marketing of courses both locally and nationally to attract trainees to equip them with hand on skills for employability and self-employment. The institute's location in a low settlement area with adverse cold climatic weather conditions has affected its growth. The management is committed to continual improvement of the face of the institute by, paving the pathways to improve cleanliness as well securing the facility by proper fencing

### **4. Environmental performance**

The management has implemented policy on planting of trees under the green economy for sustainable environment. In addition, we have improved our environment by planting flowers along designated pathways and gardens for general aesthetics. The Institute disposes its wastes appropriately both the WC waste and waste waters through the sewerage system. Adequate sanitation areas with hand wash have been provided for maintenance of hygiene. Provision of clean water for consumption and for general cleaning through collaborations with water companies in the locality. Need for increase water reservoirs and connectivity for treated water systems to prevent water borne diseases.

### **5. Employee welfare**

The management recruits BoG staff both trainers and support staff equity based on the need. The recruitment is guided by an MoU which details the terms and references of engagement of staff. The management observes integrity, professionalism, gender and disability inclusivity, as well as stakeholder involvement. The Board has developed staff establishment and career

Progression policy for Chuka tvC BoG staff. We undertake annual staff appraisal and training Needs assessment to establish gap for capacity building. Chuka tvC Occupational Safety and Health Act of 2007, (OSHA) regulations by providing protection clothing to our staff while on duty.

**6. Market place practices-**

Chuka tvC has outlined its efforts to:

- a) Responsible competition practice.  
has continually sensitized both staff and students on corruption prevention matters. The service charter in English and Swahili has clearly been displayed at the main gate and at strategic service points such as the The institute upholds section 6 of the constitution of Kenya for all of the officers while on duty. The management customer care office, library, registrar’s office, dean’s office, Guidance and counselling office, dining hall and procurement office.
- b) Responsible Supply chain and supplier relations – The management implement the Public Procurement and Disposal Act of 2012 and its Regulations of 2016 in all its procurement for goods, services and contracts.
- c) Chuka tvC advertises our training programs through our website, the media, door to door marketing strategies through the Local administration and Personal selling through good examination performance and quality services and customer focus.
- d) Product stewardship - Our customer rights and interests have been safe guarded by clear communications to our customers through relevant offices the dean’s office. We also provide newsletters to convey crucial and authentic information to our customers. We used authorized communication channels the official addresses, mobile numbers and emails.

**7. Community Engagements-**

Chuka tvC engages in social corporate responsibility activities by provision of face masks to the local administration nearby. We also visit children’s homes in our locality through the Christian movement in the institute and support them with food and clothing. We undertake annual cleaning up of the Kaanua Market and its environs and sensitize them on the government policies in relation to access to TVET courses, Procurement opportunities among others.



# CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019

## 10. REPORT OF THE BOARD OF GOVERNORS

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

### Principal activities

The principal activities of the Chuka TVC are;

- a. To conduct training at tertiary level in technical and vocational education and training fields.
- b. To determine curricula appropriate for training of the various manpower category and specialization required by the labour market through careful selection of available syllabi from local or international institutions recognized by the Ministry of Education (MoE).
- c. To foster linkages with industry and other institutions for the promotion of quality and relevant training.
- d. To promote and inculcate Entrepreneurial skills and culture within the institute's staff and students.
- e. To conduct Applied Research.
- f. To undertake income-generating activities through production, consultancy and tailor-made short courses, in-service courses, equipment and facility hiring and hospitality services to compliment Government grants and fees revenue.

### Results

The results of the Chuka Tvc for the year ended June 30 are set out on from page 1 to 5

## BOARD OF GOVERNORS

The members of the Board who served during the year are shown on page iv to vii. During the year no one have resigned.

### Auditors

The Auditor General is responsible for the statutory audit of the *Chuka TVC* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *Chuka TVC* for the year/period ended June 30, 2019 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

**ENG DANIEL M MUGAMBI**



**PRINCIPAL**

**DATE: 15/09/2019**



# CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019

## 11. STATEMENT OF BOARD OF GOVERNORS' RESPONSIBILITIES

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

The Board members are responsible for the preparation and presentation of the college's financial statements, which give a true and fair view of the state of affairs of the college for and as at the end of the seventeen months' period ended on 30 June, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the college; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board members accept responsibility for the college's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Technical and Vocational Education and Training Act, 2013. The Board members are of the opinion that the college's financial statements give a true and fair view of the state of college's transactions during the financial year ended June 30, 2019, and of the college's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the college, which have been relied upon in the preparation of the college's financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

The Chuka TVC's financial statements were approved by the Board on 14/09/2019 and signed on its behalf by:



Chairman of the Board

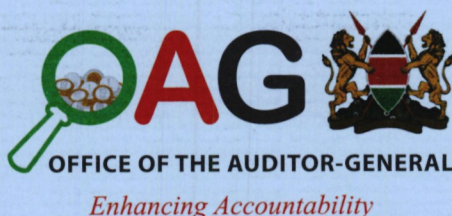


Principal



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## REPORT OF THE AUDITOR-GENERAL ON CHUKA TECHNICAL AND VOCATIONAL COLLEGE FOR THE SEVENTEEN MONTHS PERIOD ENDED 30 JUNE, 2019

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### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of Chuka Technical and Vocational College set out on pages 1 to 38, which comprise the statement of financial position as at 30 June, 2019, statement of financial performance, statement of cash flows, statement of changes in net assets and statement of comparison of budget 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 Chuka Technical and Vocational College as at 30 June, 2019, and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Technical and Vocational Education and Training Act, 2013.

#### Basis for Adverse Opinion

##### 1. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects Kshs.460,147 in respect of cash and cash equivalents as at 30 June, 2019. However, a recast of the balances gave a negative balance of Kshs.480,769 for the same item resulting to unreconciled variance of Kshs.940,916.

Further, the same statement reflects Kshs.18,204,288 in respect to three items. However, the respective notes to the financial statements reflects Kshs.24,217,516 on the same items resulting to unreconciled variances of Kshs.6,013,228 as detailed below;



Item	Notes	Amount in the Statement of Cash Flows (Kshs)	Amount in the Notes to Financial Statements (Kshs)	Variance (Kshs)
Rendering of Services - Fees from Students	10	9,402,335	13,817,224	(4,414,889)
Use of Goods and Services	15	9,272,411	10,400,292	(1,127,881)
Purchase of Property, Plant and Equipment Intangible Assets	30	(470,458)	0	(470,458)
<b>Total</b>		<b>18,204,288</b>	<b>24,217,516</b>	<b>(6,013,228)</b>

In the circumstances, the accuracy of the statement of cash flows for the period ended 30 June, 2019 could not be ascertained.

## 2. Transfers from National Government Ministries

Note 6 to the financial statements reflects a total of Kshs.4,520,000 in respect to transfers from National Government ministries for the period under review which relates to operational grants. However, confirmation from the Ministry of Education revealed that Kshs.9,040,948 was transferred to the College in respect to the same item and period resulting to unexplained variance of Kshs.4,520,948.

In the circumstances, the accuracy and propriety of the Kshs.4,520,000 in respect to transfers from national government ministries for the period ended 30 June, 2019 could not be ascertained.

## 3. Cash and Cash Equivalents

Note 25 to the financial statements reflects Kshs.460,147 in respect to cash and cash equivalents which includes Kshs.427,406 in respect to cash held in two bank accounts whose monthly bank reconciliation statements were not provided for audit review contrary to Section 90(1) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that all Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account every month and submit a bank reconciliation statement not later than the 10<sup>th</sup> of the subsequent month to the National Treasury with a copy to the Auditor-General.

Further, Note 25 to the financial statements reflects Kshs.32,741 in respect to cash in hand. However, the board of survey report availed for audit review reflects Kshs.42,741 resulting to unexplained variance of Kshs.10,000.

In the circumstances, the accuracy of the Kshs.460,147 in respect to cash and cash equivalents balance as at 30 June, 2019 could not be ascertained.



#### **4. Unsupported Inventories Balance**

Note 28 to the financial statements reflects Kshs.1,402,492 in respect to inventories. However, supporting documents including stores records, stock count report and inventory valuation method were not provided for audit review contrary to Section 14(1) of the Technical and Vocational Education and Training Act, 2013 which stipulates that the Board shall cause to be kept all proper books and records of income, expenditure, assets and liabilities of the Board.

In the circumstances, the accuracy, propriety and validity of the inventories balance of Kshs.1,402,492 as at 30 June, 2019 could not be ascertained. In addition, the College is in breach of the law.

#### **5. Unsupported Procurement of Advertising Services**

Note 15 to the financial statements reflects Kshs.10,400,292 in respect to use of goods and services which includes Kshs.2,289,085 in respect to admin expenses which further includes Kshs.116,200 paid an advertising firm. However, the advertisement, opening and evaluation committee minutes and notification of award were not provided for audit.

In the circumstances, the propriety and value for money for the Kshs.116,200 in respect to admin expenses for the period ended 30 June, 2019 could not be confirmed.

#### **6. Irregular Procurement – Lecture Chairs**

Note 15 to the financial statements reflects Kshs.10,400,292 in respect to use of goods and services which includes Kshs.2,289,085 in respect to admin expenses. The figure further includes Kshs.840,000 paid to a supplier for the supply of lecture chairs. However, procurement documents including, tender opening and evaluation minutes, professional opinion, notification of the award and acceptance by the supplier were not provided for audit review.

Further, although the lecture chairs are assets in nature, it was not explained why the same were expensed instead of being capitalized as assets. This is contrary to Paragraph 45 of the International Public Sector Accounting Standards (IPSAS) 1 which stipulates that each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately unless they are immaterial.

In the circumstances, the accuracy, propriety and value for money for the Kshs.840,000 in respect to admin fees for the period ended 30 June, 2019 could not be ascertained.

#### **7. Trade and Other Payables from Exchange Transactions**

Note 33 to the financial statements reflects Kshs.2,855,556 in respect to trade and other payables from exchange transactions. However, the respective supporting

documents including ledgers, invoices, names of suppliers/students and ageing analysis showing how long the trade payables have been outstanding were not provided for audit review.

In the circumstances, the propriety and accuracy of the Kshs.2,855,556 in respect to trade and other payables from exchange transactions as at 30 June, 2019 could not be ascertained.

#### **8. Unsupported Refundable Deposits from Customers/Students**

Note 34 to the financial statements reflects Kshs.145,275 in respect to refundable deposits from customers/students which includes Kshs.5,275 in respect to customer deposits which relates to caution money from students. However, the respective supporting documents including ledger, invoices, names of students and ageing analysis showing how long the caution money have been outstanding were not provided for audit review.

In the circumstances, the accuracy and propriety of the Kshs.5,275 in respect to caution money as at 30 June, 2019 could not be ascertained.

#### **9. Failure to Disclose Assets in the Financial Statements**

Physical verification of assets carried out in December, 2020 revealed that the College had buildings, land, furniture, equipment, machines, tools, books and computers of unknown values that were being used in day to day operations of the College. However, the assets were not included in the financial statements. Further, ownership documents were not availed for audit review.

In the circumstances, the ownership of the assets and the completeness of the financial statements as at 30 June, 2019 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Chuka 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 communicate in my report.



## **Other Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects a budgeted revenue of Kshs.28,436,020 and actual revenue of Kshs.19,337,224 resulting to a revenue shortfall of Kshs.9,098,796 or 32% of the budget. Similarly, the statement reflects an expenditure budget of Kshs.28,436.020 and actual expenditure of Kshs.16,060,527 resulting to under expenditure of Kshs.12,375,493 or 44% of the budget.

Further, the College overspend on employee cost by Kshs.1,453,211 contrary to Regulation 43 of the Public Finance Management (National Government) Regulations, 2015 which requires accounting officers to ensure public funds are applied for purposes for only which they were intended and appropriated by National Assembly.

The underfunding and under expenditure imply that most programs and activities that had been planned were not implemented. The College is also in breach of law.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Fixed Assets Register**

Review of the fixed assets register provided for audit revealed that critical information such as location of the assets, description, respective costs and serial numbers were not indicated in the register. Further, physical verification of the assets revealed that the assets were not tagged for ease of identification and movement contrary to Regulation 139(1)(2) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that accounting officer of a national government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse by ensuring that movement and conditions of assets can be tracked by putting in place processes and procedures both electronic and manual for the effective, efficient, economical and transparent use of the government entity's asset.



## **2. Late Submission of the Financial Statements**

The financial statements for the seventeen months' period under review were submitted to the Auditor-General on 18 October, 2019, approximately eighteen days (18) days after the legal deadline of three (3) months from the end of the seventeen months' period contrary to Section 47(1) of the Public Audit Act, 2015 which stipulates that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

## **3. Failure to Approve Budget**

During the period under review, the Board approved a revenue and expenditure budget of Kshs.28,436,020 each. However, there was no evidence to indicate that the budget was approved by the Cabinet Secretary at the Ministry of Education as required by Section 22(1) and (2) of the Technical and Vocational Education and Training Act, 2013.

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

## **4. Goods Received Beyond Local Purchase Order (LPO) Validity Period**

Note 15 to the financial statements reflects Kshs.10,400,292 in respect of use of goods and services which includes Kshs.2,289,085 in respect of admin expenses which further includes Kshs.122,132 paid to a supplier for supply of teaching materials. However, the delivery note provided for audit indicated that the goods were delivered on 28 September, 2019 against a LPO issued on 15 May, 2019, which is approximately one hundred and thirty-five (135) days after the said LPO was issued contrary to the provisions of Regulation 53(1) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that a local purchase order or local service order shall be valid for a period of thirty days from the date of issue.

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

## **5. Ethnicity**

Records made available for audit review revealed that during the period under review, the College had thirty-five (35) employees out of which seventeen (17) or 49% were from the same ethnic community contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

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

## **6. Unapproved Remuneration to Board of Directors**

Note 17 to the financial statement reflects Kshs.529,000 in respect to remuneration of the Board of Directors. Documents provided for audit review revealed that the College had eight Board Members. However, evidence indicating that the allowances paid to the said Board Members was approved by the Cabinet Secretary was not provided for audit review contrary to the Section 17 of Second Schedule to the Technical and Vocational Education and Training Act, 2013 which stipulates that members of a board of governors shall be paid in respect to their services such remuneration or allowances as the board of governors shall, with the approval of the cabinet secretary determine.

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

## **7. Receivables from Exchange Transactions**

Note 26 to the financial statements reflects Kshs.4,414,889 in respect to receivables from exchange transactions which relates to student debtors. However, ageing analysis indicating how long the debts have been outstanding, including debts management policy were not provided for audit review.

In addition, measures taken by the Management to ensure collection of the Kshs.4,414,889 was not availed for audit review contrary to Regulation 64(1) (a) and (b) of the Public Finance Management (National Governments) Regulations, 2015.

In the circumstances, the College is in breach of the law and the collectability of the Kshs.4,414,889 outstanding student debtors is doubtful.

## **8. Presentation of Financial Statements**

Review of the financial statements provided for audit revealed the following anomalies which are contrary to requirement of Public Sector Accounting Standards Board (PSASB) reporting template issued in June, 2020;

- i. Corporate governance statement at page xv to the financial statements does not include succession plan, existence of a board charter, roles and functions of the Board, induction and training, board member performance, conflict of interest, board remuneration, ethics and conduct and governance audit contrary to PSASB.
- ii. The Institute of Certified Public Accountants of Kenya (ICPAK) membership number of the Finance Officer is not indicated in the statement of financial position.
- iii. Inter-entity transfers at page 37 to the financial statements is not signed by the Head of Accounting Unit of the Ministry of Education contrary to the Public Sector Accounting Standards Board (PSASB).



In the circumstances, the College's financial statements are not prepared in accordance with the PSASB prescribed format.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1.0 Lack of Internal Audit**

During the period under review, the College did not have an internal audit in place contrary to Section 73(1)(a) of the Public Finance Management (PFM) Act, 2012 which states that every national government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

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

#### **2.0 Lack of Internal Audit Committee**

During the period under review, the College did not have an audit committee contrary to Section 73(5) of the Public Finance Management Act, 2012 which states that every national government entity shall establish an internal auditing committee whose composition and functions are to be prescribed by the regulations.

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

#### **3.0 Lack of Risk Management Policy**

Review of the College's internal controls revealed that the College did not have approved risk management policy. Further, the Management did not provide for audit review evidence whether the College has documented, identified and assessed risks



and developed controls to respond to the risk identified contrary to Regulation 165 of the Public Finance Management (National Government) Regulations 2015, which stipulates that Accounting Officers shall ensure that national government entities develops risk management strategies, which include fraud prevention mechanism and system of risk management and internal control that builds robust business operations.

In the absence of risk management policy, it is not possible to determine the effectiveness of controls implemented to control risks. In addition, the College is in breach of the law.

#### **4.0 Lack of Approved Salary Structure**

Note 16 to the financial statements reflects Kshs.4,693,211 in respect to employee costs. However, approved salary structure and staff establishment were not provided for audit review contrary to Section C 2(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which stipulates that public service salary structure will be based on the grading levels spelt out in the various career progression guidelines.

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

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

#### **Responsibilities of Management and those Charged with Governance**

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

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

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



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

Those charged with governance are responsible for overseeing Chuka Technical and Vocational College's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 with limited assurance as to 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 in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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



Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 Chuka Technical and Vocational College's policies and procedures may deteriorate.

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

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

09 February, 2022



**CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**

	Notes	2018-2019 Kshs
<b>Revenue from non-exchange transactions</b>		
Transfers from the National Government – grants/ gifts in kind	6	4,520,000
Grants from donors and development partners		
Transfers from other levels of government	8	1,000,000
Public contributions and donations		
		<b>5,520,000</b>
<b>Revenue from exchange transactions</b>		
Rendering of services- Fees from students	10	13,817,224
Sale of goods		
Rental revenue from facilities and equipment		
Finance income - external investments		
Other income		
		<b>13,817,224</b>
<b>Revenue from exchange transactions</b>		<b>19,337,224</b>
<b>Total revenue</b>		
<b>Expenses</b>		
Use of goods and services	15	10,400,292
Employee costs	16	4,693,211
Remuneration of Board of Governors	17	529,000
Depreciation and amortization expense		0
Repairs and maintenance	19	438,024
Contracted services		0
Grants and subsidies		0
Finance costs		0
		<b>16,060,527</b>
<b>Total expenses</b>		
<b>Other gains/(losses)</b>		
Gain on sale of assets		0
Unrealized gain on fair value of investments		0
Impairment loss		0
		0
<b>Total other gains/(losses)</b>		
		<b>3,276,697</b>
<b>Net Surplus for the year</b>		
Attributable to:		
Surplus/(deficit) attributable to minority interest		0
Surplus attributable to owners of the controlling entity		0
		0

The notes set out on pages 6 to 33 form an integral part of the Annual Financial Statements.

**CHUKA TECHNICAL AND VOCATIONAL COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**

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

	Notes	2018-2019 Kshs
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	25	460,147
Current portion of receivables from exchange transactions	26(a)	4,414,889
Receivables from non-exchange transactions		
Inventories	28	1,402,492
Investments		
		<b>6,277,528</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Investments		
Intangible assets		
Investment property		
Long term receivables from exchange transactions		
<b>Total assets</b>		<b>6,277,528</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables from exchange transactions	33	2,855,556
Refundable deposits from customers	34	145,275
Provisions		
Finance lease obligation		-
Current portion of borrowings		
Deferred income		
Employee benefit obligation		
Payments received in advance		
		<b>3,000,831</b>
<b>Non-current liabilities</b>		
Non-current employee benefit obligation		
Non-current provisions		
Borrowings		
Service concession liability		
Deferred tax liabilities		
<b>Total liabilities</b>		<b>3,000,831</b>
<b>Capital and Reserves</b>		
Reserves		
Accumulated surplus		3,276,697
Capital Fund		
<b>Total Capital and Liabilities</b>		<b>6,277,528</b>

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



Chairman of Board of Governors

Date: 15/09/2019



Finance Officer  
ICPAK No  
Date: 15/09/2019



Principal

Date: 15/09/2019



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**15. STATEMENT OF CHANGES IN NET ASSET FOR THE SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
<b>At July 1, 2018</b>	0	0	0	0	0
Revaluation gain	0	-	-	-	0
Fair value adjustment on quoted investments	-	0	-	-	0
Total comprehensive income	-	-	3,276,697	-	3,276,697
Capital/Development grants received during the year	-	-	-	0	0
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	0	(0)	-
<b>At June 30, 2019</b>	0	0	3,276,697	0	3,276,697

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**16. STATEMENT OF CASH FLOWS FOR THE SEVENTEEN MONTHS PERIOD ENDED 30 JUNE 2019**

		<b>2018-2019</b>
	Note	<b>Kshs</b>
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from other Government entities/Govt. grants	6	4,520,000
Transfers from other level of Government	8	1,000,000
Rendering of services- Fees from students	10	9,402,335
Sale of goods		-
Rental revenue from facilities and equipment		-
Finance income		-
Other income		-
<b>Total Receipts</b>		<b>14,922,335</b>
<b>Payments</b>		
Employee Costs	16	4,693,211
Use of goods and services	15	9,272,411
Remuneration of Board of Governors	17	529,000
Repairs and maintenance	19	438,024
Taxation paid		-
Other payments		-
Grants and subsidies paid		-
<b>Total Payments</b>		<b>14,932,646</b>
<b>Net cash flows from operating activities</b>		<b>-10,311</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant, equipment and intangible assets	30	(470,458)
Proceeds from sale of property, plant and equipment		
Decrease in non-current receivables		-
Increase in investments		(0)
<b>Net cash flows used in investing activities</b>		<b>(470,458)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings		0
Repayment of borrowings		(0)
Increase in deposits		0
<b>Net cash flows used in financing activities</b>		<b>(0)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>460,147</b>
Cash and cash equivalents at 1 JULY 2018		0
<b>Cash and cash equivalents at 30 JUNE 2019</b>	25	<b>460,147</b>



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**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE SIXTEENTH MONTH ENDED 30 JUNE 2019**

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs
<b>Revenue</b>										
Transfers from other Govt entities Govt grants	17,516,100		(6,000,000)		11,516,100		5,520,000		5,996,100	
Public contributions and donations	-		-		-		-		-	
Rendering of services- Fees from students	8,686,620		8,233,300		16,919,920		13,817,224		3,102,696	
Sale of goods	-		-		-		-		-	
Finance Income	-		-		-		-		-	
Other Income	-		-		-		-		-	
Gains on disposal, rental income and agency fees	-		-		-		-		-	
<b>Total income</b>	<b>26,202,720</b>		<b>2,233,300</b>		<b>28,436,020</b>		<b>19,337,224</b>		<b>9,098,796</b>	
<b>Expenses</b>										
Employee Costs	1,500,000		1,740,000		3,240,000		4,693,211		(1,453,211)	
Use of Goods and services	4,584,620		6,493,300		11,077,920		10,400,292		677,628	
Repairs and maintenance	810,000		-		810,000		438,024		371,976	
Rent paid	-		-		-		-		-	
Remuneration of Board of Governors	1,792,000		-		1,792,000		529,000		1,263,000	
Grants and subsidies paid	17,516,100		(6,000,000)		11,516,100				11,516,100	
<b>Total expenditure</b>	<b>26,202,720</b>		<b>2,233,300</b>		<b>28,436,020</b>		<b>16,060,527</b>		<b>12,375,493</b>	
<b>Surplus for the period</b>	-		<b>0</b>		<b>0</b>		<b>3,276,696</b>		<b>(3,276,696)</b>	

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**18. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Chuka tvc is established by and derives its authority and accountability from TVET Act. Of 2013. The Institute is wholly owned by the Government of Kenya and is domiciled in Kenya. The Institute's principal activity is Technical and vocational training.

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

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

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

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

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

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

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



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

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

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

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

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<b>Standard</b>	<b>Effective date and impact:</b>
resulting from IPSAS 41, Financial Instruments	<ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> <li>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</li> <li>b) 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</li> <li>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</li> <li>d) IPSAS 33, First-time Adoption of Accrual Basis International Public 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.</li> </ul>

**iii. Early adoption of standards**

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



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

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

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

**Rendering of services**

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

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

**Sale of goods**

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

**Interest income**

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

**Dividends**

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

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

**Rental income**

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

**b) Budget information**

The original budget for FY 2018/2019 was approved by the Council or Board on 06/07/2018. 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.

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

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

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

**c) Taxes**

***Current income tax***

The Chuka tvc is exempt from paying taxes as per schedule *of the Act*.

***Sales tax/ Value Added Tax***

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) Investment property**

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





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

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

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

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

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

**e) Property, plant and equipment**

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

**f) Leases**

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) **Intangible assets**

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

h) **Research and development costs**

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

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) **Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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



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

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

***Held-to-maturity***

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

***Impairment of financial assets***

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

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

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

***Financial liabilities***

***Initial recognition and measurement***

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

***Loans and borrowing***

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

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

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

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

**i) Inventories**

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

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

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

**i) Inventories (Continued)**

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

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

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

**j) Provisions**

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

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

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

***Contingent liabilities***

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



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

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

***Contingent assets***

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

**k) Nature and purpose of reserves**

The Chuka Tvc creates and maintains reserves in terms of specific requirements.

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

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

**m) Employee benefits**

**Retirement benefit plans**

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

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

**n) Foreign currency transactions**

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**o) Borrowing costs**

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

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

**p) Related parties**

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

**q) Service concession arrangements**

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

**r) Cash and cash equivalents**

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

**s) Comparative figures**

There are no comparative figures for the previous financial year because the financial statements were prepared the first time since reception.

**t) Reporting Period**

The financial statements were prepared for a period of seventeen months because the institution had to re-establish and reorganise its operation.



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**u) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

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

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

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

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

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6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2018-2019
	KShs
<b>Unconditional grants</b>	
Operational grant	4,520,000
Other grants	-
	-
<b>Conditional grants</b>	
Library grant	-
Hostels grant	-
Administration block grant	-
Laboratory grant	-
Learning facilities grant	-
Other organizational grants	-
<b>Total government grants and subsidies</b>	<b>4,520,000</b>

6b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2018-2019
			KShs	KShs	KShs
TVET Ministry/State Department	4,520,000	-	-	4,520,000	4,520,000
<b>Total</b>	<b>4,520,000</b>	<b>-</b>	<b>-</b>	<b>4,520,000</b>	<b>4,520,000</b>

7 GRANTS FROM DONORS AND DEVELOPMENT PARTNERS

Description	2018-2019
	KShs
JICA- Research grant	0
World Bank grants	0
Other grants	0
<b>Total grants from development partners</b>	<b>0</b>



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**Reconciliations of grants from donors and development partners**

Description	2018-2019
	KShs
<b>Balance unspent at beginning of year</b>	0
Current year receipts	0
Conditions met - transferred to revenue	0
<b>Conditions to be met - remain liabilities</b>	0

**8 TRANSFERS FROM OTHER LEVELS OF GOVERNMENT**

Description	2018-2019
	KShs
Transfer from County	0
Transfer from University	0
Transfer from Meru National Polytechnic	1,000,000
<b>Total Transfers</b>	<b>1,000,000</b>

**9 PUBLIC CONTRIBUTIONS AND DONATIONS**

Description	2018-2019
	KShs
Public donations	-
Donations from local leadership	-
Donations from religious institutions	-
Donations from alumni	-
Other donations	-
<b>Total donations and sponsorships</b>	-

**10 RENDERING OF SERVICES**

Description	2018-2019
	KShs
Tuition fees	11,056,092
Activity fees	311,116
Examination fees	1,644,051
Library fees	69,110
Facilities and materials	608,755
Registration fees	128,100
<b>Total revenue from the rendering of services</b>	<b>13,817,224</b>

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

**11 SALE OF GOODS**

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

**12 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT**

Description	2018-2019 KShs
Straight-lined operating lease receipts	-
Contingent rentals	-
<b>Total rentals</b>	

**13 FINANCE INCOME**

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

**14 OTHER INCOME**

Description	2018-2019 KShs
Insurance recoveries	-
Consultancy fees	-
Income from sale of tender	-
Services concession income	-
Skills development levy	-
Income from disposal of assets	-
<b>Total other income</b>	-



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NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**15 USE OF GOODS AND SERVICES**

Description	2018-2019
	KShs
Electricity and water cost	742,653
Admin expenses	2,289,085
Local transport and travelling	1,306,217
Activities	1,194,482
Student welfare	210,839
Identification Document Expenses	75,750
Practical Expense	500,257
Information Communication technology expenses	65,750
Medical	1,270
Security Cost	423,295
Tuition expenses	2,601,344
Exam expense	957,100
Insurance	-
Legal expenses	-
Postage	-
Printing and stationery	-
Hire charges	-
Rent expenses	-
Security costs	-
Attachment Expenses	32,250
Inventory scrapping	-
Training expenses	-
Other	-
<b>Total good and services</b>	<b>10,400,292</b>

**16 EMPLOYEE COSTS**

	2018-2019
	KShs
Salaries and wages	3,986,716
Employee NHIF	129,400
Employee Sacco expenses	115,108
Employee PAYE to KRA	59,507
Overtime payments	
Performance and other bonuses	
Social contributions (NSSF)	402,480
<b>Employee costs</b>	<b>4,693,211</b>

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

**17 REMUNERATION OF BOARD OF DIRECTORS**

Description	2018-2019
	KShs
Chairman's Honoraria	
BOG emoluments	529,000
Other allowances	
<b>Total director emoluments</b>	<b>529,000</b>

**18 DEPRECIATION AND AMORTIZATION EXPENSE**

Description	2018-2019
	KShs
Property, plant and equipment	0
Intangible assets	0
Investment property carried at cost	0
<b>Total depreciation and amortization</b>	<b>0</b>

**19 REPAIRS AND MAINTENANCE**

Description	2018-2019
	KShs
Property	-
Investment property – earning rentals	-
Equipment and machinery	-
Vehicles	-
Furniture and fittings	-
Computers and accessories	-
Partitioning of classrooms and other college minor projects	438,024
<b>Total repairs and maintenance</b>	<b>438,024</b>

**20 CONTRACTED SERVICES**

Description	2018-2019
	KShs
Actuarial valuations	-
Investment valuations	-
Property valuations	-
<b>Total contracted services</b>	<b>-</b>



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

**21 GRANTS AND SUBSIDIES**

Description	2018-2019
	KShs
Community development	-
Education initiatives and programs	-
Social development	-
Community trust	-
Sporting bodies	-
<b>Total grants and subsidies</b>	<b>-</b>

**22 GAIN ON SALE OF ASSETS**

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

**23 UNREALIZED GAIN ON FAIR VALUE INVESTMENTS**

Description	2018-2019
	KShs
Investments at fair value	-
<b>Total gain</b>	<b>-</b>

**24 IMPAIRMENT LOSS**

Description	2018-2019
	KShs
Property, plant and equipment	-
Intangible assets	-
<b>Total impairment loss</b>	<b>-</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 CASH AND CASH EQUIVALENTS

Description	2018-2019 KShs
Current account	427,406
On - call deposits	-
Fixed deposits account	-
Staff car loan/ mortgage	-
Cash in hand	32,741
<b>Total cash and cash equivalents</b>	<b>460,147</b>

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

Financial institution	Account number	2018-2019 KShs
<b>a) Current account</b>		
Equity Bank, (Fee Account)	0140262845461	321,293
Equity Bank (Capitation Account)	0210275926204	106,113
<b>Sub- total</b>		<b>427,406</b>
<b>b) On - call deposits</b>		
Kenya Commercial bank		-
Equity Bank – etc		-
<b>Sub- total</b>		<b>-</b>
<b>c) Fixed deposits account</b>		
Kenya Commercial bank		-
Bank B		-
<b>Sub- total</b>		<b>0</b>
<b>d) Staff car loan/ mortgage</b>		
Kenya Commercial bank		-
Bank B		-
<b>Sub- total</b>		<b>-</b>
<b>e) Others(specify)</b>		
Cash in transit		-
cash in hand		32,741
M pesa		-
<b>Sub- total</b>		<b>32,741</b>
<b>Grand total</b>		<b>460,147</b>



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

**26 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

**26(a)**

Description	2018-2019
	KShs
<b>Current receivables</b>	
Student debtors	4,414,889
Rent debtors	-
Consultancy debtors	-
Other exchange debtors	-
Less: impairment allowance	-
<b>Total current receivables</b>	<b>4,414,889</b>

**26(b)**

Description	2018-2019
	KShs
<b>Non-current receivables</b>	
Refundable deposits	-
Less: impairment allowance	-
<b>Total</b>	-
Current portion transferred to current receivables	(-)
<b>Total non-current receivables</b>	-
<b>Total receivables</b>	-

**27 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Description	2018-2019
	KShs
<b>Current receivables</b>	
Transfers from other govt. entities	-
Undisbursed donor funds	-
Less: impairment allowance	-
<b>Total current receivables</b>	-

**28 INVENTORIES**

Description	2018-2019
	KShs
Administration Department	111,363
Mechanical Departments	761,294
Building Department	267,011
Business Department	76,485
Agriculture Department	8,517
Games and Sports Department	66,582
Kitchen Department	102,875
Cleaning Department	8,365
<b>Total inventories at the lower of cost and net realizable value</b>	<b>1,402,492</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 INVESTMENTS

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

d) Shareholding in other entities

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

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



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**30 PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Plant and equipment	Capital Work in progress	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>At 1 July 2018</b>	-	-	-	-	--	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	(-)	-	-	-	(-)	-	(-)	(-)
Transfer/adjustments	-	(-)	-	(-)	(-)	-	-	(-)
<b>At 30 June 2019</b>	-	-	-	-	--	-	-	-
<b>Depreciation and impairment</b>	-	-	-	-	--	-	-	-
<b>At 1 July 2018</b>	(-)	-	-	-	(-)	-	(-)	(-)
Depreciation	(-)	-	-	-	(-)	-	(-)	(-)
Disposals	-	-	-	-	-	-	-	-
Impairment	(-)	(-)	-	-	(-)	-	(-)	(-)
Transfer/adjustment	-	(-)	-	(-)	(-)	-	-	(-)
<b>At 30<sup>th</sup> June 2019</b>	-	-	-	-	--	-	-	-
<b>Net book values</b>								
<b>At 30<sup>th</sup> June 2018</b>	-	-	-	-	--	-	-	-
<b>At 30<sup>th</sup> June 2019</b>	-	-	-	-	--	-	-	-

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**31 INTANGIBLE ASSETS-SOFTWARE**

<b>Cost</b>		
At beginning of the year		-
Additions		-
<b>At end of the year</b>		-
Additions-internal development		-
<b>At end of the year</b>		-
<b>Amortization and impairment</b>		-
At beginning of the year		-
Amortization		-
<b>At end of the year</b>		-
Impairment loss		-
<b>At end of the year</b>		-
<b>NBV</b>		-

**32 INVESTMENT PROPERTY**

Description	2018-2019
	kShs
<b>At beginning of the year</b>	-
Additions	-
Fair value gain	-
Depreciation (where investment property is at cost)	-
<b>At end of the year</b>	-

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

Description	2018-2019
	kShs
Trade payables	1,127,881
Fees paid in advance	613,975
Employee advances	-
Third-party payments	-
Other payables	1,113,700
<b>Total trade and other payables</b>	<b>2,855,556</b>



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

**34 REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS**

Description	2018-2019 KShs
Consumer deposits	5,275
Caution money	140,000
Other refundable deposits	-
<b>Total deposits</b>	<b>145,275</b>

**35 CURRENT PROVISIONS**

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

**36 FINANCE LEASE OBLIGATION**

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

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**37 CASH GENERATED FROM OPERATIONS**

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

**38 FINANCIAL RISK MANAGEMENT**

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

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

**(i) Credit risk**

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

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

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



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	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2019</b>				
Receivables from exchange transactions	4,414,889	4,414,889	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	460,147	460,147	-	-
<b>Total</b>	<b>4,875,036</b>	<b>4,875,036</b>	-	-

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

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

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

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.

	<b>Less than 1 month Kshs</b>	<b>Between 1- 3 months Kshs</b>	<b>Over 5 months Kshs</b>	<b>Total Kshs</b>
<b>At 30 June 2019</b>				
Trade payables	2,855,556	-	-	2,855,556
Current portion of borrowings	-	-	-	-
Refundable Deposits from Customers	145,275	-	-	145,275
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>2,855,556</b>	-	-	<b>2,855,556</b>

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

**iv) Capital Risk Management**

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

	2018-2019
	Kshs
Revaluation reserve	-
Retained earnings	3,276,697
Capital reserve	-
<b>Total funds</b>	<b>3,276,697</b>
Total borrowings	-
Less: cash and bank balances	460,147
Net debt/(excess cash and cash equivalents)	460,147
<b>Gearing</b>	<b>14%</b>

**39 RELATED PARTY BALANCES**

**Nature of related party relationships**

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

**Government of Kenya**

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

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

	2018-2019
	Kshs
<b>Transactions with related parties</b>	
<b>a) Sales to related parties</b>	
Sales of goods	-
Sales of services	-
<b>Total</b>	<b>-</b>
<b>b) Grants from the Government</b>	
Grants from National Govt	4,520,000



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Grants from Meu Polytechnic (TVET Ministry)	1,000,000
Donations in kind	0
<b>Total</b>	<b>5,520,000</b>
<b>c) Key management compensation</b>	
Directors' emoluments	529,000
Compensation to the CEO	0
Compensation to key management	0
	<b>0</b>
<b>Total</b>	<b>529,000</b>

**SEGMENT INFORMATION**

*Chuka TVC operates in one geographical region and therefore IPSAS 18 on segmental reporting doesn't apply.*

**40 CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

<b>Contingent liabilities</b>	<b>2018-2019</b>
	<b>Kshs</b>
There are no Court case against the College	-
Bank guarantees in favour of subsidiary	-
<b>Total</b>	<b>-</b>

*There was no pending court case by the end of the seventeen months ended 30 June 2019*

**41 CAPITAL COMMITMENTS**

<b>Capital commitments</b>	<b>2018-2019</b>
	<b>Kshs</b>
Authorised for	-
Authorised and contracted for	-
<b>Total</b>	<b>-</b>

**Chuka TVC has not yet contracted for any project due to lack of capital fund from the Government.**

**42 EVENTS AFTER THE REPORTING PERIOD**

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

**43 ULTIMATE AND HOLDING ENTITY**

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

**44 Currency**

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

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**19. APPENDICES**

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

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
		This is the first audit thus no previous years audit issues to follow up.			

**ENG DANIEL M MUGAMBI**



**PRINCIPAL  
DATE: 15/09/2019**



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**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

Projects implemented by the College 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	None					
2						

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Construction of a masonry Shed	150,000		Started and complete	150,000		AIA
2	Acquire tools and small equipment for plumbing, building and Civil engineering	200,000		A few acquired	200,000		AIA
3	Increasing enrollment through marketing and advertisements	1,000,000		Started	1,000,000		AIA
4	Enhance security by putting grill on window to offices and stores and Workshops	200,000		Part of it done	200,000		AIA
5	Develop and review Policies	500,000		Started	500,000		AIA
6	ICT infrastructure (Website, WIFI, LAN and installation of CCTV)	400,000		Quarterly complete	400,000		AIA
7	Installation of computers tables for Computer Labs	120,000		complete	120,000		AIA

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8	20 Computer lab Chairs and 50 office and visitors chairs	200,000		50% implemented	200,000		AIA
9	Acquire 100 additional Lecture Chairs	350,000		50% implemented	350,000		AIA
10	Establishing a library(Acquire library furniture Reading tables and chairs, book shelves)	4,000,000		Not Started	4,000,000		AIA
11	Gutters and roof catchment and reservoirs	1,000,000		Not started	1,000,000		AIA
12	Fencing and Gate	6,000,000		Not started	6,000,000		AIA
13	Security surveillance system	300,000		Not started	300,000		AIA
14	Water harvesting and water storage	2,500,000		Not started	2,500,000		AIA
15	Construction of 10 semi-permanent lecture rooms	3,600,000		Not started	3,600,000		AIA
16	Construction of 10 permanent lecture rooms	18,000,000		Not started	18,000,000		AIA
17	Develop a master plan	200,000		Not started	200,000		AIA
18	Construction of Building and Civil Engineering Workshops	30,000,000		Not started	30,000,000		AIA
19	Training Materials	4,000,000		Started	4,000,000		AIA



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**APPENDIX III: INTER-ENTITY TRANSFERS**

<b>ENTITY NAME:</b>		CHUKA TECHNICAL AND VOCATIONAL COLLEGE		
<b>Break down of Transfers from the State Department of TVT</b>				
<b>FY 2018/2019</b>				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		3 <sup>rd</sup> April 2018	500,000	2017/2018
		25 <sup>th</sup> May 2018	500,000	2017/2018
		8 <sup>th</sup> Oct 2018	500,000	2018/2019
		25 <sup>th</sup> Feb 2019	4,020,000	2018/2109
		<b>Total</b>	<b>5,520,000</b>	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		<b>Total</b>	-	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		<b>Total</b>	-	
d.	Donor Receipts	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		<b>Total</b>	-	

The above amounts have been communicated to and reconciled with the parent Ministry  
Finance Manager Head of Accounting Unit

  
Chuka Tvc

TVET Ministry

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the sixteenth months
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Meru National Polytechnic	3rd April 2018	Recurrent	500,000	500,000	-	-	-	-	500,000
Meru National Polytechnic	25 <sup>th</sup> May 2018	Recurrent	500,000	500,000	-	-	-	-	500,000
Ministry of Education	8th Oct 2018	Recurrent	500,000	500,000	-	-	-	-	500,000
Ministry of Education	25 <sup>th</sup> Feb 2019	Recurrent	4,020,000	4,020,000	-	-	-	-	4,020,000
<b>Total</b>			<b>5,520,000</b>	<b>5,520,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,520,000</b>