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REPORT

OF

THE AUDITOR-GENERAL

ON

FRIENDS COLLEGE KAIMOSI

**FOR THE YEAR ENDED
30 JUNE, 2019**



FRIENDS COLLEGE KAIMOSI

(KAIMOSI COLLEGE OF RESEARCH AND TECHNOLOGY)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30TH JUNE 2019

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

**FRIENDS COLLEGE KAIMOSI (KAIMOSI COLLEGE OF RESEARCH & TECHNOLOGY)
ANNUAL REPORT AND FINANCIAL STATEMENTS
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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information.

Friends College Kaimosi is located in Vihiga County, western region of Kenya within Kaimosi Mission Complex along the Kisumu –Kapsabet Road, on 65acre piece of land. As early as 1971, East African Yearly Meeting of Friends Church (Quakers), the local community and friends in USA and UK appreciated the value of vocational oriented education with specific emphasis on practical Agriculture, rural leadership, small Business management and entrepreneurship Training hence the founding of Friends College Kaimosi (FCK).

The institution is now focusing its training programmes towards meeting the challenges arising from rapid technological advancement, education policy and labour market changes. As a training institute of technology under the Ministry of Education (MOE) FCK has prioritized institutional capacity building; collaborations and partnerships; good governance and corporate image in line with MOE goals and other Governmental policies.

The college is ISO 9001:2008 certified with the following academic departments; Engineering , Food and beverage, Applied Science, Business, Secretarial, Food Science & Nutrition, Hair beauty, Fashion and Design. Other departments include Finance, Procurement, sports, Guiding and counselling, Research and development.

(b) PRINCIPAL ACTIVITIES

MISSION:

To provide quality Technical Training and research in science and technology to meet changing society needs.

VISION:

To be a leading institute of skills training in science and Technology

CORE VALUES:

- i) Professionalism:** consistently offer quality training and related services that are market driven
- ii) Team Work:** Encourage positive team work and positive contribution from its motivated and innovative workforce
- iii) Honesty:** Conduct its business with employees, parents, sponsors, customers and other stakeholders in an honest, fair and caring manner.
- iv) Evidence based decision making:** Observe good corporate governance at all times
- v) Competitiveness:** Practicing fair competition

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- vi) Excellence:** Uphold excellence in performance in national examinations and co-curricular activities
- vii) Health and safety:** Embrace internationally accepted health and safety practices in its operations
- viii) Respect for religious affiliation:** Respect the principles and philosophies of the Quaker faith and other religions
- vix) Innovation and creativity:** Promote innovation and creativity in its training programs, service delivery and governance

OBJECTIVES:

- i)** To provide increased training opportunities for school leavers that will enable them to be self supporting
- ii)** To develop practical skills and attitudes that will lead to income earning activities in the rural and urban areas
- iii)** To provide technical knowledge, vocational skills and attitudes necessary for manpower development
- iv)** To produce skilled artisans, craftsmen, technicians and technologists for both formal and informal sectors of the economy

(c) Key Management

The Friends College Kaimosi day-to-day management is under the following key organs:

- i)** Board of Governors
- ii)** Principal
- iii)** Senior Management team

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(d) Fiduciary Management

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

No.	Designation	Name
1.	Principal	-Mr. Clerkson Barasa
2.	Deputy Principal	-CPA Gilbert Mwavali
3.	Head of Finance	-CPA Hesborn Ehaji
4.	Head of Procurement	-Emily Mikhago
5.	Registrar	-Mabel Wanjala
6.	Dean of Students	-Charles Mureka

(e) Fiduciary Oversight Arrangements

1. Finance and Budgeting Committee
2. Human Resource, Research and Training Committee
3. Infrastructure committee
4. Audit and Risk Management Committee
5. Executive BOG Committee
6. Kenya Revenue Authority
7. Office of the Auditor General
8. National Social Security Fund

f) Entity Headquarters

Kaimosi Complex,
Along Kisumu-Chavakali- Kapsabet Road
P.O. Box 150-50309
Tiriki, KENYA

(f) Entity Contacts

Telephone:(254) 735818311
E-mail: info@fck.ac.ke
Website: www.fck.ac.ke

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(g) Entity Bankers

KCB Bank Kenya Limited
Kakamega Branch
P.O. Box 152-50100
Kakamega

(h) Independent Auditors




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

(i) Principal Legal Adviser

The Attorney General
State Law Office,
Harambee Avenue
PO BOX 40112 City Square 00200
Nairobi, Kenya

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THE BOARD OF GOVERNORS

PHOTO, NAME & POSITION	Period of Service	Brief Profile
 <p>1. PETER ANJEYO VUHYA (Chairperson BOG)</p>	<p>From Sept 2017</p>	<p>- Date of Birth: 02.08.1971 Masters in Business Administration -CEO- Invest and Grow Sacco Over 15 years of experience. -Member of ICPAK -A member of BOG Executive committee</p>
 <p>2. GRACE ONG'AYO NAMAI (Vice-Chair person BOG)</p>	<p>From Sept 2017</p>	<p>-Date of Birth: 1st June 1953 -Bachelor of Education -Former principal, Moi Girls' Vokoli and Butere Girls High Schools -Teacher for 33 years -Executive Member of the BOG</p>
 <p>3. BERNICE NASIMIYU KASAYA (Member, BOG)</p>	<p>From Sept 2017</p>	<p>-Date of Birth: 8th February 1968 -Masters in Business Administration-HRM -Chairperson BOG Human Resource and Research & Training Committee -Experience of over 20 years in Human resource</p>

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	<p>From Sept 2017</p>	<ul style="list-style-type: none"> -Date of Birth 29th June 1970 -Masters of Science- Procurement -PHD On-going -Experience of over 10years in Procurement Matters -A member of the BOG Finance and Budgeting
	<p>From Sept 2017</p>	<ul style="list-style-type: none"> -Date of birth: 20th April 1987 -Masters in Telecommunication and Information Engineering Engineer with Enterprise Platinum Support Safaricom Limited. -Over 10years of experience in ICT -BOG Sub –Committee member of HR, Research, Education and Training & Audit and Risk Management Sub Committee
	<p>From Sept 2017</p>	<ul style="list-style-type: none"> -Date of Birth 22nd December 1977. -Masters of science Urban Environmental Planning and Management-On-going -Bachelor of Art land Economics -A member Finance and Budgeting Committee -Has experience of over 10years in matters of Valuations, Investment appraisal -Chairperson – Infrastructure BOG sub-committee
	<p>From Sept 2017</p>	<ul style="list-style-type: none"> -Date of Birth 21.7.1981 -MSC- Finance. -A member of ICPAK. -Expert in forensic audits, tax planning, and Business planning and investment appraisals. -Chairperson BOG subcommittee on Finance and Budgeting.

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<p>8.</p>  <p>CLERKSON BARASA (Principal, Secretary BOG)</p>	<p>From Sept 2017</p>	<ul style="list-style-type: none"> -Date of Birth 24.9.1961 -Took over FCK as Principal on 31st December 2015. -MSC in Applied Science -Over 10years of experience in Technical Training
<p>9</p>  <p>JOSEPH SUNGUTI (A member, BOG)</p>	<p>From Sept 2017</p>	<ul style="list-style-type: none"> -Date of Birth: 1963 -He is the TVET Regional Director kakamega & Vihiga Counties -Masters in Education -Experience of over 10years in TVET -Executive Member of BOG
 <p>10.CHARLES AVEDI (A member, BOG)</p>	<p>From Sept 2017</p>	<ul style="list-style-type: none"> -Date of Birth 30.5.1984 -Director Vocational Training(Vihiga County Government) -Masters in Education in IT- JKUAT -Member of infrastructure and Audit and Risk Management Sub- committees -

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MANAGEMENT TEAM.

 <p>1. CLERKSON BARASA MSC, BED</p>	<p>-THE PRINCIPAL -Accounting Officer -Secretary BOG</p>
 <p>2. CPA GILBERT MWAVALI BCOM,CPAK</p>	<p>-DEPUTY PRINCIPAL -Head of academic matters -Chairperson Disciplinary committee</p>
 <p>3. CPA HESBORN EHAJI BCOM, CPAK,HNDHRM</p>	<p>-HEAD OF FINANCE -Financial Management -Budgeting and Control -Financial Reporting - Human Resource function</p>
 <p>4. MABEL WANJALA MSC -Biology</p>	<p>-REGISTRAR -Admissions and Marketing</p>

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 <p>5. CHARLES MUREKA BBM</p>	<p>-DEAN OF STUDENTS -Students welfare</p>
 <p>6. EMILY MIKHAGO DSCM</p>	<p>-HEAD OF PROCUREMENT. -Advisor in Procurement matters</p>

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CHAIRMAN'S STATEMENT

It is with great pleasure that I present the Friends College Kaimosi Financial Report for the year ended 30th June, 2019. The College this year endeavoured to increase the number of programmes to enhance access to technical education. The vision of the College is to be a leading Institute of skills training in Science and Technology that produces qualified and competent graduates of world class standards. Various structures have been developed by the College which include; Academic board, Deans Committee and management to ensure effective and efficient stewardship of the College functions. The College seeks linkages with the private and public sectors to enhance quality of teaching, particularly during attachments.

I wish to appreciate the support of the Government through its capitation programme and organizations like the Higher Education Loans Board for continuing to support our students in paying their fees. An increasing number of students have difficulties in meeting the cost of education and HELB as well as other bursary providers have assisted in ensuring our students pursue their studies. I appeal for further support from the private sector and Non-Governmental organizations. A special mention goes to the National Youth Service for having given us up to five hundred trainees; this has improved our revenue base tremendously. We sincerely ask the above collaborators to continue supporting us as we endeavour to achieve our vision.

The College Board would like to appeal to the Government to consider enhancing our recurrent and capital development grants to enable the College meet its financial obligations and put up infrastructure to accommodate the rising numbers of trainees in different programmes.. The College faces huge challenges in putting up critical infrastructure including learning and accommodation facilities. The College is adversely affected by low support by the Government hence not able to complete stalled projects in time.

I thank all our students, parents, the sponsor, community, and other stakeholders for choosing to invest in our Institution and urge that together we should strive to achieve higher levels of excellence in the coming years.

SIGNATURE.....*RF*.....DATE.....*15-07-20*.....

PETER ANJEYO VUHYAH

CHAIRMAN, BOARD OF GOVERNORS

**FRIENDS COLLEGE KAIMOSI
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REPORT OF THE PRINCIPAL

During the FY 2018/2019 the College continued to execute its mandate as outlined in its strategic plan. One of the key ingredients of the plan is a system of academic commitment by fostering a climate of Productivity, professionalism, excellence, accountability and transparency, equity, and Innovation in order to be competitive. The strategic plan provides for regular review of curricula and the establishment of linkages with institutions in the public and private sectors.

Financial Performance Highlights

The College recorded an improved revenue base because of the expansion on admission

Programmes for January, May and September intakes which increased the number of Students. The increase has also been as a result of the Capitation programme where the government of Kenya pays **Ksh 30,000** (Thirty thousand only) per student per year. The Capitation programme commenced in September 2018.

However, the expansion of these programmes has resulted in an increase in operational costs. Our challenge is to develop a way of instituting cost reduction measures, while implementing quality assurance systems that ensure programmes are not compromised. During the Financial Year 2018/2019 the college continued with the process of transiting from ISO 9001:2008 to ISO 9001:2015 and we anticipate completing the process in the financial year 2019/2020.

The College received total revenue of Kshs.313,518,446.00 this comprises of (revenue from exchange transactions of Kshs. 219,441,896.00 and Revenue from non-exchange transactions of ksh.94,076,550.00). The grant accounted for 30% of the total receipts by the College while 70% was generated through internal sources. Although there has been progress; the College still has shortcomings as a result of lack of adequate teaching space, workshops, library, Laboratories as well as offices for academic and administrative staff. This is due to low funding by the exchequer. The college faces a shortage of transport means; currently we have a sixty two seater bus which can not transport the increasing number of students. In the FY 2019/2020 the college intends to acquire an extra sixty seven seater bus and a double cabin for administrative works.-

I would like to thank the Government of Kenya and other stakeholders for their continued financial support during the year under consideration.

The college has been mentoring Ebukanga Technical and Vocational College and its due to admit students in the FY 2019/2020.

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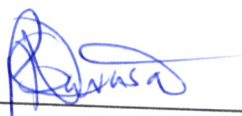
In the Financial year 2018/2019 the college conducted its 3rd Graduation ceremony hence giving out to the market more than three thousand graduates. This is a milestone, since 2012 we have not had such an event.

The college enrolment has increased from 1000 in the year 2018 to 2500 in the FY ended 30th June 2019 and this has put a lot of pressure on our infrastructure, hence we intend to put up workshops and a hostel to ease the pressure.

In the FY ended 30th June 2019, we saw Teachers Service Commission (TSC) employed teachers moving to the Public Service Commission (PSC) as Trainers, the introduction of many Courses has also forced the management to engage BOG teachers hence raising our wage bill. We hope the government to employ more trainers in the FY 2019/2020.

Lastly, I would like to thank the BOG, staff, students and other stakeholders for their overwhelming co-operation in running the College during the year under review.

SIGNATURE: _____



DATE: _____

15-09-2020

**MR. CLERKSON BARASA
PRINCIPAL & SECRETARY BOG
FRIENDS COLLEGE KAIMOSI**

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VI. CORPORATE GOVERNANCE STATEMENT

The members of the Board have committed themselves to the service of Friends College Kaimosi and to uphold the tenets of good corporate governance by being innovative, transparent, accountable, persons of integrity, socially responsive, as well as promote excellence and exercise fairness in all their dealings.

The Board

The Board consists of nine members inclusive of the Principal as the Secretary. The Board members consist of the following;

NO.	NAME	TITLE
1.	Mr. Peter A. Vuhya	Chairman
2.	Mr. Joseph Sunguti	Member-County-TVET Director
3.	Mr. Geoffrey Koros	Member
4.	Mrs. Grace Namai	Member
5.	Mr. Julius Kipleting	Member
6.	Ms. Jescah Nekesa	Member
7.	Ms. Bernice Nasimiyu	Member
8.	Mr. Rodgers Owiti	Member
9.	Mr. Charles Avedi	Member
10.	Mr. Clerkson N. Barasa	Principal/Secretary

The biographies of the Board Members are published on page v-vi. These Board Members possess a broad range of skills, qualifications and experiences required to direct the affairs of the College.

Board Responsibilities

The College Board undertakes the following responsibilities.

1. The Board is the governing body of the College through which the College acts and undertakes the following;
 - a) Administers the property and funds of the College in a manner and for the purposes which promotes the interest of the College; but the Board does not charge or dispose of immovable property of the College except in accordance with the procedures laid down by the Government of Kenya.

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- b) Receives, on behalf of the College donations, endowments, gifts, grants or other moneys and make disbursements there from the College or other bodies or persons.
 - c) Provides for the welfare of the staff and students of the College.
 - d) May enter into association with other Colleges, training Colleges or other institutions of learning, whether within Kenya or otherwise, as the Board may deem necessary and appropriate and
 - e) May, after consultation with the Academic Board, make regulations governing the conduct and discipline of the students of the College.
2. All documents, other than those required by law to be under seal, made on behalf of the Board, and all decisions of the Board may be signed under the hand of the Chairman, the Principal or any other members of the Board generally or specifically authorized by the Board in that behalf.
 3. Ensures that a proper management structure is in place and that the structure functions to maintain corporate integrity, reputation and responsibility.
 4. Monitors and evaluates the implementation of strategies, policies and management criteria and plans of the College.
 5. Constantly reviews the viability and financial sustainability of the College and does so once every year.
 6. Ensures that the College complies with all the relevant laws, regulations, governance practices,; accounting and auditing standards.

Board Committees

The Board Committees facilitates decision-making to assist the Board in the execution of its duties, powers and authority, however delegation of authority to the Committees does not in any way mitigate or dissipate the discharge by the Board of its duties and responsibilities. Board Committees have been established with formal written terms of reference and observe the same rules of conduct and procedures as the Board.

1. EXECUTIVE COMMITTEE

Membership:

NO.	NAME	TITLE
1.	Mr. Peter A. Vuhya	Chairman
2.	Mr. Joseph Sunguti	Member
3.	Mr. Geoffrey Koros	Member
4.	Ms. Grace Namai	Member
5.	Mr. Clerkson N. Barasa	Principal/Secretary

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Mandate

The role of the Executive Committee considers and makes appropriate recommendations to the Board.

2. FINANCE AND BUDGETING COMMITTEE

Membership:

NO.	NAME	TITLE	xxi
1.	Mr. Julius Kipleting	Chairman	
2.	Ms. Jescah Nekesa	Member	
3.	Mr. Geoffrey Koros	Member	
4.	Mr. Clerkson N. Barasa	Principal/Secretary	

Mandate

The role of Finance and Budgeting Committee is to advise the Board on better financial practices, funding, cost reduction, monitor production units and submit a draft budget to the full board for adoption and approval.

3. HUMAN RESOURCE, EDUCATION AND RESEARCH COMMITTEE

Membership:

NO.	NAME	TITLE
1.	Ms. Bernice Nasimiyu	Chairperson
2.	Mrs. Grace Namai	Member
3.	Mr. Rodgers Owiti	Member
5.	Mr. Clerkson N. Barasa	Principal/Secretary

Mandate

The mandate of Human Resource, education and research committee is to advise the full board on all matters concerning personnel, training and teaching and research.

4. INFRASTRUCTURE AND INVESTMENT COMMITTEE

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Membership:

NO.	NAME	TITLE
1.	Mr. Geoffrey Koros	Chairman
2.	Mr. Rodgers Owiti	Member
3.	Mr. Charles Avedi	Member
5.	Mr. Clerkson N. Barasa	Principal/Secretary

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Mandate

The core mandate of the Infrastructure and investment committee is to oversee all projects and investments of the college and advise the Board accordingly

. AUDIT AND RISK MANAGEMENT COMMITTEE

Membership:

NO.	NAME	TITLE
1.	Mrs Grace Namai	Chairman
2.	Mr. Rodgers Owiti	Member
3.	Mr. Charles Avedi	Member
5.	Mr. Brian Chiluba	Member- Internal Auditor

Mandate

The core mandate of the Audit Risk Management committee is to undertake audit risk management, Internal Controls management and Review audit issues raised by external Auditors.

FULL BOARD OF GOVERNORS ATTENDANCE DURING THE FY 2018/2019

NO.	NAME	1 ST Q	2 ND Q	3 RD Q	4 TH Q
		19/7/2018	15/10/2018	30.3.2019	28/6/2019
1	PETER VUHYA	√	√	√	√
2	GRACE NAMAI	√	√	√	√
3	BARNICE NASIMIYU	√	√	√	√
4	RODGERS OWITI	√	√	√	√
5	CLERKSON BARASA	√	√	√	√
6	JULIUS RUTTO			√	√
7	GEOFREY KOROS		√	√	√
8	JOSEPH SUNGUTI	√		√	√
9	CHARLES AVEDI	√	√	√	√
10	JESCAH NEKESA		√		√

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MANAGEMENT DISCUSSION AND ANALYSIS

During the Financial period ending 30th June 2019, the College continued with the process of transiting from ISO 9001:2008 to ISO 9001:2015, the college trained its Process owners on the new Quality management system and documented its processes. We anticipate to be certified in the coming two years. During the financial 2018/ 2019 the college was able to generate **ksh 313,518,446.00** from its two spheres, i.e. Revenue from non exchange transaction and Revenue from exchange transactions. The following projects are in progress, Ebukanga TTI project which we are mentoring project and is 95% complete. The College is in the process of constructing a three storey hostel, Renovation of the library, and constructing a ramp on the Mechanical and electrical workshop.

During the Financial year under audit, the college complied with the following statutory requirements among others; TVET Act 2013, PFM Act 2012, Education Act 2012, Public Audit Act 2015, TSC Act 2015. We have been able to submit the National Social Security Funds (NSSF), Pay As You Earn (PAYE), National Hospital Insurance Fund(NHIF) dues on behalf of our BOG workers in time and there are no any pending dues which are in arrears. The Board has also complied with trade union relations regulations by allowing its BOG workers to be members of KUDHEIHA. In the financial year 2018/2019 the college started the process of reviewing the BOG Collective Bargaining Agreement and hope by the end of the FY 2019/2020 the process should be over. The management is implementing this agreement and it will be start reviewing it before the end of FY 2019/2020

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CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Friends College Kaimosi continued to dedicate part of its revenue to social responsibility activities aimed at enhancing the livelihoods of those living close to the institution and all Kenyans in general. During the year under review, the College focused on activities aimed at making a positive impact on various communities while creating a cordial relationship and raising the institutions profile. Areas of focus included education, provision of water, Training locals on issues of procurement , research, environmental conservation, support to sporting activities and health care provision.

Water provision

Today, Kenya is classified as a water-stressed country. Like in many African countries, lack of safe drinking water is the cause of socio-economic problems including starvation and disease. The challenge is even more pronounced in rural areas where women and children walk long distances daily in search of water, which is sometimes polluted. Waterborne diseases are still a concern as many people succumb to then annually. One of Friends College Kaimosi corporate social responsibility programme areas of focus is the provision of water to communities through the establishment of water collection points through construction of underground water tanks and installation of water harvesting tanks within the College. During the last financial year 2017/2018, we dug a borehole and installed water tanks for water harvesting to ensure a steady water supply to the stakeholders, in the financial year 2018/2019 we endeavoured to expand the water distribution

Education

With a focus on education as part of its corporate social responsibility, the College witnessed the initiation of new courses in Hair dressing and Therapy, Fashion and Design, Mechanical and electrical, artisan courses etc. We have also set up an internal desk where students are assisted to apply for HELB loans and bursaries.

Environmental Conservation.

In Kenya, the effects of climate change and other environmental challenges are having an enormous impact not only on human life, but also on businesses. The pressure on natural resources and the environment in general is huge and calls for concerted efforts to alleviate the situation. Friends College Kaimosi has actively participated in environmental conservation initiatives aimed at conserving catchments areas and other delicate ecosystems. Last financial year, environmental initiatives the College participated in tree planting activities and distributed free seedlings in various schools,; churches and local community.

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Sports and Culture

During the FY 2018/2019, the College gave out its football fields to the local teams at a very subsidized fee. This enhanced talents among the young people translating to a healthy and talented nation. The College has also provided its General assembly hall to the community to carry out social events such as weddings and other social gatherings. We also participated in the regional and national ball games, athletics, Music and Drama festivals; this gave chance to the trainees to expose their talent.

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REPORT OF THE BOARD OF GOVERNORS

The Board members submit their report together with Financial Statements for the year ended June 30, 2019 this shows the state of the Friends College kaimosi affairs.

Principal activities

The principal activity of Friends College Kaimosi is to provide Technical and vocational training.

Results

The results of Friends College Kaimosi for the year ended June 30, 2019 are set out on page 1 to 7

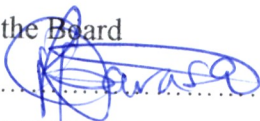
BOARD OF GOVERNORS

The members of the Board /Board who served during the year are shown on page v to viii. The term of the Board members expires in 2020.

Auditors

The Auditor General is responsible for the statutory audit of Friends College Kaimosi in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 and TVET Act, 2013 or Certified Public Accountants were nominated by the Auditor General to carry out the audit of Friends College Kaimosi 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



.....
CLERKSON BARASA

SECRETARY BOARD OF GOVERNORS

FRIENDS COLLEGE KAIMOSI

Date..... 15/09/2019

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FOR THE YEAR ENDED 30TH JUNE 2019**

**STATEMENT OF BOARD OF GOVERNORS/BOARD MEMBERS'
RESPONSIBILITIES**

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

The Board members are responsible for the preparation and presentation of Friends College Kaimosi financial statements, which give a true and fair view of the state of affairs of Friends College Kaimosi for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of Friends College Kaimosi; (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 Friends College Kaimosi (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board members accept responsibility for Friends College Kaimosi 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 TVET Act ,2013The Board members are of the opinion that Friends College Kaimosi financial statements give a true and fair view of the state of Friends College Kaimosi transactions during the financial year ended June 30, 2019 , and of Friends College Kaimosi financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for Friends College Kaimosi , which have been relied upon in the preparation of Friends College Kaimosi financial statements as well as the adequacy of the systems of internal financial control.

**FRIENDS COLLEGE KAIMOSI
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

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

Approval of the financial statements

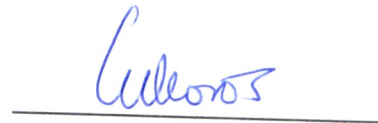
Friends College Kaimosi financial statements were approved by the Board on 15/29/20
and signed on its behalf by:



Board Member
Grace Namai



Board Member
Charles Avedi



Board Member
Geoffrey Koros

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON FRIENDS COLLEGE KAIMOSI FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Friends College Kaimosi set out on pages 1 to 29, which comprise of the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the Friends College Kaimosi as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with Technical and Vocational Education Training Act, 2013, the Public Finance Management Act, 2012, and the Education Act, 2012.

Basis for Adverse Opinion

1. Un-Confirmed Opening Balances

As reported in 2017/2018, financial statements for the year ended 30 June, 2018 reflect comparative balances for 2016/2017. However, these balances were not confirmed as Management did not submit for audit financial statements for 2016/2017.

Under the circumstances, the accuracy and completeness of the opening balances as at 01 July 2018 could not be confirmed.

2. Unsupported changes in the Financial Statements

The journal entries supporting adjustments of balances in financial statements for; cash and cash equivalents from Kshs.15,029,805 to Kshs.15,256,903; student debtors

(Note 20) from Kshs.29,927,074 to Kshs.236,083,433; intangible asset from Kshs.7,929,606 to Kshs.5,285,930; tuition fees (Note 7) from Kshs.135,774,899 to Kshs.129,882,391; and employee costs from Kshs.30,657,033 to Kshs.31,495,246 were not provided for audit. In addition, the amended trial balance was also not provided for audit.

In the circumstances, the accuracy and validity of the financial statements for the year ended 30 June, 2019 could not be confirmed.

3. Inconsistencies in the Notes to the Financial Statements

The statement of financial performance and statement of changes in net assets reflect total grants received amounting to Kshs.99,171,050. However, Note 26 to the financial statements on related party balances indicates Government grants received during the year of Kshs.3,547,250. In addition, the comparative figure of Kshs.30,980,000 in the Note is incorrect since the College received grants amounting to Kshs.24,500,000 in the financial year 2017/2018.

In the circumstances, the accuracy of the Note 26 could not be confirmed.

4. Unsupported Property, Plant and Equipment

The statement of financial position and as disclosed in Note 22 to the financial statements reflects property, plant and equipment balance of 504,867,505. The balance includes land and buildings net book values of Kshs.65,000,000 and Kshs.284,941,644 respectively. However, the fixed assets register did not indicate each parcel of land; building; the terms on which the assets are held, conveyance, address; area, dates of acquisition, and other pertinent Management details. In addition, ownership documents for the land was not provided for audit verification.

Consequently, the ownership and existence of land and buildings included in the property, plant and equipment could not be confirmed.

5. Unsupported Inventories Balance

The statement of financial position and as disclosed in Note 21 to the financial statements reflects inventories balance of Kshs.2,320,556. However, the stock sheets for the annual stock take carried out as at 30 June, 2019 for stationery Kshs.756,820; electrical and plumbing Kshs.250,300; building materials Kshs.200,500; and farm stores Kshs.40,958 were not provided.

In the circumstances, the accuracy of inventories balance of Kshs.2,320,556 could not be confirmed,

6. Unsupported Rental Revenue from Facilities and Equipment

The statement of financial position and as disclosed in Note 10 to the financial statements reflects rental revenue from facilities balance of Kshs.3,808,404 in respect of hire of

vehicles and other facilities. However, the facilities hired out and the rates charged were not disclosed.

Consequently, the accuracy and validity of the amount collected balance of Kshs.3,808,404 could not be confirmed.

7. Employee Costs

Included in the employee costs balance of Kshs.31,495,246 is expenditure relating to domestic travel, accommodation and subsistence allowance balance of Kshs.2,678,178 for which no supporting documents were provided for audit. Further review of human resource records revealed that the College employed a total of sixty-three (63) new staff during the year. However, the following anomalies were noted:

- There was no staff establishment or a needs assessment for additional teaching staff.
- The available teaching positions were not advertised or communicated through internal memos or posters.
- The Board minutes for shortlisting, conducting job interviews and appointment of the teachers were not provided for audit.
- The College did not have a grading structure, salary scale and job description for the employees.
- At the time of audit, the teachers who were engaged for a year renewable contract were serving beyond the contract period without making applications for the renewal of the contracts.
- The statutory deductions in respect to the 63 officers were not remitted to NHIF, NSSF and KRA.

In the circumstances, the accuracy and validity employee costs of Kshs.31,495,246 could not be confirmed.

8. Unsupported Repairs and Maintenance of Motor Vehicles

The statement of financial performance reflects repairs and maintenance expenses amount of Kshs.7,337,442. The balance includes payments amounting to Kshs.1,607,780 that relates to servicing of motor vehicles. However, the mechanical inspection reports, invoices, service requisition forms, local service order (LSOs) were not attached to the payment vouchers.

Consequently, the validity of the expenditure of Kshs.1,607,780 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Friends College Kaimosi Management in

accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Unplanned Procurements

During the year under review, the Management spent an amount of Kshs.1,984,500 to purchase mattresses and decker beds. However, the purchases were not included in the procurement plan for the College. This is contrary to Section 45(3)(a) of the Public Procurement and Asset Disposal Act, 2015 which require all procurement processes to be (a) within the approved budget of the procuring entity and be planned by the procuring entity concerned through an annual procurement plan.

Management was therefore in breach of the law.

2. Engagement of Casual Employees

Included in the employee costs figure of Kshs.31,495,246 is casual wages totalling to Kshs.2,559,933 with respect to eighteen (18) casual workers. However, the casuals were engaged for a period of two (2) consecutive years. This is contrary to Section 2 of the Employment Act that defines a casual as a person the terms of whose engagement provide for his payment at the end of each day and who is not engaged for a longer period than twenty-four hours at a time;

Consequently, the Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Direct Expenditure of Revenue

Included in Note 8 under rendering of services, is Pay As You Eat Sales of Kshs.7,208,046. However, the sales amounting to Kshs.1,785,530 were banked intact resulting in unbanked revenue of Kshs.5,422,516. In addition, Note 9 under sale of goods indicates farm income of Kshs.1,070,326. However, a total of Kshs.154,001 was banked intact resulting in unbanked revenue of Kshs.916,325.

Failure to bank revenue intact is an indication of weak internal controls over cash and bank.

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

Responsibilities of Management and the Board of Governors

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

In preparing the financial statements, Management is responsible for assessing the College's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the College or to cease operations. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the appropriate basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the College to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 February, 2022

**FRIENDS COLLEGE KAIMOSI
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2018/2019	2017/2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Govt – grants/ gifts in kind		0	
Recurrent Grants	6 (a)	6,956,550.00	24,500,000.00
Capitation Grants	6(b)	87,120,000.00	
Total Revenue from non-exchange transactions		94,076,550.00	24,500,000.00
Revenue from exchange transactions			
Tuition Fees from Students	7	154,198,891.00	97,180,750.00
Rendering of services- Fees from students	8	60,336,275.00	8,941,975.00
Sale of goods	9	1,070,326.00	0
Rental revenue from facilities and equipment	10	3,808,404.00	1,403,100.00
Income Generating Activities		-	5,158,792.00
Finance income - external investments		-	34,008.00
Other income	11	28,000.00	66,042,444.00
Revenue from exchange transactions		219,441,896.00	178,761,069.00
Total revenue		313,518,446.00	203,261,069.00
EXPENSES			
Employee costs	12	31,495,246.00	22,828,482.00
Use of Goods and Services		-	3,695,986.00
BOG expenses	13	1,903,940.00	-
Depreciation and amortization expense	14	46,804,442.00	45,137,719.00
Repairs and maintenance	15	7,337,442.00	3,454,253.00
General expenses	16	110,247,601.00	81,866,072.00
Membership Subscriptions	17	197,000.00	-
Finance costs	18	535,249.00	218,156.00
Total expenses		198,520,920.00	157,200,668.00
NET SURPLUS FOR THE YEAR		114,997,526.00	46,060,401.00

**FRIENDS COLLEGE KAIMOSI
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Notes	2018/2019	2017/2018
		Kshs	Kshs
ASSETS			
Current assets			
Cash and cash equivalents	19	15,256,903.00	10,906,128.00
Receivables from exchange transactions	20	262,479,818.00	138,195,504.00
Inventories	21	2,320,556.00	1,188,919.00
Total Current Assets		280,057,277.00	150,290,551.00
Non-current assets			
Property, plant and equipment	22	504,867,505.00	542,231,352.00
Biological assets	23	1,037,160.00	972,675.00
Intangible assets	24	5,285,930.00	5,091,240.00
Total Non-current Assets		511,190,595.00	548,295,267.00
Total assets		791,247,872.00	698,585,818.00
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	25	924,560.00	7,885,238.00
Total Current Liabilities		924,560.00	7,885,238.00
Non-current liabilities			
Total Non-current liabilities			
Total liabilities		924,560.00	7,885,238.00
NET ASSETS		<u>790,323,312.00</u>	<u>690,700,580.00</u>
Capital and Reserves			
Capital reserve & Retained Earnings		785,228,812.00	690,700,580.00
Capital Grants	6 ©	5,094,500.00	-
Total Capital and Reserves		<u>790,323,312.00</u>	<u>690,700,580.00</u>

The Financial Statements set out on pages 1 to 29 were signed on behalf of the Institute Board of Governors by:

CPA Peter Vuhyah

CPA Hesborn Ehaji (ICPAK NO.11369)

Mr. Clerkson Barasa

SIGN.....
15/9/20

SIGN.....
15/09/2020

Sign.....
15/09/20

Chairman-BOG

Head of Finance

Principal

**FRIENDS COLLEGE KAIMOSI
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

STATEMENT OF CHANGES IN NET ASSETS AS AT 30TH JUNE 2019

	Revaluation n reserve	Fair Value adjustme nt	Retained earnings	Capital/ Development Grants/Fund	Total
Balance b/f at July 1, 2017	-	-	38,526,236.00	580,504,649.00	619,030,881.00
Revaluation gain		-			
Fair value adjustment on quoted investments	-	-			
Total comprehensive income	-	-	46,060,401.00		46,060,401.00
Capital/Development grants received during the year	-	-		5,140,000.00	5,140,000.00
Transfer of depreciation/amortization from capital fund to retained earnings		-	45,137,719.00	(45,137,719.00)	-
Balance c/d as at June 30, 2018	-	-	129,724,356.00	540,506,930.00	670,231,286.00
	-	-			
Balance b/f as at July 1, 2018	-	-	129,724,356.00	540,506,930.00	670,231,286.00
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total Comprehensive income- Surplus	-	-	114,997,526.00		114,997,526.00
Capital/Development grants received during the year	-	-	-	5,094,500.00	5,094,500.00
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	46,804,442.00	(46,804,442.00)	-
Balance c/d as at June 30, 2019	-	-	291,526,324.00	498,796,988.00	790,323,312.00

FRIENDS COLLEGE KAIMOSI
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

STATEMENT OF CASH FLOWS
AS AT 30TH JUNE 2019

		2018/2019	2017/2018
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Students fees and internally generated income		50,910,939.00	29,916,619.00
Total Receipts		50,910,939.00	29,916,619.00
Payments			
General expenses and Employee costs		136,093,395.00	51,757,632.00
Total Payments		136,093,395.00	51,757,632.00
Net cash flows from operating activities		(85,182,456.00)	(21,841,013.00)
Cash flows from investing activities			
PPE			6,596,462.00
Construction of Ebukanga Tti		963,385.00	
Acquisition of Furniture		4,233,400.00	-
Acquisition of equipment		2,428,965.00	
Construction of Mechanical Workshop		489,535.00	
Acquisition of Computers		1,033,000.00	
Acquisition of textbooks		489,535.00	
Net cash flows used in investing activities		(9,637,820.00)	(6,596,462.00)
Cash flows from financing activities			
Recurrent Grants and Development Grants		99,171,050.00	29,640,000.00
Net cash flows used in financing activities		99,171,050.00	29,640,000.00
Net increase/(decrease) in cash and cash equivalents		4,350,774.00	1,202,525.00
Cash and cash equivalents at 1 July 2018		10,906,128.00	9,703,6043.00
Cash and cash equivalents at 30 June 2019	18	15,256,902.00	10,906,128.00

**FRIENDS COLLEGE KAIMOSI
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

STATEMENT OF COMPARISON OF BUDGET VS ACTUAL

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Transfers from Government	60,000,000.00	-	60,000,000.00	94,076,550.00	(34,076,550.00)
Rendering Services	104,344,300.00	-	104,344,300.00	60,336,275.00	44,008,025.00
Sale of Goods	4,030,000.00	-	4,030,000.00	1,070,326.00	2,959,674.00
Rental Revenue from facilities and equipment	864,000.00	-	864,000.00	3,808,404.00	(2,944,404.00)
Other Income	0	-	0	28,000.00	(28,000.00)
Total Income	169,238,300.00	-	169,238,300.00	159,319,555.00	9,918,745.00
Expenses					
Employee Costs	25,782,704.00	-	25,782,704.00	31,130,883.00	(5,348,179.00)
BOG Members Expenses	1,998,000.00	-	1,998,000.00	1,903,940.00	94,060.00
General Expenses	56,880,756.00	-	56,880,756.00	110,247,601.00	(53,366,845.00)
Finance Costs	258,000.00	-	258,000.00	535,249.00	(277,249.00)
Total Expenditure	84,919,460.00	-	84,919,460.00	143,817,673.00	(58,898,213.00)
Surplus/ Deficit	84,318,840.00	-	84,318,840.00	15,501,882.00	(48,979,468.00)

**FRIENDS COLLEGE KAIMOSI
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Friends College Kaimosi is established by and derives its authority and accountability from TVET Act, 2013. Friends College Kaimosi is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is provision of 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 Friends College Kaimosi 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 4.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Friends College Kaimosi

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

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

**FRIENDS COLLEGE KAIMOSI
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2022:</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"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2022</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> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and

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Standard	Effective date and impact:
	(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

iii. Early adoption of standards

Friends College Kaimosi did not early – adopt any new or amended standards in year 2019.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to Friends College Kaimosi 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

Friends College Kaimosi 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.

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Rental income

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

b) Budget information

The original budget for FY 2018/2019 was approved by the Board or Board on 29.06.2018. 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 Friends College Kaimosi upon receiving the respective approvals in order to conclude the final budget. Accordingly, Friends College Kaimosi recorded additional appropriations of 2019 on the FY 2018/2019 budget following the Board's approval.

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

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 accruals as per the statement of financial performance has been presented under section Friends College Kaimosi of these financial statements.

c) Taxes

Current income tax

Friends College Kaimosi is exempt from paying taxes as per the Companies Act, 2015.

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.

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

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of *10* 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, Friends College Kaimosi 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.

The repairs and maintenance cost of ksh. 7,337,442.00 expended during the FY 2018/2019 were undertaken on the College buildings, Machines, equipment, furniture, photocopier machines, lawn mowers, cost of paying labour in regard to repairs and maintenance works.

The breakdown of this vote can be evidenced in the Payment schedule and payment vouchers.

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. Friends College Kaimosi 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.

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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 Friends College Kaimosi will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

g) Intangible assets

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

h) Research and development costs

Friends College Kaimosi expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when Friends College Kaimosi 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.

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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. Friends College Kaimosi determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when Friends College Kaimosi 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

Friends College Kaimosi 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 Friends College Kaimosi of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- 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

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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. Friends College Kaimosi determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

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

i) Inventories

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

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

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

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.

Our inventories were stock taken on the last day of the FY 2018/2019 and the figures in the Financial statements represent the values of the items then.

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j) Provisions

Provisions are recognized when Friends College Kaimosi 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 Friends College Kaimosi 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

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

Contingent assets

Friends College Kaimosi 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 Friends College Kaimosi 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

Friends College Kaimosi creates and maintains reserves in terms of specific requirements.

l) Changes in accounting policies and estimates

Friends College Kaimosi 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

Friends College Kaimosi 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

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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.

During the FY 2018/2019 we did not have any staff who retired hence gratuity account did not disclose any expenditure.

n) Foreign currency transactions

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

o) Borrowing costs

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

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

p) Related parties

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

q) Service concession arrangements

Friends College Kaimosi 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, Friends College Kaimosi 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

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the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, Friends College Kaimosi also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Friends College Kaimosi 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

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- 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 not raised and therefore the management did not determine an estimate based on the information available.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6	Transfers from National Govt:	2018-2019	2017-2018
		Ksh	Ksh
	a) Capitation Grants 2 nd Q	43,560,000.00	
	3 rd Q	43,560,000.00	
		87,120,000.00	
	b) Recurrent Grants: 1 st Batch	5,956,550.00	12,500,000.00
	2 nd Batch	1,000,000.00	12,000,000.00
		6,956,550.00	24,500,000.00
	c) Development Grants 1 st Batch	1,273,625.00	
	2 nd Batch	1,273,625.00	
	3 rd Batch	2,547,250.00	
		5,094,500.00	
		99,171,050.00	24,500,000.00
7	Tuition		
	Tuition fees from students	129,882,391.00	18,961,035.00
	NYS Students arrears	24,316,500.00	78,219,715.00
		154,198,891.00	97,180,750.00
8	Rendering Services		
	Attachment Fees	489,166.00	376,181.00
	Boarding fees	10,078,945.00	2,401,800.00
	Business production unit fees	1,772,978.00	964,180.00
	Examination fees	16,248,208.00	7,611,212.00
	Holiday Part time tuition fees	6,184,683.00	861,936.00
	Pay As You Eat sales	7,208,046.00	6,540,175.00
	Town Campus tuition fees	6,802,154.00	1,258,240.00
	NYS student disbursement	10,076,945.00	-
	Computer department production unit fees	115,300.00	116,600.00
	Rent income	297,700.00	411,600.00
	Driving school income fees	44,600.00	48,300.00
	Graduation charge	1,017,550.00	-
	Total Rendering of Services	60,336,275.00	20,590,224.00
9	Sale of goods		
	Farm income	1,070,326.00	1,957,836.00
	Total Sale of goods	1,070,326.00	1,957,836.00
10	Rental Revenue from Facilities and Equipment		
	Hire of vehicles and other facilities	3,808,404.00	991,500.00
	Total rentals	3,808,404.00	991,500.00
	Finance Income		
	Cash investments and fixed deposits		34,008.00
	Total Finance Income	-	34,008.00
11	Other income		

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	Income from sale of tender	28,000.00	6,000.00
	Total other income	28,000.00	6,000.00
12	Employee Costs		
	Salaries and wages	28,247,619.00	16,454,056.00
	Travel, accommodation, subsistence and other allowances	2,678,178.00	6,374,462.00
	Social contributions- Welfare	569,449.00	-
	Gratuity expenses	-	288,938.00
	Total Employee costs	31,495,246.00	23,117,456.00
13	Board of Governors Expenses		
	BOG expenses	1,903,940.00	-
	Total director emoluments	1,903,940.00	
14	Depreciation and Amortization Expense		
	Property, plant and equipment	46,512,132.00	44,869,759.00
	Intangible assets	292,310.00	267,960.00
	Total depreciation and amortization	46,804,442.00	45,137,719.00
15	Repairs and Maintenance		
	Property, Plant and Equipment (Includes Motor vehicles, Buildings, equipment)	7,337,442.00	3,454,253.00
	Total Repairs and Maintenance	7,337,442.00	3,454,253.00
16	General Expenses		
	Attachment expenses	627,695.00	561,717.00
	Boarding Expenses	3,931,004.00	3,275,485.00
	Business Production unit running expenses	1,182,303.00	546,427.00
	Examination remittances expenses	11,376,570.00	8,769,640.00
	Farm operating expenses	1,058,390.00	1,754,958.00
	Hire of facilities expenses	2,330,874.00	589,065.00
	Holiday part time running expenses	4,547,734.00	4,182,552.00
	Pay as You eat operating costs	13,583,080.00	13,360,149.00
	Town campus running expenses	4,825,741.00	2,425,937.00
	Stationery expenses	1,736,446.00	-
	Tendering expenses	813,363.00	172,345.00
	NYS students upkeep disbursements	16,203,950.00	2,607,455.00
	ICT expenses	1,318,950.00	832,050.00
	Co-curricular Activities	7,223,995.00	6,110,961.00
	PTA Meetings	9,000.00	479,462.00
	Communication expenses-Airtime	1,564,850.00	-
	Office expenses	283,960.00	-
	Performance contracting	386,750.00	361,300.00
	Sundry obligations paid	2,935,000.00	-
	Motor vehicles running expenses	4,427,124.00	-
	Students Training expenses	15,167,376.00	18,802,857.00
	Electricity and water bills- paid	3,546,736.00	3,695,986.00
	Staff meals	2,293,458.00	-

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	Students Board expenses	1,500,880.00	1,004,760.00
	Library running expenses & advertisement	211,000.00	-
	Marketing expenses	879,347.00	211,880.00
	Computer production unit operating expenses	81,956.00	94,270.00
	Medical expenses	1,183,243.00	940,712.00
	Research and development (Trade fair exhibitions) expenses	1,094,675.00	1,043,930.00
	Contingencies	-	12,649,930.00
	Driving school expenses	54,400.00	-
	Insurance expenses	261,863.00	345,931.00
	Staff training and Consultancy expenses	1,043,340.00	411,750.00
	Guiding and counselling expenses	80,500.00	-
	Graduation expenses	2,144,676.00	-
	Staff uniforms expenses	337,372.00	-
	Total general expenses	110,247,601.00	85,231,509.00
17	Membership subscriptions		
	KATTI Subscriptions	60,000.00	-
	CAPA Subscriptions	50,000.00	-
	KUCCPS Subscriptions	87,000.00	-
	TOTAL	197,000.00	
18	Finance Costs		
	Bank overdraft charges	535,249.00	218,156.00
	Interest on loans from commercial banks		
	Total finance costs	535,249.00	218,156.00
19	Cash and Cash Equivalents		
	Current account	2,608,893.89	6,584,485.34
	KCB Savings account 1102330239	10,358,691.35	2,534,461.35
	KCB Savings account 1106471253	1,702,960.15	109,081.20
	KCB Gratuity S/A 1103284290	4,688.88	4,743.88
	Equity Bank 1120264516476	222,409.50	1,395,347.00
	Cash at Hand	359,260.00	278,000.54
	Total cash and cash equivalents	15,256,903.77	10,906,129.31
20	Receivables from Exchange Transactions		
	Current receivables		
	Student debtors(fees in arrears)	236,083,433.00	27,267,168.00
	NYS students fees arrears	24,316,500.00	78,219,715.00
	Rent Debtors	56,900.00	73,000.00
	Un-surrendered imprests	2,022,985.00	
	Total current receivables	262,479,818.00	105,559,883.00
21	Inventories		
	Consumable stores stationery)	756,820.00	511,810.00
	Medical stores	61,320.00	67,505.00
	Electrical and plumbing	250,300.00	-
	Cleaning materials stores	145,864.00	104,555.00

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	Building materials	200,500.00	298,454.00
	Catering stores	864,794.00	206,595.00
	farm stores	40,958.00	-
	Total Inventories	2,320,556.00	1,188,919.00
24	Intangible Assets (Softwares)		
	Cost	-	4,872,000.00
	At beginning of the year 1.7.2018	5,359,200.00	4,872,000.00
	Additions	487,200.00	487,200.00
	Cost end of the year 30.6.2019	5,846,200.00	5,359,200.00
	Amortization and impairment:		
	At beginning of the year 01.7.2018	267,960.00	0
	Amortization (@ 5% \times 5,846,400)	292,310.00	267,960.00
	Amortization at end of the year 30.6.2019	560,270.00	267,960.00
	NBV	5,285,930.00	5,091,240.00
25	Trade and other Payables from Exchange Transactions		
	Trade payables	924,560.00	7,885,238.00
	Total trade and other payables	924,560.00	7,885,238.00

23. FARM BIOLOGICAL ASSETS

ITEM DESCRIPTION	NO./QUANTITY	UNIT PRICE(KSHS)	TOTAL AMOUNT
CATTLE			
Milking Cows	4.00	60,000.00	240,000.00
Incalf Cows	1.00	75,000.00	75,000.00
Heifers	1.00	40,000.00	40,000.00
Calves	3.00	10,000.00	30,000.00
Dry Cows	1.00	50,000.00	50,000.00
Crops			
Tea Farm-4acres	8,675.00	25.00	216,875.00
Vegetables(Kgs)	1.00	30.00	30.00
Nappier Grass(2.5acres)	1.00	5.00	5.00
Bananas(Stools)	41.00	250.00	10,250.00
Blue Gum(Pcs)	750.00	500.00	375,000.00
TOTAL			1,037,160.00

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22. PROPERTY PLANT AND EQUIPMENT SCHEDULE

Cost	LAND	BUILDINGS	FURNITURE AND FITTINGS	MOTOR VEHICLES	COMPUTERS	PLANT AND EQUIPMENT	CAPITAL WORK IN PROGRESS EBUKANGA	CAPITAL W.I.P	TEXT BOOKS	Total
At 30 th June 2017	Shs	Shs	Shs		Shs	Shs		Shs		Shs
Additions	65,000,000.00	299,916,000.00	5,695,250.00	9,120,000.00	4,935,600.00	170,223,900.00	52,015,254.00	0	-	606,906,004.00
Disposals	-	3,146,462.00	-	-	-	-	0.00	250,000.00	3,200,000.00	6,596,462.00
At 30 th June 2018	65,000,000.00	303,062,462.00	5,695,250.00	9,120,000.00	4,935,600.00	170,223,900.00	52,015,254.00	250,000.00	0	0.00
Additions	0.00	0.00	4,233,400.00	0.00	1,033,000.00	2,428,965.00	963,385.00	489,535.00	0.00	613,502,466.00
Disposals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,148,285.00
At 30 th June 2019	65,000,000.00	303,062,462.00	9,928,650.00	9,120,000.00	5,968,600.00	172,652,865.00	52,978,639.00	739,535.00	0.00	622,650,751.00
Depreciation and impairment At 1 July 2018	-	2%	20%	20%	30%	20%		0	10%	-
Depreciation	-	12,059,569.00	1,708,575.00	3,648,000.00	2,467,800.00	51,067,170.00	0	0	320,000.00	71,271,114.00
Impairment	-	6,061,249.00	1,985,730.00	1,824,000.00	1,790,580.00	34,530,573.00	0	0	320,000.00	46,512,132.00
At 30 th June 2019	0	0	0	0	0	0	0	0	0	-
At 30 th June 2018	65,000,000.00	18,120,818.00	3,694,305.00	5,472,000.00	4,258,380.00	85,597,743.00	-	-	640,000.00	117,783,246.00
At 30 th June 2019	65,000,000.00	291,002,893.00	3,986,675.00	5,472,000.00	2,467,800.00	119,156,730.00	52,015,254.00	250,000.00	2,880,000.00	542,231,352.00
At 30 th June 2019	65,000,000.00	284,941,644.00	6,234,345.00	3,648,000.00	1,710,220.00	87,055,122.00	52,978,639.00	739,535.00	2,560,000.00	504,867,505.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 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

Friends College Kaimosi 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.

(i) Credit risk

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.

Friends College Kaimosi has significant concentration of credit risk on amounts due from 2019

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.

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by Friends College Kaimosi on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

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

Sensitivity analysis

Friends College Kaimosi did not analyse its interest rate exposure on a dynamic basis by conducting a sensitivity analysis.

26. RELATED PARTY BALANCES

Entities and other parties related to Friends College Kaimosi 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 Friends College Kaimosi, holding 100% of the College 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) Ministry of Education
- iii) Key management;
- iv) Board of Governors

	2018/2019	2017/2018
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	3,547,250.00	30,890,000.00
Grants from County Government	-	-
Donations in kind	-	-
Total	3,547,250.00	30,890,000.00

**FRIENDS COLLEGE KAIMOSI (*KAIMOSI COLLEGE OF RESEARCH
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27. EVENTS AFTER THE REPORTING PERIOD

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

28. ULTIMATE AND HOLDING ENTITY

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

29. Currency

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

**FRIENDS COLLEGE KAIMOSI (KAIMOSI COLLEGE OF RESEARCH
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ANNUAL REPORT AND FINANCIAL STATEMENTS
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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

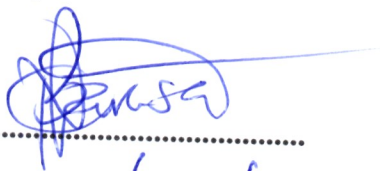
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Note. The Last audit report 2016/2017 has not been released to the board so as to make audit follow up

**Clerkson Barasa
Secretary to the BOG**



Date.....

15/09/20

**FRIENDS COLLEGE KAIMOSI (KAIMOSI COLLEGE OF RESEARCH
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APPENDIX II: PROJECTS IMPLEMENTED BY THE FRIENDS COLLEGE KAIMOSI

Projects

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
EBUKANGA TTI	01	GOK	5YRS	N/A	N/A	YES
HOSTEL	02	AIA	3YRS	N/A	N/A	YES
RAMP	03	GOK	1YEAR	N/A	N/A	YES

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	EBUKANGA TTI	55M	52M	90%	2.5M	900,850.00	GOK
2	HOSTEL	10M	NIL	0%	10M	100,000.00	AIA
3	RAMP	5M	NIL	0%	5M	100,000.00	GOK

FRIENDS COLLEGE KAIMOSI (KAIMOSI COLLEGE OF RESEARCH TECHNOLOGY)
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APPENDIX III: INTER-ENTITY TRANSFERS

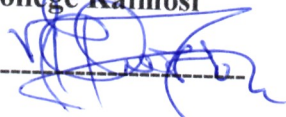
ENTITY NAME:		FRIENDS COLLEGE KAIMOSI		
Break down of Transfers from the State Department of Technical and Vocational Training				
FY 2018/2019				
a.	Recurrent Grants			
	(Capitation grants)	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		5/10/2018	5,956,550.00	2018/2019
		18/02/2019	43,560,000.00	2018/2019
		10/7/2019	43,560,000.00	2018/2019
		10/7/2019	1,000,000.00	2018/2019
		Total	94,076,550.00	
	Development Grants (Non-recurrent grants)	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		27/6/2019	2,547,250.00	2018/2019
		11/3/2019	1,273,625.00	2018/2019
		08/10/2018	1,273,625.00	2018/2019
		Total	5,094,500.00	

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

Finance Officer

Friends College Kaimosi

Sign


 15/09/2019

**Head of Accounting Unit
 Ministry Of Education**

Sign-----

**FRIENDS COLLEGE KAIMOSI (KAIMOSI COLLEGE OF RESEARCH TECHNOLOGY)
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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of MDA/ Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Total Transfers during the Year
Ministry of Education	5/10/2018	Recurrent	5,956,550.00	✓				5,956,550.00
	18/02/2019	Recurrent	43,560,000.00	✓				43,560,000.00
	27/06/2019	Development	1,000,000.00	✓				1,000,000.00
	08/10/2018	Development	1,273,625.00		✓			1,273,625.00
	11/3/2019	Development	1,273,625.00		✓			1,273,625.00
Total			53,063,800.00					53,063,800.00