

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 17 JUN 2025

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CLERK AT
THE TABLE:

WILLS OBIERO

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**SABATIA TECHNICAL AND VOCATIONAL
COLLEGE**

**FOR THE YEAR ENDED
30 JUNE, 2023**



**SABATIA TECHNICAL AND VOCATIONAL
COLLEGE**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30TH JUNE 2023**

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

Sabatia Technical and Vocational College
Annual Report and Financial Statements for The Year Ended 30th June 2023

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1. Acronyms & Glossary of Terms

BOG	Board of Governors
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
TVC	Technical and Vocational College
TVET	Technical Vocational Education and Training
Fiduciary Management	Key management personnel who have financial responsibility in the entity
FY	Financial Year

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1. Key Entity Information and Management

(a) Background information

Sabatia Technical and Vocational College is a public TVET institution registered under the TVET Act of 2013. The College is domiciled in Kenya and currently does not operate any other outside campus. The college operates under the ambit of the Ministry of Education, State Department for Technical Vocational Education and Training. It is born out of the Government's initiative to construct at least one TVET College in every constituency. Its mandate and operational legal framework is derived from the TVET Act of 2013. The college's mandate includes provision of Technical and Vocational Education and Training leading to awards below the level of a degree. The college had a total on campus enrolment of 1,476 trainees as at 30th June 2023.

The College currently operates under five main departments namely, Liberal and Business Studies, Engineering, Computing and Informatics, Applied Sciences and Hospitality and Institutional Management. The college stands on a five (5) acre piece of land. The process of transferring title is ongoing. It's located in Sabatia Constituency, Sabatia Sub-county of Vihiga County. The institution was constructed on land annexed from Lotego Primary School and Lotego Vocational Training Center. The institution is equipped with state-of-the-art training equipment for Electrical and Electronics Engineering. In addition, the college was also earmarked as a centre of excellence in training of Computer Studies/ICT courses. During the Year ended 30th June 2023, The college received one hundred computers from the Government under the VDI Jitume Project. The Institution has partnered with the local community to ensure students get meals and are accommodated in decent hostels

(b) Principal Activities

The principal activity/mission of the college is to provide high quality Technical Vocational Education and Training, research and innovation in partnership with industry and other stakeholders in order to produce globally competitive graduates. The college envisions to be the best in the western region and eventually in the country.

(c) Key Management

Sabatia Technical and Vocational College management is under the following key organs:

•Board of Governors

The main role of the Board is to provide policy direction and oversight over management. To effectively discharge its mandate, the Board has formed three committees which are;

- i. Finance, Infrastructure and Development
- ii. HR, Education and Research
- iii. Audit, Risk Management and Compliance

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•Accounting Officer/Principal

The Principal is responsible for the day to day management of the college operations. He is assisted by the following senior management staff

- i. Deputy Principal administration
- ii. Deputy Principal Academics
- iii. Registrar
- iv. Dean of students
- v. Heads of Departments

Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

SN.	Designation	Name
1.	Principal	CPA Gilbert G Mwavali
2.	Deputy principal Administration	Alloice Onyango
3	Deputy principal Academics	Lucy Shimenga
4	Registrar (Ag)	Philip Jumba
5	Dean of students (Ag)	Simon Mulemi
6	Head of Finance (Ag)	CPA HesbornEhaji
7	Accountant	MillfordAfandi
8	Procurement Officer	Joan Aluvisia

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Key Entity Information and Management (Continued)

(d) Fiduciary Oversight Arrangements

In its oversight responsibilities, the board has constituted three board committees which are charged with the duty of over sighting specific activities. These are as follows:

i. The Finance, Infrastructure and Development Committee

This committee is charged with the responsibility of over sighting the following key activities;

- **Planning and Budgeting** – overseeing project planning and budget making processes
- **Implementation** – Overseeing the implementation of projects and the budget
- **Strategic Planning** – Overseeing the development, review and implementation of the strategic planning process.
- **Financial management** – overseeing the general management of finances to ensure their prudent use. In particular, considering and approving financial proposals, Quarterly reports, annual financial statements and other financial reports.

ii. The Human Resource, Education and Research Committee

This committee is charged with the responsibility of over sighting the following key activities;

- **Human Resource Management** – Development and review of policy documents, staff recruitment process, staff welfare, staff training and development and staff discipline
- **Education** – Development and review of policy documents, implementation of training programmes, implementation of the curricula, evaluation of trainee progress, trainee enrolment, welfare and discipline
- **Research** – Development and review of the Research Policy, planning and implementation of research activities.

iii. The Audit, Risk Management and compliance Committee

This committee is charged with the responsibility of over sighting the following key activities;

- **Audit function** – Development and review of the internal audit policy, internal audit planning and execution, reviewing internal audit reports and action plans and Implementation of internal audit reports and external audit recommendations.
- **Risk Management** – Development and review of Risk Management Policy and plans, implementation of risk management plans.
- **Compliance** – Considering compliance audit reports and plans, ensuring compliance to all relevant laws and regulations, corporate social responsibility programs.

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(e) Entity Headquarters

Sabatia Technical and Vocational College
P.O Box, 29-50311 Wodanga, Kenya.
Off-Kapsabet/Chavakali Road
Sabatia Constituency, Vihiga County.

(f) Entity Contacts

Telephone :+254 702666802
E-mail : sabatiatevc@gmail.com
Website : www.sabatiatevc.ac.ke

(g) Entity Bankers

Absa Bank, Kenya, Kakamega Branch
M-PesaPaybill

(h) Independent Auditors

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

(i) Principal Legal Adviser



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

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2. Board of Governors



S.NO	NAME	Brief Profile
1	 <p>Arch. Alfred M. Lulu- Board Chairman</p>	<p>Arch. Alfred M. Lulu was appointed as the Chairperson of the Board on 9th February 2022. He holds a Master of Architecture (M. Arch), University of Nairobi and a Bachelor of Arts BA (Architectural Studies), University of Nairobi. He is a registered member of The Architectural Association of Kenya, MAAK(A). Has attended various management training workshops at Kenya Institute of Administration and Irish Management Institute, Dublin, Ireland</p> <p>Has worked with Ministry of public works and National Irrigation Board, Kenya.</p> <p>He is a partner, Lulu Associates Consulting Architects.</p>
2	 <p>Mr. Joseph Sunguti County Director of TVET</p>	<p>Mr. Joseph Sunguti in his capacity as the County Director TVET (Kakamega and Vihiga Counties) represents the PS on the Board. He holds a Master of Education degree (Distance Learning) of UoN. Bachelor of Education degree of UoN (Business & Geography)</p> <p>Has attended the Certificate in Strategic Leadership Development Programme.</p> <p>Has vast experience as a Teacher Trainer and also as a Technical Trainer. He is a Curriculum Developer and Policy implementer</p>

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<p>3</p>	 <p>Ms. Jayne Munyao Board Member</p>	<p>Ms. Jayne Munyao was appointed to the Board on 9th February 2022.</p> <p>She holds A Msc. in Haematology and Blood Transfusion, Kisii University, Bachelor of Science in Medical Laboratory Sciences from Mount Kenya University, Higher Diploma in Medical Laboratory Sciences (Haematology / Blood Transfusion Science) Kenya Medical Training College – Nairobi and a Diploma in Medical Laboratory Sciences from Kenya Medical Training College – Nyeri.</p> <p>She has vast working experience in the medical field; she has worked at Alupe Sub District Hospital, Kakamega Provincial General Hospital and St. Elizabeth Mukumu Hospital. She is a Private Practitioner and a part time Lecturer. She is a member of KMLTTB (Kenya Medical Laboratory Technicians and Technologists Board)</p>
<p>4</p>	 <p>Mr. Rodgers Owiti Board Member</p>	<p>Mr. Rodgers Owiti was appointed to the Board on 9th February 2022.</p> <p>He holds a Master of Science in Telecommunication Engineering, JKUAT- Project ongoing, Master of Business Administration, University of Nairobi - Ongoing, Bachelor of Science in Telecommunication &IT, Kenyatta University.</p> <p>He is currently working as an Engineer- Premium Support: Safaricom PLC. Has previously worked with Access Kenya Limited, Essar Telecom Kenya Limited, Foundation Institute of Africa, E -world Communications Network, Galaxy Fiscal Solutions, Nairobi. He is a Cisco Certified Network Professional and certified ethical hacker.</p>

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5	 <p>Mrs. Florence Nancy Lihanda Board Member</p>	<p>Mrs. Florence Nancy Lihanda was appointed to the Board on 9th February 2022.</p> <p>She is an educationist and holds a Bachelor of Education (Hons) from University of Nairobi. She is a Holder of CES award –Outstanding Education award- from CES Canada; for inspiring leadership in education. Currently she is the Secretary to the Education Commission of Friends Church in Kenya (FCK). She is also the Administrative Secretary, Kakamega Yearly Meeting (YM) of Friends’ Church (Quakers). She has wide experience in teaching, seminar organization, administration and management of educational institutions and organization of social welfare groups programs and their activities.</p>
6	 <p>Mr. Samuel Menyanya Board Member</p>	<p>Mr. Samuel Menyanya was appointed to the Board on 9th February 2022.</p> <p>Holds a Bachelor of science in horticulture from JKUAT. Has an advanced Certificate in Agricultural Project Management from Kothari Agricultural Management Centre (India). He is currently the factory Unit Manager (KTDA). He has previously worked as a field service manager (KTDA), Production Assistant (KTDA), Assistant Estate Manager (Eastern Produce (K) LTD).</p>

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<p>7</p>	 <p>Mrs. Rhoda Misoi Board Member</p>	<p>Mrs. Rhoda Misoi was appointed to the Board on 9th February 2022.</p> <p>She is a Holder of Bachelor of Business Administration from the University of East Africa, Baraton. She has worked in several positions including being a manager at Ndama distributors, business development officer at Kenya Women Finance Trust Limited – Eldoret. She is currently working as an entrepreneur in Eldoret town.</p>
<p>9</p>	 <p>CPA Gilbert GilariMwavali Principal/Secretary to The Board</p>	<p>He holds Masters in Business Administration from Moi University, a BCOM {Finance} from KCA University and is currently pursuing a Msc {Finance} at KCA University. He is a Member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has over 26 years teaching/training experience in various TVET Institutions serving in various administrative positions. He was Posted to Sabatia Technical and Vocational College as Principal in September 2019.</p>

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3. Key Management Team

<p>1</p>	 <p>CPA Gilbert Mwavali Holds an MBA (Finance), BCom (Finance), Dip in Tech. Educ (Bus. Studies/Accounting). He is a Member of ICPAK</p>	<p>Governors. He is the Accounting Officer. He is in charge of the day-t day management of the college.</p>
	 <p>Mr AloiceOuma Onyango An associate member of Kenya of Institute of Management (KIM) Member No. 087 MBA (Project Management))</p>	<p>Deputy Principal Deputizes the Principal. In charge of staff discipline and overseeing general administration.</p>
	 <p>Ms. Lucy IhazanoShimenga. Holds a Masters Education Leadership and Management. Diploma in Senior Management Course (KSG)</p>	<p>Deputy Principal Deputizes the Principal. In charge of curriculum implementation, trainee discipline and Library management</p>

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4.	 <p>Mr. Phillip Jumba. Holds a Bsc in Computer Science</p>	<p>Registrar (Ag) In charge of trainee admissions, marketing, trainee records, assessments and library management</p>
5.	 <p>Mr. Simon Mulemi Holds a Diploma in Business Management</p>	<p>Dean of Students(Ag) In charge of trainee welfare, Guidance and Counselling, accommodation, clubs and societies, sports and trainee governance.</p>
6.	 <p>CPA Hesborn Ehaji (ICPAK No. 11369) Holds an MBA from Maseno University and a BCOM from Catholic University</p>	<p>Finance Officer (Ag) In Charge of the Finance function</p>

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4. Chairman's Statement




Arch. Alfred M. Lulu
Board Chairman

The Financial year ended 30th June, 2023 has been an exciting year but also full of challenges. During the year, there was significant improvement in revenue mobilization. The year also saw a significant increase in enrolment, from 1,095 at the beginning of the year to 1,476 as at 30th June, 2023.

The board has been very active in its oversight activities hence effectively giving policy direction to management. Increasing enrolment came with its challenge of overstressing facilities and the available scarce resources. The college being relatively new has a major task ahead of ensuring that there is rapid development of infrastructure and acquisition of training equipment and resources in order to match the rapid increase in enrolment and as well as maintain and improve on the quality of training provided.

The board is completely focused on effectively over sighting management and as well as provide the policy direction and support necessary to ensure that the challenges are addressed and growth in all respects realized. One other key area of focus by the board is to provide the necessary support and guidance to management towards stepping up innovations and research activities possibly resulting in the generation of new ideas that can be developed into income generating units and as well as impact on the economic wellbeing of the community and the society at large. This is especially intended to focus on the full utilization of the available equipment and resources in line with the pronounced government policy.

Signed: 

Arch. Alfred Lulu
Chairman, Board of Governors

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5. Report of the Senior Principal



CPA Gilbert Gilari Mwavali
Senior Principal/Secretary to The Board

We have realized significant improvement in performance during the 2022/2023 financial year especially in respect to student enrolment and expansion of available training programs. Trainee population stood at 1,476 as at 30th June 2023. This increase was as a result of enhanced marketing of the college, and collaborative partnership with the administration that saw increased awareness of the government TVET policy, especially the government fee payment support through capitation that greatly supports and encourages the youth to join TVET institutions in order to acquire the highly needed technical skills in the national development agenda. During the year, there was significant improvement in revenue mobilization mainly from fees as a result of increased trainee population.

We have developed a strategic plan and other policy documents that will guide the development of the college. The board has been very active in its oversight activities hence effectively giving policy direction and support to management. The year also had its share of challenges mainly because it's a relatively new college that is yet to develop most of the necessary basic infrastructure and facilities. Increasing enrolment has led to overstretching of the facilities and the available scarce resources making the inadequacy even more acute. We however believe we will in due course address the issues conclusively and place the college on a definite growth trajectory as envisioned in our strategic plan. To achieve this, we intend to collaborate closely with the government and other development partners.

The board is completely focused on effective resource mobilization and their prudent utilization in strict compliance with the legal regulations and ministerial directives and guidelines. One other key area of focus by the board and management is towards stepping up innovations and research activities that would possibly result in the generation of new ideas that can be developed into income generating units.

Signed:

CPA Gilbert G. Mwavali
Principal/Secretary-BOG

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6. Statement of Performance against Predetermined Objectives

The college 's performance during the year was generally affected by the effects of Covid 19 pandemic. However, we were able to significantly achieve our objectives. Our target enrolment for the year was 1,000 trainees, we were however able to enrol 1,476 trainees by the close of the year. Our total revenue fell short of the budgeted revenue by Ksh. 18,352,904. we were however able to control our expenditure to within our collected revenue. The college was able to manage its operations according to the budget objectives.

Sabatia TVC has 9 strategic issues and objectives within our Strategic Plan for the FY 2021- FY 2026 (currently under review to align with the Governments Bottom-Up Economic Transformation Agenda). These strategic pillars are as follows:

Issue 1: Access and Equity

Issue 2: Quality and Relevance

Issue 3: ICT Integration into Management, Education, Training, Research and Innovation

Issue 4: Science, Technology and Innovation, Development of capacities

Issue 5: Financial and Human Resources

Issue 6: Governance and Management

Sabatia TVC develops its annual work plans based on the above 6 issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. Sabatia TVC achieved its performance targets set for the FY 2022/2023 period for its 6 strategic pillars, as indicated in the diagram below:

Strategic Pillar		Objective	Key Performance Indicators	Activities	Achievements
Issue 1	Access and Equity	Increase access and enhance equity in education and training	Increased Enrolment	Attend public open forums Sensitization visits to secondary schools	Increased enrolment from 1,095 to 1,476
Issue 2	Quality and Relevance	Improve quality and relevance of education and training	Enhanced capacity of trainers Enhanced Collaboration with industry.	Facilitate trainers to attend workshops and training that enhances their capacity Strengthen trainee industrial attachment	Enhanced trainers' competency Enhanced quality and relevance of training

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Issue 3	ICT Integration into Management, Education, Training, Research and Innovation	Integrate ICT into management, education and training	Enhance use of ERP in management Enhance Internet access for management and training	Enhance capacity of management staff in the use of ERP Increase internet bandwidth	Enhanced use of ICT in management Education, Training, Research and Innovation
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Issue 4	Science, Technology and Innovation, Development of capacities	Enhance development capacities for ST&I	Enhanced capacity of trainers in ST&I Framework for ST&I developed	Facilitate trainers to attend ST&I capacity building workshops and training Develop a Framework for ST&I	Enhanced trainers' capacity in ST&I Framework for ST&I Developed
Issue 5	Financial and Human Resources	To enhance the Institution's financial and human resources	Enhanced financial resources Enhanced human resource capacities	Lobby the ministry and other funding agencies to increase budgetary allocations Broaden AIA framework Build human resource capacities through training and development	Enhanced financial resources Enhanced human resource capacities
Issue 6	Governance and Management	Strengthen good governance and effective management	Improved delivery of services to clients	Develop and implement good governance and management policies and practices	Improved the governance and management of the college

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7. Corporate Governance Statement

a. Board Meetings, Attendance and Remuneration

During the FY 2022/2023, the board held a total of Nineteen meetings which were all very well attended by members. The Board comprises of a total of 10 members (the Principal inclusive) with 5 forming a quorum.

b. Board Charter, Succession Plan, Induction and Training

The board charter is being finalized. Board members have all been inducted

Succession is guided by the TVET Act which guides that member to the board should be appointed in a manner that guarantees continuity.

c. Appointment and removal of board members

The process of appointment and removal of board members is provided for in the TVET Act.

Appointment – On expiry of the term of office, the secretary to the board in consultation with the County Director, TVET would constitute a Nomination Panel which would recommend at least 3 members for each position to the Cabinet Secretary responsible for TVET who will then appoint one.

Removal – Grounds for removal are provided for in the TVET Act of 2013

d. Roles and Functions of the Board

The roles of the Board are as outlined in article 29 of the TVET Act of 2013 and includes among others; to'

- i. Provide policy direction to management
- ii. Develop and implement the strategic plan
- iii. Consider and approve the budget
- iv. Consider and approve the financial statements and reports
- v. Oversee the human resource management
- vi. Oversee staff and student discipline
- vii. Help mobilise resources for the institution

8. Management Discussion and Analysis

Sabatia Technical and Vocational College operational and financial performance

Sabatia TVC's performance generally improved during the year in all respects though not as expected. We received capitation for three quarters from the government during this Financial Year (2022/2023) however at reduced amounts per student and after some delays. We believe we will receive the remaining Quarter IV capitation in due course. Trainee enrolment stood at 1,476 as at the end of this year. We realized total revenue of Ksh. 54,331,096 during the year. We believe this performance will improve as the Government stabilizes the economy and enrolment increases.

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The cash position of the college remained relatively unstable. We hope our cash flow position will stabilize as the Government improves on disbursement of capitation and other forms of support. Our main challenges remain increasing pressure on the available resources and facilities and inadequate finances. However, the positive government support towards TVET through capitation support and HELB loan and bursary funding, provision of training staff and equipment and public awareness provides a great opportunity for the growth of the college in all facets.

9. Environmental and Sustainability Reporting Statement

Sabatia Technical and Vocational College exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on 4 pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

Sustainability strategy and profile

As a College, we are focused on sustainable growth in all respects. We have put in place an innovative marketing strategy that is intended to ensure sustainable growth in enrolment. We have also put in place a monitoring and evaluation mechanism that assures of quality training in all our programmes. We are also fully aware of the current overwhelming political support and goodwill towards the TVET sub sector as a key national development pillar

Environmental performance

As a college, we are determined to contribute towards achieving the national goal of 10% forest cover by protecting our trees. We are also focused on responsible waste management practices.

Employee welfare

As a college we are determined to fully comply with the national policy on gender ratio of not more than two thirds gender majority. We have 16 male and 12 female employees, a ratio of two thirds. We also take any opportunity available to improve skills and competencies of our staff through training and workshops. We have also taken measures to ensure workplace safety in all our workshops tuition rooms and offices

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Market place practices-

- a) Our marketing policy and strategy focuses on creating awareness towards the opportunities available in the TVET sector. We also focus on value options in our college. We are committed to fair competition and respect for our competitors
- b) We are committed to fair business practices in our supply chain processes and to honoring our promises to our business partners.
- c) Our training programs are strictly organized in accordance to the recommended syllabi. We also hold regular forums with our trainees who are our main customers to address their concerns. We also have other customer engagement mechanism as a way of assuring that their rights are upheld

Corporate Social Responsibility / Community Engagements

Currently, our main engagement with the community is creating awareness on the training opportunities available in the TVET sub sector, employment options and the government support available.

10. Report of the Board of Governors

The Board members submit their annual report together with the audited financial statements for the year ended June 30, 2023 which show the state of Sabatia TVC affairs.

Principal activities

The principal activities of the entity are to provide quality Technical and Vocational Training in order to produce competitive graduates for the job market

Results

The results of the entity for the year ended June 30th June 2023 are set out on page 1 to 5

Board of Governors

The members of the Board who served during the year are shown on page vii to ix.

Auditors

The Auditor General is responsible for the statutory audit of Sabatia Technical and Vocational College in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or Kephars Certified Public Accountants were nominated by the Auditor General to carry out the audit of Sabatia Technical and Vocational College for the year/period ended June 30, 2023 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

Carue
.....

Secretary of the Board

Date: 17-04-2025.

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11. Statement of Board of Governors Responsibilities

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

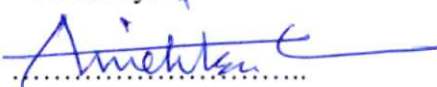
The board members are responsible for the preparation and presentation of the College's financial statements, which give a true and fair view of the state of affairs of the College for and as at the end of the year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the College; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the College; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for the College's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the TVET Act. The board members are of the opinion that the College's financial statements give a true and fair view of the state of College's transactions during the year ended June 30, 2023, and of the College's financial position as at that date. The board members further confirm the completeness of the accounting records maintained for the College, which have been relied upon in the preparation of the College's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The College's financial statements were approved by the Board on 18/07/2023 and signed on its behalf by:


.....
Chairperson of the Board


.....
Accounting Officer/Principal

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

Enhancing Accountability

REPORT OF THE AUDITOR-GENERAL ON SABATIA TECHNICAL AND VOCATIONAL COLLEGE FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

The accompanying financial statements of Sabatia Technical and Vocational College set out on pages 1 to 33 which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net

Report of the Auditor-General on Sabatia Technical and Vocational College for the year ended 30 June, 2023

assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by KepherFranklin and Associates, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Sabatia Technical and Vocational College as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Technical and Vocational Education Training Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Valuation of Assets

The statement of financial position and as disclosed in Note 18 to the financial statements reflects an amount of Kshs.61,747,947 in respect of property, plant and equipment. The amount includes computers and related equipment of Kshs.5,718,526. It was noted that the College received one hundred (100) pieces of computer under the Jitume Program. However, valuation had not been done to reflect realistic value of the assets at the time of delivery. Further, review of the assets register reflects these computers were estimated at Kshs.5,718,526 without supporting document.

In the circumstances, the valuation of the computers, estimated at Kshs.5,718,526 could not confirmed.

2. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment amount of Kshs.61,747,947 as disclosed in Note 18 to the financial statements which includes Nil balance in respect of land, whose ownership documents has not been obtained. Further, the parcels of land which is approximately two (2) hectares have not been valued and were not included in the property, plant and equipment balance of Kshs.61,747,947

In the circumstances, the accuracy and completeness of the amount of Ksh.61,747,947 in respect of property, plant and equipment could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis stated at Kshs.72,684,000 and Kshs.54,331,096 respectively resulting to underfunding of Kshs.18,352,904 or 25%. Similarly, the statement reflects final expenditure budget and actual on comparable basis stated at Kshs.72,684,000 and Kshs.36,639,629 respectively, resulting to under expenditure of Kshs.36,044,371 or 50% of the budget.

The under expenditure may have curtailed realization of planned activities and service delivery.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Information

Management is responsible for the Other Information set out on page iii to xx which comprise of Key Entity Information and Management, The Board of Governors, Key Management Team, Chairman's Statement, Report of the Senior Principal, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Governors, Statement of Governors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the College's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect(s) of the matter(s) described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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

Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees of the college was forty-three (43) employees out of which thirty-six (36) or 84% were from the dominant ethnic community in the County, while sixteen percent (16%) represents Kalenjin's, Luo's and Kisii. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

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

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 effect(s) of the matter(s) 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 governance were not effective.

Basis for Conclusion

Lack of Information Technology Policy and Data Recovery Strategy

During the period the College did not have Information Technology Policy. It therefore operated without a Data Recovery plan which would be resorted to the case of disruption of services.

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 controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the College's, ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the College's financial reporting process, reviewing the effectiveness of how 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


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

30 April, 2025

Sabatia Technical and Vocational College
Annual Report and Financial Statements for The Year Ended 30th June 2023

13. Statement of Financial Performance for The Year Ended 30 June 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Revenue from Non-Exchange transactions			
Transfers from other National Government entities	5	12,638,000	16,110,000
Donations	6	5,214,263	0
		17,852,263	16,110,000
Revenue from Exchange transactions			
Rendering of services- fees from students	7	35,528,503	21,418,307
Sale of goods	8	150,260	229,073
Other income	9	800,070	639,580
Revenue from Exchange transactions		36,478,833	22,286,960
Total Revenue		54,331,096	38,396,960
Expenses			
Use of goods and services	10	19,019,678	16,840,280
Employee costs	11	9,157,448	7,730,983
Board /Council Expenses	12	1,109,000	747,000
Depreciation and amortization expense	13	4,423,633	2,454,114
Repairs and maintenance	14	2,929,870	2,521,221
Total Expenses		36,639,629	30,293,598
Net surplus/(deficit) for the year		17,691,467	8,103,362

(The notes set out on pages 6 to 34 form an integral part of the Annual Financial Statements).

The Financial Statements set out on pages 1to 5 were signed by:

Arch. Alfred Lulu


Chairman of Board

Date 17-04-2025

CPA Hesborn Ehaji

Finance Officer

ICPAK No11369


Date 17-04-2025

Grace Apondi Titi

Principal



Date 17-04-2025

Sabatia Technical and Vocational College
Annual Report and Financial Statements for The Year Ended 30th June 2023

14. Statement of Financial Position as at 30th June 2023

Description	Notes	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	15	1,037,551	3,465,739
Current portion of receivables from exchange transactions	16	34,335,564	18,190,523
Inventories	17	2,647,884	621,584
Total Current Assets		38,020,998	22,277,846
Non-Current Assets			
Property, plant, and equipment	18(a)	61,747,947	59,183,223
Intangible assets	19	2,576,750	2,141,500
Total Non-Current Assets		64,324,697	61,324,723
Total Assets		102,345,695	83,602,569
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	20	7,399,964	6,348,304
Total Current Liabilities		7,399,964	6,348,304
Net Assets			
Revaluation Reserves			
Accumulated Surplus		37,885,225	20,193,758
Capital Fund		57,060,507	57,060,507
Total Net Assets		94,945,732	77,254,265
Total Net Assets and Liabilities		102,345,696	83,602,569

The Financial Statements set out on pages 1 to 5 were signed by:

..... Arch. Alfred Lulu

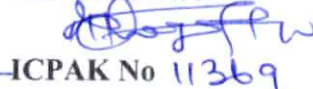
Chairman of Board



Date 17-04-2025

..... CPA Hesborn Ehaji

Finance Officer



ICPAK No 11369

Date 17-04-2025

..... Grace Apondi Titi

Principal



Date 17-04-2025

Sabatia Technical and Vocational College
Annual Report and Financial Statements for The Year Ended 30th June 2023

15. Statement of Changes in Net Asset for the Year Ended 30 June 2023

Description	Revaluation reserve	Accumulated Fund	Capital Grants/Fund	Total
At July 1, 2021	-	12,090,396	57,060,507	69,150,903
Revaluation gain	-	-	-	-
Surplus for the year	-	8,103,362	-	8,103,362
Capital grants received during the year	-	-	-	-
Transfer of depreciation/amortisation from capital fund to Retained earnings	-	-	-	-
At June 30, 2022	-	20,193,758	57,060,507	77,254,265
At July 1, 2022	-	20,193,758	57,060,507	77,254,265
Revaluation gain	-	-	-	-
Surplus for the year	-	17,691,466	-	17,691,466
Capital grants received during the year	-	-	-	-
Transfer of depreciation/amortisation from capital fund to Retained earnings	-	-	-	-
At June 30, 2023	-	37,885,224	57,060,507	94,945,731

Sabatia Technical and Vocational College
Annual Report and Financial Statements for The Year Ended 30th June 2023

16. Statement of Cash Flows for The Year Ended 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other National Government entities	5	12,638,000	16,110,000
Donations	6	0	0
Rendering of services- Fees from students	7	35,528,503	21,418,307
Sale of goods	8	150,260	229,073
Other income	9	800,070	639,580
Total Receipts		49,116,833	38,396,960
Payments			
Use of goods and services	10	19,019,677	16,840,280
Employee costs	11	9,157,448	7,730,983
Board Expenses	12	1,109,000	747,000
Repairs and maintenance	14	2,929,870	2,521,221
Total Payments		32,215,995	27,839,484
Net Cash Flows from operating activities		16,900,838	10,557,476
Cash flows from investing activities			
Purchase of property, plant, equipment,	18	(2,209,343)	(2,234,000)
Net cash flows used in investing activities		(2,209,343)	(3,394,000)
Changes in working Capital			
Increase in Receivables		(16,145,041)	(7,456,747)
Decrease /Increase in Payables		1,051,660	(3,206,525)
Decrease/Increase in Inventories		(2,026,300)	216,635
Net Cashflow from Changes in Working Capital		(17,119,681)	
Net Decrease in Cash and Cash equivalents		(2,428,186)	(2,123,161)
Cash and Cash equivalents at 1 July 2023		3,465,739	5,588,900
Cash and Cash equivalents at 30 June 2024		1,037,551	3,465,739

Sabatia Technical and Vocational College
Annual Report and Financial Statements for The Year Ended 30th June 2023

17. Statement of Comparison of Budget & Actual amounts for Year Ended 30 June 2023

Description	Original annual Budget	Adjustments	Final Annual Budget	Actual Cumulative to date	Performance difference	% of Utilization
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers from National Government entities	36,000,000	0	36,000,000	12,638,000	23,362,000	65%
Donations	0	0	0	5,214,263	-5,214,263	100%
Rendering of services- Fees from students	35,884,000	0	35,884,000	35,528,503	355,497	1%
Sale of goods	100,000	0	100,000	150,260	-50,260	50%
Other Income	700,000	0	700,000	800,070	-100,070	14%
Total Revenue	72,684,000	0	72,684,000	54,331,096		75%
Expenditure		0				
Use of goods and services	48,868,970	0	48,868,970	19,019,678	29,849,292	61%
Employee costs	16,411,000	0	16,411,000	9,157,448	7,253,552	44%
Remuneration of directors	2,190,000	0	2,190,000	1,109,000	1,081,000	49%
Depreciation and amortization expense	0	0	0	4,423,633	-4,423,633	100%
Repairs and Maintenance	5,214,030	0	5,214,030	2,929,870	2,284,160	44%
Total Expenses	72,684,000	0	72,684,000	36,639,629		50%
Surplus	0	0	0	17,691,467		

Budget notes

- **Transfers from National Government entities:** Government funds being released later than scheduled
- **Use of goods and services:** Fluctuating funding levels makes it difficult for the College to budget effectively
- **Employee costs:** Budgeted positions remained unfilled due to delayed Government funding
- **Remuneration of directors:** The Board suspended its workshops and training due to delayed Government funding
- **Repairs and Maintenance:** Maintenance activities postponed due to cash flow constraints, prioritization of other expenses. Due to delayed Government funding

18. Notes to the Financial Statements

1. General Information

Sabatia TVC is established by and derives its authority and accountability from The TVET Act of 2013. The college is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activities of the college are providing quality technical and vocational training in order to produce competitive graduates for the job market.

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 judgment in the process of applying the college's accounting policies. There are no areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements.

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

The financial statements have been prepared in accordance with the PFM Act and 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 2023.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</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

Sabatia Technical and Vocational College
Annual Report and Financial Statements for The Year Ended 30th June 2023

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • 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 2023</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> <ul 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 (c) The impact of such social benefits provided on The Sabatia Technical and Vocational College financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

Sabatia Technical and Vocational College
Annual Report and Financial Statements for The Year Ended 30th June 2023

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

The college did not early – adopt any new or amended standards in year 2023

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

Sabatia Technical and Vocational College
Annual Report and Financial Statements for The Year Ended 30th June 2023

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

ii) Revenue from exchange transactions

Rendering of services

The college 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.

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 2022/2023 was approved by the Council or Board on 28th January, 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the College upon receiving the respective approvals to conclude the final budget. Accordingly, the College recorded additional appropriations of Five million on the FY 2022/2023 budget following the Board's approval. The Sabatia Technical and Vocational College 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 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

Sabatia Technical and Vocational College
Annual Report and Financial Statements for The Year Ended 30th June 2023

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5 under section xxx of these financial statements.

c) Taxes

Current income tax

The College is exempt from paying taxes as per schedule of the Income Tax Act. (CAP470)

Sales tax/ Value Added Tax

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

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

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

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. 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 or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired

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Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

f) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

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

h) Research and development costs

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

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

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- The ability to measure reliably the expenditure during development.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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

i) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The College does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the College's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification

The College classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both Sabatia Technical and Vocational College management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the College classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fairvalue are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The College assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The College recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in Note xx.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

Financial liabilities

Classification

The College classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

j) 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.

Inventories (Continued)

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 College.

k) Provisions

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

Contingent liabilities

The college 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.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

Contingent assets

The college does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the college 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.

l) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

m) Nature and purpose of reserves

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

n) Changes in accounting policies and estimates

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

o) Employee benefits

Retirement benefit plans

The college provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

p) 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.

q) 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.

r) Related parties

The college 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 College, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

s) Service concession arrangements

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

t) 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.

u) Comparative figures

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

v) 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, 2023

4. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The College 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 College. 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 college.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

Provisions

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

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

(Include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

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Notes to the Financial Statements (Continued)

5. Transfers from other National Government entities

Description			2022-2023	2021-2022
			Kshs	Kshs
Unconditional Grants				
Capitation Grants	2022-2023			
Capitation grants received	No. Capitated	Amount		
(Q1-2022/2023)	774	5,000	3,870,000	5,152,500
(Q2-2022/2023)	1,096	4,000	4,384,000	5,152,500
(Q3-2022/2023)	1,096	4,000	4,384,000	5,805,000
(Q4-2022/2023)	0	0	0	0
Total Government Grants and Subsidies			12,638,000	16,110,000

6. Public Contributions and Donations

Description	2022-2023	2021-2022
	Kshs	Kshs
Jitume Lab Computers	5,214,263	0
Total Donations and Contributions	5,214,263	0

7. Rendering of Services

Description	2022-2023	2020-2021
	Kshs	Kshs
Tuition fees	519,979	11,977,573
Activity fees	3,097,012	2,223,674
Examination fees	2,984,277	3,366,880
Library fees	1,364,331	957,077
Application fees	92,700	78,000
Personal Emoluments	9,828,007	6,644,745
EWC	2,772,295	1,934,680
LT&T	3,868,296	2,722,554
R M I	4,129,396	2,793,100
Administration costs	1,611,739	1,105,607
Student council	516,071	364,617
ICT Levy	1,357,750	960,600
Development	3,386,650	2,399,200
Total Revenue	35,528,503	37,528,307
Less Capitation	0	(16,110,000)
Total revenue from the rendering of services	35,528,503	21,418,307

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Annual Report and Financial Statements for The Year Ended 30th June 2023

Notes to the Financial Statements (Continued)

8. Sale of Goods

Description	2022-2023	2021-2022
	Kshs	Kshs
Sale of Soap	200	0
Cafeteria (PAYE)	138,710	229,073
Food and beverage	6,150	0
Cosmetology	5,200	0
Total Revenue from Sale of Goods	150,260	229,073

9. Other Income

Description	2022-2023	2021-2022
	Kshs	Kshs
Accommodation Fees	799,070	638,580
Income from sale of tender	1000	1000
Total other income	800,070	639,580

10. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs	Kshs
Teaching and learning materials	4,754,018	5,375,909
Industrial attachment costs	278,300	0
Electricity	495,175	191,600
Water	31,500	11,000
Subscriptions	101,200	0
Examination fees	2,224,300	2,063,690
Catering	153,690	140,973
Accommodation	383,303	558,500
Insurance	72,518	0
Licenses and permits	13,500	0
Postage	7,725	7,890
Printing and stationery	783,270	94,612
Telephone expenses	392,950	0
Internet expenses	361,856	618,419
Consumable/Administrative costs	7,190,797	6,092,317
Activity	1,507,055	1,532,845
Student Council	268,520	152,525
Total good and services	19,019,677	16,840,280

Sabatia Technical and Vocational College
Annual Report and Financial Statements for The Year Ended 30th June 2023

Notes to the Financial Statements (Continued)

11. Employee Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Salaries and wages	6,080,897	5,515,733
Travel and subsistence	3,076,551	2,215,250
Employee Costs	9,157,448	7,730,983

12. Board Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Chairman's Honoraria	131,000	134,000
Directors Emoluments	978,000	613,000
Total	1,109,000	747,000

S/No	Date of Meeting		Atten dance	Chairman (Ksh)	Directors (Ksh)	Total (Ksh)
1.	5/7/2022	Finance, Infrastructure and Development Committee	2	0	32,000	32,000
2.	12/7/2022	Finance, Infrastructure and Development Committee	4	0	63,000	63,000
3.	14/07/2022	Audit, Risk and Compliance Committee	2	0	22,000	22,000
4.	15/7/2022	Full Board Committee	8	23,000	99,000	122,000
5.	7/10/2022	Finance, Infrastructure and Development Committee	4	0	59,000	59,000
6.	10/10/2022	HR, Education and Research Committee	4	0	58,000	58,000
7.	11/10/2022	Audit, Risk and Compliance Committee	3	0	36,000	36,000
8.	14/10/2022	Full Board Committee	6	23,000	68,000	91,000
9.	06/01/2023	HR, Education and Research Committee	3	0	42,000	42,000
10.	10/01/2023	Finance, Infrastructure and Development Committee	3	0	47,000	47,000
11.	12/01/2023	Audit, Risk and Compliance Committee	3	0	36,000	36,000
12.	14/01/2022	Full Board Committee	8	23,000	99,000	122,000
13.	21/01/2023	HR, Education and Research Committee.	3	0	42,000	42,000
14.	10/04/2023	HR, Education and Research	4	0	58,000	58,000

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		Committee				
15.	12/04/2023	Finance, Infrastructure and Development Committee	2	0	32,000	32,000
16.	12/04/2023	Audit, Risk and Compliance Committee	2	0	24,000	24,000
17.	14/04/2023	Full Board Committee	5	23,000	56,000	79,000
18.	07/06/2023	Finance, Infrastructure and Development Committee	2	23,000	34,000	57,000
19.	29/06/2023	Full Board Committee	7	16,000	71,000	87,000
	Total			131,000	978,000	1,109,000

13. Depreciation and Amortization expense

Description	2022-2023	2021-2022
	Kshs	Kshs
Property, plant and equipment	4,278,883	2,338,364
Intangible assets	144,750	115,750
Total depreciation and amortization	4,423,633	2,454,114

14. Repairs and Maintenance

Description	2022-2023	2021-2022
	Kshs	Kshs
Property	2,297,670	2,095,521
Furniture and fittings	583,200	315,000
Computers and accessories	41,000	50,700
Hand washing Facilities	8,000	60,000
Total Repairs and Maintenance	2,929,870	2,521,221

15. Cash and Cash Equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Account	1,017,832	3,457,997
Cash in hand	19,719	7,742
Total Cash and CashEquivalents	1,037,551	3,465,739

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Notes to the Financial Statements (Continued)

15(b). Detailed Analysis of Cash and Cash equivalents

		2022-2023	2021-2022
Financial Institution	Account number	Kshs	Kshs
a) Current Account			
Absa Bank		1,017,831	3,457,997
Sub- Total		1,017,831	3,457,997
b) Cash in Hand		19,719	7,742
Sub- Total		19,719	7,742
Grand Total		1,037,551	3,465,739

16. Receivables from Exchange transactions

16(a) Current Receivables from Exchange transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Receivables		
Student Debtors	13,018,564	5,640,023
Accrued Capitation Q1	2,940,000	70,500
Accrued Capitation Q2	4,116,000	705,000
Accrued Capitation Q3	5,441,000	2,985,000
Accrued Capitation Q4	8,820,000	8,790,000
Total Current Receivables	34,335,564	18,190,523

16 (b) Ageing Analysis of Receivables from Exchange transactions

Description	2022-2023		2021-2022	
	Kshs		Kshs	
	Current FY	% of total	Comparative FY	% of the total
Less than 1 year	21,317,000	62%	11,706,023	64%
Between 1- 2 years	6,869,580	20%	4,770,000	26%
Between 2-3 years	6,148,984	18%	1,714,500	10%
	34,335,564		18,190,523	
Over 3 years	0	0%	0	0%
Total (a+b)	34,335,564		18,190,523	%

Sabatia Technical and Vocational College
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Notes to the Financial Statements (Continued)

17. Inventories

Description	2022-2023	2021-2022
	Kshs	Kshs
Consumable stores	1,774,970	204,840
Maintenance stores	130,614	22,000
Electrical stores	681,700	305,781
Cleaning Materials stores	25,500	74,170
Catering stores	35,100	14,793
Total Inventories at lower of Cos and Net Realizable Value	2,647,884	621,584

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Notes to the Financial Statements (Continued)

18. Property, Plant and Equipment

Cost	Land	Buildings	Furniture and fittings	Computers	Plant and equipment	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2021		60,280,328	2,401,995	904,100	664,142	64,250,565
Additions		0	0	335,000	739,000	1,074,000
At 30 th June 2022		60,280,328	2,401,995	1,239,100	1,403,142	65,324,565
Additions		0	1,018,280	5,718,526	106,800	7,423,606
At 30 th June 2023		60,280,328	3,420,275	6,957,626	1,509,942	72,168,171
Depreciation And Impairment						
At 1 July 2021		2,358,992	806,198	504,960	132,828	3,802,978
Depreciation		1,205,607	480,399	371,730	280,628	2,338,364
Depreciation rates (straight line)		2%	20%	30%	20%	
At 30 Jun 2022		3,564,599	1,286,597	876,690	413,456	6,141,342
Depreciation		1,205,607	684,000	2,087,288	301,988	4,278,883
At 30 th Jun 2023		4,770,205	1,970,597	2,963,978	715,444	10,420,225
Net Book Values		55,510,123	1,449,678	3,993,648	794,498	61,747,947
At 30 th Jun 2023		55,510,123	1,449,678	3,993,648	794,498	61,747,947

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Notes to the Financial Statements (Continued)

Valuation

As per National Treasury guidelines, Land and buildings were identified and valued as per the National Liabilities and Management Policy and guidelines (Issued June 2020). The assets were revalued on cost approach. These amounts were adopted in the financial statements on 30th June 2023.

18 (b) Property, Plant and Equipment at Cost

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

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	0	0	0
Buildings	60,280,328	4,770,205	55,510,123
Plant And Machinery	1,509,942	715,444	794,498
Computers and Related Equipment	6,957,626	2,963,978	3,993,648
Furniture And Fittings	3,420,275	1,970,597	1,449,678
Total	72,168,171	10,420,224	61,747,947

19. Intangible Assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Cost		
At beginning of the year	2,315,000	1,155,000
Additions	580,000	1,160,000
At end of the year	2,895,000	2,315,000
Amortization and impairment		
At beginning of the year	173,500	57,570
Amortization	144,750	115,930
At end of the year	318,250	173,500
NBV	2,576,750	2,141,500

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Notes to the Financial Statements (Continued)

20. Trade and Other Payables

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Trade payables	4,998,506		2,166,490	
Fees paid in advance	1,874,573		3,665,226	
HELB	395,897		516,588	
Bursaries	130,988		0	
Total Trade and Other Payables	7,399,964		6,348,304	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	4,196,354	84%	1,364,338	63%
1-2 years	0	0%	0	0%
2-3 years	802,152	16%	802,152	37%
Over 3 years	0	0%	0	0%
Total (to tie to totals above)	4,998,506	100%	2,166,490	100%

21. Payments received in advance.

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Fees received in advance	1,874,573		3,665,226	
HELB	395,897		516,588	
Bursaries	130,988		0	
Total	2,401,458		4,181,814	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	526,885	22%	516,588	12%
1-2 years	1,874,573	78%	3,665,226	88%
2-3 years	0	0%	0	0%
Over 3 years	0	0%	0	0%
Total	2,401,458	100%	4,181,814	100%

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Notes to the Financial Statements (Continued)

22. Cash generated from operations.

Surplus for the year before tax	2022-2023	2021-2022
	Kshs	Kshs
Adjusted for:		
Depreciation	4,423,633	2,254,114
Non-Cash grants received	5,214,263	0
Working Capital Adjustments		
Increase in Inventory	(2,026,300)	(621,584)
Increase in Receivables	(16,145,041)	(25,562,155)
Increase in Payables	1,051,660	25,672,994
Net Cash Flow from Operating Activities	16,900,838	(110,839)

23. Financial Risk Management

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

Sabatia Technical and Vocational College financial risk management objectives and policies are detailed below:

i. Credit risk

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

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

the College's management based on prior experience and their assessment of the current economic environment.

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Notes to the Financial Statements (Continued)

The carrying amount of financial assets recorded in the financial statements representing Sabatia Technical and Vocational College maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 20222 (previous year)				
Receivables from exchange transactions	38,396,960	0	0	0
Receivables from non-exchange transactions	16,110,000	0	0	0
Bank balances	3,465,739	0	0	0
Total	57,972,699	0	0	0
At 30 June 2023 (current year)				
Receivables from exchange transactions	36,478,833	0	0	0
Receivables from non-exchange transactions	17,852,263	0	0	0
Bank balances	1,037,550	0	0	0
Total	55,368,646	0	0	0

Financial risk management (continued)

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

The college has no significant concentration of credit risk on amounts due.

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

ii. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the College Governors, who have built an appropriate liquidity risk management framework for the management of Sabatia Technical and Vocational College short, medium and long-term funding and liquidity management requirements. The college manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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Notes to the Financial Statements (Continued)

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022 (previous year)				
Trade Payables	0	1,364,338	802,152	2,166,490
Total	0	1,364,338	802,152	2,166,490
At 30 June 2023 (current year)				
Trade Payables	0	344,800	4,653,706	4,998,506
Total	0	344,800	4,998,506	4,998,506

Financial risk management (continued)

iii. Market risk

The College has put in place an internal audit function to assist it in assessing the risk faced by the College 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 College 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.

Sabatia Technical and Vocational 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 College exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The College has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of College foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

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Notes to the Financial Statements (Continued)

The college manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Foreign currency sensitivity analysis

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

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 1,504 (2022-2023: Kshs 0) of Kshs. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 7,518 (2022-2023: Kshs 0)

Financial risk management (continued)

iv. Capital Risk Management

The objective of Sabatia Technical and Vocational College capital risk management is to safeguard the College ability to continue as a going concern. The College capital structure comprises of the following funds:

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Description	2022-2023	2021-2022
	Kshs	Kshs
Revaluation Reserve	0	0
Retained Earnings	37,885,225	20,193,758.
Capital Reserve	57,060,507	57,060,507
Total Funds	94,945,732	77,254,265
Total Borrowings	7,399,964	6,348,304
Less: Cash and Bank Balances	(1,037,551)	(3,465,739)
Net Debt/(Excess Cash and Cash Equivalents)	6,362,413	2,882,565
Gearing	7%	4%

24. Related Party Balances

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the college, holding 100% of The Sabatia Technical and Vocational 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) The Parent Ministry;
- iii) Key management;
- iv) Board of Governors;

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

25. Events After the Reporting Period

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

26. Ultimate and Holding Entity

The College is a State Corporation under the Ministry of Education. Its ultimate parent is the Government of Kenya.

27. Currency

The financial statements are presented in Kenya Shillings (Kshs) and the values are rounded off to the nearest shilling.

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28. Appendices

Appendix 1: Implementation Status of Auditor-General Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
OAG/SABATIA TVC/2021/2022/(22)	Anomalies in PPE	Issue on Tittle deed to the land, the documents are now with the Head office, national Lands Commission.	Not Resolved	
	Inaccurate Cash and cash equivalents	The difference in the certificate of balance and bank statement been clarified. Stale cheques reversed. The bank reconciliation statement corrected	Resolved	
	Long Outstanding student debtors	Increment is due to delayed Government funding. Analysis and explanation of the student debtors provided.	Not Resolved	
	Inaccuracies in the financial statements	Corrected general ledger schedules provided	Resolved	
	Capital Fund	Represents the main College Building constructed by funds from the Ministry and CDF whose records are available.	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Irregularity in Appointment of Directors	Communication has been made to the Ministry and therefore aware of the issue	Not Resolved	
	Preparation and Approval of an Unbalanced Budget	This has been rectified and the law complied with moving forward	Resolved	
	Weaknesses in the internal Audit	Internal audit reports and other required documents were submitted.	Resolved	
	Lack of staff establishment	Approved staff establishment was provided.	Resolved	

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GRACE APONDI TITI
Accounting Officer
Senior Principal/ Sec- BOG.
Date

Sabatia Technical and Vocational College
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Appendix II- Inter-Entity Confirmation Letter

Sabatia Technical and Vocational College
P.O Box, 29-50311 Wodanga

The Ministry of Education, State Department of Technical and Vocational Training wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below.

Confirmation of amounts received by Sabatia Technical and Vocational College as at 30th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by Ministry of Education, State Department of Technical and Vocational Training (Kshs) as at 30th June 2023				Amount Received by [Beneficiary Entity] (Kshs) as at 30 th June 2023(E)	Differences (Kshs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter- Ministerial(C)	Total (D)=(A+B+C)		
MOE State DEPT Vocational NTE	27/10/2022	3,870,000	0	0	3,870,000	0	3,870,000
	26/01/2023	4,384,000	0	0	4,384,000	0	4,384,000
	29/06/2023	4,384,000	0	0	4,384,000	0	4,384,000
Total		<u>12,638,000</u>			<u>12,638,000</u>		<u>12,638,000</u>

I confirm that the amounts shown above are correct as of the date indicated.

Senior Principal/ Sec- BOG.

Name GRACE A. TITI Sign [Signature] Date 17-04-2025

