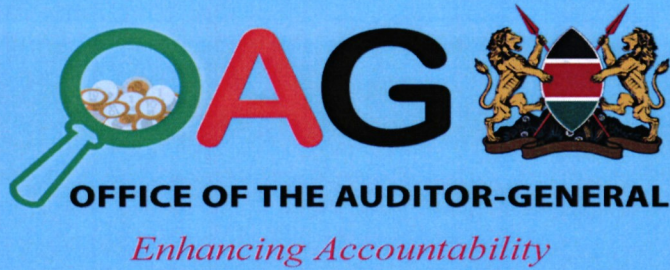
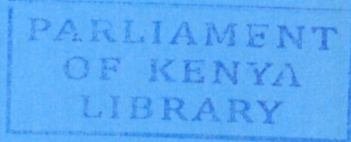


REPUBLIC OF KENYA



**REPORT**



**OF**

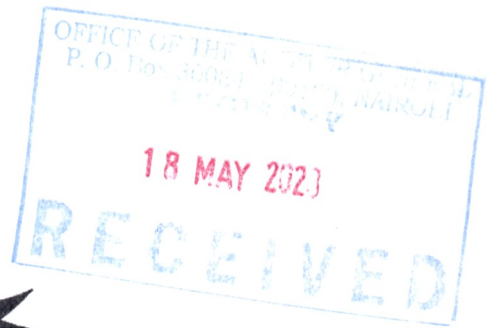
THE NATIONAL ASSEMBLY	
DATE: 06 JUL 2023	
Thursday	
TABLED BY	Hon. Samuel Chepkong'o, MP
CLERK BY	Joyce Kemerele

**THE AUDITOR-GENERAL**

**ON**

**ACHEGO VOCATIONAL TRAINING CENTRE**

**FOR THE YEAR ENDED  
30 JUNE, 2021**



# **ACHEGO VOCATIONAL TRAINING CENTRE**

P.O. Box 9-40109 Sondu; Tel: +254726848633

E-Mail: [achegovocational@gmail.com](mailto:achegovocational@gmail.com)

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## *ACHEGO VOCATIONAL TRAINING CENTRE*

### **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30<sup>TH</sup> JUNE 2021**

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**ACHEGO VOCATIONAL TRAINING CENTRE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

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**KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

Achevo Vocational Training Centre opened its doors in 1984 as a community initiative, and is currently under the County Government of Kisumu, Directorate of Vocational Education & Training. The centre is registered by TVETA under TVET Act, 2013 section 20(1). The VTC is situated along Sondu – Nyabondo road 5 kilometers away from the main road on top of the hilly side of the great Nyabondo plateau, in S. East sub-location, upper Nyakach Kisumu County.

**Courses offered**

1. Food processing Technology
2. Hairdressing and Beauty Therapy
3. Motor Vehicle Mechanics
4. Information Communication Technology (ICT)
5. Building Technology/Masonry
6. Electrical and Electronics Technology
7. Fashion Design and Garment Making

**(b) Principal Activities**

- Skills training
- Skills development

**Vision**

- *To be the best vocational training provider in Kenya*

**Mission**

- *To equip the youths with skills, knowledge, and attitude for employment and self-reliance*

**Motto**

- *Embracing technology to attain Vision 2030*

**Objectives**

- Achieve and maintain high level of quality training
- Ensure compliance with the Technical and Vocational Education and Training Act, 2013, and other relevant statutory and safety requirements.

**(c) Key Management**

The centre day-to-day management is under the following key organs:

- Board of Governors
- County Directorate
- Centre Management

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**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2021 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	CECM	Mr. John Obiero Awiti
2.	Chief Officer	Mrs. Peninah Onyango
3.	Director	Mrs. Paschalia Ouma
4.	Centre Manager	Mr. Nelson Nyaidho
5.	BOG chairman	Mr. Cleophas Ogodo

**(e) Fiduciary Oversight Arrangements**

- *County Executive*
- *Audit Committee Activities*
- *Development Partner Oversight Activities*

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**KEY ENTITY INFORMATION AND MANAGEMENT (Continued)**

**(f) Entity Headquarters**

P.O. Box 09 -40109  
SONDU  
KENYA

**(g) Entity Contacts**

E-mail: [achegovocational@gmail.com](mailto:achegovocational@gmail.com)  
Phone: 0726-848-633

**(h) Entity Bankers**

1. Kenya Commercial Bank  
P.O.Box 222 - 40109  
Sonde

**(i) Independent Auditors**

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

**(j) Principal Legal Advisor**

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

**ACHEGO VOCATIONAL TRAINING CENTRE**  
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**THE BOARD OF GOVERNORS**

1. Board of Governors Chairman-Mr. Cleophas Ogodo	Mr. Cleophas Ogodo is a retired civil servant and has a vast experience in Roads and Public Works as well as Management and Administration
2. Mr. George Omamo	He is the finance committee chair person and Representative
3. Mrs. Josephine Ogweno	Chair Education committee
4. Mr. Joash Ndege	Member of Innovation & Infrastructure committee
5. Mrs. Judith Omune	Leadership and Management Representative
6. Mrs Paschalia Ouma	Director VET
7. Mr. Vincent Orayo	Sub-County Administrator
8. Mr. Nelson Nyaidho	Secretary to the Board of Governors

**MANAGEMENT TEAM**

1. Centre Manager	Overall in charge of the centre
2. Deputy Centre manager	In charge of training
3. Heads of Department	In charge of respective departments

**ACHEGO VOCATIONAL TRAINING CENTRE**  
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## **BOG CHAIRMAN'S STATEMENT**

I feel honoured to present to the Annual Report and Financial Statements of Achege Vocational Training Centre for the financial year ended 30th June 2021. This annual re-port helps us to reflect on our performance for the year giving us an opportunity to celebrate our success and at the same time identify areas of improvement

The year 2020/2021 financial performance was achieved through concerted effort by the board of governors and the entire staff of Achege VTC. The institution received a total of 2,164,000 (Two million, one hundred and sixty four thousand shillings) from both the national and county government against a budget of 4,575,000 (Four million, five hundred and seventy five thousand shillings)

In January 2021, selected Achege Vocational Training Centre stakeholders had a retreat to establish various challenges that have bedeviled the institution since its inception and evaluate how the institution can progress within a given time frame. The retreat was part of the broad-spectrum strategies meant to strengthen the capacities of the institution and for enhancing performance following the negative impact of COVID-19 19 pandemic. This initiative sought to find ways of improving infrastructure and increasing trainees' population by 50% annually.

This projection is based on the institution's training capacity and Kenya's need for skilled middle level workforce in specific trades and crafts as identified by Kenya VISION 2030, the President's Big Four Agenda and Sustainable Development Goals number four which addresses quality education and training. The three-day retreat resulted in the development of a five-year strategic plan outlining the strategic direction the institution will focus on for the next five years. And more importantly, the meeting created strategic relations with the community, religious and political leaders who are key stakeholders; such a relationship had not been realized before.

It's incumbent upon the board and stakeholders to mobilize resources needed for the implementation of the plan and to achieve identified key activities within stipulated time frame.

Briefly, it is our hope and commitment that the Board shall adhere to good leadership and governance tenets, embrace high level of fiduciary care, individual and collective responsibility in execution of its roles and responsibilities. With this guiding document, the institution is luminous in realizing tremendous growth in developing skilled human resource through provision of vocational training. However, there are numerous challenges that we have to work round the clock to find a solution.

### **Challenges**

- **Inadequate staff**

The centre has 2 instructors employed by the County government of Kisumu against an establishment of 8 and lacks key support staff

- **Poor infrastructure**

The centre lacks modern workshops, laboratories and other necessary facilities

### **Future outlook**

With the new Strategic plan in place, we look forward to improving physical infrastructure of the centre and putting up key facilities for quality training

**ACHEGO VOCATIONAL TRAINING CENTRE**  
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In conclusion, I take this opportunity to thank my colleagues in the Board for supporting me in providing leadership. I also commend management and staff for working tirelessly to achieve the objectives of the centre despite the limited resources. I am confident that we will continually spare no effort to attain and surpass the targets set for the new financial year. I also appreciate the County Government of Kisumu, the community at large and all other stakeholders for supporting and doing business with us.

Signed



**Chairperson**  
Mr. Cleophas Saduma Ogado

**ACHEGO VOCATIONAL TRAINING CENTRE  
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**ACHEGO VOCATIONAL TRAINING CENTRE**  
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**REPORT OF THE CENTRE MANAGER**

It's delightful to see our institution come to the end of another financial year. Just like any other year, the financial year 2020/2021 had its own unique challenges including Covid 19 pandemic among others, but with dedicated members of the board of governors and the entire staff of Acheho VTC, the challenges were manageable.

In the year, a new strategic plan was developed and launched by the Board of governors to give a strategic direction aimed at skills development and quality training

In line with the new strategic plan, the financial year 2020/2021 some strategic pillars of the strategic plan were achieved such as:

Construction of permanent boarding facility for trainees, wash rooms for males and female students, Rebranding of the school gates and signages, Painting of administration block and teachers quarter Establishing hairdressing workshop.

A total of 87 (Eighty Seven) and 4 (Four) candidates were registered for trade test and KNEC craft examination respectively in various courses

**Challenges**

The centre experienced low trainee enrolment 2020 which was occasioned by the Covid 19 pandemic;

**Staff Establishment**

There are two county government employed instructors. Six instructors employed by BoG and two security officers this makes monthly wage bill to be so high

I take this opportunity to thank all our stake holders for their unwavering support in helping us to achieve our great mission of skills development



Nelson Nyaidho  
Centre Manager

**ACHEGO VOCATIONAL TRAINING CENTRE**  
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**REVIEW OF ACHEGOTVET PERFORMANCE FOR FY 2020/2021**

*ACHEGO VTC* has 4 strategic pillars and objectives within its Strategic Plan for the FY 2021/2022-2023/2024. These strategic pillars are as follows:

- Pillar 1: Increased students enrolment
- Pillar 2: institutional strengthening and capacity building
- Pillar 3: Enhanced financial sustainability
- Pillar 4 : Infrastructure development

*ACHEGO VTC* develops its annual work plans based on the above 4 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *ACHEGO VTC* achieved its performance targets set for the FY 2019/2020 period for its 4 strategic pillars, as indicated in the diagram below:

S/N	Strategic Priorities/Themes	Strategic Objectives	Proposed Strategies
Pillar 1	INCREASED STUDENT ENROLMENT	– Increase the number of students by 50% annually	<ul style="list-style-type: none"> <li>• Increased awareness of the institution</li> <li>• Enhance relationship with</li> </ul>
Pillar 2	INSTITUTIONAL STRENGTHENING AND CAPACITY BUILDING	– To have a cost-effective Board performing its roles and responsibilities.	<ul style="list-style-type: none"> <li>• Enhance Board's governance capacity</li> <li>• Increase Board's effectiveness and operational efficiency</li> <li>• Update and formulate operational policies and procedures.</li> </ul>
Pillar 3	ENHANCE FINANCIAL SUSTAINABILITY	<ul style="list-style-type: none"> <li>– Increase revenue by 20% annually</li> <li>– To reduce expenses by 20% annually</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen revenue collection</li> <li>• Introduction of income generating activities (IGA)</li> <li>• Strengthen budget implementation.</li> <li>• Rationalize expenditure.</li> <li>• Subsidizing costs by engaging trainees in various activities in Centre</li> <li>• Strengthen procurement process</li> </ul>

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Pillar 4	INFRASTRUCTURE DEVELOPMENT	– To improve accommodation facilities in the institution by end of 2026	<ul style="list-style-type: none"> <li>• Purchase land for expansion</li> <li>• Construct a perimeter wall around the institution</li> <li>• Construct two (2) prefabs for male and female learners</li> <li>• Construct wash rooms for males and female students</li> <li>• Construct a kitchen and a dining hall and in the institution</li> </ul>
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**CORPORATE GOVERNANCE STATEMENT**

**Appointment of Board of Governors members**

The current BOG members were appointed in accordance with First schedule Section 28(1)(a) and the Second Schedule section 1 & 2 of TVET Act No 29 of 2013 on 12<sup>th</sup> February 2019

Membership of the Board of Governors is as follows:

- a) a chairperson;
- b) a representative of the minister/CECM in the department responsible for technical and vocational training;
- c) a representative of the county Governor ; and

Six other persons appointed on the basis of their knowledge and experience in—

- 1) Leadership and management;
- 2) Financial management;
- 3) Technology;
- 4) Industry;
- 5) Engineering;
- 6) Information communication technology.

**Responsibility of the Board of Governors**

The board is responsible for;

- 1) The mission and vision of the Centre;
- 2) Promoting the aims and objectives of the center
- 3) Setting strategic directions for the Center;
- 4) Monitoring performance against strategic objectives
- 5) Extending links and communication between the centre and the wider community;
- 6) Fundraising and resource mobilization;

**Remuneration of the Board of Governors members**

The BoG members are paid a sitting allowance for every meeting attended. The sitting allowance paid to the members is disclosed in the financial statements.

**ACHEGO VOCATIONAL TRAINING CENTRE**  
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**The Board of Governors meetings**

The meetings of the full board are held at least once every quarter in a calendar year. In order to facilitate the smooth running of its affairs, the BoG establishes such committees with the membership and with such terms of reference as it may deem fit. During the financial year 2020/2021, four full board and three committee meetings were held

The following committees were in place during the 2020/2021 financial year

- 1) Finance & Strategic planning committee
- 2) Innovation & Infrastructure committee

Finance & Strategic planning committee is responsible for the following:

- i. Overseeing the preparation and annual review of five-year rolling strategic plan
- ii. Making recommendations to the BoG on annual budgets in the light of the overall plan, the annual operating budgets and other relevant information;
- iii. Giving advice to the BoG on the needs of the Centre as established by its plans
- iv. Reviewing the Center's financial strategy for approval by the BoG;
- v. Dealing with strategic issues concerning financial risk management and advising the BoG appropriately
- vi. Reviewing the Center's annual financial statements and reporting to the BoG

**MANAGEMENT DISCUSSION AND ANALYSIS**

Hair dressing and Beauty therapy department was established during the financial year with the aim of increasing trainee enrolment. The department will also have a modern salon that will be open to members of the public for income generation.

In line with the new strategic plan, the financial year 2020/2021 saw renovation of key facilities among them construction of: a dormitory, motor vehicle shade, open shade for building department, painting of the administration and teachers quarters, branding of school gate, signages and pit latrines.

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

*ACHEGO VTC 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 three pillars 1: putting the customer/Citizen first, 2. Delivering relevant goods and services, 3. improving operational excellence. Below is a brief highlight of our achievements in each pillar*

**1. Environmental performance**

- *Acheho Vocational Training Centre family believes in a green environment, during this financial year, 500 trees of various species were planted*

**2. Employee welfare**

- *Acheho Vocational Training Centre is observes gender equity policies in all its appointments*

**3. Community Engagements**

*Acheho VTC engages the community members as casual labourers*

**ACHEGO VOCATIONAL TRAINING CENTRE**  
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**REPORT OF THE BOARD OF GOVERNORS**

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

**Principal activities**

Achego VTC'sis premised on imparting and empowering trainees with employability vocational and life skills up to Artisan level in the following courses:

1. Building Technology
2. Motor Vehicle Mechanics
3. Food Processing Technology
4. Hair dressing and beauty therapy
5. Agribusiness
6. Electrical and Electronics
7. Information Communications Technology
8. Fashion Design and Garment Making

**Institution Objectives:**

- To provide increased training opportunities for trainees that will enable them to be self-reliant
- To understand active and continuous transfer of technology through collaborative approach between TVET institutions, relevant industries, community and civil society
- To provide technical knowledge, vocational skills and attitudes necessary for the county and national development
- To provide continuous upgrading of skills and knowledge for the labour markets
- To conduct research in appropriate emerging technologies
- To integrate ICT in improving training and management systems
- To provide extension services to the community

**Results**

During the year trainees enrolment increased from 85 to 100. The increase was due to enhanced community awareness creation and county's vocational training scholarships.

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**BOARD OF GOVERNORS**

The members of the Board who served during the year are shown on page v. During the year 2020/2021 the former board passed on and was replaced and Mr. Cleophas Saduma Ogodo was appointed with effect from 26<sup>th</sup> October, 2020.

**Auditors**

The Auditor General is responsible for the statutory audit of the *Achego Vocational Training Centre* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the institution for the period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

  
-----  
BOG Chairman

**ACHEGO VOCATIONAL TRAINING CENTRE**  
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**STATEMENT OF BOARD OF GOVERNORS**

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

The council members are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *entity*; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The council members accept responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*the State Corporations Act, and the TVET Act*) – *entities should quote applicable legislation as indicated under*). The council members are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2021, and of the *entity's* financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.


Nothing has come to the attention of the BOG to indicate that the *Achevo Vocational Training Centre* 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 *entity's* financial statements were approved by the Board on 29<sup>th</sup> December, 2020 and signed on its behalf by:

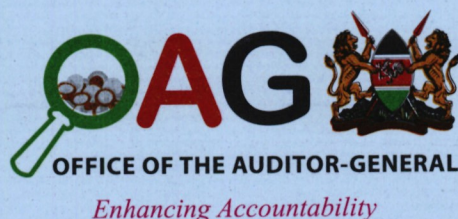
Signed

  
29/12/2020  
**Chairperson**  
Mr. Cleophas Saduma Ogodu

  
**Accounting officer/Principal**

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON ACHEGO VOCATIONAL TRAINING CENTRE FOR THE YEAR ENDED 30 JUNE, 2021**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Achego Vocational Training Centre set out on pages 1 to 36, which comprise of the statement of financial position as at 30 June, 2021, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts

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*Report of the Auditor-General on Achego Vocational Training Centre for the year ended 30 June, 2021*

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

In my opinion, except for the effect 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 Achego Vocational Training Centre as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Technical and Vocation Education Training Act, 2013 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Failure to Provide a Trial Balance**

The balances reflected in the financial statements were not supported with a trial balance.

In the circumstances, the accuracy and completeness of the financial statements' balances could not be confirmed.

#### **2. Variances Between the Financial Statements and the Ledgers**

Review of the financial statements presented for audit reflected variances with the supporting ledgers as indicated below:

<b>Component</b>	<b>Financial Statements Amount (Kshs.)</b>	<b>Ledger Amount (Kshs.)</b>	<b>Variance (Kshs.)</b>
Revenue from non-exchange transactions	2,164,000	-	2,164,000
Water	6,000	22,000	(16,000)
Instructional Material	442,760	834,060	(391,300)
Text Books	-	215,000	(215,000)
BOG Members Allowances	135,300	73,000	(62,300)
Repair and Maintenance	668,104	1,011,420	(343,316)

In the circumstances, the accuracy of the financial statements could not be confirmed.

#### **3. Inaccuracies in Use of Goods and Services**

The statement of financial performance reflects an expenditure of Kshs.448,760 under use of goods and services which, as disclosed in Note 4 to the financial statements, includes an amount of Kshs.442,760 spent on instruction materials. However, examination of payment vouchers revealed that the Centre spent an amount of

Kshs.1,572,180 on purchase of instruction materials resulting to an unexplained and unreconciled variance of Kshs.1,123,420.

In the circumstances, the accuracy and completeness of the use of goods and services amount of Kshs.448,760 could not be confirmed.

#### **4. Omitted Property, Plant and Equipment**

The statement of financial position did not include property, plant and equipment balance even though the Centre has land, buildings and furniture used for learning. This is contrary to Section 164(3) of the Public Financial Management Act, 2012 which requires Accounting Officers to prepare the financial statements in a form that complies with relevant accounting standards prescribed and published by the Accounting Standards Board from time to time. Further, the Management did not provide an asset register showing the assets held by the Centre. It was therefore not possible to ascertain the nature and classes of assets held by the Centre.

In the circumstances, the accuracy of the financial statements could not be confirmed and Management was also in breach of the law.

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

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

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **1. Delay in Submission of Financial Statements**

The financial statements for the year ended 30 June, 2021 were submitted to the Auditor-General on 24 March, 2023, more than one (1) year and five (5) months after the statutory deadline of 30 September, 2021. This is contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

## **2.Non-Compliance with the Public Sector Reporting Template**

Management has not included a report on the operational and financial performance of the Centre during the period, the Centre's key projects or investments decision implemented or ongoing, Centre's compliance with statutory requirements, major risks facing the Centre, material arrears in statutory and other financial obligations. Therefore, the financial statements were not prepared in accordance with the format prescribed by the Public Sector Accounting Standards Board (PSASB).

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

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Lack of Key Personnel**

The Management has not employed key personnel such as procurement officer, human resource officer and an accountant.

In the circumstances, the Centre may not effectively deliver services to the public.

#### **2. Lack of Internal Audit Function and Audit Committee**

The Centre did not have in place a functional Internal Audit Unit to appraise the Management's activities and operations. Further, the Centre did not have an Audit Committee in place to provide oversight over financial operations and accountability.

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

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

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

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

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

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

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

Those Charged with Governance are responsible for overseeing the Centre'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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

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

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


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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Centre to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

15 June, 2023

**ACHEGO VOCATIONAL TRAINING CENTRE**  
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**IV. STATEMENT OF FINANCIAL PERFORMANC FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2020/2021	2019/2020 Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the National Government–grant (SVTCSG)	1	2,025,000	
CDF Nyakach Constituency	2	125,000	
Fee Payments	3	14,000	
<b>Total revenue</b>		<b>2,164,000</b>	<b>00</b>
<b>Expenses</b>			
Use of goods and services	4	448,760	00
Employee costs	5	130,000	00
Remuneration of directors	6	135,300	00
Repairs and maintenance	7	668,104	00
Text books	8	141,000	00
<b>Total expenses</b>		<b>1,523,164</b>	<b>00</b>
<b>Net Surplus for the year</b>		<b>640,836</b>	<b>00</b>

The notes set out on pages 19 to 27 form an integral part of the Annual Financial Statements.



**Chairman of Council/  
Board of Governors**

Date 30/6/2021

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**Finance Officer  
ICPAK No**

Date.....



**Principal**

Date 30/6/2021

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**V. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2021**

	Notes	2020-2021 Kshs	2019-2020 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	640,836	00
Inventories		640,836	-
<b>Total assets</b>		<b>640,836</b>	<b>00</b>
<b>Total liabilities</b>		-	-
<b>Net assets</b>			<b>00</b>
Accumulated surplus		640,836	00

The Financial Statements set out on pages 19 to 27 were signed on behalf of the Institute Council/ Board of Governors by:



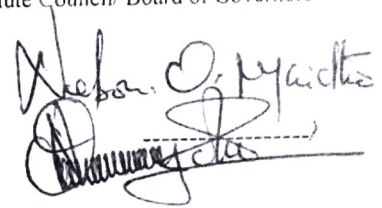
**Chairman of Council/  
Board of Governors**

Date 30/6/2021

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**Finance Officer**  
ICPAK No

Date.....



**Principal**

Date 30/6/2021

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
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**I. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2021**

	Revaluation reserve	Retained earnings	Capital/Development Grants/Fund	Total
<b>At July 1, 2019</b>	xxx	Xxx	Xxx	xxx
Revaluation gain	xxx	-	-	xxx
Fair value adjustment on quoted investments	-	-	-	xxx
Total comprehensive income	-	00	00	00
Capital/Development grants received during the year	-	-	Xxx	xxx
Transfer of depreciation/amortisation from capital fund to retained earnings	-	Xxx	(xxx)	-
<b>At June 30, 2020</b>	00	00	00	00
<b>At July 1, 2020</b>	00	00	00	00
Revaluation gain	00	-	-	xxx
Fair value adjustment on quoted investments	-	-	-	xxx
Total comprehensive income	-	640,836	-	640,836
Capital/Development grants received during the year	-	-	Xxx	xxx
Transfer of depreciation/amortisation from capital fund to retained earnings	-	Xxx	(xxx)	-
<b>At June 30, 2021</b>	00	640,836	Xxx	640,836

Note:

1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustments should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
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**II. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

		2020/2021	2019/2020
	Note	Kshs	Kshs
<b>Cashflowsfromoperatingactivities</b>			
<b>Receipts</b>			
Transfers from other Government entities/Govt. grants	1	2,025,000	00
CDF Nyakach Constituency	2	<b>125,000</b>	<b>00</b>
<b>School Fees</b>	3	<b>14,000</b>	
<b>Total Receipts</b>		<b>2,164,000</b>	
<b>Payments</b>			
Use of goods and services	4	448,760	00
Employee costs	5	130,000	00
Remuneration of BOG members	6	135,300	00
Repair and maintenance	7	668,104	00
Text books	8	141,000	00
<b>Total Payments</b>		<b>1,523,164</b>	
<b>Cashandcashequivalentsat30 JUNE</b>		<b>640,836</b>	<b>00</b>

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
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**III. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021**

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2020/2021	Kshs	2020/2021	Kshs	2020/2021	Kshs	2020/2021	Kshs	2020/2021	Kshs
<b>Revenue</b>										
Transfers from national government	2,250,000		00		2,250,000		2,025,000		225,000	
Transfers from county government	2,250,000		00		2,250,000		00		2,250,000	
<b>CDF Nyakach</b>	135,000				135,000		125,000		100,000	
<b>Fees</b>	54,000				54,000		14,000		40,000	
<b>Total income</b>	<b>4,689,000</b>		<b>00</b>		<b>4,689,000</b>		<b>2,164,000</b>		<b>2,525,000</b>	
<b>Expenses</b>										
Use of Goods and services	1,256,500		00		1,256,500		448,760		807,740	
Employee costs	960,000		00		960,000		130,000		830,000	
Remuneration of BOG members	320,000		00		320,000		135,300		184,700	
Repair and maintenance	1,902,500		00		1,902,500		668,104		1,234,396	
Text books	250,000		00		250,000		141,000		109,000	
<b>Total expenditure</b>	<b>4,689,500</b>				<b>4,689,500</b>		<b>1,523,164</b>		<b>3,166,336</b>	

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14

2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

**ACHEGO VOCATIONAL TRAINING CENTRE**  
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**IV. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Achege is established by and derives its authority and accountability from TVETA Act 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is vocational training.

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

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

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

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

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

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

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

**ACHEGO VOCATIONAL TRAINING CENTRE**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

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

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41:</b> Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2022:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<b>IPSAS 42:</b> Social Benefits	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
Amendments to Other IPSAS resulting from	<p><b>Applicable: 1st January 2022:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently</p>

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<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 41, Financial Instruments	<p>omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>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.</p>
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

**iii. Early adoption of standards**

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

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

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash,

**ACHEGO VOCATIONAL TRAINING CENTRE**  
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goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

**ii) Revenue from exchange transactions**

**Rendering of services**

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

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

**Sale of goods**

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

**Interest income**

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

**Dividends**

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

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

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

**a) Revenue recognition (Continued)**

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

**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**

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The original budget for FY 2020/2021 was approved by the Board of Governors on *30<sup>th</sup> September 2020*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations for the FY 2020/2021 budget following the Council/ Board's approval.

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

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

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

**c) Taxes**

***Current income tax***

The entity is exempt from paying taxes as per schedule xxx of the xxx Act.

**ACHEGO VOCATIONAL TRAINING CENTRE**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**c) Taxes (continued)**

*Sales tax/ Value Added Tax*

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

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

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

**d) Investment property**

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

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

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

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

**e) Property, plant and equipment**

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

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

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

**f) Leases**

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

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

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

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

**g) Intangible assets**

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

**h) Research and development costs**

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

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

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

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

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

**i) Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

*Held-to-maturity*

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

*Impairment of financial assets*

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

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

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

**i) Financial instruments (Continued)**

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

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

*Financial liabilities*

*Initial recognition and measurement*

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

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

*Loans and borrowing*

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

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

**i) Inventories**

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

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

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

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

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

**i) Inventories (Continued)**

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

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

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

**j) Provisions**

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

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

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

***Contingent liabilities***

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

***Contingent assets***

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

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

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

**k) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

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

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

**m) Employee benefits**

**Retirement benefit plans**

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

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

**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

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

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

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

**p) Related parties**

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

**q) Service concession arrangements**

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

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Subsequent events**

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

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

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

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

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**1. TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

Description	2020/2021	2019/2020
	KShs	KShs
<b>Conditional grants</b>		
Repairs maintenance and improvement of tools and equipment	445,500	00
Text books, exercise books and stationary	270,000	00
Tools, equipment and instructional/assessment/examination materials	810,000	00
Electricity Water and bank charges-utilities	168,750	00
Skills , competitions and exhibitions	128,250	00
Co-curricular activities	135,000	00
Local travel and transport	67,500	00
<b>Total government grants and subsidies</b>	<b>2,025,000</b>	<b>00</b>

**2. Transfers Nyakach Constituency CDF**

Description	2020/2021	2019/2020
	KShs	KShs
CDF- Nyakach	125,000	00
<b>Total Transfers</b>	<b>125,000</b>	<b>00</b>

**3. Fee payments**

Description	2020/2021	2019/2020
	KShs	KShs
Fees	14,000	00
<b>Total Transfers</b>	<b>14,000</b>	<b>00</b>

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

**4. USE OF GOODS AND SERVICES right one needed**

Description	2020/2021	2019/2020
	KShs	KShs
Electricity & Bank charges		00
Water	6000	00
Instructional materials	442,760	00
Subscriptions(Internet)	-	00
Exams	-	00
Meeting meals		00
Lunch	-	00
Printing and stationery	-	00
Skills Competition	-	00
Co-Curricular activities	-	00
Postal charges	-	00
Study tours	-	00
Other	-	00
<b>Total good and services</b>	<b>448,760</b>	<b>00</b>

**5. EMPLOYEE COSTS**

	2020/2021	2019/2020
	KShs	KShs
Salaries and wages	130,000	00
Travel, motor car, accommodation, subsistence and other allowances	00	00
<b>Employee costs</b>	<b>130,000</b>	<b>00</b>

**6. REMUNERATION OF DIRECTORS**

Description	2020/2021	2019/2020
	KShs	KShs
B.O.G Members allowances	135,300	00
<b>Total BOG members emoluments</b>	<b>135,300</b>	<b>00</b>

**7. REPAIRS AND MAINTENANCE**

Description	2020/2021	2019/2020
	KShs	KShs
General repair, Maintenance & replacements	668,104	00
Other		0
<b>Total repairs and maintenance</b>	<b>668,104</b>	<b>00</b>

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**8. TEXT BOOKS**

Description	2020/2021	2019/2020
	KShs	KShs
Textbooks	141,000	00
<b>Total</b>	<b>141,000</b>	<b>00</b>

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

**10. CASH AND CASH EQUIVALENTS**

Description	2020/2021	2019/2020
	KShs	KShs
Current account		
1233819356	614,973	
1112425845	25,863	00
Others(specify)	-	
<b>Total cash and cash equivalents</b>	<b>640,836</b>	<b>00</b>

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

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

Financial institution	Account number	2019-2020	2018-2019
		KShs	KShs
<b>a) Current account</b>			
Kenya Commercial bank	1233819356	614,973.00	00
Kenya Commercial bank	1112425845	25,863.00	00
<b>Sub- total</b>			<b>00</b>
<b>Grand total</b>		<b>640,836.00</b>	<b>00</b>

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

**11. INVENTORIES**

Description	2019-2020	2018-2019
	KShs	KShs
Consumable stores	-	-
Maintenance stores	-	-
Health Unit stores	-	-
Electrical stores	-	-
Cleaning materials stores	-	-
Catering stores	-	-
<b>Total inventories at the lower of cost and net realizable value</b>		

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

**12. PROPERTY, PLANT AND EQUIPMENT**

Cost	Land and Buildings		Motor vehicles		Furniture and fittings		Computers		Other Assets (Specify)		Plant and equipment		Capital Work-in progress		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Additions	xxx	xxx	xxx	xxx	xxx	xxx	-	-	xxx	xxx	-	xxx	xxx	xxx	xxx	xxx
Disposals	(xxx)	(xxx)	(xxx)	(xxx)	-	-	-	-	(xxx)	(xxx)	-	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
Transfers/adjustments	xxx	xxx	xxx	xxx	xxx	xxx	(xxx)	(xxx)	(xxx)	(xxx)	-	xxx	xxx	xxx	xxx	(xxx)
<b>At 30<sup>th</sup> June xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
Additions	xxx	xxx	xxx	xxx	xxx	xxx	-	-	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Disposals	(xxx)	(xxx)	-	-	-	-	-	-	(xxx)	(xxx)	-	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
Transfer/adjustments	(xxx)	(xxx)	xxx	xxx	xxx	xxx	(xxx)	(xxx)	(xxx)	(xxx)	-	xxx	xxx	xxx	xxx	(xxx)
<b>At 30<sup>th</sup> June xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>Depreciation and impairment</b>																
At 1 July xxx	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
Depreciation	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
Impairment	(xxx)	(xxx)	-	-	-	-	-	-	(xxx)	(xxx)	-	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
<b>At 30<sup>th</sup> June xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
Depreciation	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
Disposals	xxx	xxx	-	-	-	-	-	-	xxx	xxx	-	xxx	xxx	xxx	xxx	xxx
Impairment	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
Transfer/adjustment	xxx	xxx	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	-	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
<b>At 30<sup>th</sup> June xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>Net book values</b>																
At 30 <sup>th</sup> June xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
At 30 <sup>th</sup> June xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13. INTANGIBLE ASSETS-SOFTWARE**

Description	2019-2020	2018-2019
	KShs	KShs
<b>Cost</b>		
<b>At beginning of the year</b>	xxx	xxx
Additions	xxx	xxx
<b>At end of the year</b>	xxx	xxx
Additions–internal development	xxx	xxx
<b>At end of the year</b>	xxx	xxx
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	xxx	xxx
Amortization	xxx	xxx
<b>At end of the year</b>	xxx	xxx
Impairment loss	xxx	xxx
<b>At end of the year</b>	xxx	xxx
<b>NBV</b>	xxx	xxx

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

**14. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Consumerdeposits	xxx	xxx
Caution money	xxx	xxx
Other refundable deposits	xxx	xxx
<b>Totaldeposits</b>	<b>xxx</b>	<b>xxx</b>

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

**15. EMPLOYEE BENEFIT OBLIGATIONS**

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2019-2020	2018-2019
				KShs	KShs
Current benefit obligation	xxx	Xxx	xxx	xxx	xxx
Non-current benefit obligation	xxx	Xxx	xxx	xxx	xxx
<b>Totalemployee benefits obligation</b>	xxx	Xxx	xxx	xxx	xxx

The entity operates a defined benefit scheme for all full-time employees from July 1, 20XX. The scheme is based on xxx percentage of salary of an employee at the time of retirement. During the year, XXX actuarial valuers were engaged to value the scheme. The liability at the end of the year is as follows:

	2019-2020	2018-2019
	KShs	KShs
Valuation at the beginning of the year	XXX	XXX
Changes in valuation during the year	XXX	XXX
Valuation at end of the year	XXX	XXX

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.XXX per employee per month.

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

**16. FINANCIAL RISK MANAGEMENT**

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

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

**(i) Credit risk**

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and

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deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

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

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

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 20xx</b>				
Receivables from exchange transactions	Xxx	xxx	Xxx	xxx
Receivables from non exchange transactions	Xxx	xxx	Xxx	xxx
Bank balances	Xxx	xxx	Xxx	xxx
<b>Total</b>	<b>Xxx</b>	<b>xxx</b>	<b>Xxx</b>	<b>xxx</b>
<b>At 30 June 20xx</b>				
Receivables from exchange transactions	Xxx	xxx	Xxx	xxx
Receivables from non exchange transactions	Xxx	xxx	Xxx	xxx
Bank balances	Xxx	xxx	Xxx	xxx
<b>Total</b>	<b>Xxx</b>	<b>xxx</b>	<b>Xxx</b>	<b>xxx</b>

*(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)*

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

**46. FINANCIAL RISK MANAGEMENT (Continued)**

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

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

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

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

**(ii) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 20xx</b>				
Trade payables	Xxx	xxx	xxx	xxx
Current portion of borrowings	Xxx	xxx	xxx	xxx
Provisions	Xxx	xxx	xxx	xxx
Deferred income	Xxx	xxx	xxx	xxx
Employee benefit obligation	Xxx	xxx	xxx	xxx
<b>Total</b>	<b>Xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>At 30 June 20xx</b>				
Trade payables	Xxx	xxx	xxx	xxx
Current portion of borrowings	Xxx	xxx	xxx	xxx
Provisions	Xxx	xxx	xxx	xxx
Deferred income	Xxx	xxx	xxx	xxx
Employee benefit obligation	Xxx	xxx	xxx	xxx
<b>Total</b>	<b>Xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

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

**46. FINANCIAL RISK MANAGEMENT (Continued)**

**(iii) Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage 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.

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

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through 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 the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	<b>Ksh</b>	<b>Other currencies</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 20xx</b>			
Financial assets(investments, cash ,debtors)	xxx	xxx	xxx
Liabilities			
Trade and other payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

The entity 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.

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

**46. FINANCIAL RISK MANAGEMENT (Continued)**

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 201xx</b>			
Financial assets(investments, cash ,debtors)	xxx	xxx	xxx
Liabilities			
Trade and other payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	xxx	xxx	xxx

**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.

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
<b>20xx</b>			
Euro	10%	xxx	Xxx
USD	10%	xxx	Xxx
<b>20xx</b>			
Euro	10%	xxx	Xxx
USD	10%	xxx	Xxx

b) Interest rate risk

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

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

**46 FINANCIAL RISK MANAGEMENT (Continued)**

(iii) Market risk (Continued)

b) Interest rate risk(continued)

*Sensitivity analysis*

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been 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 xxx (2016: KShs xxx ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2012 – KShs xxx)

**iv) Capital Risk Management**

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

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	xxx	Xxx
Retained earnings	xxx	Xxx
Capital reserve	xxx	Xxx
<b>Total funds</b>	<b>xxx</b>	<b>Xxx</b>
Total borrowings	xxx	Xxx
Less: cash and bank balances	(xxx)	(xxx)
Net debt/(excess cash and cash equivalents)	xxx	Xxx
<b>Gearing</b>	<b>xx%</b>	<b>xx%</b>

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

	20xx-20xx	20xx-20xx
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of goods to xxx	xxx	xxx
Sales of services xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>
<b>b) Grants from the Government</b>		
Grants from National Govt	xxx	xxx
Grants from County Government	xxx	xxx
Donations in kind	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	xxx	xxx
Payments for goods and services for xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>
<b>d) Key management compensation</b>		
Directors' emoluments	xxx	xxx
Compensation to the CEO	xxx	xxx
Compensation to key management	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

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

**18. SEGMENT INFORMATION**

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

**19. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

<b>Contingent liabilities</b>	<b>20xx-20xx</b>	<b>20xx-20xx</b>
	<b>Kshs</b>	<b>Kshs</b>
Court case xxx against the company	xxx	xxx
Bank guarantees in favour of subsidiary	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

*(Give details)*

**20. CAPITAL COMMITMENTS**

<b>Capital commitments</b>	<b>20xx-20xx</b>	<b>20xx-20xx</b>
	<b>Kshs</b>	<b>Kshs</b>
Authorised for	xxx	xxx
Authorised and contracted for	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

*(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)*

**21. EVENTS AFTER THE REPORTING PERIOD**

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

**22. ULTIMATE AND HOLDING ENTITY**

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

**23. Currency**

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

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

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

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

**Guidance Notes:**

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

Director General/C.E.O/M.D (enter title of head of entity)  
 Chairman of the Board

Date.....

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

**Projects**

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

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

**Status of Projects completion**

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

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

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**APPENDIX III: INTER-ENTITY TRANSFERS**

	<b>ENTITY NAME:</b>		
	<b>Break down of Transfers from the State Department of XXX</b>		
	<b>FY xx/xx</b>		
a.	Recurrent Grants		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
			Xx
			Xx
			Xx
		<b>Total</b>	<b>XXX</b>
b.	Development Grants		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
			Xx
			Xx
			Xx
		<b>Total</b>	<b>XXX</b>
c.	Direct Payments		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
			Xx
			Xx
			Xx
		<b>Total</b>	<b>XXX</b>
d.	Donor Receipts		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
			Xx
			Xx
			Xx
		<b>Total</b>	<b>XXX</b>

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

Finance Manager  
 XXX entity

Sign -----

Head of Accounting Unit  
 xxx Ministry

Sign-----

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**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Donor Fund/Direct Payment	Total Amount - KES	Where Recorded/recognized				Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	
Ministry of Education	xxx	Recurrent	xxx	xxx	xxx	xxx	xxx	xxx
Ministry of Education	xxx	Development	xxx	xxx	xxx	xxx	xxx	xxx
USAID	xxx	Donor Fund	xxx	xxx	xxx	xxx	xxx	xxx
Ministry of Education	xxx	Direct Payment	xxx	xxx	xxx	xxx	xxx	xxx
			xxx	xxx	xxx	xxx	xxx	xxx
<b>Total</b>			xxx	xxx	xxx	xxx	xxx	xxx



2  
2  
2

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