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REPORT

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THE AUDITOR-GENERAL

ON

**NACHU TECHNICAL AND
VOCATIONAL COLLEGE**

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

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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NACHU TECHNICAL AND VOCATIONAL COLLEGE

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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE 2019

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

OFFICE OF THE AUDITOR GENERAL
CENTRAL HUB

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**NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

I. Table of Contents

I. KEY ENTITY INFORMATION AND MANAGEMENT	ii
KEY ENTITY INFORMATION AND MANAGEMENT (Continued)	4
THE BOARD OF GOVERNORS	5
MANAGEMENT TEAM	7
II. CHAIRMAN'S STATEMENT	9
III. REPORT OF THE PRINCIPAL	10
IV. CORPORATE GOVERNANCE STATEMENT	12
V. MANAGEMENT DISCUSSION AND ANALYSIS	xiii
VI. REPORT OF THE BOARD OF GOVERNORS	xiv
VII. STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITIES	xv
VIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019	1
IX. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019	2
X. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2019 ...	3
XI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019	4
XII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019	5
XIII. NOTES TO THE FINANCIAL STATEMENTS	6
APPENDIX I: INTER-ENTITY TRANSFERS	23

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Nachu Technical and Vocational College (NTVC) was established under the TVET Act of 2013 and registered in 2017, Registration certificate number TVETA/PUBLIC/RC/0039/2017. NTVC is domiciled in Kenya under the Ministry of Education. NTVC is represented by the Cabinet Secretary for Education who is responsible for the general policy and strategic direction of the College.

(b) Principal Activity

The principal activity of the Nachu Technical and Vocational College is to provide quality technical and vocational training.

MANDATE

The Mandate of Nachu Technical and Vocational College (NTVC) is to:

- Offer Technical and Vocational Education and Training (TVET)
- Provide the required leadership in designing suitable plans and strategies that will contribute to high and sustainable socio-economic development.

VISION

A centre of excellence in sustainable skills development.

MISSION

To provide and promote quality competency based Technical and Vocational Training for sustainable development for local and global market.

STRATEGIC OBJECTIVES

- i. To enhance access and equity to competency based training
- ii. To enhance customer satisfaction
- iii. To enhance prudent management of resources
- iv. Develop and implement a comprehensive partnership strategy
- v. Uphold institutional Governance

STRATEGIC DESTINATION

To provide quality training that will empower the youths with technical and vocational skills with right attitudes and who are innovative and who are required by the today's Kenya and the global market.

CORE VALUES

- Accountability – Commitment, result oriented and taking responsibility of our actions.
- Responsive – Listening, taking action and being solutions oriented.
- Innovative – creative in all undertakings.
- Integrity –honesty, fairness and trustworthiness.
- Safety – ensuring safety for ourselves and safety of others.

(c) **Key Management**

NTVC day-to-day management is under the following key organs:

I. Board of Governors (BOG)

The responsibilities of the board are:

- i. Providing strategic direction
- ii. Developing and implementing the College strategic plan
- iii. Managing the property of the College
- iv. Growing College's enrolment to enhance access.
- v. Creating community linkage
- vi. Providing / sourcing for resources and support
- vii. Adding value to the community and Country.
- viii. Enabling the Government achieve its key agenda in its manifesto.
- ix. Ensuring quality and relevance in training in line with vision 2030.

II. Principal

Takes overall responsibility in the day today running of the College on behalf of the board of governors by:

- a) Implementing the strategic direction approved by the BOG.
- b) Managing the property of the College
- c) Increasing College's enrolment.
- d) Adding value to the community and Country.
- e) Ensuring quality and relevance in training in line with vision 2030.

(d) **Fiduciary Management**

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

- | | |
|----------------------------|--|
| 1. James C. Chege Irungu : | Principal |
| 2. Stanley Mageria : | Head of Department Welding and Fabrication |
| 3. Richard Macharia: | Head of Department Plumbing |
| 4. James Gitonga: | Head of Department ICT |
| 5. Jaqueline Kabugi: | Accountant |
| 6. Joseph Kageni: | Head of Department Automotive Engineering |

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(e) Entity Headquarters

Nachu Technical and Vocational College
P.O. Box 1455,00902
Kikuyu, Kenya

(f) Entity Contacts

Telephone: (254) 729 043 346, 0735736864
E-mail: nachutechnical@gmail.com

(g) Entity Bankers

Kenya Commercial Bank
Kikuyu Branch,
P.O BOX 148-00902
Kikuyu

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

THE BOARD OF GOVERNORS

1.



Mr. Samuel Kibunja Watene is the Chairman of the Board of Governor. He was born on 8th October, 1975. He holds a Master's Degree in Business Administration from University of Cape town, Bachelor of Commerce from University of Nairobi, Certified Public Accountant (CPAK), Certified Change Management Practitioner, Certified KenBlanchard leadership Trainer and a Certified Executive leadership coach. He is an adjunct faculty of Strathmore Business School. He is a founder trustee of Kikuyu Constituency Education Foundation (KICE). He is the Managing Director, Altima Africa Ltd and Managing Director Stratostaff East Africa Ltd.

2.



Ms. Anne Tepeiya Lantey was born on 14th July, 1971. She holds a Master in Psychology and Counselling, Bachelor of Art, Post Graduate Diploma in Business Management and has the following certification; Performances Development Planning, Unilever (Egypt), Strategic Human Resource management (Witwersrand SA), New Labour Laws of Kenya, Competency Based Recruitment (Marcus Evans SA). She is the General manager Saurus Networks Kenya Ltd and Principal Business consultant ATL Global Business services.

3.



Dr. Stella Nabwile Makokha was born on 27th November, 1963. She holds a PhD in Agricultural Economics, Masters in Agricultural Economics and a BSC Economics. She is a Consultant and a Researcher and she has published many scientific research papers. In particular, she won a 2-year scholarship from African Women in Agricultural Research and Development (AWARD) for her outstanding work research. She has worked with the many organisations among them Kenya Agricultural and Livestock Research Organisation. She is a board member of Africa Biotechnology Stakeholders Forum (ABSF) and Sustainable Agriculture Center for Research, Extension & Development in Africa (SACRED AFRICA). She has been Consultant for the following organisation; Africa Harvest Biotech Foundation, Open forum on Agricultural Biotechnology, Kenya (OFAB), Eastern Africa Farmers Federation (EAFF), Ministry of Agriculture, international Livestock Research Institute, German GTZ.

4.



Mr. George Njuguna Ngugi, was born on 25th September, 1975. He holds a Bachelor's Degree in Business Administration from Limkokwing University of creative Technology, Malaysia. He previously worked in the Banking sectors as a Bank Manager, Corporate Relation Manager, Head of Corporate schemes and Head of Retail Banking in Barclays Bank of Kenya, Standard Chartered Bank and National Bank of Kenya. He is Current the Managing Director Manpower Group Ltd.

5.



Ms. Ruth Wanja Wachira was born on 30th December, 1970. She holds a Bachelors of Information Technology from Devry University and a Bachelor of Mathematics and Computer Science from Indiana University. She is currently the Director, Data Management Business and Consulting Nairobi. Previously she was the Human Resource System Administrator at Mumias Sugar Company. System Administrator at First Data Corporation, Columbus, OH. Worked at Bank One Corporation as a check control and later as a computer control specialist in Columbus OH.

6.



Mr. Job Ouma Ochola was born in 1969. He holds a Bachelor of Science in Civil Engineering. He is a registered Engineer and has worked with the private sector as a Structural Engineer. Among the organisations he has consulted are: Standard Gauge Railway, Construction of Churches, Hotels, Roads, Schools, Office blocks, Apartments, Hospitals and general construction.

7.

Lydia Wambui Kiarie

Ms Lydia Wambui Kiarie was born on 14th April, 1972. She holds a Master's in Business Administration (Finance) from University of Nairobi, Bachelor of Arts (Economics) from Moi University and certified public accountant. She has worked in various organisations in the following positions: Audit Assistant, Credit Controller, Financial Accountant, Finance Officer, and currently she is the Director Finance, Operations and Logistics at Integrated Logistics Ltd.

8.



Mrs. Margaret Nduhiu She is the Regional County Director, TVET and the representative of Cabinet Secretary, Ministry of Education.

MANAGEMENT TEAM

1.



James C. Chege Irungu: Principal

He was born on 3rd September, 1968.

Prior to his appointment he was the Deputy Principal at Kiambu Institute of Science and Technology. He has over 23 years of experience in the education sector. He holds a degree in Bachelor of Science Degree from the University of Nairobi and a Post Graduate Diploma in Education from Kenyatta University.

2.



Stanley Mageria-Head of Department Welding and Fabrication

He holds a diploma in Automotive Engineering and also has been trained as a welding technology trainer by AVIC International Holding, China. Has been teaching welding & fabrication and automotive engineering at Nachu TVC for the past one year.

Responsibilities: Maintaining the welding and fabrication workshop.

3.



Richard Macharia-Head of Department Plumbing

He has 22 years' experience as a trainer in plumbing, drawing and design. He holds a Diploma in Technical education from Kenya Training and Technical College and also holds a Craft III certificate in Plumbing.

Responsibilities: Training of students in plumbing Courses, working in conjunction with the examination officer during the exam period, Liaising with the Principal in writing proposals for the plumbing Department

4.



James Gitonga-Head of Department ICT He has a Diploma in Computer Studies from Kabete Technical Training Institute (2005-2008) and Diploma in Technical Education from Kenya Technical Teachers College (KTTC) from 2009-2011.

He has worked with several Institutions in ICT/Computer studies department. This includes

Ngaru girls in the year 2009(Computer Studies Teacher), Kerugoya Boys 2010-2014 (Computer Studies teacher/HOS), Gatanga Girls 2015-2016 (Computer studies teacher) St. Michaels Secondary school 2016-2018 (Computer Studies teacher/HOS).

Responsibilities: Installing and repairing computer and the components related, ensuring that the learner is fully equipped in the ICT department, Coordinating with the administration for provision of relevant materials.

5.



Jaqueline Kabugi-Accountant

She is currently the accountant at Nachu TVC having prior experience in accounting, Finance and administration work for over 10 years. She holds a degree in Economics and Administration from Kenyatta University, and also a holder of CPA K.

Responsibilities: Preparation and execution of budgets, maintaining accounting controls by preparing and recommending policies and procedures.

6.



Joseph Kageni-Head of Department Automotive Engineering

He holds a Bachelor Degree in Industrial Technology from Egerton University, Diploma in Automotive Engineering at Kirinyaga Technical Institute. He has attended a Technical and Vocational Training CDACC as Trainer of Trainers and also an AVIC INTL Welding Technology Training. He has worked at KNEC Industrial Area Branch and also in Technical/Business Examinations Marking Centre as a Casual Clerk. Previously he worked at Vineyard Auto Garage as a Supervisor.

Responsibilities: Coordinating and planning the learning in Automotive Engineering Department, writing proposals for any tools, equipment and facilities required in Automotive Engineering Department, In charge of Internal and External Examinations.

II. CHAIRMAN'S STATEMENT



It is my pleasure to present the College's annual report and financial statement for the year ended 30th June, 2019. On behalf of the Board of Governors Members.

I am grateful to the Ministry of Education for continued support to the College during initiation period. The College received operational grants inform of Kshs. 2 Million.

I commend the Board members, Management, and staff of the College for their commitment and great works. I wish to thank the well-wishers who volunteer their services, donated items to the College especially in the areas of Automotive Technology and Plumbing. I thank the Government for providing the state of the art welding equipment.

In the period under the review the College increase enrolment eight students to 78 through public awareness, mainly on 26th January 2019 the College held an open day which sensitized the Community on courses offered at College. In the same period capacity building of Nachu TVC trainer were done where three trainers were trained as Trainer of Trainer (TOT) of Competency based training by TVET CDACC.

The College planted 200 trees and sensitise the students and staff on importance and types of trees. The Trees were donated by Kikuyu Constituency Development fund (CDF) office following our request.

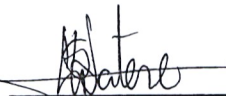
The Members of the Board of Governor members were Inducted by the Ministry of Education on their roles in the same period.

The College offered internship, employment and created business in the local area where food outlets and accommodation facilities and School related business have come up.

The College main challenges are associated with mobilization of resource which The Board is addressing through introduction of policies and the strategic plan. It is seeking collaborations and partnerships with several private and public organisations with the aim of creating synergy to enhance training infrastructure.

The Board's short and long term goals are well set out in order to give direction and increase internal capacity to members of staff with an aim of continuous improvement of performance.

Mr. Samuel Watene,
Chairman Board of Governors

Sign: 
30th September, 2019

III. REPORT OF THE PRINCIPAL



Nachu Technical and Vocational College was registered by Technical and Vocational Education and Training Authority (TVETA) under the TVET Act no. 29 of 2013, to operate as a Technical and Vocational college in 2017 and had its first intake in May 2018 of 8 students. It has one block with state of the Art Welding and Fabrication equipment and ICT Equipment.

In the period under the review the College has ensured that the students acquire required competencies i.e. skills, knowledge and attitude and an Innovative mind-set by staff continuously laying great emphasis on worker behaviour.

Mainly on honesty, fairness, trustworthiness, taking responsibility of own actions, nurturing a solutions oriented human being and in mind ensuring safety for oneself and humanity.

The College main aim was increase enrolment hence its main activities were geared towards awareness campaign through several media, among them the social media, chief barasa and visits to Secondary Schools or mainly future intake.

On 26th January 2019 held an open day which was graced by the Kikuyu Constituency, Member of Parliament Hon Kimani Ichung'wa and local leaders. The open day sensitized the Community on Technical and Vocational Education and Training (TVET) courses at all levels; Vocational centres, Technical and Vocational Colleges, National Polytechnics and Technical Universities. It guided form 4 leavers on applying for the courses through Kenya Universities and Colleges Central Placement Services (KUCCPS) and informed the Community on the Nachu TVC's Welding centre of Excellence.

Three Nachu TVC trainers were trained as Trainer of Trainer (TOT) of Competency based training by TVET CDACC. In April 2019 other staff were trained by Competency based training. The TOT have been involved in training other trainers which has added value in our training through benchmarking and collaboration.

In an effort to green the environment the College planted trees in May 2019 which was an addition of 200 trees planted the previous year. During this forum the College was able to sensitise the students and staff on importance and types of trees.

During the same period the Board of Governor members were inducted by the Ministry of Education on their roles and functions of Board of Government as Mandated from the TVET Act 2013.

The College has had several successes among them, it has increased access to technical and Vocational training to the local community by increasing enrolment to 78 students in the following fields; Welding and Fabrication, Automotive Technology, Plumbing and Information Communication and Technology. Due to increase in population in the locality, the College has offered internship, employment and created business. Food outlets and accommodation facilities and School related business have come up.

The College benefited for well-wishers among the Volunteer workers, donations from members of the Board of Governors and staff especially in the areas of Motor mechanics / Automotive technology and plumbing.

The College has experienced several Challenges in the year mainly associated with the Financial constraints. The College being in a semi-arid area and categorised as hardship, the community financial ability is low, hence the students admitted to the College expect full sponsorship, which has not yet been forthcoming. Dry spells have seen economic activities which are mainly farming dwindle with time. Construction of Standard Rail Gauge created unskilled employment for the many youths, but after end of the contracts the same youths without employment. The Impact is that most of the youths are engaging in unlawful behaviour among the drug abuse and crimes leaving the College vulnerable.

In conclusion, during the period under review, the College realized revenue amounting to Kshs. 5,717,830 against a target of Kshs 23,749,905 In spite of the shortfall in revenue target, the realized a surplus of Kshs. 2,381,854

Management appreciates financial support received from, comprising of salary paid directly to staff Kshs. 2 million in recurrent grants.

The College is introducing accountability policies to plan and improve the systems, among them the strategic plan. It has employed highly qualified and competent staff in area of accounts and training. The College has also embarked on several collaborations and partnerships with private and public organisations with the aim of creating synergy to enhance the College vision, participate in the National agenda and support competency training through development or implementation of competency based curricula and improvement of training infrastructure.

The College has focused employees to its short term and long term goals mainly as below

SHORT TERM GOALS

- Increase enrolment to 180
- Achieve 80 % pass in relevant assessment
- Train in Artisan and Craft Certificate levels (level 3, Level 4 and level 5) in Construction related courses (Welding, Plumbing, Masonry, Electrical) Automotive, ICT and Supply Chain)
- Offer short Courses Welding, ICT, Plumbing and Automotive
- Achieve a 1/3 of either gender in short courses offered
- Develop a strategic plan
- Develop and implement an Income generating policy
- Develop and implement a Corporate Social policy
- Collaborate with Kiambu County Government and Private organisation
- To be a Competency based training Assessment Centre in Welding and Fabrication
- Integrate ICT in training

LONG TERM GOALS

- Increase enrolment to 5,000
- Ensure our students will be employees of with Integrity, right attitudes and passionate
- Train in Diploma /level 6 in Construction related courses, Automotive, ICT, Supply Chain, Electrical and Entrepreneurship and Collaborate with a National Polytechnics / Technical University to offer degree.
- Offer short Courses Welding, ICT, Automotive Entrepreneurship, Electrical, Masonry, Plumbing
- Sustain the 1/3 either gender in short courses offered
- Implement the strategic plan
- Ensure Sustainability of all programmes through Incubation Centres and Income generating activities
- Offer Corporate Social responsibility to the community
- Collaboration with other County Government / International bodies
- To be a Competency based Competency Assessment Centre in Automotive and Building Technology
- Integrate e- learning in Competency based training

Mr. James C. Irungu

Principal

Sign: _____

30th September, 2019

IV. CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

The Board of Governors of Nachu TVC are responsible for College. The Boards and staff committed themselves to proper corporate governance, guided by the College core values.

The Role of the Board of Governors

The Board's responsibilities are set out in the TVET Act 2013. Its mandate is to provide strategic leadership and ensure implementation government policies. It ensures that the development of institutional policies are in line with the Government's policy direction. It in charge of the Human resources management and financial management through approval of budgets and procurement plans, fees and income generating activities, sources for funds, use of funds and oversight. It oversights and ensures compliance in curriculum implementation, students' management, branding and Innovation.

The Board brought a great wealth of experience and knowledge from the private sector. The board delegates authority of its day-to-day activities to the Management through the Principal.

Composition of the Board of Governance (BOG)

The BOG comprises ten members including the Principal. Seven of them appointed by the Cabinet Secretary. The other two are representative of County Government and the Cabinet secretary, National Government. The term of the Board is three (3) years from the date of appointment and are eligible for re-appointment.

Board of Governors Meetings

The Board of Governors schedule of meetings is prepared annually in advance. The Boards holds its regular meetings at least once every Quarter and special meetings are called when necessary.

Committees of the BOG

The Board has three main Committees; (i) Finance, Administration and Infrastructure, (ii) Education, Training and Research and (iii) The Risk and Audit Committee which meet under defined terms of reference set by the Board. This facilitate prompt and thought-out decision-making by the BOG in managing its responsibilities.

Board Accountability

The Board committed itself to sign a performance contract in the subsequent year starting with the year 2019/2020.

Training and Development

The College briefs in building capacities of the Board and management. It is in this regards that the Board has sponsored relevant training and capacity development opportunities whenever applicable and available.

Conflict of Interest

The BOG Members are required to make disclosures of any transaction which would constitute a conflict of interest and therefore they are required to abstain from voting when such matters are being considered.

V. MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial Performance

Financial Performance

The revenue of the College comprises of grants from the government, fees charged for services rendered and donations from well-wishers and partners to the College. Operational grant from the government for the year under review amounted to Kshs 2 Million. The total revenue received from students amounted to Kshs 3,632,830. Being the first year of operation, The College is faced with the challenge of outstanding fees at the end of the year which amounted to Kshs 2,681,630. This represents about 73% of the total fees charged to students. This resulted in non-execution of the budget and also difficulty in meeting the relevant expenses hence difficulty in running the operations of the College as a whole.

Compliance with Statutory requirements

The College as a government institution is responsible for remittance and payment of statutory deductions namely: NHIF, NSSF, PAYE. There were no unpaid balances relating to the same at the end of the financial year 18/19.

Key projects and investment decisions the entity is planning/Implementing

Currently the College does not have any undergoing projects but the college has plans and proposal for various projects as outlined below to assist in carrying out its mandate.

The projects include:

- i. Fencing the College Land using chain link
- ii. Construction and equipment of an Automotive workshop
- iii. Integrate ICT in training and management
- iv. Construction of a toilet block
- v. Construction and equipment of a plumbing workshop
- vi. Construction and equipment of Masonry Workshop
- vii. Construction of twin block hostels
- viii. Furnishing the library
Furnishing the kitchen

The entity's financial probity and serious governance issues

Nachu Technical and Vocational College Board of Governors recognizes the importance of corporate governance and as such it carries out its mandate with honesty, openness and integrity.

The Board is responsible for overseeing the management of the College and provides guidance and direction to attain corporate objectives. To achieve these objectives, the Board has constituted three committees, namely:

- 1) Finance, Administration and Infrastructure Committee;
- 2) Risk and Audit Committee
- 3) Education, Training and Research Committee

Each of the above committees handles matters relating to their areas set and report back to the main board for any action to be taken.

VI. REPORT OF THE BOARD OF GOVERNORS

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

Principal activity

The principal activity of the Nachu Technical and Vocational College is to provide quality technical and vocational training.

Results

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

BOARD OF GOVERNORS

The members of the Board who served during the year are shown on page v and vi. During the year 2019 none of the board members retired/ resigned.

Auditors

The Auditor General is responsible for the statutory audit of Nachu Technical and Vocational College in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or the Auditor General can nominate other auditors to carry out the audit of the College for the year ended June 30, 2019 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

VII. STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITIES

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

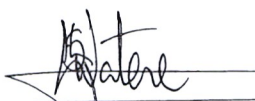
The board is responsible for the preparation and presentation of the College financial statements, which give a true and fair view of the state of affairs of the College for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial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

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


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

Approval of the financial statements

Nachu Technical and Vocational College financial statements were approved by the Board on 29th JUNE 2019 and signed on its behalf by:



Samuel K. Watene
Chairman of the Board



James C. Chege Irungu
Principal

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NACHU TECHNICAL AND VOCATIONAL COLLEGE FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nachu Technical and Vocational College set out on pages 1 to 22, which comprise of the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Nachu Technical and Vocational College as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Technical and Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Failure to Include Operations for Two Months in the Financial Statements

Records provided indicate that the College was established and commenced operations in May, 2018, implying that the College had been in operation for a period of fourteen months as at 30 June, 2019. However, the financial statements submitted for audit were for twelve months' period from 01 July, 2018 to 30 June, 2019 instead of fourteen months from 1 May, 2018 to 30 June, 2019.

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

2. Unsupported Balances Brought Forward

The statement of changes in net assets reflects retained earnings balance of Kshs.79,986 as at 01 July, 2018. Similarly, the statement of cash flows reflects cash and cash equivalents balance of Kshs.37,787 as at 01 July, 2018. However, the validity, accuracy and completeness of the balances could not be confirmed.

Consequently, the accuracy of the statement of changes in net assets and the statement of cashflows as at 30 June, 2019 could not be ascertained.

3. Property, Plant and Equipment

The property, plant and equipment balance of Kshs.194,160 reflected in the statement of financial position excludes land of unknown value and buildings owned by the College, various equipment purchased by the College and assets purchased by the Government of Kenya under the Kenya-China Project on Equipping Technical Training Institutions. In addition, the College is situated on a parcel of land measuring approximately five (5) acres which was hived off a neighbouring Secondary School land. However, the land had not been registered in the name of the College as at 30 June, 2019. Further, a comprehensive fixed assets register was not maintained, and all the assets were not tagged with asset numbers for ease of identification and tracking.

Consequently, the accuracy and completeness of the reported property, plant and equipment balance of Kshs.194,160 could not be ascertained. In addition, it could not be confirmed if the assets of the College had been properly safeguarded.

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

Key Audit Matters

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

Other Matter

Budget Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparison basis of Kshs.23,749,905 and Kshs.5,717,830 respectively resulting to an under-funding of Kshs.18,032,075 or 76% of the budget. Similarly, the College expended Kshs.3,335,976 against an approved budget of Kshs.23,749,905 resulting to an under-expenditure of Kshs.20,413,929 or 86% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 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 Board of Governors

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

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

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

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

The Board of Governors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative

and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

22 October, 2021

MACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

VIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-2019
Revenue from non-exchange transactions		
Transfers from the National Government – grants	6	2,000,000
Public contributions and donations	7	85,000
		2,085,000
Revenue from exchange transactions		
Rendering of services- Fees from students	8	3,632,830
Revenue from exchange transactions		3,632,830
Total revenue		5,717,830
Expenses		
Employee costs	9	1,222,821
Remuneration of directors	10	413,500
Repairs and maintenance	11	84,372
General expenses	12	1,612,057
Finance costs	13	3,226
Total expenses		3,335,976
Net Surplus for the year		2,381,854

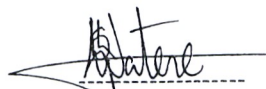
The notes set out on pages 6 to 23 form an integral part of the Annual Financial Statements.

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

IX. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	Notes	2019 Kshs
Assets		
Current assets		
Cash and cash equivalents	14	689,340
Receivables from exchange transactions	15	2,681,630
		3,370,970
Non-current assets		
Property, plant and equipment	16	194,160
Long term receivables from exchange transactions		3,000
		197,160
Total assets		3,568,130
Liabilities		
Current liabilities		
Trade and other payables from exchange transactions	17	387,590
Refundable deposits from customers	18	41,500
Current portion of borrowings	20	677,200
		1,106,290
Capital and Reserves		
Accumulated surplus		2,461,840
Total net assets and liabilities		3,568,130

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



Chairman of Board of Governors

Date: 30th September 2019



Finance Officer

ICPAK No

Date 30th September 2019



Principal

Date 30th September 2019

X. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2019

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
At July 1, 2017	-	-	-	-	-
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	79,986	-	79,986
Capital/Development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	(-)	-
At June 30, 2018	-	-	79,986	-	79,986
At July 1, 2018	-	-	79,986	-	79,986
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	2,381,854	-	2,381,854
Capital/Development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	(-)	-
At June 30, 2019	-	-	2,461,840	-	2,461,840

NACHU TECHNICAL AND VOCATIONAL COLLEGE
 ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

XI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

		2018-2019
	Note	Kshs
Cash flows from operating activities		
Receipts		
Transfers from other Government entities/Govt. grants		2,000,000
Public contributions and donations		85,000
Rendering of services- Fees from students		3,632,830
Total Receipts		5,717,830
Payments		
Compensation of employees		1,222,821
Finance cost		3,226
Other payments		2,109,929
Total Payments		3,335,976
Net cash flows from operating activities	21	2,381,854
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets		(194,160)
Increase in current receivables		(2,624,488)
Increase in trade payables		414,147
Net cash flows used in investing activities		(2,404,501)
Cash flows from financing activities		
Proceeds from borrowings		677,200
Increase in deposits		(3000)
Net cash flows used in financing activities		674,200
Net increase/(decrease) in cash and cash equivalents		651,553
Cash and cash equivalents at 1 JULY	14	37,787
Cash and cash equivalents at 30 JUNE	14	689,340

XII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Transfers from other Govt entities Govt grants	38,650,000	(27,552,040)	11,097,960	2,000,000	9,097,960
Public contributions and donations	1,523,750	(1,478,750)	45,000	85,000	(40,000)
Rendering of services- Fees from students	13,014,000	(407,055)	12,606,945	3,632,830	8,974,115
Total income	53,187,750	(29,437,845)	23,749,905	5,717,830	18,032,075
Expenses					
Compensation of employees	1,530,000	(593,400)	936,600	1,222,821	(286,221)
General expenses	51,657,750	(28,844,445)	22,813,305	2,113,155	20,700,150
Total expenditure	53,187,750	(29,437,845)	23,749,905	3,335,976	20,413,929
Surplus for the period	-	-	-	2,381,854	(2,381,854)

Budget notes

1. Government Grants. The difference is caused by lack of government funding
2. Rendering of services-Few intake of students
3. Compensation to Employees-Increase in the number of employees
4. General Expenses-Lack of funds to meet the necessary expenditure

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2019

XIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Nachu Technical and vocational College is established by and derives its authority and accountability from the TVET Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide quality technical and vocational training.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis.

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 College's accounting policies.

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Recurrent grants are recognized in the statement of comprehensive income

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.

b) Budget information

The original budget for FY 2018/2019 was approved by the Board on 21st July 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

c) Taxes

Current income tax

The entity is exempt from paying taxes.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the 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.

e) 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:

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2019
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.

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) 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.

j) 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.

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) 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.

l) 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 Board, the CEO/Principal and senior managers.

m) 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.

n) 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.

o) 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.

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2019

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

6. TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2018-2019
	KShs
Unconditional grants	
Operational grant	2,000,000
	2,000,000
Total government grants and subsidies	2,000,000

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6a) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year
			KShs	KShs
Ministry of Education	2,000,000	-	-	2,000,000
Total	2,000,000	-	-	2,000,000

7. PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2018-2019 KShs
Donations from local leadership	85,000
Total donations and sponsorships	85,000

The amount Comprises of assets donated as indicated below:

Donation by		Amount
Chairman Nachu TVC	Car Engine and office Furniture	80,000
BOG member	Car Engine	5,000
Total donations		85,000

8. RENDERING OF SERVICES

Description	2018-2019 KShs
Tuition fees	3,252,060
Examination fees	377,170
Registration fees	3,600
Total revenue from the rendering of services	3,632,830

Tuition fees comprises of total fees charged to students for the year under review. Examination fees is recognised both as a revenue and expense as the amount is fully paid to the relevant examination bodies on behalf of the students.

9. EMPLOYEE COSTS

	2018-2019 KShs
Salaries and wages	1,222,821
Employee costs	1,222,821

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. REMUNERATION OF BOG MEMBERS

Description	2018-2019
	KShs
Directors emoluments	413,500
Total director emoluments	413,500

11. REPAIRS AND MAINTENANCE

Description	2018-2019
	KShs
Property	84,372
Total repairs and maintenance	84,372

12. GENERAL EXPENSES

Description	2018-2019
	KShs
Advertising	63,519
Local travel and transport	166,750
Recruitment	100,090
Training materials	70,409
Electricity, water and conservancy	158,254
Collaboration	3,000
Examination	76,500
Examination Materials	10,590
Licenses and permits	170,000
Postage	7,828
Printing and stationery	21,178
Tree planting expenses	800
Education trips	15,700
Security costs	4,195
Cleaning	55,744
Office expenses	4,000
Entertainment	14,019
Tea and refreshments	36,599
Computer consumables	5,270
Training, Seminars and workshops	568,663
Internet	22,199
Telephone	36,750
Total general expenses	1,612,057

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. FINANCE COSTS

Bank charges	3,226
Total finance costs	3,226

14. CASH AND CASH EQUIVALENTS

Description	2018-2019 KShs
Current account	689,313
Cash in hand	27
Total cash and cash equivalents	689,340

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

Financial institution	Account number	2018-2019 KShs
a) Current account		
Kenya Commercial bank		689,313
Sub- total		689,313
b) Others(specify)		
cash in hand		27
Sub- total		27
Grand total		689,340

15. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019 KShs
Current receivables	
Student debtors	2,681,630
Total current receivables	2,681,630
Non-current receivables	
Refundable deposits	3,000
Total	3,000
Total receivables	2,684,630

**NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings		Motor vehicles		Furniture and fittings		Computers		Other Assets (Specify)		Plant and equipment		Capital Work in progress		Total	
	Cost	Shs	Cost	Shs	Cost	Shs	Cost	Shs	Cost	Shs	Cost	Shs	Cost	Shs	Cost	Shs
At 1 July 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2018	-	-	-	-	194,160	194,160	-	-	-	-	-	-	-	-	194,160	194,160
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2019	-	-	-	-	194,160	194,160	-	-	-	-	-	-	-	-	194,160	194,160
Depreciation and impairment																
At 1 July 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net book values	-	-	-	-	194,160	194,160	-	-	-	-	-	-	-	-	194,160	194,160
At 30 th June 2019	-	-	-	-	194,160	194,160	-	-	-	-	-	-	-	-	194,160	194,160
At 30 th June 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

NACHU TECHNICAL AND VOCATIONAL COLLEGE
 ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019
	KShs
Trade payables	375,004
Fees paid in advance	12,586
Total trade and other payables	387,590

18. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2018-2019
	KShs
Caution money	41,500
Total deposits	41,500

19. EMPLOYEE BENEFIT OBLIGATIONS

The company 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 400 per employee per month.

20. BORROWINGS

Description	2018-2019
	KShs
Balance at beginning of the period	-
Domestic borrowings during the year	677,200
Repayments of domestics borrowings during the year	(-)
Balance at end of the year	677,200

20 a) ANALYSIS OF DOMESTIC BORROWINGS

	2018-2019
	KShs
Domestic Borrowings	
Soft loan from Kiambu Institute of Science and Technology	677,200
Total balance at end of the year	677,200

NACHU TECHNICAL AND VOCATIONAL COLLEGE
 ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 b) BREAKDOWN OF LONG AND SHORT TERM BORROWINGS

Description	2018-2019
	KShs
Short term borrowings(current portion)	677,200
Total	677,200

21. CASH GENERATED FROM OPERATIONS

	2017-2018
	KShs
Surplus for the year before tax	
Adjusted for:	
Non-cash grants received	85,000
Transfer from Govt	2,000,000
Fees from Students	3,632,830
Finance cost	(3,226)
Payments	(3,332,750)
Net cash flow from operating activities	2,381,854

22. 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 College does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

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

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

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:

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	2,681,630	1,660,514	1,021,116	-
Bank balances	689,313	689,313	-	-
Total	3,370,943	2,349,827	1,021,116	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal since the amount mostly relates to Government capitation.

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

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's board members, 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 Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2019				
Trade payables	110,320	247,270	30,000	387,590
Current portion of borrowings	-	-	677,200	677,200
Total	110,320	247,270	707,200	1,064,790

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

The board assesses the risk faced by the College on an ongoing basis, evaluates and tests 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 College'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) 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 College's interest rate risk arises from bank deposits. This exposes the College to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the College'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.

iv) Capital Risk Management

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

	2018-2019
	Kshs
Retained earnings	2,461,840
Total funds	2,461,840
Total borrowings	677,200
Less: cash and bank balances	(689,340)
Net debt/(excess cash and cash equivalents)	(12,140)

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Kiambu Institute of Science and Technology;
- iv) Kikuyu Constituency Office
- v) Nachu ward Office
- vi) Key management;
- vii) Board of directors;

	2018-2019
	Kshs
Transactions with related parties	
a) Grants from the Government	
Grants from National Govt	2,000,000
Capitation	315,000
Total	2,315,000
b) CDF Kikuyu	245,000
Bursury	
c) Key management compensation	
Directors' emoluments	413,500
Compensation to key management	563,571
d) Loan	
Kiambu Institute of Science and Technology	677,200
Total	677,200

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. EVENTS AFTER THE REPORTING PERIOD

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

25. ULTIMATE AND HOLDING ENTITY

The College is under the State Department of Vocational and Technical Training under the Ministry of education. Its ultimate parent is the Government of Kenya.

26. Currency

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

27. PROJECTS IMPLEMENTED BY THE ENTITY

There were no Projects implemented by the College during the year under review.

NACHU TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019
APPENDIX I: INTER-ENTITY TRANSFERS

ENTITY NAME:		NACHU TECHNICAL AND VOCATIONAL COLLEGE		
Break down of Transfers from the State Department of Vocational and Technical Training				
FY 18/19				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		26/10/2018	500,000	18/19
		28/02/2019	500,000	18/19
		4/07/2019	1,000,000	18/19
		Total	2,000,000	

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

Finance Manager
 Nachu NTVC

Sign -----

Head of Accounting Unit
 Education Ministry

Sign-----

