

REPUBLIC OF KENYA



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REPORT

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THE AUDITOR-GENERAL

ON

**KAKRAO TECHNICAL AND
VOCATIONAL COLLEGE**

FOR THE YEAR ENDED

30 JUNE, 2023

| | |
|---|---|
|  THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: 06 MAR 2025 | |
| DAY: Thursday | |
| TABLED BY: | Hon. Naomi Wago, MP Deputy Majority Party Whip |
| CLERK-AT-THE-TABLE: | A. Shikuko |



KAKRAO TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE 2023

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

KAKRAO TECHNICAL AND VOCATIONAL COLLEGE
Annual Report and Financial Statements for the year ended 30th June 2023



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1. Acronyms & Glossary of Terms

| | |
|-----------------------------|--|
| BOG | Board of Governors |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| IPSAS | International Public Sector Accounting Standards |
| PFM | Public Finance Management |
| PSASB | Public Sector Accounting Standards Board |
| TVC | Technical Vocational College |
| Fiduciary Management TVC | Key management personnel who have financial responsibility in Kakrao |

Provide a list of Acronyms and glossary of terms used in the financial report as per above example (The list to be exhaustive)

2. Key Entity Information and Management

(a) Background information

The *Kakrao Technical and Vocational College* was established under the TVET Act 2013 commenced operations on February 05 2021. The College is domiciled in Kakrao shopping centre approximately 4 km from Kakrao centre Migori county- Kenya. The institution is a public institution and is under the Ministry of Education.

(b) Principal Activities

The principal activity of Kakrao Technical and Vocational College is to train students in business and technical courses.

Our Vision

To be a TVET centre of excellence in technical, science and business courses

Our Mission

To equip trainees with knowledge, skills and attitude relevant for the 21st century and beyond

Our Strategic Objectives

- To achieve Financial Viability and Sustainability
- To develop a Strong and Well-managed Institution
- To provide quality Education and Technical Training
- To improve Corporate Governance and Image
- To expand and improve the Physical Facilities
- To enhance Risk Management, Disaster Preparedness and promote Environmental Sustainability

Our Core Values

- Integrity
- Innovation
- Practicability
- Teamwork
- Environmental Sustainability

(c) Key Management

The day-to-day management of the College is exercised by the following key organs:

- Board of Governors
- Principal / Board Secretary
- Principal's Management Committee
- HOD's

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

| Designation | Name |
|---------------------------------|-------------------------|
| Principal | Felix B. Odhiambo |
| Deputy Principal-administration | James Ouko Ochido |
| Deputy Principal-academics | Collins Owino Odhiambo |
| Registrar | Ann Lavenda Omollo |
| Dean of Students | Dorcas Aloo Origah |
| Finance Officer | Simon Ochieng Otieno |
| Supply Chain Manager | Mark Onyango Oduor |
| Human Resource Officer | Christine Claire Awange |

(e) Fiduciary Oversight Arrangements

| Board Committees | Members | |
|--|-----------------------|-------------------|
| Administration, Finance and Infrastructure Committee | Mitende N. Nyapete | Chairman |
| | Matunga Denish A. | Member |
| | Vivian K. Ratemo | Member |
| | Tom Otieno Olango | Member |
| | Felix B. Odhiambo | Secretary |
| Audit, Risk Management and Compliance (ARMC) Committee | Mmbone M. Avelinah | Chairman |
| | Dr. Philip O. Mwabe | Member |
| | Carolyne A. Odera | Member |
| | Callfax Nyanyuki | Secretary/Auditor |
| Education, Research and Training Committee | Dr. Carolyne A. Odera | Chairperson |
| | Vivian K. Ratemo | Member |
| | Mitende N. Nyapete | Member |
| | Tom Otieno Olango | Member |
| | Felix B. Odhiambo | Secretary |

(f) Entity Headquarters

P.O. Box 308, 40400
Suna-Migori
Kisii-Isebania Road Migori
County, KENYA.

(g) Entity Contacts

Telephone: (254) 0101905052 / +254 48805052
E-mail: kakraotvc20@gmail.com/kakraotvc@yahoo.com
Website: <https://www.kakraotvc.com>

(h) Entity

Kenya Commercial Bank Limited Migori
Branch
Physical address - Kisii/ Isebania Rd. Suna
Tel: +254-5920501

Cooperative
Bank Ltd
Kisii Branch
Tel: 0729 230 701, 0708 223 332
Email: kisiieastbr@co-opbank.co.ke




(i) Independent Auditors

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

(j) Principal Legal Adviser

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

3. Board of Governors

| | |
|---|---|
|  <p>1. Charles Oyugi Owino BOG Chairperson</p> | <p>D.O.B: 04/12/1952 Qualifications and work experience 1983- Institute of Bankers Exams and qualified as a member of the Institute, London Chapter 1983-1985- Financial Economics M.A degree- University of Wales, U.K 1974-1977- Bachelor's degree - Economics option 2002-2007- Member of Parliament for Migori Constituency 1999-2001- Lecturer at Kenyatta University and Kenya Institute of Management studies 1994-Member of board of directors for the Lake Basin Development Authority 1992-1997- Member of Parliament for Migori constituency 1977- 1989- Joined NBK and later became a Branch manager (NBK LTD KISUMU BRANCH)</p> |
|  <p>2. Dr Carolyne A. O. Kokeyo BOG Member</p> | <p>DOB: 16th January 1974 Qualifications and work experience Dr Carolyne holds a PhD in Communication Studies in Educational Leadership. She is an accomplished scholar with a teaching experience of over 21 years. She has also published in various refereed journals.</p> |
|  <p>3. C PA Mmbone Mercyline Avelinah BOG member</p> | <p>DOB: 01/11/1986 Qualifications and work experience Holds MBA in finance-Masinde Muliro University of Science and Technology Part time lecturer at MMUST 2015-2019 Worked in Vihiga County Government as Education Fund Administrator. Has also worked at the lake Victoria northwater board- Kakamega in the audit department</p> |



4. Mitende Nicholus Nyapete
BOG member

DOB: 29th November 1981

Qualifications and work experience

March 2018 Master of Science in Information Technology Security and Audit-JOOUST
October 2012- Bachelor of Business and Information Technology- St. Paul's university
Mr.Nyapete is a lecturer at St. Paul's university
He has been involved in a number of research projects of ICT and development.
He has published many journals in IT.
He is a certified SAP finance module consultant.






5. Dr.Philip Ogwari Mwabe
BOG Member

DOB: 4th December 1959

Qualifications and work experience

1993- PHD in chemical engineering (minor in mechanical engineering) - university of Arizona, Tucson, USA.
1983- mechanical engineering, university of Greenwich, London, UK
Registered with NEMA as a lead environmental impact assessment/ environmental audit expert.
Works as the deputy team leader, Mombasa solid waste management project
2006-present- chairman Kenya Institute of Waste Management
1997- Present- Lecturer Mechanical Engineering- UON
Has also engaged in a lot of field services and projects.

| | |
|---|---|
|  <p>6. Vivian Kemunto Ratemo BOG member</p> | <p>DOB: 15th March 1995</p> <p>Qualifications and work experience 27/10/2016-Bachelor of Laws- Kabarak university Participated in a number of international conferences while at the University Have been signed the Roll of Advocates of the High Court of Kenya. She is an advocate of the High Court of Kenya.</p> |
|  <p>7. Dennish Ateto Matunga BOG member</p> | <p>DOB: 4th June 1979</p> <p>Qualifications and work experience Holds PHD in supply chain management-JKUAT Holder of CPSP-K and KISM 2013- to date - part time lecturer at JOOUST and JKUAT, exams and post-graduate coordinator 2013-2015- regional sales manager, KLB 2009-2013- educational sales representative (ESR), KLB</p> |
| <p>8. Tom Olango Regional Director TVET</p> | <p>DOB: Mr Tom Olango is currently the regional TVET Director in charge of Migori, Nyamira, Kisii and Homa Bay counties.</p> |
|  <p>9. Felix Barclays Odhiambo BOG Secretary/Principal</p> | <p>DOB: 09/09/1969</p> <p>Qualifications and work experience Holds a BTech in Electrical and Electronics from TUM University and a Diploma in Technical Education from KTTC. Has been a TVET Trainer for over 29 years, a HOD for over 15 years , a Dean of Students for two years and a Registrar for two years.</p> |

4. KEY MANAGEMENT TEAM

The key management personnel who held office during this quarter ended 30th June, 2021 and who had direct fiduciary responsibility were:

MANAGEMENT TEAM



Principal
Felix B. Odhiambo
Secretary to Board/Principal



Deputy Principal-Administration
James Ouko Ochido



Collins Owino
Deputy Principal-Academics



Registrar
Ms. Anne Lavender Omollo
Diploma in Information Science
Diploma in Technical Education



Dean of Students
Dorcas Aloo Origah
BSc in Community
Health
Diploma in
Technical Education



Finance Officer
Simon O. Ochieng
Bachelor's Degree in BBM (Accounting Option)

5. Chairman's Statement

Kakrao Technical and Vocational College is a new TVET institution. It opened its doors on 15th February 2021, admitting its first batch of students.

The Board of Governors was subsequently appointed by the Cabinet Secretary for Education Professor George Magoha and held its inaugural meeting on 4th February, 2021. On behalf of the entire Board, I would wish to thank the Cabinet Secretary for this appointment.

The Board therefore embarked on a mission to put in place systems, policies, procedures and other frameworks to enable full operationalization of the College. Subsequent to this the Board has already approved the Kakrao Technical and Vocational College Strategic Plan 2021-2026. In addition to the Strategic Plan, the Board has already approved the, internal quality assurance policy industrial attachment policy, examination Policy, Financial Policy and Audit and Risk Management Policy. Various Operating Procedure Manuals are also in place. The Board has also put in place its own Board Charter, Board Committees Terms of Reference and Board and individual board member evaluation

The College however faced a myriad of problems inter alia financial resources during the financial year 2022/2023 due to capitation shortfall and poor fee payment from the sponsors. There were also problems experienced due to lack of enough water, electricity, partially fenced compound, no adequate training machinery, equipment and furniture.

However, the future looks bright. The Board has entrusted day to day running of the institution to management headed by the Principal who together with the able staffs ensures that policies put in place by the Board are adhered to, the reports in all operational areas are reported to the Board to oversight whether targets set are met.

The Board intends to embark on massive resource mobilization, additional policy formulation, link the institution with key stakeholder groups, enhance sustainability and monitor achievement of targets.

The Board gives an assurance on continued support to management as they exercise their oversight role for effective performance.

Thank you



Hon. Charles Oyugi Owino

CHAIRMAN



Procurement Officer
Mr. Mark Onyango
BBA in Supply Chain Management



Human Resource Officer
Ms. Christine Claire Awange
Diploma in Human Resource Management

Christine Clare Awange

6. Report of the Principal

Introduction

Kakrao Technical and Vocational College opened its doors during this financial year. The 1st Principal reported to the institution on January 2020, where the institution was officially handed over by the mentor Kisii National Polytechnic and Rongo University. The College then comprised of a single incomplete block building which up to date is still incomplete. The main building has been partially empty – no adequate furniture, equipment and machinery as we still wait for the art of equipment from the Government of Kenya. There was a partial fence round the compound as the college is committed to do the fencing. Equally, there college is lacking adequate water. Registration of the College with TVETA had also not been done and is still in the process.

The College has now fully registered with the following bodies i.e., KUCCPS, HELB and KATTI and is in the process of registering with the NITA.

The then Cabinet Secretary for Education, Professor George Magoha appointed the Board of Governors headed by Hon. Charles Oyugi Owino that has been steering the College. The team has ensured that the College has become operational.

The College opened its doors to trainees on 15th February 2021 and by the close of the financial year, it had registered 777 trainees. The PSC has already posted 6 trainers and the remaining 19 trainers are serving on a contract basis having been recruited by the BoG during the 2021/2022 financial year. Due to a wide variety of courses offered, the college had to engage 40 more trainers on internship to assist cut the wage bill. It is worth noting that the deputy principal was posted within this financial year.

The management under the direction of the BoG has already documented various operating procedures and policies to guide its operations. It continues to develop more operating procedures and policies. The Board plans a 5-year Strategic Plan which is already under implementation. Some of the policies approved by the board and are being implemented includes; the Academic Policy, Finance Policy, and Human Resource Policy as other policies are under consideration.

Operational Results

Financial resources have been a big challenge in the just ended financial year.

At the close of the financial year, the College had received NIL operational and development grant from GoK. The College therefore had total income of Ksh 29,374,048 against total expenditure of Ksh 36,114,571 giving a deficit of Ksh 6,740,523. Fee collection remains a challenge for the self-sponsored students. However, the College being fully registered with HELB all the trainees with fee challenges have been encouraged and assisted to apply. Since the College is already registered with KUCCPS, the capitation flows into the College to assist in its operations. During the financial year the college received Ksh. 8,223,000 as capitation against the expected capitation of 19,862,500.00

We hope to fence and secure the College compound as well as work towards getting a regular water supply. The ministry has also promised to supply training equipment and machinery within the FY 2023/2024. In addition, in conjunction with CDF and other donors, more infrastructural improvements will be witnessed in FY 2023/2024.

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Achievements

In the brief period that the College has been in operation it is noted with great pleasure that a number of achievements have been made despite the acute resource constraints.

- Given that the institution was being operationalized, the estimated number of students in the FY 2022/2023 was . However, we realized a total of 777 students. This is due to the appropriate marketing strategy put in place.
- Acquisition of training furniture: more lecture/plastic chairs and 40 technical drawing tables were purchased. Currently the college is fabricating its own lecture chairs and other items to reduce the cost of purchases in the said areas and to enhance practical lessons to trainees.
- Construction of an Engineering Workshop Shade is ongoing as in the Work in Progress Schedule.
- Partial landscaping and tree planting

Governance

The BoG executed their duties well during the year. The meeting attendances are stated under corporate governance statement. There were no conflicts of interest recorded during the year under review.

The College is managed by the Principals Management Committee (PMC) which comprise of all top management staff. During the year under review, the PMC also executed their role well.

Conclusion

Finally, I would like to express my special thanks to the Kakrao Technical and Vocational College stakeholders, especially the community and CDF, for the support that they offered to the institution. Special mention also goes to the staffs who worked tirelessly to ensure smooth operation of the institution. The Board is also commended for providing effective leadership and oversight in driving forward the College. We will continue to be guided by our motto *“Technology for Creativity and Innovation”*.

Thank You



Felix Barclays Odhiambo
PRINCIPAL/ BOG SECRETARY

7. The Statement of Performance against Predetermined Objectives

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

Kakrao Technical and Vocational College has 6 strategic pillars and objectives within its Strategic Plan for the FY 2021/2022- 2021/2025. These strategic pillars are as follows:

- Pillar 1: To achieve financial viability and sustainability.
- Pillar 2: To develop a strong and well-managed institution.
- Pillar 3: To provide quality education and technical training
- Pillar 4: To improve corporate governance and image.
- Pillar 5: To expand and improve the physical facilities.
- Pillar 6: To enhance risk management, disaster preparedness and promote environmental sustainability

Being the first year that the Strategic Plan is in operation, Technical and Vocational College has developed its Annual Work Plans based on the above 6 pillars. Assessment of the Board's performance against its annual work plan will be done on a quarterly basis.

8. Corporate Governance Statement

We believe in good corporate governance as an institution. The Board provides leadership through oversight, review and guidance whilst setting the strategic direction.

The Board which has an appropriate mix of skills, knowledge and experience to perform its role effectively was inaugurated on 4th February 2021.

Board meetings are held quarterly and as and when the need arises. The College ensures that it provides the necessary resources and expertise to the Board to assist it in their decision-making. The Ministry of Education is also regularly consulted on key policy matters.

General Responsibilities

The Board has a duty to the people of Kenya to ensure that Kakrao Technical and Vocational College achieves its objectives efficiently and effectively and in compliance with PFM Act, 2012, TVET Act 2013, all relevant Acts of Parliament and all Ministry directives and guidelines issued from time to time

The statutory functions of the Board include:

Overseeing the conduct of education and training in the institution in accordance with the provisions of TVET Act 2013;

- Promoting and maintaining standards, quality and relevance in education and training in the institution in accordance with TVET Act 2013 and any other written law;
- Administering and managing the property of the institution;
- Developing and implementing Kakrao Technical and Vocational College Strategic Plan
- Preparing annual estimates of revenue and expenditure for the institution and incurring expenditure on behalf of the institution;
- Receiving, on behalf of the institution, fees, grants, subscriptions, donations, requests or other moneys and to make disbursement to the institution or other bodies or persons;
- Determining the fees payable and prescribing conditions under which fees may be remitted in part or in whole in accordance with the guidelines developed under the provisions of the TVET Act 2013;
- Mobilizing resources for the institution;
- Developing and reviewing programmes for training and to make representations there on to TVETA Authority Board;
- Regulating the admission and exclusion of students from the institution, subject to a qualifications framework and the provisions of TVET Act 2013;
- Approving collaboration or association with other institutions and industries in and outside Kenya subject to prior approval by TVETA Board;
- Recruiting and appointing trainers from among qualified professionals and practising trades persons in relevant sectors of industry;
- Determining suitable terms and conditions of service for support staff, trainers and instructors and remunerating the staff of the institution in consultation with TVETA Board;
- Making regulations governing organization and conduct and discipline of staff and students;
- Preparing comprehensive annual reports on all areas of their mandate, including education and training services and submit the same to the TVET Board;

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- Providing for the welfare of the students and staff of the institution;
- Encouraging, nurturing and promoting democratic culture, dialogue and tolerance in the institution; and
- Discharging all other functions conferred upon it by the TVET Act 2013 or any other written law.

Risk Management and Internal Controls

The Board has overall responsibility for the establishment and oversight of the institution's risk management frameworks. The Risk Management Policies are established to identify and analyse the risks faced by the institution and to set appropriate risk limits and controls, and to monitor adherence to these limits. Risk management policies and systems are reviewed regularly to reflect changes in operating conditions, legislation and services offered. Subsequently, the institution identifies and manages risk through in-house risk review enhanced by compliance, internal and external audits.

The Institution has in place a system of internal controls with defined operating procedures, financial and operational controls to ensure that resources are safeguarded; transactions authorised, validated and reported in line with International Public-Sector Accounting Standards.

Conflicts of interest

All Board members are under a duty to avoid any conflicts of interest. This entails not engaging, directly or indirectly in any business that competes or conflicts with the institution's business.

The Board has established robust process requiring members to disclose outside business interests that would conflict with institutions interests.

Compliance

The Board confirms that it is satisfied that the though the institution currently has inadequate resources it can continue operating for the foreseeable future. For this reason, it continues to adopt the going concern basis when preparing the financial statements.

The Board is satisfied that the institution as to the best of their knowledge complied with all relevant laws and conducted its business affairs in accordance with the law in particular to:

- The Constitution of Kenya, 2010
- TVET Act, 2013
- PFM Act, 2012
- Procurement and Assets Disposal Act, 2015
- IPSAS standards.
- Mwongozo
- All other relevant laws in its operation (regular circulars from Treasury and Ministry of Education)

Kakrao Technical and Vocational College also has internal policies it uses in its operation. These policies are in line with all the relevant laws stated above and only direct the specific operations on how tasks are handled.

These policies are inter alia; Financial Management Policy, Procurement Policy, and Academic Policy.

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FULL BOARD AND BOARD COMMITTEE MEETING ATTENDANCE FOR THE YEAR ENDED 30TH JUNE 2023

FULL BOARD MEETING

| No | NAME | 29 th July 2022 | 7 th October 2022 | 6 th January 2023 | 28 th February 2023 | 7 th April 2023 |
|----|--------------------------|----------------------------|------------------------------|------------------------------|--------------------------------|----------------------------|
| 1 | Hon. Charles Oyugi Owino | ✓ | X | ✓ | X | X |
| 2 | Dr. Carolyn A. Odero | ✓ | ✓ | ✓ | ✓ | ✓ |
| 3 | Mmbone M. Avelinah | ✓ | ✓ | ✓ | ✓ | ✓ |
| 4 | Mitende N. Nyapete | ✓ | ✓ | ✓ | ✓ | ✓ |
| 5 | Dr. Philip O. Mwabe | X | X | X | X | X |
| 6 | Vivian K. Ratemo | ✓ | ✓ | ✓ | ✓ | ✓ |
| 7 | Matunga A. Denish | ✓ | ✓ | ✓ | ✓ | ✓ |
| 8 | Tom Otieno Olango | ✓ | ✓ | ✓ | ✓ | ✓ |
| 9 | Felix Barclays Odhiambo | ✓ | ✓ | ✓ | ✓ | ✓ |

ADMINISTRATION, FINANCE AND INFRASTRUCTURE (AFI) COMMITTEE MEETING FOR THE YEAR ENDED 30TH JUNE 2023

| No. | NAME | 25 th July 2022 | 5 th October 2022 | 4 th January 2023 | 5 th April 2023 |
|-----|-------------------------|----------------------------|------------------------------|------------------------------|----------------------------|
| 1 | Mitende N. Nyapete | ✓ | ✓ | ✓ | ✓ |
| 2 | Matunga A. Denish | ✓ | ✓ | ✓ | ✓ |
| 3 | Vivian K. Ratemo | ✓ | ✓ | ✓ | ✓ |
| 4 | Tom Otieno Olango | ✓ | ✓ | ✓ | X |
| 5 | Felix Barclays Odhiambo | ✓ | ✓ | ✓ | ✓ |

EDUCATION, RESEARCH AND TRAINING (ERT) COMMITTEE MEETING FOR THE YEAR ENDED 30TH JUNE 2023

| No. | NAME | 22 nd July 2022 | 4 th October 2022 | 3 rd January 2023 | 4 TH April 2023 |
|-----|-------------------------|----------------------------|------------------------------|------------------------------|----------------------------|
| 1 | Dr. Carolyn A. Odero | ✓ | ✓ | ✓ | ✓ |
| 2 | Mitende N. Nyapete | ✓ | ✓ | ✓ | ✓ |
| 3 | Vivian K. Ratemo | ✓ | ✓ | ✓ | ✓ |
| 4 | Tom Otieno Olango | ✓ | ✓ | ✓ | ✓ |
| 5 | Felix Barclays Odhiambo | ✓ | ✓ | ✓ | ✓ |

**AUDIT, RISK MANAGEMENT & COMPLIANCE (ARMC) COMMITTEE MEETING
 FOR THE YEAR ENDED 30TH JUNE 2023**

| No. | NAME | 28 th July 2022 | 03 rd October 2022 | 02 nd January 2023 | 3 RD April 2023 |
|-----|----------------------|----------------------------|-------------------------------|-------------------------------|----------------------------|
| 1 | Dr. Carolyn A. Odera | ✓ | ✓ | ✓ | ✓ |
| 2 | Mmbone M. Avelinah | ✓ | ✓ | ✓ | ✓ |
| 3 | Dr. Philip O. Mwabe | X | X | X | X |
| 4 | Tom Otieno Olango | X | X | X | ✓ |

As mentioned earlier, the Board held its first meeting at inauguration date. Subsequently, it has approved the following board governance documents;

Board Charter

Board Terms of Reference

Board Appraisal

Board members individual self-appraisal

AFI Committee Terms of Reference

ERT Committee Terms of Reference

Board Work Plan

All other activities of the Board are as governed and directed by the TVET Act 2013, other relevant acts of Parliament and government directives and guidelines issued from time to time.

9. Management Discussion and Analysis

INTRODUCTION

This discussion and analysis provide an overview of the results of activities and financial position of Kakrao Technical and Vocational College. Being the second year of operation, comparative information is available. This overview has been prepared by management and should be read in conjunction with the financial statements and the notes that follow

FINANCIAL HIGHLIGHTS

Revenue

Kakrao Technical and Vocational College's revenue stood at Ksh 29,374,048. The student population at the close of the financial year stood at 736 trainees.

It is hoped that in FY 2022/2023, income of the institution will increase as a result of successful registration with HELB and KUCCPS.

Expenditure

Total expenditure stood at Ksh 36,114,571.00

It should be noted that employee costs stood at 7,740,558.00 of total costs. This is 21.43% below the recommended ceiling of 30%.

Board expenses stand at 533,500.00, 1.48% of total expenditure. This is below the recommended 5%.

Use of goods and services is at 27,840,513.00, 77.09% of total expenditure. This comprises basically of expenses incurred to operationalize the College.

It is worth noting that due to lack of adequate machinery, trainers have not carried out adequate practical lessons.

Compliance with Statutory Requirements

The College is operating under legal frame works necessary under public sector requirement such as;

- The Constitution of Kenya, 2010
- TVET Act, 2013
- PFM Act, 2012
- Procurement and Assets Disposal act, 2015
- IPSAS standards.
- All other relevant laws in its operation (regular circulars from treasury and ministry of education)

The College has also internal policies it uses in its operation. These policies are in line with all the relevant laws stated above and only direct the specific operations on how tasks are handled. The Board has already approved the Academic Policy, Financial Management Policy and Procurement Policy. Other policies will be approved in the FY 2023/2024.

Risk Analysis

Operational Risks

The Board has overall responsibility for the oversight of the College risk management framework. The College is developing risk management policies to identify and analyse the risks faced by the College, set appropriate risk limits and controls and monitor risks and adherence to limits. These risk management policies and systems will be reviewed regularly to reflect the changes in economic conditions and the College activities. The Principal will then oversee how management monitors compliance with the College risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the College.

The College faces a high level of competing interests for resources. There is a high level of competition for trainees in the College catchment area from other public and private TVET Colleges within the region. The College financial assets comprise of receivables, cash and short-term deposits which arise directly from its operations. The financial liabilities comprise of payables including a loan taken from the mentor institution. The College is therefore exposed to both liquidity risks and credit risks.

Liquidity Risk

This is the risk that the College will not meet its financial obligations as they fall due. There is therefore need to increase the number of trainees to cover the fixed costs. The College's approach managing liquidity is to ensure as far as possible, that there is always sufficient liquidity to meet liabilities as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking to damage the College's reputation. Typically, the College ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days including the servicing of financial obligations. This however does not include the potential impact of extreme circumstances that cannot be reasonably predicted such as political violence. All liquidity policies and procedures are subject to review and approval by the Board. It is very important to note that the College faces a liquidity risk of non-receipt of capitation grants from GoK which may prevent it from meeting its financial obligations as and when they fall due.

Credit Risk

Credit risk is the risk of financial loss to the College if a customer or counter party to a financial instrument fails to meet its current obligations. The receipt of fees from students minimizes the credit risk exposure. The College has a policy on fee payment which defines how and when fees are supposed to be paid. This minimizes the credit risk exposure.

It important to note that the College is envisaged that this will greatly improve its operational efficiency.

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10. Environment and Sustainability Reporting Statement

Kakrao Technical and Vocational College exists to transform lives. This is our purpose: the driving force behind everything we do. This is what guides us to deliver our strategy of putting the customer first, delivering relevant goods and services and improve operational excellence.

Sustainability Strategy and Profile

The College's approach to sustainability is based on the College mission to expand human knowledge beneficial to society through high quality training, applied research and practicability in partnership with industry players.

The institution recognises the importance of sustainable growth and has initiated programmes to generate income to cushion its operations. It also is establishing policies and programmes that are needed to promote sustainable development especially at local and regional level. The College will also sign an MOU with at least two industry players to among others enhance its capability to generate income in collaboration with industry.

Sustainability is also incorporated into student learning through both curricular and co-curricular programs by introducing practicability into the programmes as well as incorporating on job practical training. Programmes have also been planned aimed at increasing the capacity and capability of the trainers through development workshops and trainings.

Research and innovation are an important component of sustainability. In the FY 2022/2023 budget estimates, a total amount of Ksh. 607,500.00 representing 1.02% of Kakrao Technical and Vocational College annual budget, has been allocated for research and innovation activities.

As mentioned earlier, in the FY 2022/2023, the College in its approved annual work plan, under the performance contract guidelines, has committed to developing partnerships and linkages with industry to provide learning opportunities for trainees, applied research opportunities for trainers and benefit to community.

Our physical facilities include halls and grounds serve the community. Sports facilities especially the fields are open for use by the community on arrangement but free of any charges.

We will continue to engage with key stakeholders to achieve sustainability strategies in line with international best practice.

Environmental Performance

Kakrao Technical and Vocational College strives to be a responsible business representing the highest standards of ethics and professionalism. We have reviewed the global best practice guidelines and standards including IPSAS, in order to help inform relevant policy areas. It is therefore important that Kakrao Technical and Vocational College is aware of current environmental issues and informs, educates and stand with the local community to improve the environment.

Our institution's social responsibilities are defined by both compliance and pro-activeness. Kakrao Technical and Vocational College, compliance refers to our commitment to upholding all legal requirements, and our willingness to observe, acknowledge, and respect community values and laws.

KAKRAO TECHNICAL AND VOCATIONAL COLLEGE
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Our pro-activeness is manifested by emphasizing and recognizing human rights locally and globally, and actively engaging with our communities through volunteering, community service, pro-bono service, and philanthropy, while always protecting and respecting our natural environment through our actions and policies. This can be seen in the way the College engaged in tree planting within the compound to improve the environment.



Staff of the Kakrao Technical and Vocational College planting trees during tree planting day in April 2023.

As an institution, we implement policies and take action to drive diversity and inclusion by providing an inclusive environment where all are empowered to share their diverse perspectives and experiences so we can ultimately be better together. Our policies, practices, programs, activities, and decisions regarding employment, hiring, assignment, promotion, compensation, volunteerism, and internships are not based on a person's ethnicity, colour, sex, age, religion, national origin, mental or physical disability, ancestry, sexual orientation, gender identity or expression, marital status, source of income, parental status, housing status, or other protected status. We strongly encourage women, youth, persons with disabilities, and members of the community to join the institution and live our shared values.

Kakrao Technical and Vocational College will always:

- Respect and uphold applicable local, county, and national laws to the best of our abilities
- Honour and review all internal policies for complete and responsible implementation
- Ensure that all business transactions and relationships are legitimate, free of influence and bribery

- Keep all partnerships and collaborations transparent and open
- Recognize that privacy is a fundamental right, and we will comply with all privacy laws and expectations. In addition, we will work whenever possible to ensure that we respect the ability for all to manage their personal data.

Kakrao Technical and Vocational College values our natural environment and the need to protect it. Keeping our environment unpolluted and clean is paramount to the success of our communities and business. We will always follow best practices in disposal of garbage, compost, and seek out working facilities that strive to minimize their carbon footprint through National Environmental Management Authority (NEMA) certification and other environmentally sustainable best practices.

Employee Welfare

We recognize the value of human relationships and put people at the heart of our business. We seek to treat all staff fairly and consistently, to create a workplace and business environment that is open, transparent, and trusted. Aligned with this approach, all members of the Kakrao Technical and Vocational College are required to conduct their activities in accordance with our codes and policies, as they are implemented and updated from time to time.

Kakrao Technical and Vocational College respects all employees, and strive to make their experience a positive one in all aspects of their relationship with the institution. Our success is closely tied to staff happiness, growth, development, and teamwork, and we work to assess, measure and support the personal and professional growth of our employees at all times, recognizing that the success of Kakrao Technical and Vocational College is led first by the success and happiness of our people.

We require our staff to act according to the highest standards of honesty and integrity as well as comply with all legal and regulatory requirements, which extend to the protection of human rights.

As an institution, we will always ensure that we do not risk the health and safety of our employees and community, we avoid harming the lives or safety of local and indigenous people, and we respect the basic human rights of all people, involved in our business. Kakrao Technical and Vocational College is dedicated to protecting human rights. We practice and commit to equal opportunity employment and will always abide by fair labour practices. Additionally, Kakrao Technical and Vocational College will ensure that our activities do not directly or indirectly violate human rights in any way.

Market Place Practices

Diversity and inclusion are deeply ingrained in all aspects of our mission. These are core values to our institution because they are aligned to our institution's ethics. These policies also have the added value of improving training performance. Studies show that more diverse teams perform better, and institutions that have more inclusive environments also experience less turnover, have higher internal morale, and higher productivity rates from their employees. This commitment extends beyond the employee base to the highest levels of ownership and the administrative team.

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We believe successfully inclusive workplaces begin with thoughtful hiring and recruiting processes that reduce subconscious bias in candidate selection and increase the overall diversity of our workforce.

We employ industry-leading methodologies, processes, and technology to attract diverse talent pools, counteract bias, and match the best talent to the needs of our clients. Our methodology includes publishing gender neutral job descriptions. Our policies, practices, programs, activities, and decisions regarding employment, hiring, assignment, promotion, compensation, volunteerism, and internships are not based on a person's ethnicity, colour, sex, age, religion, national origin, disability status, sexual orientation, source of income, parental status, housing status, or other protected status. And to help foster the most inclusive climate possible, we will provide ongoing diversity and inclusion training to all employees, not just our management teams. We believe this is the only way to truly shape a more safe, open, and productive work environment at all levels of our training.

It is a commitment to continual learning, improvement, and action to do our part in stewarding a future of work that is beneficial and equitable for all.

Kakrao Technical and Vocational College has a qualified supply chain manager who participates appropriately according to procurement standards thus ensuring that the procurement process has a smooth flow. The supplier and supply chain relation are perfectly respectable by having prompt communication to avoid misunderstanding between them thus supply of quality goods. Product stewardship is enhanced by safeguarding consumer rights and interests.

As part of our procurement policy, we expect all of our suppliers to abide by the same principles and codes of conduct that we have in place. Accordingly, our suppliers must either agree to adhere to our policies and codes or confirm their adherence to their own codes of business conduct that comprise the same principles. We will be implementing a "right to audit" clause in our standard terms or conditions to allow for oversight of compliance with these provisions.

We believe that our commitment to sustainability and ethics extends beyond our own work capabilities and should include the decisions we make as a company about the partners we align with, and the products and services we buy. Our purchasing policy takes sustainability and ethical sourcing into consideration throughout all stages of the buying cycle, and we encourage our teams to support local and small businesses and support local economies. We encourage our purchasing teams to consider ethical sourcing and sustainability across all purchases. Kakrao Technical and Vocational College expects our suppliers to treat workers and employees with respect and fairness, to have suitable procedures in place, and to act in accordance with applicable laws.

Community Engagements

As noted in our mission statement, Kakrao Technical and Vocational College recognizes an expectation to have a positive impact on our community, and we promote this expectation through philanthropy, pro-bono service work, volunteering, and community service.

KAKRAO TECHNICAL AND VOCATIONAL COLLEGE
Annual Report and Financial Statements for the year ended 30th June 2023

11. Report of the Board of Governors

The Board members submit their report together with the audited financial statements for the year ended June 30th, 2023 which show the state of Kakrao Technical and Vocational College's affairs.

Principal activities

The principal activities of Kakrao Technical and Vocational College are to provide training in technical and vocational skills, research, innovation and management services. In addition, the College participates in technological innovation beneficial to the society as well as contributing to industrial and technological development of Kenya in partnership with industry.

Results

The results of Kakrao Technical and Vocational College for the year ended June 30th 2022 are set out on pages 1-5

BOARD OF GOVERNORS

The members of the Board who served during the year are shown on page vi-viii

Auditors

The Auditor General is responsible for the statutory audit of Kakrao Technical and Vocational College in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Secretary to the Board

Date:

12. Statement of Board of Governors' Responsibilities

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

The Board members are responsible for the preparation and presentation of Kakrao Technical and Vocational College's financial statements, which give a true and fair view of the state of affairs of Kakrao Technical and Vocational College for and as at the end of the financial year ended on June 30, 2022. 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 Kakrao Technical and Vocational College; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of Kakrao Technical and Vocational College; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board members accept responsibility for Kakrao Technical and Vocational College's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the TVET Act. The Board members are of the opinion that Kakrao Technical and Vocational College's financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2022, and of Kakrao Technical and Vocational College's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for Kakrao Technical and Vocational College, which have been relied upon in the preparation of Kakrao Technical and Vocational College's financial statements as well as the adequacy of the systems of internal financial control.


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

Approval of the financial statements

The Kakrao Technical and Vocational College financial statements were approved by the Board on **07/07/2023** and signed on its behalf by:



Chairperson of the Board



Accounting Officer/Principal

REPUBLIC OF KENYA

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



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

Enhancing Accountability

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

PREAMBLE

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

- A. Report on 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kakrao Technical and Vocational College set out on pages 1 to 36, which comprise the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information 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 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 the Kakrao Technical and Vocational College as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Technical and Vocational Educational and Training Act, 2013.

Basis for Qualified Opinion

1.0. Unconfirmed Revenue from Exchange Transactions Amount

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects an amount of Kshs.21,001,728 in respect of rendering of services-fees from students which indicates a significant decrease of Kshs.3,129,314 and or 13% from Kshs.24,131,042 reported in the previous year. However, review of receipt schedules/ledgers provided for audit in support of the amount revealed the following anomalies:

- i. The College did not have an automated receipt management system, the schedules provided for audit were in excel sheets which could easily be manipulated.
- ii. The schedules did not have details of dates the amounts were received and the bank deposit transaction numbers.
- iii. Cases of numerous entries for students were noted, casting doubt on the integrity of the data provided in support of the receipts.
- iv. Included in the amount of Kshs.21,001,728 is Kshs.5,978,795 in respect of tuition fees and other vote heads which represents an unexplained increase of Kshs.5,367,907 from Kshs.610,888 reported in the previous year.

In the circumstances, the accuracy and completeness of the Revenue from Exchange Transactions Balance of Kshs.21,001,728 could not be confirmed.

2.0. Unsupported Employee costs

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects Kshs.7,740,558 in respect to employee costs, which indicates an increase of Kshs.3,061,118 or 65% of Kshs.4,679,440 reported in the previous year. However, review of records and the payroll revealed the following: anomalies:

- i. Management did not provide the list of staff who were recruited and those who left the service during the period under audit.
- ii. Included in the reported amount is Kshs.6,105,576 in respect salaries and wages whose supporting contract agreements for contractual staffs and the casuals were not provided for audit
- iii. Included in the reported amount is an amount of Kshs.1,035,492 in respect of Employee related costs is Kshs.400,190 in respect of welfare contributions whose supporting schedules were not provided for audit.

In the circumstances, the accuracy, completeness and propriety of the employee costs of Kshs.7,740,558 could not be confirmed.

3.0. Unsupported Current Portion of Receivables from Exchange Transactions

The statement of financial position for the year ended 30 June, 2023 and as disclosed in note 16 to the financial statements reflects receivables from exchange transaction balance of Kshs.12,586,693, while the supporting schedule provided for audit indicated an amount balance of Kshs.12,998,987, resulting in a variance of Kshs.412,294 which has been explained however the accuracy could be ascertained. Further, Management did not provide aging analysis and movement schedule for student debtors.

In the circumstances, the accuracy, completeness and ownership of Receivables from Non- exchange Transaction's balance of Kshs.12,586,693 as at 30 June 2023 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total actual on comparable basis revenue of Kshs.28,952,012 against an approved budget of

Kshs.59,626,510, resulting in underfunding of Kshs.30,674,498 or 51% of the budget. Similarly, the College spent Kshs.36,114,571 out of the expenditure budget of Kshs.59,626,510, resulting in an under-expenditure of Kshs.23,511,939 or 39% of the budget.

Further, the College spent Kshs.36,114,571 even though the actual receipts were only Kshs.28,952,012, resulting in expenditure of Kshs.7,162,559 in excess of actual receipts. However, the source of this excess expenditure is not clear since the opening cash and cash equivalents balance was only Kshs.2,657,918.

The planned activities of the College may not have been implemented, thereby affecting achievement of the intended overall goals.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2023. Management has not provided satisfactory reasons for the delay in resolving the prior year audit issues.

Other Information

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

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

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with the Law on Ethnic Diversity in Staffing

During the year under review, the total number of employees in the College was ninety-five (95) out of which, eighty (80) or 84% belong to the same ethnic community. This was contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008, which stipulates that all public establishments must strive to represent the diversity of the people of Kenya in their staffing and that no public establishment shall have more than one-third of its staff from the same ethnic community.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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 governance were not effective.

Basis for Conclusion

1. Lack of an Approved Staff Establishment

Review of records revealed that the College did not have an approved staff establishment, which implies that the College was yet to determine the skills and optimal staffing levels required to achieve its goals and objectives.

In the circumstances, it was not possible to ascertain whether the total staff in the employment of the College was at the optimal operating level.

2. Lack of imprest Register

During the year under review, the College did not maintain a standard imprest register in the prescribed format, and imprests that were issued were not accounted properly through properly supported imprest warrants as required. Further, imprests surrendered did not have sufficient supporting documentation, including training programme, attendance list and bus tickets. Also, imprests recipients did not acknowledge the same on the paying vouchers.

In the circumstances, the effectiveness of internal controls over imprests management and risk management could not be confirmed.

3. Lack of Information and Communication Technology (ICT) Policy

Review of Information Technology (IT) environment and its controls revealed that no ICT policy was in place to govern IT environment. Specifically, the College did not have:

- i. IT strategic committee to guide in IT governance.
- ii. IT Security policy to ensure data confidentiality, integrity and availability and to ensure there is patch management process on all systems software's
- iii. Formally documented and approved processes to manage upgrades made to all information systems.
- iv. Physical access controls to ensure that physical access to sensitive areas like server rooms, storage rooms and network rooms are properly controlled.
- v. Environmental control policies and procedures to cover environmental controls like fire suppression system, ups and air conditioning systems especially in server rooms.
- vi. Logical access controls - user management standards and procedures in the College, like user access rights in line with responsibilities.

In the circumstances, the effectiveness of the overall internal control system and risk management in the College could not be confirmed.

4. Ineffective Internal Audit Function

During the year under review, the College did not have an effective Internal Audit Function to assess the effectiveness of its internal controls, risk management and overall governance. Therefore, the College did not plan or carry out an audit of its operations during the year under review.

In the circumstances, the effectiveness of the overall internal control system and risk management by the College could not be confirmed.

5. Lack of a Risk Management Policy

During the year under review, the College did not have a risk management policy in place to mitigate against risk. Lack of risk management framework and risk register indicates that Management did not taken proactive steps to identify, assess, and mitigate potential risks that their daily operations might face.

In the circumstances, it was not possible to confirm the effectiveness of the internal controls, risk management and governance of the College.

6. Lack of Approved Strategic Plan

During the year under review, the College did not have an approved strategic plan in place to provide guidance on the achievement of the College missions and objectives.

In the circumstances, the College may not achieve its intended objectives and mission.

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

Responsibilities of the Management and the Board of Governors

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

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

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I also consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015.

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 January, 2025

KAKRAO TECHNICAL AND VOCATIONAL COLLEGE
Annual Report and Financial Statements for the year ended 30th June 2023

14. Statement of Financial Performance for the Year Ended 30 June 2023


| Description | Notes | 2022/2023 | 2021/2022 |
|--|-------|--------------------|-------------------|
| | | Kshs | Kshs |
| Revenue from Non-Exchange transactions | | | |
| Transfers from other National Government entities-Capitation | 6 | 8,223,000 | 10,795,000 |
| Transfer from other levels of government-Kisii N. Polytechnic (Mentor) | 7 | 0 | 1,562,518 |
| Revenue from Non-Exchange transactions | | 8,223,000 | 12,357,518 |
| Revenue from Exchange transactions | | | |
| Rendering of services- fees from students | 8 | 21,001,728 | 24,131,042 |
| Other income | 9 | 149,320 | 68,550 |
| Revenue from Exchange transactions | | 21,151,048 | 24,199,592 |
| Total Revenue | | 29,374,048 | 37,557,110 |
| Expenses | | | |
| Use of goods and services | 10 | 21,930,965 | 14,984,614 |
| Employee costs | 11 | 7,740,558 | 4,679,440 |
| Board Expenses | 12 | 533,500 | 412,000 |
| Depreciation and amortization expense | 13 | 3,557,648.95 | 627,951 |
| Repairs and maintenance | 14 | 1,118,143 | 1,346,652 |
| Total Expenses | | 34,880,815 | 22,050,657 |
| Net surplus for the year | | (5,506,767) | 14,506,453 |

(The notes set out on pages 7 to 28 to form an integral part of the Annual Financial Statements).


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



Chairman of Board



Finance Officer



Principal

Date 17/01/2025

Date 17/01/2025

Date 17/01/2025

KAKRAO TECHNICAL AND VOCATIONAL COLLEGE
Annual Report and Financial Statements for the year ended 30th June 2023

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

| Description | Notes | 2022/2023 | 2021/2022 |
|---|-------|----------------------|-------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 15 | 3,507,805 | 2,657,918 |
| Current portion of receivables from exchange transactions | 16 | 12,586,693 | 13,393,142 |
| Inventories | 17 | 235,201 | 98,563 |
| Total Current Assets | | 16,329,699 | 16,149,623 |
| Non-Current Assets | | | |
| Property, plant, and equipment | 18 | 74,111,061.62 | 4,071,976 |
| Total Non-Current Assets | | 74,111,061.62 | 4,071,976 |
| Total Assets | | 90,440,761 | 20,221,599 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables from exchange transactions | 19 | 8,976,063 | 1,015,220 |
| Total Current Liabilities | | 8,976,063 | 1,015,220 |
| Non-Current Liabilities | | | |
| Non- Current Borrowings | 20 | 3,638,038 | 3,638,038 |
| Total non- current liabilities | | 3,638,038 | 3,638,038 |
| Total Liabilities | | 12,614,101 | 4,652,658 |
| Net Assets | | 77,826,660 | 15,568,341 |
| Revaluation Reserves | | 68,826,975 | 4,699,927 |
| Accumulated Surplus | | 8,999,685 | 14,506,452 |
| Capital Fund | | 0 | (3,638,038) |
| Total Net Assets and Liabilities | | 77,826,660 | 15,568,341 |

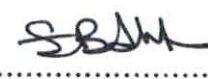
The Financial Statements set out on pages 1 to 5 were signed by:



Chairman of Board



Finance Officer



Principal

Date 17/01/2025

Date 17/01/2025

Date 17/01/2025

KAKRAO TECHNICAL AND VOCATIONAL COLLEGE
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16. Statement of Changes in Net Asset for The Year Ended 30 June 2023

| Description | Revaluation reserve | Accumulated Fund | Capital Grants/Fund | Total |
|-------------------------|---------------------|-------------------|---------------------|-------------------|
| At July 1, 2021 | | | | |
| Revaluation gain | | | 4,699,927 | |
| Surplus for the year | | 14,506,452 | | 14,506,452 |
| Capital fund | | | (3,638,038) | (3,638,038) |
| At June 30, 2022 | | 14,506,452 | 1,062,489 | 15,568,941 |
| At July 1, 2022 | | 14,506,452 | 1,062,489 | 15,568,941 |
| Revaluation gain | 67,765,086 | - | - | 67,765,086 |
| Transfer to valuation | 1,061,889 | | (1,061,889) | |
| Surplus for the year | | (5,506,767) | | (5,506,767) |
| At June 30, 2023 | 68,826,975 | 8,999,685 | 0 | 77,826,660 |

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17. Statement of Cash Flows for the Year Ended 30 June 2023

| Description | | 2022/2023 | 2021/2022 |
|--|------|-------------------|-------------------|
| | Note | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfers from other National Government entities- Government grants | 6 | 8,223,000 | 9,177,500 |
| Rendering of services- fees from students | 8 | 20,579,692 | 10,737,900 |
| Other incomes | 9 | 149,320 | 1,631,068 |
| Total Receipts | | 28,952,012 | 21,546,468 |
| | | | |
| Payments | | | |
| Use of goods and services | | 14,822,470 | 10,712,943 |
| Employee costs | | 7,617,859 | 4,593,440 |
| Board Expenses | | 533,500 | 412,000 |
| Repairs and maintenance | | 715,073 | 689,555 |
| Total Payments | | 23,688,902 | 16,407,938 |
| Net Cash Flows from operating activities | 21 | 5,263,110 | 5,138,529 |
| | | | |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and intangible assets | | 4,413,223 | 5,039,376 |
| Net cash flows used in investing activities | | 4,413,223 | 5,039,376 |
| | | | |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | 849,887 | 99,153 |
| Cash and Cash equivalents at the beginning of the period | | 2,657,918 | 2,557,765 |
| Cash and Cash equivalents at the end of the period | | 3,507,805 | 2,657,918 |

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18. Statement of Comparison of Budget & Actual amounts For Year Ended 30th June 2023

| Description | Original budget | | Adjustments | | Final Budget | | Actual on comparable basis | | Performance difference | | Utilization Difference | |
|---|-------------------|------|-------------|------|-------------------|--------------------|----------------------------|-----------------|------------------------|------|------------------------|---|
| | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | % | % |
| Revenue | | | | | | | | | | | | |
| Transfers from other National Government entities | 17,000,000 | - | - | - | 17,000,000 | 8,223,000 | (8,777,000) | (51.63%) | | | | |
| Rendering of services- fees from students | 42,296,510 | - | - | - | 42,296,510 | 20,579,692 | (21,716,818) | (51.34%) | | | | |
| Sale of goods and services | 330,000 | - | - | - | 330,000 | 149,320 | (180,680) | (54.75%) | | | | |
| Total Income | 59,626,510 | - | - | - | 59,626,510 | 28,952,012 | (30,674,498) | (51.44%) | | | | |
| | | | | | | | | | | | | |
| Expenses | | | | | | | | | | | | |
| Use of goods and services | 47,518,460 | - | - | - | 47,518,460 | 26,722,370 | 20,796,090 | 43.76% | | | | |
| Employee costs | 7,960,300 | - | - | - | 7,960,300 | 7,740,558 | 219,742 | 2.76% | | | | |
| Board Expenses | 770,000 | - | - | - | 770,000 | 533,500 | 236,500 | 30.71% | | | | |
| Repairs and maintenance | 3,377,750 | - | - | - | 3,377,750 | 1,118,143 | 2,259,607 | 66.89% | | | | |
| Total Expenditure | 59,626,510 | - | - | - | 59,626,510 | 36,114,571 | 23,511,939 | 39.43% | | | | |
| | | | | | | | | | | | | |
| Surplus For the Period | | | | | | (7,162,559) | (7,162,559) | | | | | |

(Budget notes)

1. There was a deficit in the general performance both in revenue collection and expenditure by the indicated percentages in comparison to the budget due to underfunding from the National government in form of capitation and operational grants.
2. Fee collections from the self-sponsored students is also a challenge since most of our students come from a poor background and mostly rely on HELB loans and other bursaries.
3. The difference of $(6,740,523) - (8,299,059) = 1,558,536$ between the totals of actual on comparable basis and the statement of financial performance arises from the difference between the cost of purchasing PPE during the year at 4,791,405 (added to use of goods and services in the budget comparison statement) and the depreciation charge for the period at 3,537,086 (included in the statement of financial performance during the year).

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19. Notes to the Financial Statements

1. General Information

Kakrao Technical and Vocational College entity is established by and derives its authority and accountability from TVETA Act 2013. Kakrao TVC is wholly owned by the Government of Kenya and is domiciled in Kenya. Kakrao TVC's principal activity is to offer technical 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 Kakrao TVC's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Kakrao TVC. The values are rounded off to the nearest shilling. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the TVET Act, and our financial policies, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2023.

| Standard | Effective date and impact: |
|---------------------------------|---|
| IPSAS 41: Financial Instruments | <p>Applicable: 1st January 2023:</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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management |

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| Standard | Effective date and impact: |
|--|---|
| | strategies and the accounting treatment for instruments held as part of the risk management strategy. |
| IPSAS 42: Social Benefits | <p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by Kakrao TVC. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on Kakrao TVC's financial performance, financial position and cash flows.</p> |
| Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments | <p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> |
| Other improvements to IPSAS | <p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. |

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

| Standard | Effective date and impact: |
|----------|---|
| IPSAS 43 | <i>Applicable 1st January 2025</i> |

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

Kakrao TVC did not early-adopt any new or amended standards in year 2022/2023.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

Kakrao TVC 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 Kakrao TVC.

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

b) Budget information

The original budget for FY 2022/2023 was approved by the Board on 12th April 2022. No 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 Kakrao TVC upon receiving the respective approvals to conclude the final budget. Accordingly, Kakrao TVC did not record any additional appropriations on the FY 2022/2023 budget. Kakrao TVC's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on 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 on page xx under section xxx of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, Kakrao TVC 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.

d) Intangible assets

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

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e) Research and development costs

Kakrao TVC expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when Kakrao TVC 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.

f) Financial instruments

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

Financial assets

Classification

Kakrao TVC classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both Kakrao TVC's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is

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measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

g) Inventories

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

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

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

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of Kakrao TVC.

h) Provisions

Provisions are recognized when Kakrao TVC 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 Kakrao TVC 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

Kakrao TVC 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

Kakrao TVC 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 Kakrao TVC in the notes to the financial statements. Contingent

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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.

i) Social Benefits

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

j) Nature and purpose of reserves

Kakrao TVC creates and maintains reserves in terms of specific requirements. *(Entity to state the reserves maintained and appropriate policies adopted)*

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

Kakrao TVC 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.

m) 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.

n) Related parties

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

o) 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.

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

D

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- The condition of the asset based on the assessment of experts employed by Kakrao TVC.
 - 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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Notes to the Financial Statements (Continued)

6. Transfers from other National Government entities

| Description | 2022/2023 | 2021/2022 |
|--|------------------|-------------------|
| | Kshs | Kshs |
| Unconditional Grants | | |
| Capitation Grants | 8,223,000 | 9,795,000 |
| Operational Grant | - | 1,000,000 |
| Total Government Grants and Subsidies | 8,223,000 | 10,795,000 |

(a) Transfers from other Government entities (Categorized)

| Name of the entity Sending The Grant | Amount recognized to Statement of Financial Performance | 2021/2022 |
|--------------------------------------|---|-------------------|
| | Kshs | Kshs |
| State Department of TVET | 8,223,000 | 9,795,000 |
| Ministry of Education | - | 1,000,000 |
| Total | 8,223,000 | 10,795,000 |

(Ensure that the amount recorded above as having been received from the Ministry fully reconciles to the amount recorded by the sending Ministry. An acknowledgement note/receipt should be raised in favour of the sending Ministry.)

**Amount recognised in the statement of financial performance should be the recurrent grant and the development grant to the extent that there are no conditions attached.*

(NB: Total of column 1 should tie to the first part of note 6 on unconditional grants)

The details of the reconciliation have been included under appendix 3

7. Transfers from Other Levels of Government

| Description | 2022/2023 | 2021-2022 |
|--|-----------|------------------|
| | Kshs | Kshs |
| Transfer from The Kisii National Polytechnic | - | 1,562,518 |
| Total Transfers | - | 1,562,518 |

8. Rendering of Services

| Description | 2022/2023 | 2021-2022 |
|--|-----------|-----------|
| | Kshs. | Kshs. |
| Tuition fees and other vote heads | 5,978,795 | 610,888 |
| Activity Fees | 729,170 | 215,570 |
| Industrial Attachment Fees | 408,020 | 172,400 |
| Examination Fees | 2,721,813 | 2,378,980 |
| Library Fees | 439,720 | 246,320 |
| Personal Emoluments | 3,535,772 | 1,367,402 |
| Registration Fees/Administrative costs | 1,920,536 | 585,710 |
| Local transport and travels | 1,205,902 | 625,450 |
| Repair, maintenance and improvements | 1,612,220 | 410,950 |

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| | | |
|---|-------------------|-------------------|
| Electricity, water and conservancy | 1,066,200 | 287,330 |
| Development | 956,010 | 247,190 |
| Students' organization | 251,980 | 122,800 |
| Medical | 175,590 | 57,120 |
| Prepaid Fee | - | 296,520 |
| Arrears recovered | - | 3,113,270 |
| (Others specify) Trade receivables/student debtors | | 13,393,142 |
| Total revenue from the rendering of services | 21,001,728 | 24,131,042 |

There is an increase in fees collection as indicated with a variance on tuition fees and other vote heads from kshs.610,888 to kshs.5,978,795

9. Other incomes

| Description | 2022/2023 | 2021/2022 |
|---|----------------|---------------|
| | Kshs | Kshs |
| Conference room charges | 45,000 | - |
| Sale of Farm Produce and sale of tender documents | 104,320 | 68,550 |
| Total Revenue from Sale of Goods | 149,320 | 68,550 |

KAKRAO TECHNICAL AND VOCTIONAL COLLEGE
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Notes To the Financial Statements (Continued)

10. Use of Goods and Services

| Description | 2022-2023 | 2021-2022 |
|--|-------------------|-------------------|
| | Kshs | Kshs |
| Teaching and learning materials | 7,262,775 | 4,744,645 |
| Industrial attachment costs | 249,740 | 154,150 |
| Electricity | 102,600 | 272,406 |
| Security | 852,000 | 342,000 |
| Water | 48,000 | - |
| Postage | 8,325 | 8,625 |
| Subscriptions | 239,661 | 177,300 |
| Advertising | 1,066,625 | 387,960 |
| Examination fee | 2,685,370 | 1,439,910 |
| Printing, photocopy and stationery | 1,265,035 | 472,167 |
| Staffs' facilitations for extraneous works | 1,004,590 | 277,850 |
| Travelling and accommodations | 3,043,950 | 3,040,446 |
| Fuel and oil | 111,802 | 17,400 |
| Airtime and internet expenses | 126,150 | 178,400 |
| Cleaning items | 91,000 | 12,513 |
| Landscaping | 41,000 | 8,800 |
| Hospitality services | 762,326 | 593,566 |
| Training/capacity building | 227,800 | 321,545 |
| Hire charges | 418,000 | 122,300 |
| Audit fee | 580,000 | - |
| Medical | 202,699 | - |
| Legal fees | 13,000 | - |
| Activity | 1,407,960 | - |
| Students union | 99,300 | - |
| Bank charges | 21,257 | - |
| Other vote heads | - | 2,412,6335 |
| Total Goods and Services | 21,930,965 | 14,984,615 |

11. Employee Costs

| Description | 2022/2023 | 2021/2022 |
|---|------------------|------------------|
| | Kshs | Kshs |
| Salaries and wages | 6,105,576 | 4,508,760 |
| Employee related costs - contributions to pensions and medical aids | 1,035,492 | 170,680 |
| Housing benefits | 159,000 | - |
| Overtime payments | 40,300 | - |
| Welfare contributions | 400,190 | - |
| Employee Costs | 7,740,558 | 4,679,440 |

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12. Board Expenses

| Description | 2022/2023 | 2021/2022 |
|----------------------|----------------|----------------|
| | Kshs | Kshs |
| Chairman's Honoraria | 37,500 | - |
| Board Expenses | 496,000 | 412,000 |
| Total | 533,500 | 412,000 |

13. Depreciation and Amortization expense

| Description | 2022/2023 | 2021/2022 |
|--|---------------------|----------------|
| | Kshs | Kshs |
| Property, plant and equipment | 3,557,648.95 | 627,951 |
| Total depreciation and amortization | 3,557,648.95 | 627,951 |

14. Repairs and Maintenance

| Description | 2022/2023 | 2021/2022 |
|---|------------------|------------------|
| | Kshs | Kshs |
| Property, Equipment and machinery, Furniture and fittings, Computers and accessories | 1,118,143 | 1,346,652 |
| Total Repairs and Maintenance | 1,118,143 | 1,346,652 |

15. Cash and Cash Equivalents

| Description | 2022/2023 | 2021/2022 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Current Account | 3,468,626 | 2,654,284 |
| Cash in hand | 39,179 | 3,634 |
| Total Cash and Cash Equivalents | 3,507,805 | 2,657,918 |

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

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

| Financial Institution | Account number | 2022/2023 | 2021/2022 |
|----------------------------|-----------------|------------------|------------------|
| | | Kshs | Kshs |
| a) Current Account | | | |
| Kenya Commercial Bank | 1286097657 | 2,649,668 | 1,424,676 |
| Cooperative Bank of Kenya | 011418098203000 | 818,958 | 1,229,609 |
| Sub- Total | | 3,468,626 | 2,654,285 |
| b) Others (Specify) | | | |
| Cash in Hand | | 39,179 | 3,634 |
| Sub- Total | | 39,179 | 3,634 |
| Grand Total | | 3,507,805 | 2,657,918 |

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Notes to the Financial Statements (Continued)

16. Receivables from Exchange transactions

| Description | 2022/2023 | 2021/2022 |
|----------------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| Current Receivables | | |
| Student Debtors | 12,586,693 | 13,393,142 |
| Total Current Receivables | 12,586,693 | 13,393,142 |

17. Inventories

| Description | 2022/2023 | 2021/2022 |
|--|----------------|---------------|
| | Kshs | Kshs |
| Consumable stores | 235,201 | 98,563 |
| Total Inventories at lower of Cost and Net Realizable Value | 235,201 | 98,563 |

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18. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings 2.5% | Furniture and fittings 12.5% | Library books 5% | Computers 33.3% | Other assets (Office Equipment 12.5%) | Plant and Machinery 20% | (Other assets) Kitchen wares 12.5% | Work in Progress (WIP) | Total |
|---|------------------|-------------------|------------------------------------|------------------------|---------------------|--|-------------------------------|---|------------------------------|-------------------|
| Cont | Kshs | Kshs | Kshs | | Kshs | Kshs | Kshs | Kshs | | Kshs |
| At 1st July 2021 | - | | 71,370 | | 19,013 | 39,784 | 251,883 | - | - | 382,051 |
| additions | - | 1,185,179 | 654,760 | 432,903 | 152,730 | 67,860 | 1,824,445 | - | | 4,317,877 |
| At 30th June 2022 | - | 1,185,179 | 726,130 | 432,903 | 171,743 | 107,645 | 2,076,328 | - | - | 469,992 |
| At 1 st July 2022 | - | 1,185,179 | 726,130 | 432,903 | 171,743 | 107,645 | 2,076,328 | | | 4,699,928 |
| At 25 th July 2022 revaluation | 7,700,000 | 56,814,821 | 1,423,870 | - | 1,428,258 | 1,262,355 | (146,328) | 344,000 | - | 68,826,975 |
| Additions during theyear | - | - | 380,000 | 190,515 | 303,500 | - | 2,635,974 | - | 1,281,416 | 4,791,405 |
| At 30th June 2023 | 7,700,000 | 58,000,000 | 2,530,000 | 601,773 | 1,903,500 | 1,370,000 | 4,565,974 | 344,000 | 1,281,416 | 78,296,663 |
| Depreciation and impairment | | | | | | | | | | |
| At 1 st July 2022 | | 29,629 | 90,766 | 21,645 | 57,190 | 13,456 | 415,266 | | | 627,952 |
| Current year depreciation | - | 1,450,000 | 316,250 | 30,088.65 | 633,865.50 | 171,250 | 913,194.80 | 43,000 | - | 3,557,649 |
| Total depreciation charge | - | 1,479,629 | 407,016 | 51,733.80 | 691,056 | 184,706 | 1,328,460.49 | 43,000 | | 4,185,601 |
| Net book value 30th June 2023 | 7,700,000 | 56,520,371 | 2,122,984 | 550,039.20 | 1,212,444.25 | 1,185,294 | 3,237,513.51 | 301,000 | 1,281,416 | 74,111,062 |

NOTE: The college assets were revalued on 25th July 2023 by a professional county valuer.

The work in progress is the workshop engineering shade that is in the process of construction. The value reported refers to all the expenditure relating to its construction.

KAKRAO TECHNICAL AND VOCTIONAL COLLEGE
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Notes to the Financial Statements (Continued)

Valuation

As per National Treasury guidelines, Land and buildings were identified and valued as per the National Liabilities and Management Policy and guidelines (Issued June 2020). The assets were revalued by Migori/Homabay county land professional valuers on 25th July 2023. These amounts were adopted in the financial statements on xxx.

18 (b) Property, Plant and Equipment at Cost

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

| Description | Cost | Accumulated Depreciation | NBV |
|---------------------------------|-------------------|--------------------------|----------------------|
| | Kshs | Kshs | Kshs |
| Land | 7,700,000 | - | 7,700,000 |
| Buildings | 58,000,000 | 1,479,629 | 56,520,371 |
| Furniture, And Fittings | 2,530,000 | 407,016 | 2,122,984 |
| Plant And Machinery | 4,565,974 | 1,328,460.49 | 3,237,513.51 |
| Library books | 601,773 | 51,733.80 | 550,039.20 |
| Computers and Related Equipment | 1,903,500 | 691,056 | 1,212,444.25 |
| Office Equipment, | 1,370,000 | 184,706 | 1,185,294 |
| Kitchen wares | 344,000 | 43000 | 301,000 |
| Work in Progress (WIP) | 1,281,416 | 0 | 1,281,416 |
| Total | 78,296,663 | 4,185,601.29 | 74,111,061.62 |

19. Trade and Other Payables

| Description | 2022/2023 | 2021/2022 |
|---------------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Trade payables | 7,685,880 | 218,170 |
| Fees paid in advance | 1,167,483 | 711,050 |
| Salary & Statutory deductions | 122,700 | 86,000 |
| Total Trade and Other Payables | 8,976,063 | 1,015,220 |

20. Borrowings

| Description | 2022/2023 | 2021/2022 |
|-------------------------------------|-----------|-----------|
| | Kshs | Kshs |
| Balance at beginning of the year | 3,638,038 | 2,075,520 |
| Domestic borrowings during the year | - | 1,562,518 |

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| | | |
|----------------------------|-----------|-----------|
| Balance at end of the year | 3,638,038 | 3,638,038 |
|----------------------------|-----------|-----------|

20 a) Analysis of External and Domestic Borrowings

| Description | 2022/2023 | 2021/2022 |
|--|-----------|------------------|
| | Kshs | Kshs |
| Domestic borrowings | | |
| Kenya shilling borrowing from Kisii National Polytechnic, Mentor | - | 1,562,518 |
| Total balance at end of the year | - | 1,562,518 |

20 b) Breakdown of Long and Short-Term Borrowings

| Description | 2022/2023 | 2021/2022 |
|----------------------|-----------|------------------|
| | Kshs | Kshs |
| Long Term Borrowings | - | 1,562,518 |
| Total | - | 1,562,518 |

21. Cash generated from operations.

| | 2022/2023 | 2021/2022 |
|--|----------------------|--------------------|
| | Kshs. | Kshs. |
| Surplus/deficit for the year | -5,506,767 | 14,506,452 |
| Adjusted for: | | |
| Add back: Depreciation | 3,557,649.95 | 627,951 |
| Working Capital adjustments | -1,949,117.05 | 15,134,403 |
| Increase in inventory | 136,638 | (71,362) |
| Increase/decrease in receivables | -392,121 | (10,184,414) |
| Increase in payables | 7,467,710 | 259,902 |
| Net changes in working capital | 7,212,227 | (9,995,874) |
| Net cash flow from operating activities | 5,263,110 | 5,138,529 |

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Notes to the Financial Statements (Continued)

22. Financial Risk Management

Kakrao TVC'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.

Kakrao TVC's financial risk management objectives and policies are detailed below:

(i) Credit risk

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

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

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

| Description | Total amount Kshs | Fully performing Kshs |
|--|----------------------|--------------------------|
| At 30 June 2022 | | |
| Receivables from exchange transactions | 13,309,792 | 13,309,792 |
| Bank balances | 2,654,284 | 2,654,284 |
| Total | 15,964,076 | 15,964,076 |
| At 30 June 2023 | | |
| Receivables from exchange transactions | 13,785,263 | 13,785,263 |
| Bank balances | 3,507,805 | 3,507,805 |
| Total | 17,293,068 | 17,293,068 |

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

KAKRAO TECHNICAL AND VOCTIONAL COLLEGE
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Notes to the Financial Statements (Continued)

Financial risk management (continued)

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

Kakrao TVC 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

Ultimate responsibility for liquidity risk management rests with Kakrao TVC's directors, who have built an appropriate liquidity risk management framework for the management of Kakrao TVC's short, medium and long-term funding and liquidity management requirements. Kakrao TVC 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. |
| At 30 June 2022 | | | | |
| Trade payables | - | 218,170 | - | 218,170 |
| Deferred income | - | 817,200 | - | 817,200 |
| Employee benefit obligation | - | 86,000 | - | 86,000 |
| Total | - | 1,121,370 | - | 1,121,370 |
| At 30 June 2023 | | | | |
| Trade payables | - | 7,808,580 | | 7,352,846 |
| Deferred income | - | 1,167,483 | | 1,278,340 |
| Total | - | 8,976,063 | | 8,631,186 |

(iii) Capital Risk Management

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

| Description | 2022-2023 | 2021-2022 |
|---------------------|--------------------|------------|
| | Kshs | Kshs |
| Revaluation Reserve | 68,394,073 | 4,699,927 |
| Retained Earnings | (5,506,767) | 14,506,452 |

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| | | |
|---|-------------------|-------------------|
| Capital Reserve | (3,638,038) | (3,638,038) |
| Total Funds | 79,652,611 | 15,568,341 |
| | | |
| | | |
| Total Borrowings | 3,638,038 | 3,638,038 |
| Less: Cash and Bank Balances | 3,507,805 | (2,657,918) |
| Net Debt/(Excess Cash and Cash Equivalents) | 130,233 | 980,120 |
| Gearing | 0.16% | 6.29% |

23. Related Party Balances

Nature of related party relationships

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management;
- iv) Board of directors;
- v) Employees
- vi) Trainees and sponsors

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

| Description | 2022-2023 | 2021-2022 |
|--|------------------|-------------------|
| | Kshs | Kshs |
| a) Grants /Transfers from the Government | | |
| Grants from National Govt | 8,223,000 | 10,795,000 |
| Total | 8,223,000 | 10,795,000 |
| b) Expenses incurred on behalf of related parties | | |
| Payments of Salaries and Wages for Kakrao Technical and Vocational College Employees | 7,740,558 | 4,679,440 |
| Payments for Goods and Services for Kakrao Technical and Vocational College | 23,049,108 | 16,331,266 |
| Total | | |
| c) Key Management Compensation | | |
| Directors' emoluments | 533,500 | 412,000 |

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| Description | 2022-2023 | 2021-2022 |
|--------------|-----------|------------|
| | Kshs | Kshs |
| Total | 533,500 | 21,422,707 |

24. Events After The Reporting Period

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

25. Ultimate And Holding Entity

Kakrao TVC is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

26. Currency

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

KAKRAO TECHNICAL AND VOCTIONAL COLLEGE
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21. Appendices

Appendix 1: Implementation Status of Auditor-General Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.
FY 2021/2022

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|---|-----------------------------------|--|
| 1 | <p>Basis for qualified opinion Inaccuracies in the financial statement Review of the college's financial statement revealed the following inaccuracies:</p> <ul style="list-style-type: none"> i. The statement of financial position reflects accumulated surplus balance of kshs.4,699,927 and kshs.391.847 as at 30 June, 2022 and 30 June, 2021 respectively, which according to the statement of changes in net assets, relates to capital/development grant/fund. ii. The statement of financial position reflects accumulated surplus balance of kshs.14,506,452 which differs with the recalculated balance of kshs.20,446,056, resulting to a variance of kshs.5,939,604. The variance relates to accumulated surplus as at 30 June, 2021 which was omitted in the reported balance as at 30 June, 2022. iii. The statement of cashflow reflect net cash flow from operating activities amount of kshs.5,138,529 as disclosed in Note 38 to the financial statements. However, note 38 to the financial statement includes increase in receivables amount of kshs.10,184,414 which differs with the amount of kshs.9,273,659 calculated using receivables balances reflected | <p>Amendments done in the 2022/2023 financial statements. 2022/2023 audit to confirm the amendments.</p> | Partially resolved | 30/06/2023 |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|---|--------------------------------------|---|
| | <p>in the statement of financial position, resulting in an unreconciled variance of kshs.911,755. As a result of this variance, the recomputed net cash flow from operating activities as per Note 38 is kshs.6.049,284 which differ with the statement of cash flow amount of kshs.5,138,529 by an unexplained variance of kshs.911,755. Further, review of the cash book revealed that the collage maintained one cash book for two bank account which is irregular.</p> <p>iv. Note 30 to the financial statements on property, plant and equipment (PPE) reflects costs balance as at 1 July, 2021 of kshs.382,051, while the PPE schedule in the audited financial statement for previous year shows a corresponding balance of kshs.391.847, resulting to unexplained variance of kshs.9.796. Further, the balance of kshs.382,051 is erroneously indicated in the schedule as kshs.382,0513.</p> <p>In the circumstances, the accuracy of the financial statement as at 30 June, 2022 could not be confirmed.</p> | | | |
| 2 | <p>Non-compliance with the prescribed reporting template</p> <p>Review of the annual report and financial statement revealed the following instances of non-compliance with the financial reporting template for TVETs and TTCs revised June, 2022 as prescribed by the Public Sector Accounting Standards Board:</p> <p>i. Some section headings are either not numbered or are incorrectly numbered</p> <p>ii. The statement of performance against predetermined objectives is mistitled as "Review of Kakrao Technical and</p> | <p>Amendments done in the 2022/2023 financial statements.</p> <p>2022/2023 audit to confirm the amendments.</p> | Partially resolved | 30/06/2023 |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|--|-----------------------------------|--|
| | <p>Vocational College's Performance for the FY 2021/2022" which is contrary to the prescribed template.</p> <p>iii. Note 26(a) under notes to the financial statement is shared by both detailed analysis of cash and cash equivalents and current receivables from exchange transactions.</p> <p>iv. The property, plant and equipment schedules at Note 30 to the financial statements reflects amount for one (1) financial year commencing on 1 July, 2021, contrary to the prescribed reporting template, which requires the schedule to reflect amounts for two (2) financial year starting on 1 July, 2020</p> <p>In the circumstances, the financial statement did not comply with the prescribed reporting template.</p> | | | |
| 3 | <p>Unremitted Funds by Mentor Institution Reported as Revenue</p> <p>The statement of financial performance reflects transfers from the national government-grants amount kshs.10,795,000, being unconditional grant, which includes an amount of kshs.1,617,500 disbursed by the State Department for Vocational and Technical Training to Mentor Institution's (Kisii National Polytechnic) bank account on behalf of the college. The amount comprised of capitulation of kshs.1,117,500 and operation grant of kshs.500,000. However, review of the college's bank statements and documents provided for audit revealed that the amount of kshs.1,617,500 was not transferred to its bank account by the Polytechnic.</p> <p>In the circumstances, the accuracy and completeness of the transfers from the National Government-grants amount of kshs.10,795,000 and the existence of the amount of ksh.1,617,500 for the year ended 30 June, 2022 could not be confirmed</p> | <p>An official communication letter and follow up done with the mentor institution</p> | <p>Not resolved</p> | <p>30/06/2023</p> |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|--|-----------------------------------|--|
| 4 | <p>Accuracy of Property, Plant and Equipment balance</p> <p>The statement of financial position reflects property, plant and equipment balance (net book value) of kshs.4,071,976 as disclosed in note 31 to the financial statements. However, the balance differs with corresponding amount of kshs.2,709,126 reported in the supporting fixed assets register provided, resulting in an unexplained and unreconciled variance of kshs.1,362,850. Further the balance of kshs.4,071,976 excludes a parcel of land measuring 2.2 hectares of an unknown value, which is listed in the fixed asset register. In addition, the fixed asset register includes other assets such as building, furniture and fittings, office equipment, a tank, computers and farm tools whose values were not disclosed</p> <p>In the circumstances, the accuracy and completeness of the property, plant and equipment balance of kshs.4,071,976 for the year ended 30 June 2022 could not be confirmed.</p> | <p>During the financial year in question, the college had assets of unknown values as they were donations from the GOK and other stakeholder. However, the college engaged a County valuer on 25th July 2023 and the revalued figures has been incorporated in the 2022/2023 financial statements awaiting audit.</p> | Resolved | |
| | <p>OTHER MATTER</p> | | | |
| 1 | <p>Budgetary control and performance</p> <p>the statement of comparison of budget and actual amount reflects final receipt budget and actual on comparable basis amount of kshs.42,564,510 and kshs.36,557,110 respectively, resulting to under collection of kshs.6,007,400 or 14% of the budget. Similarly, the college spent an amount of kshs.22,050,657 against an approved budget of kshs.42,564,510, resulting to under expenditure of kshs.20,513,853 or 48% of the budget.</p> <p>The under collection and under-expenditure affected the planned activities of the college and may have impacted negatively on service delivery to the various stakeholders of the college.</p> | <p>Amendments done in the 2022/2023 financial statements. 2022/2023 audit to confirm the amendments.</p> | Partially resolved | 30/06/2023 |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|--|--------------------------------------|---|
| 2 | <p>Unresolved Prior year Audit Matters REPORT ON LAWFULNESS AND EFFECTIVE IN USE OF PUBLIC RESOURCES.</p> | | | |
| | <p>Non-compliance with the law and ethnic diversity in staffing Review of human resource records revealed that the college had a total of eighty-four (84) employees out of which 81 (or 96%) were from one ethnic community. This contrary to section 7(1) and section 7(2) of the National Cohesion and Integration Act, 2008, which requires all public establishments to seek to represent the diversity of the people of Kenya in the employment of staffs and that no public establishment should have more than one third of its staffs from the same ethnic community. In the circumstances, the management was in breach of the law. The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements, 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.</p> | <p>The low levels of remuneration and the institution's inability to offer house allowances for BOG staff reduces the employability of the college, thereby contributing to the low level of diversity in the work force. The institution remains committed to this requirement and shall continually strive to offer equal employment opportunities to individuals irrespective of their backgrounds, gender, age, ethnicity, or religion.</p> | Not resolved | Next BOG recruitments |
| | <p>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</p> | | | |
| 1 | <p>Lack of Approved Staff Establishment and Annual Recruitment Plan As previously reported, the college did not have an approved staff establishment to indicate the authorized staffing levels an in-post staff for each category of employee and or any variance thereof. Further, evidence indicating that the Board had carried out job evaluation to determine the staff requirements for each category was not provided for audit. In addition, the college did not have an</p> | <p>The BOG has put in place this requirement</p> | Resolved | 15/10/2023 |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|--|--------------------------------------|---|
| | <p>annual recruitment plan, and there was no evidence that vacant position were advertised and interviews carried out.</p> <p>In the circumstances, the college may have operated with staffing level which was not optimal and the regularity of staff recruitment could not be confirmed.</p> | | | |
| 2 | <p>Lack of Approved Risk Management Policy and Disaster Recovery and Business Continuity Plan</p> <p>During the year under review, Management did not institute policies and procedures to guide key financial and managerial processes and controls for management such as revenue, expenditure, personnel, inventory and liabilities to enable effective and efficient running of the institution, and cushion or guarantee business continuity. Consequently, the college did not have an approved Risk Management Policy and risk management framework, and had not developed a risk register.</p> <p>Further, Management had not promulgated a code of conduct for its employees, there was no approved organizational chart and there was no disaster recovery plan or business continuity plan. In addition, management had not approved policies and procedures to guide human resource management.</p> <p>In the circumstances, the effectiveness of the internal controls, risk management and overall governance could not be confirmed.</p> | The BOG has in put in place this requirement | Resolved | 15/10/2023 |
| 3 | <p>Lack of Vendor Licenses for Operating or Application System</p> <p>Review of records revealed that the college was using computers installed with software developed by international company. However, it was noted that the college did not have the necessary vendor licenses for the operating or application systems. As a result, the college could not receive bug fixes, patches and security updates from the company that are released to address security and performance issues, thus exposing it to risks of ransomware attack while the software and the network environment became vulnerable to security breaches. Further, the college</p> | The BOG has put in place this requirement in part of the computers | Partially resolved | 15/10/2023 |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe :(Put a date when you expect the issue to be resolved) |
|--|--|--|--------------------------------------|---|
| | could not contact the company for support in case of incidences arising from the use of their products. In the circumstances, the security and confidentiality of colleges information could not be confirmed. | | | |
| 4 | Lack of Information and Communication Technology (ICT) Policy During the year under view, management did not develop policies and procedures to guide and control its IT environment. It was noted that the college lacked an approved ICT policy that would enable effective efficient running of the college, and guarantee business continuity. In the circumstances, the college is exposed to breaches of information confidentiality, data integrity and loss of business continuity. | The BOG has put in place this requirement | Resolved | 15/10/2023 |
| 5 | Lack of An Updated Register Audit review revealed that, the fixed asset register was not in compliance with The National Treasury template provided vide Circular No.23 of 2020, since some assets lacked important information such as depreciation of assets, asset class, acquisition date, cost of the asset, serial number, tag number, assets condition, accumulated depreciation and net book value (current value). Further, management was yet to establish policies and procedures on asset management. In addition, physical verification of the assets revealed that they were not coded or tagged for ease of identification and tracking. In the circumstances, the effectiveness of internal controls and risk management over the fixed assets could not be confirmed | The management currently has an updated register to be confirmed in the FY 2022/2023 audit | Resolved | |

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;

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- (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



.....
Name **F BODHIAMBO**
Accounting Officer
(Principal)
Date **17/01/2025**

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Appendix II: Projects Implemented by (Kakrao Technical and Vocational College) 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 | NONE | NONE | NONE | NONE | NONE | NONE |
| 2 | NONE | NONE | NONE | NONE | NONE | NONE |

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, i.e. 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 | NOT APPLICABLE | N/A | N/A | N/A | N/A | N/A | N/A |
| 2 | NOT APPLICABLE | N/A | N/A | N/A | N/A | N/A | N/A |
| 3 | NOT APPLICABLE | N/A | N/A | N/A | N/A | N/A | N/A |

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Appendix III- Inter-Entity Confirmation Letter



MINISTRY OF EDUCATION
 STATE DEPARTMENT FOR TECHNICAL, VOCATIONAL, EDUCATION & TRAINING
KAKRAO TECHNICAL & VOCATIONAL COLLEGE
 P.O. BOX 308 - 40400 SUNA-MIGORI. TEL: 0748 805 052 / 0101 905 052
 Email: kakraotvc@yahoo.com / kakraotvc20@gmail.com



The Ministry of Education wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

| Confirmation of amounts received by Kakrao Technical and Vocational College as at 30 th June 2023 | | | | | | | |
|--|----------------|--|-----------------|-----------------------|-------------------|---|-----------------------------|
| Reference Number | Date Disbursed | Amounts Disbursed by Ministry of Education (Kshs) as at 30th June 2023 | | | | Amount Received by Kakrao Technical and Vocational College(Kshs) as at 30 th June 2022 (E) | Differences(Kshs) (F)=(D-E) |
| | | Recurrent (A) | Development (B) | Inter-Ministerial (C) | Total (D)=(A+B+C) | | |
| | 24/10/2022 | - | - | 2,335,000 | 2,335,000 | | |
| | 26/01/2023 | - | - | 2,944,000 | 2,944,000 | | |
| | 28/06/2023 | - | - | 2,944,000 | 2,944,000 | | |
| Total | | | | 8,223,000 | 8,223,000 | 10,795,000 | 2,572,000 |



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

Head of Accountants department of beneficiary Entity:

Name Atuoch Anah Sign Atuoch Date 17/1/25

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Appendix V: Reporting on Disaster Management Expenditure

| Column I | Column II | Column III | Column IV | Column V | Column VI | Column VII |
|-----------|---------------|---------------|--|------------------|----------------|------------|
| Programme | Sub-programme | Disaster Type | Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness) | Expenditure item | Amount (Kshs.) | Comments |
| NONE | N/A | N/A | N/A | N/A | N/A | N/A |
| NONE | N/A | N/A | N/A | N/A | N/A | N/A |

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