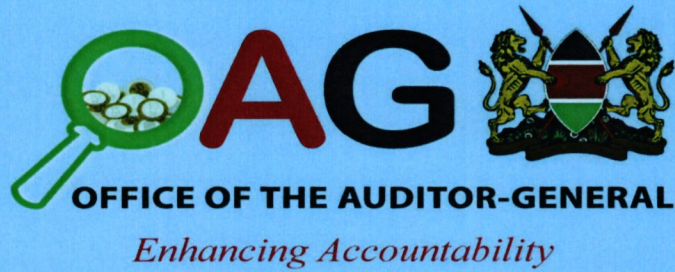


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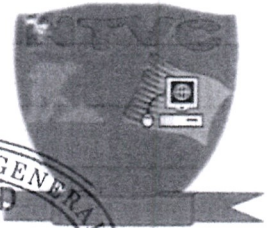
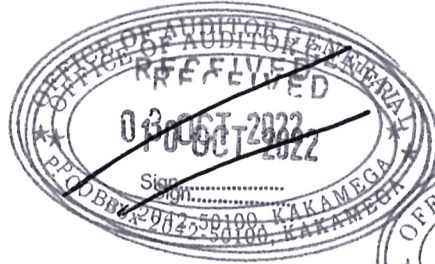
THE AUDITOR-GENERAL

ON

**NAVAKHOLO TECHNICAL AND VOCATIONAL
COLLEGE**

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

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021



NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
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30TH JUNE 2021

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
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NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE

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KEY NTVC INFORMATION AND MANAGEMENT

(i) Background information

Navakholo technical and vocational college (NTVC) was incorporated/ established under the TVET Act on 28TH/January 2021. It is domiciled in Kenya and has NO branches. The college is under the Ministry of Education. NTVC is located at Chebuyusi Village in Navakholo sub-County, Kakamega County. The construction of Navakholotvc started in January 2016 on a 5.5- acre piece of land donated by Chebuyusi boys high school. It was a joint effort of the Kenya Government and the C.D.F. of Navakholo Constituency. The Government contributed Ksh. 49,210,550million whereas the C.D.F. of Navakholo constituency contributed ksh. 10 million. The college was mentored by Kisiwa Technical Training Institute in Bungoma County. It was completed in September 2019 and the Public Service Commission posted the first 2 staff, the Principal Mr Patrick Ngore and his deputy Mr Ekhavi Gilbert. The Government equipped the college with Building Technology Machines and training equipment making a centre of excellence in building & civil engineering.

The student population at the end of quarter 4 was 190. The college has also diversified its training programs by introducing additional courses.

(ii) Principal Activities

The mandates of the college, as contained in the TVET act 2013.

Are/is to;

Our Vision

To be a leading college in technical Training & innovation for socio-economic prosperity and global competitiveness.

Mission

To provide quality competency-based technical training in science, engineering & Technology to foster applied research and community outreach for innovative and Sustainable Development.

Core values

NTVC is guided by:

- **Integrity** –Committed to acting in an honest, accountable and transparent manner in all our undertakings.
- **Professionalism** –Committed to the highest levels of achievement obtainable through competence and critical skills.
- **Teamwork** -Embrace collaboration both within the Council and with all partners in the provision of services.
- **Good Governance**-Committed to the protection of stakeholders' rights and the enforceability of contracts with service providers.

Innovation-committed to offer the training and resources for making everyone comfortable using available technology and trains its students to be lifelong learners when it comes to new developments.

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
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(iii) Key Management

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

- Board of members.
- Accounting officer/ Principal
- Management Board
- Heads of departments

(iv) Fiduciary Management

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

No.	Designation	Name
1.	Principal	Gilbert Ekhavi
2.	Acting Deputy principal	Amai Alfred
3.	Head of accounts	AsmanWangwe

(v) Fiduciary Oversight Arrangements

Board committees

Finance, Planning & Development BOG Members committee

No	Name	Designation
1	Evans Barasa	Chair
2	Duncan Njuguna	Member
3	Eunice Rapando	Member

Human resource& Training Members committee

No	Name	Designation
1	David Sikuku	Chair
2	Dr Bernadette Sabuni	member
3	Josiah Maaga	member

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
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(vi) College location

P.O. Box 766-50100, Kakamega
Kakamega County
Navakholo Sub County
½ Km from Kakamega Bungoma via Nambacha Road.

College Contacts

Telephone: (254)721589977
E-mail: navakholotvc@gmail.com
Website: www.navakholotvc.ac.ke

(vii) College Bankers

1. Equity bank-0500280066901
Kakamega branch
Kakamega town

(viii) Independent Auditors

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

(ix) Principal Legal Adviser


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

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
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THE BOARD MEMBERS.

 1. Boardchair	Name: Prof. Violet N. Opata D.O.B:1966 Key Qualifications: PhD Work experience: Education associate professor of communication technology, coordinator school of education Moi university.
 2. BoG Member	Name: Evans Barasa Wanjala D.O.B:1992 Key Qualifications: Holder of Bed Arts, MBA strategic management. Work experience: Relationship Officer-Operations at EBL(k)
 3. BoG Member	Name: Duncan Mwangi Njuguna D.O.B:1965 Key Qualifications: holder bachelors of commerce Work experience: insurance industry,x-mca
 4. BoG Member	Name: Dr, Eng. Bernadette W. Sabuni D.O.B: 1964 Key Qualification; PHD Work experience: dean elect, school of engineering and built environment mmust.
 5. BoG Member	Name: David Sikuku D.O.B: Key Qualification: MBA(finance option) Work experience: researcher parliamentary service commission.
 6. BoG Member Etc.	Name: Eunice Rapando D.O.B:1978 Key Qualification: MSc human resource Work experience: administration duties
 7. BoG Member	Name: Josiah B. Karori Maaga D.O.B:1956 Key Qualification: holder of degree civil Eng. Work Experience: Roads construction.

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
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 8. Secretary to the Board	Name: Gilbert Ekhavi D.O.B; Key Qualification: bachelor of technology in civil engineering
--	--

MANAGEMENT TEAM

 1. Principal	Name: Gilbert Ekhavi Key Qualification; Bachelor degree.
 2. Ag Deputy Principal	Name: Amai Alfred Key Qualification: Bachelor degree(Geography)
 3. HOD Building	Name: Charity Jepkorir Key Qualifications: Bachelor Degree
 4. accountant	Name: Asman Wangwe Key Qualification: CPA SEC IV.

BOARD CHAIR'S STATEMENT



The Navakholo Technical and Vocational College Board of Management was appointed on 12th day of May in 2020. In view of Mandate bestowed to us by the Cabinet Secretary I would announce, without any reservations that the Board has carried out its functions diligently and satisfactorily.

On 21st day of July 2020 the Board was inaugurated. During the first meeting the Board formed the following committees to enhance efficiency in its functions. These included:

- a) Finance and Human Resources committee.
- b) Education, Training and Research subcommittee.
- c) Risk and compliance subcommittee.

Since then, the Board has held several meetings to ensure the college management fast tracks the necessary procedures for the smooth running of the college. On 20/8/2021 the Board, represented by the Finance and Human Resources subcommittee held a meeting at the mentoring college Kisiwa Technical Training Institute to recruit two support staff workers.

During the online meetings, the following resolutions were made:

- a) The approval of the budget for financial year 2021/2022

Consideration of various policy documents that included: Building policy document, Human Resource and finance policy and Academic policy. The strategic plan for the college is in progress.

- a) Registration of the college to TVETA.
- b) Connection of water and electricity

Challenges

In view of the complementary roles carried out by the Board and College management, there are several factors that affect the structural and managerial processes.

The reluctance and aloofness of the community in ensuring their children join the college to acquire knowledge. Thus recruiting of students is a really challenge. The College also had its students population reduced during the first wave of Covid 19.

The College relies mainly on trainer recruited by the Board causing constrains on the meagre resources provided by the Ministry. Most courses were deferred due to this problem of not having qualified trainers from the Ministry.

Way Forward

Having many students who failed to join university from many secondary schools and with activated and energetic marketing strategies and sensitizing the community on Government bursaries and loans, there is a lot of hope students population will increase greatly.

Board chairperson: Prof. Violet N. Opata



NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

REPORT OF THE PRINCIPAL



Navakholo Technical and Vocational College is situated in Chebuyusi village, Bunyala Central Location, Navakholo Sub-County in Kakamega County. It is a public institution with registration TVETA/Public/tvc/0006/2021. The college is being mentored by Kisiwa Technical Training Institute. The 5.5 (five) acre land has yet to be given a land title deed; it was donated by Chebuyusi boys high school. The one storey building was constructed by the G.O.K. houses, two buildings/civil engineering workshops, 8 classrooms, staffroom, computer laboratory, land survey room, library space, office washrooms and administration offices.

THE HUMAN RESOURCE.

The college opened its doors to students on January 2020 with the first intake. The college is managed by a board of governors inaugurated on 21/7/2020. Currently there are 5(Gvt) trainers including the Principal deployed by the Ministry of Education and 9(nine) on B.O.G employment. The College has 3 board employees and two casuals for support services.

COURSES AND ENROLMENT

The college is a centre of excellence in ***BUILDING AND CIVIL ENGINEERING***. Other courses include: ICT, Water Engineering, Plumbing and Masonry. The total enrolment as at 30.june 2021 was 190 trainees spread across the courses.

PROJECTS

The college is planning to construct and initiate the following;

1. 6 door pit latrines
2. Gate (Medium)
3. Plant a Kei Apple (Kayaba) fence.
4. Plant about 1000 trees.

The College also hosts a solar-powered borehole which was constructed by The National Government and C.D.F Navakholo Constituency.

STRENGTH.

The college is sited strategically 100m from existing colleges and therefore has a large catchment for trainees.

There is good will from the community.


It has a substantive Board of Governors.

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
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CHALLENGES

The College is in dire need for;

- Public service trainers to ease the burden of BOG trainers.
- A permanent gate
- Hostels to attract trainees from a far.
- Compound fencing
- Tools and equipment for plumbing, ICT and Masonry courses.
- Transportation; double cabin and bus for mobility and training.
- E-Library books, computers, library chairs and tables for research and training purposes.
- Filling of administrative positions for effective operation of the college.

Principal: Mr Ekhavi Gilbert Wawire..... 

Date: 11/9/2022

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

REVIEW OF NTVC'S PERFORMANCE FOR FY 2020/2021

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.

NTVC is to work on the strategic pillars and objectives within the ongoing design of a Strategic Plan for the college.

CORPORATE GOVERNANCE STATEMENT

Navakholo Technical & vocational College corporate objective is to provide Technical and Vocational Education and training for producing competent graduates that can develop rapidly in their specialized fields and are relevant in the global market

This will be done by using innovation, training and community outreach as prescribed by the mission statement and through the discovery, development and conversion of talent and natural resources, and the provision of innovative customer and market- focused academic programmes.

MANAGEMENT DISCUSSION AND ANALYSIS

The PFM act of 2012 requires that the BOG to prepare financial statement for the institute which gives true and fair view of the state of affairs of the college and operating results of the college. The BoG is also required to ensure that the college keeps proper accounting records which disclose with accuracy the financial position of the college and safeguard the college assets.

The BoG is responsible for the preparation and presentation of the college financial statement which give a true & fair view of the college. The responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period
- ii. Maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the college.
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and ensuring that they are free from material misstatement, whether due to error or fraud.
- iv. Safeguard the college assets
- v. Selecting & applying appropriate accounting policies
- vi. Making accounting estimates that are reasonable in the circumstances

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

1. Sustainability strategy and profile

The college has to develop the following sustainability strategy to ensure that it remains afloat.

- a) Development and implementation of the college strategic plan.
- b) Development of various operational policies
- c) Strengthening and expanding the current academic programmes and introducing new competitive programmes

Achievement

These include:

- Growth in student's numbers,
- Competitive recruitment of staff, both trainers and other support staff.
- Development of the infrastructures to support academic programmes.

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

- Development of various physical infrastructures in the college.

Challenges

Key challenges faced by the college since inception is inadequate resources to finance the proposed projects. The covid 19 pandemic has created uncertainty environment for doing business including the marketing of the college programmes.

2. Environmental performance

The college recognises environmental sustainability as the greatest challenges in the 21st century and commits to ensuring that its major strategy and operations consider their environmental and ecological aspect and impacts. In this respect, the college is:

- a) Partnering with the local community within Navakholo shopping centre in keeping those towns clean by sponsoring staffs and students to freely participate periodical cleaning exercises
- b) In order to maintain healthy environment, the college planted grass and flowers on the sloppy part of the compound besides around the tuition block to reduce the soil erosion and for beautification.

3. Employee welfare

The college is to develop human resource policy and scheme of service that spells out

- a) The terms of employments,
- b) Qualification and experiences needed at each position
- c) Process of the identifying the skills gap
- d) Process of the recruitment

4. Market place practices-

The college has adopted the following marketing practices to ensure it has enough numbers per academic programme as per the MOE requirements.

- a) Established exchange programme with institution of higher learning
- b) College excellence performance trends to its trainers in both internal and external exams
- c) Participating in the regional education forums and also in KATTI activities
- d) Organised career guidance to the form 4 students in secondary schools within the Kakamega county
- e) Building capacities of its trainers as per the training needs analysis gaps intervention programmes
- f) Recruitment of the competent trainers in areas where there are skills gap.
- g) Use of television and road shows.

REPORT OF BOARD OF GOVERNORS

The Board members submit their report for the year ended June 30, 2021 which show the state of the NTVC's affairs.

Principal activities

The principal activities are

- Produce competent and quality trainees as per the demand of the market.
- Generate appropriate knowledge, skills, attitude, competencies, and innovation outputs that impact on the national development goals and social welfare.

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
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- Produce, transfer and disseminate appropriate technology for the benefit of the College, industry and society in general.
- Develop collaborations & linkages with relevant industries and training institution

Results

The college is yet to sit for its first KNEC exams.

BOARD OF GOVERNORS.

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

Auditors

The Auditor General is responsible for the statutory audit of the college in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Board

Secretary

11. STATEMENT OF BOARD OF GOVERNORS/ COUNCIL MEMBERS' RESPONSIBILITIES

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

The council members are responsible for the preparation and presentation of the college's financial statements, which give a true and fair view of the state of affairs of the college for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the college;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The council members accept responsibility for the 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 State Corporations Act, and the TVET Act. The council members are of the opinion that the colleges's financial statements give a true and fair view of the state of NTVC's transactions during the financial year ended June 30, 2021, and of the NTVC's financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the college, which have been relied upon in the preparation of the NTVC'S financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The ntv financial statements were approved by the Board on 19/8/2020 and signed on its behalf by:



Board chair



Board secretary

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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REPORT OF THE AUDITOR-GENERAL ON NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Navakholo Technical and Vocational College set out on pages 1 to 26, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of cash flows, statement of changes in net assets and statement of comparison of budget

Report of the Auditor-General on Navakholo Technical and Vocational College for the year ended 30 June, 2021

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

Basis for Qualified Opinion

1. Lack of Ownership Documents

The statement of financial position and as disclosed in Note 23 to the financial statements reflects a property, plant and equipment balance of Kshs.179,440,601 which includes land valued at Kshs.2,500,000. However, ownership documents for the land were not provided for audit review. Further, Management did not maintain an assets register to indicate date of purchase, cost, supplier, location, unique identification number, accumulated depreciation and net book values of the assets.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.179,440,601 could not be confirmed.

2. Unsupported Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 16 to the financial statements reflects receivables from exchange transactions balance of Kshs.3,712,360 which relates to student debtors. However, detailed schedules and ageing analysis to indicate how long the balances had been outstanding were not provided for audit.

In the circumstances, the accuracy, completeness and recoverability of receivables from exchange transactions balance of Kshs.3,712,360 for could not be confirmed.

3. Unsupported Trade and Other Payables from Exchange Transactions

The statement of financial position and as disclosed in Note 20 to the financial statements reflects trade and other payables balance of Kshs.1,131,187 in respect of trade payables (creditors). However supporting documents were not provided for audit.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.1,131,187 could not be confirmed.

4. Unsupported Revenue from Exchange Transactions

The statement of financial performance and as disclosed in Note 7 and 8 reflects revenue from exchange transactions amounting to Kshs.7,638,830 which includes amounts of Kshs.7,608,830 and Kshs.30,000 for rendering of services and other income respectively. However, supporting schedules were not provided for audit.

In the circumstances, the accuracy and completeness of the revenue from exchange transactions amounting to Kshs.7,638,830 could not be confirmed.

5. Inaccuracies in Employee Costs

The statement of financial performance reflects employee costs amounting to Kshs.1,249,685. However, the supporting schedules reflected an amount of Kshs.1,733,425 resulting to an unexplained variance of Kshs.483,740.

In the circumstances, the accuracy of the employee costs amounting to Kshs.1,249,685 could not be confirmed.

6. Unsupported Remuneration of Directors

The statement of financial performance reflects remuneration of Directors amounting to Kshs.426,650. However, the supporting documents for the expenditure were not provided for audit.

In the circumstances, the accuracy and completeness of the remuneration of Directors amounts of Kshs.426,650 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.10,463,000 and Kshs.9,108,830 respectively resulting to an under-funding of Kshs.1,354,170 or 13% of the budget. Similarly, the College expended Kshs.3,295,115 against an approved budget of Kshs.10,463,000 resulting to an under-expenditure of Kshs.7,167,885 or 69% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else

has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non-Compliance with Law on Ethnic Composition

During the year under review, the College had thirteen (13) employees, all of whom were from the same ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Risk Management Policy and Strategy

During the year under review, the College Management did not have a Risk Management Policy and risk register to mitigate against risk. This is in contravention of Regulation 165(1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015, which requires an accounting officer of national government entity to develop a risk management strategy, which includes fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, existence of effective risk management measures could not be confirmed.

2. Lack of Approved Information and Communication Technology Security Policy

Review of the College's information technology systems revealed the College did not have an approved IT Policy for governance and management of its Information and

Communication Technology (ICT) resources. In addition, there is no ICT Steering Committee in place to assist in the development of ICT Policy framework to enable the company to realize long-term ICT strategic goals. Lack of an approved IT Policy may result in an unclear direction regarding maintenance of information security across the organization and safeguarding the Company's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

In the circumstances, existence of effective ICT controls could not be confirmed.

3. Lack of Internal Audit Function and an Audit Committee

The College has not established an Internal Audit Function and an Audit Committee of the Board. This is contrary to Section 155 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function and an Audit Committee of the Board. As such, the College did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

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

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

Responsibilities of Management and Board of Governors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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


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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 September, 2022

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF FINANCIAL PERFORMANC FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government—grants	6	1,500,000	XXX
		1,500,000	XXX
Revenue from exchange transactions			
Rendering of services- Fees from students	7	7,608,830	XXX
Other income	8	30,000	XXX
Revenue from exchange transactions		7,638,830	XXX
Total revenue		9,138,830	XXX
Expenses			
Use of goods and services	9	961,818	XXX
Employee costs	10	1,249,685	XXX
Remuneration of directors	11	426,650	XXX
Depreciation and amortization expense	12	17,706,295	XXX
Repairs and maintenance	13	217,762	XXX
Contracted services	14	439,200	XXX
Total expenses		21,001,410	XXX
Net Surplus for the year		(11,862,580)	XXX


The notes set out on pages 17 to 21 form an integral part of the Annual Financial Statements.

NAVAKHOL0 TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020-2021

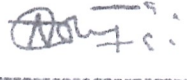
	Notes	2020-2021 Kshs	2019-2020 Kshs
Assets			
Current assets			
Cash and cash equivalents	15	2,332,779	XXX
Current portion of receivables from exchange transactions	16	3,712,360	XXX
Receivables from non-exchange transactions	17	500,000	XXX
Inventories	18	110,613	XXX
Total Current Assets		6,655,752	XXX
Non-current assets			
Property, plant and equipment	19	179,440,601	XXX
Total assets		186,096,353	XXX
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	20	1,131,187	XXX
Total Current Liabilities		1,113,187	XXX
Non-current liabilities			
Total liabilities		1,113,187	XXX
Capital and Reserves			
Capital Fund		184,983,166	XXX
Total net assets and liabilities		186,096,353	XXX

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



Chair person Board of Governors

Date 12th Sept, 2022



Finance Officer
ICPAK No

Date 11/9/2022



Principal

Date 11/9/2022

NAVAKHOL0 TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2021

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
At July 1, 2020	-	-	-	-	-
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	(11,868,580)	-	(11,868,580)
Capital/Development grants received during the year	-	-	-	196,851,746	196,851,746
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-
At June 30, 2021	-	-	(11,868,580)	196,851,746	184,983,166

Note: The amount indicated as capital/development grant is the actual value of non-current assets at the beginning of the financial year.

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR 30TH JUNE
2021

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2021

		2020-2021	2019-2020
	Note	Kshs	Kshs
Cashflows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	6	1,500,000	XXX
Rendering of services- Fees from students	7	7,608,830	XXX
Other income	8	30,000	XXX
Total Receipts		9,138,830	XXX
Payments			
Use of goods and services	9	(961,818)	XXX
Employment cost	10	(1,249,685)	XXX
Remuneration of directors	11	(426,650)	XXX
Repairs and maintenance	13	(217,762)	XXX
Contracted services	14	(439,200)	
Total Payments		(3,295,115)	XXX
Net cash flows from operating activities		5,843,715	XXX
Net cash flows used in financing activities			(XXX)
Acquisition of PPE	19	(295,000)	
Net cash flow used in investing activities		(295,000)	
Change in current asset/liabilities			
Receivables from Exchange Transactions		-	
Trade Payables from Exchange Transactions		-	
inventory		-	
Net increase/(decrease)incashandcash equivalents		-	(XXX)
Cashandcashequivalentsat1JULY 2020			XXX
Cashandcashequivalentsat30 JUNE 2021		2,332,779	XXX

Note: The cash flow can't be completed because there is no previous year's figures to be computed to as the annual report and financial statement under audit represents the first financial year of the college under operation.

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR 30TH
JUNE 2021

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

Vote heads	Budget	Actual	Variance	Percentage	Explanation
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021
	Kshs	Kshs	Kshs	Kshs	
generated revenue(A in A)	8,463,000	7,608,830	(854,170)	- 10%	
urrent grants	2,000,000	1,500,000	(500,000)	-25%	Delay by Gok to disburse funds.
Tota lincome	10,463,000	9,108.830	(1,354,170)	-13%	
Expenses					
Use of Goods and services	6,806,000	961,818	(5,844,182)	-86%	Most activities implementation were delayed due to covid-19
Employee costs	1,968,000	1,249,685	(718,315)	-36%	Less trainees decreased the need for trainers and Other staffs.
Remuneration of directors	394,000	426,650	32,650	8%	
Repair and maintenance	735,000	217,762	(517,238)	-70%	Most works delayed due to procurement process
Contracted services	560,000	439,200	(120,800)	-22%	Reduced staff
Total expenditure	10,463,000	3,295,115	7,167,885	-69%	

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR 30TH
JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

NTV is established by and derives its authority and accountability from TVET Act 2013. The college is wholly owned by the Government of Kenya and is domiciled in Kenya. The college's principal activity is to offer technical training and research.

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, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the college's accounting policies.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the TVET Act, the treasury guidelines, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted was mostly the treasury guidelines as the college is working the financial policy.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020
NOT APPLICABLE.

ii. Early adoption of standards

The college is adopting IPSAS accruals in this financial year 2020/2021.

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR 30TH
JUNE 2021

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 the college and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR 30TH
JUNE 2021

Dividends

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

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2020/2021 was approved by the BOG on December 2020. No Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

c) Taxes

Current income tax

The college is exempt from paying taxes as per the income tax act.

Sales tax/ Value Added Tax

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

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

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

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR 30TH
JUNE 2021

d) Investment property

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

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

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

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

e) Property, plant and equipment

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

The college used the depreciation rates as per their finance policy on non-current assets as below;

Description	Rate
Buildings	2%
Machinery & Equipment	12%
Furniture & Fittings	12.5%
Computers	33.5%
Loose tools	50%
Total	

f) Leases

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

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

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

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

g) Intangible assets

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

h) Research and development costs

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

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

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

i) Financial instruments

Financial assets

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR 30TH
JUNE 2021

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR 30TH
JUNE 2021

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

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

Loans and borrowing

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

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

i) Inventories

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

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

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

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

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

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

j) Provisions

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

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

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
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JUNE 2021

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.
The reserves to be maintained in the college are:

Capital reserves—represent the values of assets at the start of the college.

Revenue reserves - balances of surpluses accumulated over the years

· *Capital grant reserves*-represent development grant from the exchequer.

· *Development reserve* - represent development funds from internally generated funds.

l) Changes in accounting policies and estimates

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

NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR 30TH
JUNE 2021

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

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

o) Borrowing costs

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

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

p) Related parties

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

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q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

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5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions have to be raised and management determined an estimate based on the information available.

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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6. TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2020-2021	2019-2020
	KShs	KShs
Unconditional grants		
Operational grant-Recurrent	1,500,000	xxx
Conditional grants		
Total government grants and subsidies	1,500,000	xxx

7. RENDERING OF SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Tuition fees	965350	xxx
Activity fees	79400	xxx
Examination fees	434430	xxx
Library fees	68400	xxx
EWC	156400	xxx
RMI	402800	xxx
LT&T	181100	
MED	58050	
ADMN	630300	
ROBOTIC	239600	
Total revenue from the rendering of services	7,608,830	xxx

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8. OTHER INCOME

Description	2020-2021	2019-2020
	KShs	KShs
Income from sale of tender	30,000	xxx
Total other income	30,000	xxx

9. USE OF GOODS AND SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Activity	10,500	xxx
Training fee	20,000	xxx
Tuition	491,253	xxx
LT&t	77,380	xxx
Admin fees	362,685	xxx
Total good and services	961,818	xxx

10. EMPLOYEE COSTS

	2020-2021	2019-2020
	KShs	KShs
Salaries and wages	1,249,685	xxx
Employee costs	1,249,685	xxx

11. REMUNERATION OF DIRECTORS

Description	2020-2021	2019-2020
	KShs	KShs
Directors emoluments	426,650	xxx
Total director emoluments	426,650	xxx

12. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	17,706,295	xxx
Total depreciation and amortization	17,706,295	xxx

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13. REPAIRS AND MAINTENANCE

Description	2020-2021	2019-2020
	KShs	KShs
General repairs	217,762	xxx
Total repairs and maintenance	217,762	xxx

14. CONTRACTED SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Security services	439200	xxx
Total contracted services	439,200	xxx

15. (a) CASH AND CASH EQUIVALENTS

Description	2020-2021	2019-2020
	KShs	KShs
Cash and cash equivalent	2,332,779	xxx
Total cash and cash equivalents	2,332,779	xxx

(b). DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

Financial institution	Account number	2020-2021	2019-2020
		KShs	KShs
a) Current account			
Equity Bank,		2,225,054	xxx
Sub- total		2,225,054	xxx
b) Others(specify)			xxx
cash in hand		107,725	xxx
Sub- total		107,725	xxx
Grand total		2,332,779	xxx

16. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Student debtors	3,712,360	xxx
Total current receivables	3,712,360	xxx

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17. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Recurrent grant operational	500,000	xxx
Total current receivables	500,000	xxx

18. INVENTORIES

Description	2020-2021	2019-2020
	KShs	KShs
General stores	110,613	xxx
Total inventories at the lower of cost and net realizable value	110,613	xxx

19. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Furniture and fittings	Computers	Plant and equipment	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs
At 1 November 2020 cost price	2,500,000	59,210,550	2,344,400	1,200,000	131,596,946	196,851,746
Additions					295,000	295,000
Disposals						
Transfers/adjustments						
At 30th Jun 2021	2,500,000	59,210,550	2,344,400	1,200,000	131,891,946	197,146,746
Depreciation and impairment						
At 1 July 2020 bal c/f						
Depreciation for the year		1,184,211	293,050	402,000	15,827,034	17,706,295
Impairment	-	-	-	-	-	-
At 30 June 2021 total dep for the year	-	1,184,211	293,050	402,000	15,827,034	17,706,295
Net book values						
At 30th June 2021	2,500,000	58,026,339	2,051,350	798,000	116,064,912	179,440,601

Note. As per the guidelines from the treasury the assets depreciated annually on a reducing balance basis and the depreciable amount Charged to income over the assets useful life at the following rates: Buildings 2%, Furniture and fittings 12.5%, computers 33.5%, plant and equipment 12%. Land being a freehold land is not Depreciated As it is deemed to have infinite life.

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20. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	KShs	KShs
Trade payables	1,113,187	xxx
Total trade and other payables	1,113,187	xxx

21. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions	3,712,360			
Receivables from non exchange transactions	500,000			
Bank balances	2,225,054			
Total	6,437,414			-

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

The college has significant concentration of credit risk.

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	426,630	-	686,557	1,113,187
Current portion of borrowings	-			
Provisions	-			
Deferred income	-			
Employee benefit obligation	-			
Total	426,630	-	686,557	1,113,187

(iii) Market risk

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

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

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

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021			
Financial assets(investments, cash ,debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)	-	--	

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021			
Financial assets(investments, cash ,debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			-

Foreign currency sensitivity analysis

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

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

a) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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iv) Capital Risk Management

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

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve		Xxx
Retained earnings		Xxx
Capital reserve		Xxx
Total funds		Xxx
Total borrowings		Xxx
Less: cash and bank balances		(xxx)
Net debt/(excess cash and cash equivalents)		Xxx
Gearing		xx%

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Interest rate risk(continued)

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2016: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2012 - KShs xxx)

iv) Capital Risk Management

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

	2021-2022	2020-2021
	KShs	KShs
Revaluation reserve	xxx	xxx
Retained earnings	xxx	xxx
Capital reserve	xxx	xxx
Total funds	xxx	xxx
Total borrowings	xxx	xxx
Less: cash and bank balances	(xxx)	(xxx)
Net debt/(excess cash and cash equivalents)	xxx	xxx
Gearing	xx%	xx%