

REPUBLIC OF KENYA



*Enhancing Accountability*



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**REPORT**  
THE NATIONAL ASSEMBLY  
PAPER LAD

DATE: 04 OCT 2023 WED

TABLED BY: **OF HON NAOMI WADO MP**  
DEPUTY MAJORITY PARTY, WITIP, ~~MAJORITY~~

CLERK AT THE TABLE: **FINLAYS MURUKI**

**THE AUDITOR-GENERAL**

**ON**

**KIGOICHE VOCATIONAL TRAINING  
CENTRE**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



**International Public Sector Accounting Standards (IPSAS)**  
**Annual Financial Reporting Template for**  
*Technical Vocational Education Training (TVET) Institutions, National Polytechnics and*  
*Teacher Training Colleges*

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**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
*(KIGOCHÉ VTC)*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**  
**30<sup>TH</sup> JUNE 2022**

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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Table of Contents

KEY ENTITY INFORMATION AND MANAGEMENT .....	ii
KEY ENTITY INFORMATION AND MANAGEMENT (Continued) .....	v
THE COUNCIL/BOARD OF GOVERNORS .....	vi
MANAGEMENT TEAM .....	vi
CHAIRMAN'S STATEMENT .....	vii
REPORT OF THE PRINCIPAL .....	vii
REVIEW OF XX TVET/ NATIONAL POLYTECHNIC/TEACHER TRAINING COLLEGE 'S PERFORMANCE FOR FY 2021/2022 .....	x
CORPORATE GOVERNANCE STATEMENT .....	x
MANAGEMENT DISCUSSION AND ANALYSIS .....	<b>Error! Bookmark not defined.</b>
CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY ..	<b>Error! Bookmark not defined.</b>
REPORTING .....	<b>Error! Bookmark not defined.</b>
REPORT OF THE COUNCIL/BOARD OF GOVERNORS .....	xi
STATEMENT OF BOARD OF GOVERNORS/ COUNCIL MEMBERS' RESPONSIBILITIES .....	xii
REPORT OF THE INDEPENDENT AUDITORS ON THE <i>ENTITY (specify entity name)</i> .....	xiv
IV. STATEMENT OF FINANCIAL PERFORMANC FOR THE YEAR ENDED 30 JUNE 2022 .....	1
V. STATEMENT OF FINANCIAL POSITION AS AT 30 <sup>TH</sup> JUNE 2022 .....	3
VI. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2022 .....	5
VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022 .....	6
VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022 .....	8
IX. NOTES TO THE FINANCIAL STATEMENTS .....	10
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS .....	43
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY .....	44
APPENDIX III: INTER-ENTITY TRANSFERS .....	45
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES .....	46

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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**KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

Kigoche Vocational Training Centre was established in 2012. Occupies land previously Kigoche primary school which was moved out in 1992. It lies in land size of 7 acres. It is located along Ahero– Ombeyi road, close to national irrigation board. Ombeyi Ward, Muhoroni Constituency;

It is currently registered under the TVET Act 2013, registration number TVETA/PUBLIC/VTC/0160/2018

The institution is under the County Government of Kisumu, Ministry of Education, ICT and Human Resource Development.

**(b) Principal Activities**

The principal activity/mission/ mandate of the *entity* is, offer vocational skills training to the youth in the following trades

1. Building Technology (Masonry)
2. Fashion Design & Garment Making
3. Beauty Therapy
4. Information Communication Technology (Computer)
5. Electrical Technology

The aims of this vocational training include:

- a) To impart marketable skills and technical know-how that respond to contemporary labour market demands by the industry, the informal sector and for self-employment;
- b) To develop practical skills that will promote and enable the youth to fully participate in the affairs of their community and country;
- c) To provide skills for sustainable livelihoods, work and self-sustainability;
- d) To promote and sustain entrepreneurial and technological innovations among the youth;
- e) To unleash and redirect the potential of the youth towards productive economic activities;
- f) To provide life skills to the youth that will enable them cope with the challenges of life;

**VISION**

To be the leader in empowering the youth with appropriate skills and technology for self-reliance

**MISSION**

To Impart Appropriate Technical, Entrepreneurial & Life Skills

**MOTTO**

Modelling Excellence

**CORE VALUES**

:::

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

Our core values are informed by our firm commitments that define who we are as an institution and the qualities and principles that we integrate in all our activities within the institution. These are:

- excellence
- respect
- integrity
- honesty
- responsibility
- openness

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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6.

**(c) Key Management**

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

- Board of Governors
- County Directorate
- Centre Management

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	CECM	Mr. John Awiti
2.	Chief Officer	Mrs. Peninah Onyango
3.	Director	Mrs. Paschalia Ouma
4.	Centre Manager	Mr. Boniface ogutu
5.	BOG chairman	Mr. John O Akola

**(e) Fiduciary Oversight Arrangements**

- *Audit committee activities*
- *Development partner oversight activities*
- *County Executive*

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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**KEY ENTITY INFORMATION AND MANAGEMENT**

**(f) Entity Headquarters**

P.O. Box private bag  
Ahero  
KENYA

**(g) Entity Contacts**

Telephone: (254) 724099154  
E-mail: kigochevtc@gmail.com

**(h) Entity Bankers**

1. Kenya Commercial Bank  
P.O.Box 17-40100  
Kisumu

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

**THE BOARD OF GOVERNORS**

No.	Name	Details
1.	Board of Governors Chairperson -Mr. John Akola	Is an Educationist Contact: 0714688654
2.	Mr. Bill Odongo	Representing Engineering Contact: 0712583107
3.	Mrs. Colleta	Representing Leadership & Management Contact: 0722293649
4.	Mr. Emmanuel Opetu	Representing Financial Management Contact: 0708239247
5.	Mr. Erick Dudi	Representing ICT Contact: 0712170346
6.	Mrs. Paschalia Ouma	Director, VET
7.	Boniface Ogutu	Secretary to the Board of Governors Contact: 0724099154

**MANAGEMENT TEAM**

No.	Name	Details
1.	Centre Manager	Overall, in charge of the centre
2.	Deputy Manager	Deputizing the Centre Manager and overseeing the day to day running of the institution in the Manager's absence
3.	Heads of Departments	In charge of their respective departments
<p><i>Note: The Principal and the Secretary to the Council/ BoG will feature both under the 'Board' and 'Management'.</i></p>		

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

- j) receive, collect and account for any funds accruing to the institution;
- k) Recruit, employ and remunerate such number of trainers and non-teaching staff as may be required by the institution in accordance with the relevant policies and guidelines.

**REPORT OF THE BOARD OF GOVERNORS**

The Board members submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the *entity's* affairs.

**Principal activities**

The principal activities of the entity are provided excellent and top credited education to the trainees.

**Results**

The results of the entity for the year ended June 30 are set out on pages 1-6

**BOARD OF GOVERNORS**

The members of the Board /Council who served during the year are shown on page V. During the year 2022 the board term limit elapsed and a new board was voted in, and Daniel was appointed with effect from 25/07/2022 date.

**Auditors**

The Auditor General is responsible for the statutory audit of the *entity* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2017 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Corporate Secretary  
Nairobi  
Date....

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

**BOG CHAIRMAN'S STATEMENT**

As we bid bye to this financial calendar, let's not forget about our progress as well as hiccups that almost derailed us off course. It should be a learning curve for Kigoche VTC. We are in the process of developing a 5-year strategic plan aimed at providing us with a forward-looking road map and strategies for further sustainable development beyond the foreseeable future. Key to the success of this strategic plan is for us to understand who and where we are as institution, where we want to be and how to get there. Most importantly, we should also be able to evaluate our progress vis-à-vis the objectives set and make necessary reviews from time to time to capture new opportunities, challenges and emerging trends.

As a Board and with the consultation of a wide array of stakeholders, we felt the need to put in place a general framework that would guide and direct the institution's development agenda and priority areas over the longer term in order to effectively and swiftly respond to the ever changing environment in education and training.

Our five year plan recognizes the unique role that Kigoche VTC plays in the surrounding community and the need to steer it further towards becoming a more accessible and diverse institution that provides unequalled skill development opportunities to a broad spectrum of trainees while at the same time meeting the socio-economic needs of the wider community.

With our vision, mission and core values in mind, we are committed to providing quality and relevant skills to our trainees in line with our country's Vision 2030 development blueprint and the global Sustainable Development Goals (SDGs). In order to achieve this, it is important for us to identify strategic areas upon which to direct our efforts and resources to mitigate the negative impact of inconsistent government funding. By taking advantage of our existing strengths and opportunities, we can expand and diversify our entrepreneurial activities and achieve a sustainable solution to our funding challenges.

Among our most pressing challenges are infrastructural development, staffing and untimely disbursement of funds from the National and County governments, which greatly disrupt our training programs.

I take this opportunity to hail the consultative and participatory approach embraced by this strategic plan and appreciate the input of all our stakeholders in developing the same. These include the BOG, manager, instructors, National government and County Government of Kisumu, our sponsors, area leaders, and members of the community, non-teaching staff and trainees of Kigoche VTC among others. I am personally humbled by the diverse contributions of all those involved both individually and collectively and believe that together we shall make Kigoche Vocational Training Centre a pinnacle of success.

.....  
KIGOCHE VOCATIONAL TRAINING CENTRE  
Date: .....  
Signature: .....  
**Mr John Akola**  
BOG Chairperson

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

## **REPORT OF THE CENTRE MANAGER**

Kigoche Vocational training centre in Kisumu County, prides and counts itself as an institution that gives genuine and hands on skills to youth through training. We are establishing, beauty and therapy class due to high demand. Our main focus is to build on trainee populace Over the years, Kigoche VTC has continued to provide quality training and register its trainees for NITA face tests with 95% pass rate. These trainees gain appropriate and relevant technical, entrepreneurial, communication and ICT skills that enable them to be all-rounder and be able engage in self-employment and contribute to poverty reduction efforts in their communities.

As we reflect on the progress achieved by the institution to date, we need to put new strategies in place in order to make further advances and also map out the areas upon which our community needs to focus additional effort.

The challenges and opportunities presented by the ever-changing education and technology environment call for the need to enhance institutional capacity and chart a strategic road map that will effectively steer the institution into the future. Among our strategic priorities and areas of focus include:

- Provide excellent training opportunities to a larger and more diverse trainee population with a focus on trainee development and preparing them to lead sustainable livelihoods;
- Expand and enhance Kigoche VTC's engagement with all stakeholders including: the surrounding communities, similar institutions, the government and the private sector.
- Utilize resources invested in the institution by stakeholders in a responsible manner to ensure economic sustainability of the institution.

## **STAFF ESTABLISHMENT**

There is one County Government-employed instructor, five BOG-employed instructor and two support staff , security guard and a cook.

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

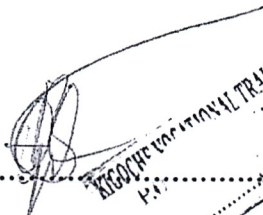
**Staff Shortage**

Currently we have shortage of instructors as follows:

NO.	Course	Deficit
1.	Building Technology	1
2.	<i>Electrical Technology</i>	1
3.	Beauty Therapy	1
4.	ICT	1

**PHYSICAL FACILITIES**

The physical facilities are in adequate and are not to the required standard besides there is a shortfall; this drags us down and threatens our ability at attracting trainees. We have been constantly appealing to willing sponsors and we hope for consideration. The institution is unfenced, it poses grave danger and limits our activities markedly. Our prayer is to have this prevailing situation resolved

  
.....  
KISumu VOCATIONAL TRAINING CENTRE  
P.O. BOX 11111  
NYERI, N.Y.  
Date.....  
Sign.....

**Boniface Ogutu**

**CENTRE MANAGER**

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

**REVIEW OF KIGOCHIE TVETP PERFORMANCE FOR FY 2020/2021**

**Two-to-three pages**

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.

Kigoche has 2 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023.

These strategic pillars are as follows:

Pillar 1: Recruiting more trainees

Pillar 2: Increase the number of trainers

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

Strategic Pillar		Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:		To increase the number of trainees 30 to 50 enrolments	Increased number of trainees	Community sensitization	Covid 19 contributed to a drop from 30 to below 25
Pillar 2:		Increase the number of trainers	Increased performance	Hiring more support staffs	Increase educational performance

**CORPORATE GOVERNANCE STATEMENT**

The appointment of the Board of Governors was done in accordance with the provisions of the TVET Act, 2013. The management board has been in the office since April 2019, meaning it has under one year before expiry of their term. The BOG has two sub-committees

The functions of the BOG include:

- a) promote the best interests of the institution and ensure its development;
- b) promote quality education for all trainees in accordance with the standards set under this Act or any other written law;
- c) ensure and assure the provision of proper and adequate physical facilities for the institution;
- d) manage the institution's affairs in accordance with the rules and regulations governing the occupational safety and health;
- e) provide for the welfare and observe the human rights and ensure safety of the trainees, trainees and non-teaching staff at the institution;
- f) encourage a culture of dialogue and participatory democratic governance at the institution;
- g) promote the spirit of cohesion, integration, peace, tolerance, inclusion, elimination of hate speech, and elimination of tribalism at the institution;
- h) allow reasonable use of the facilities of the institution for community, social and other lawful purposes, subject to such reasonable and equitable conditions as it may determine including the charging of a fee;
- i) administer and manage the resources of the institution;

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

**STATEMENT OF BOARD OF GOVERNORS**

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

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

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

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

**Approval of the financial statements**

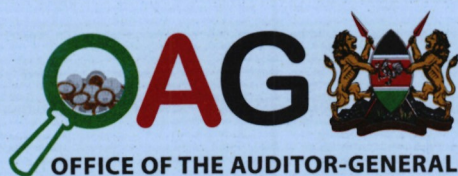
The entity's financial statements were approved by the Board on 22<sup>nd</sup> July 2022 and signed on its behalf by:

Chairperson of the Board  
Date: \_\_\_\_\_  
Signature: \_\_\_\_\_  
KIBOCHE TECHNICAL TRAINING CENTRE  
P.O. BOX 1111  
NAIROBI, KENYA

Accounting officer/Principal  
Date: \_\_\_\_\_  
Signature: \_\_\_\_\_  
KIBOCHE TECHNICAL TRAINING CENTRE  
P.O. BOX 1111  
NAIROBI, KENYA

# REPUBLIC OF KENYA

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*Enhancing Accountability*

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

## **REPORT OF THE AUDITOR-GENERAL ON KIGOCHÉ VOCATIONAL TRAINING CENTRE FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kigoche Vocational Training Centre set out on pages 1 to 42, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

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*Report of the Auditor-General on Kigoche Vocational Training Centre for the year ended 30 June, 2022*

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 Kigoche Vocational Training Centre as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Technical and Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Presentation and Disclosure of the Financial Statements**

The financial statements includes the following anomalies on presentation and disclosure;

- i. The header of the financial statements does not contain the name of the Centre and indicates the word 'Edecoration' instead of 'Education'.
- ii. The table of contents is not updated and includes the narration 'Error! Bookmark not defined'.
- iii. The pages in the financial statements are not consistent since some page numbers are missing and other pages are repeated. In addition, page iv does not have an appropriate heading to what the narration is about.
- iv. The financial statements reflected 'xxx', 'X' or 'xx' amounts instead of the budgeted or actual amounts or balances.
- v. In the second paragraph of page x, Management has made reference to the financial year 2019/2020 instead of 2021/2022.
- vi. Page xii indicates that the Board of Governors/Council who served during the year as disclosed on page v. However, there are no details on the Board of Governors indicated on page v.
- vii. Page xii is not signed by the Secretary to the Board. Further, the statement of the Board of Governors, the statement of financial performance, statement of financial position, statement in changes in net assets and statement of cash flows and the statement of comparison of budget and actual amounts for the financial year 2021/2022 have not been signed by the Chairperson of the Board, the Centre Manager and the Finance Officer.
- viii. The financial statements indicate 'xx' as page numbers on the sentence referring to the dates when the financial statements were signed on behalf of the Centre's BOG instead of the respective page numbers.

- ix. The corporate social responsibility statement/sustainability reporting has not been included in the financial statements as required by the template recommended by Public Sector Accounting Standards Board.
- x. Report of the Board of Governors on page xii does not begin on its own page.
- xi. The statement of cash flows does not refer to the respective Note numbers.

In the circumstances, the presentation of the financial statements was not in compliance with the reporting template recommended by the Public Sector Accounting Standards Board.

## **2. Inaccuracies in the Financial Statements**

The financial statement includes the following inaccuracies;

### **2.1 Statement of Financial Performance**

The statement of financial performance reflects an opening balance of Kshs.424,900 and a net surplus for the year of Kshs.701,717. The statement also reflects total revenue of Kshs.2,782,500 and total payments amounting to Kshs.2,505,683 thus resulting to a net surplus of Kshs.701,717. However, the re-computed net surplus for the year amounts to Kshs.276,817.

### **2.2 Statement of Financial Position**

The statement of financial position reflects a nil balance in respect to cash and cash equivalents. However, Note 13 to the financial statements reflects a cash and cash equivalents balance of Kshs.701,717 resulting in an unexplained variance of Kshs.701,717.

### **2.3 Statement of Cash Flows**

The statement of cash flows reflects a nil amount of net cash flows from operating activities instead of re-computed total amount of Kshs.276,817 resulting in an unexplained variance of Kshs.276,817. Further, the statement reflects cash and cash equivalents balance of Kshs.701,717 as at 30 June, 2022 while the statement of financial position reflects a nil balance. In addition, recomputed closing cash and cash equivalents balance indicated an amount of Kshs.978,534 resulting to an unexplained variance of Kshs.276,817.

### **2.4 Statement of Comparative of Budget and Actual Amounts**

The statement of comparison of budget and actual amounts reflects actual use of goods and services amount of Kshs.2,170,350. However, the statement of financial performance and Note 8 to the financial statements reflects an amount of Kshs.1,593,183 resulting to an unexplained variance of Kshs.577,167. Further, the statement reflects nil expenditure on actual compensation of employees while the statement of financial performance and Note 9 to the financial statements reflects an amount of Kshs.184,000. In addition, the statement reflects actual repairs and maintenance expenses of Kshs.612,150. However, the statement of financial performance and Note 11 to the financial statements reflect an amount of Kshs.728,500 thereby resulting to an unexplained variance of Kshs.116,350.

## **2.5 Statement of Changes in Net Assets**

The statement of changes in net assets does not reflect any balance whereas the statement of financial performance reflects a net surplus amount.

The financial statements do not indicate the opening balances (comparative amounts) from the financial year 2020/2021 whereas Management had submitted for audit the financial statements of the Centre, with amounts and balances for that year. In addition, there were inconsistencies in the numbering and description of the items between the financial statements and the Notes to the financial statements.

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

## **3. Unsupported Expenditure**

### **3.1 Employee Costs**

As disclosed in Note 9 to the financial statements, the statement of financial performance reflects employee costs of Kshs.184,000 which comprises of salaries and wages. However, payroll summaries, ledgers and payment vouchers were not provided for audit.

### **3.2 Use of Good and Services**

The statement of financial performance reflects use of goods and services amount of Kshs.1,593,183 as disclosed in Note 8 to the financial statements. However, ledgers, procurement records, invoices and payment vouchers were not provided for audit.

### **3.3 Repairs and Maintenance**

The statement of financial performance reflects repairs and maintenance amount of Kshs.728,500 as disclosed in Note 11 to the financial statements. However, ledgers, procurement records, invoices and payment vouchers were not provided for audit.

In the circumstances, the accuracy, completeness and propriety of the above expenditure could not be confirmed.

## **4. Inaccuracies in Cash and Cash Equivalents Balance**

The statement of financial position reflects a nil balance in respect of cash and cash equivalents. However, Note 13 to the financial statement reflects a bank balance of Kshs.701,717 as at 30 June, 2022. Further, the bank reconciliation statement provided indicated that the cash book balance amounted to Kshs.5,864 thereby resulting to an unexplained and unreconciled balance of Kshs.695,853. In addition, a list of all bank accounts operated by the Centre was not provided for audit and the cash books were not regularly checked by a senior officer and signed for correctness. Similarly, Management did not constitute a Board of Survey to examine and verify the cash in hand and bank balances and to close the cash book as at 30 June, 2022.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.701,717 could not be confirmed.

## **5. Failure to Maintain a Trial Balance and Ledgers**

During the audit, the Centre did not maintain a trial balance and ledgers for the financial year 2021/2022 and therefore it was not possible to confirm how the balances in the financial statements were determined.

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

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

### **Key Audit Matters**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Lack of a Fixed Assets Register**

The Centre occupies buildings from where it is run and there are office equipment and other assets that are used by its staff. However, in the year under audit, the Centre did not prepare a fixed asset register to track its assets. Further, the Centre did not have a Finance Policy and Procedures Manual to guide on the rates of depreciation and amortization of the property and equipment it owns. This was contrary to Regulation 139(1) of the Public Finance Management (National Government) Regulations, 2015 which states that "The Accounting Officer of a National Government entity shall take full responsibility and ensure that proper control systems exist for assets and that - preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse; and movement and conditions of assets can be tracked'.

In the circumstances, the possibility of theft, loss, wastage and misuse of fixed assets cannot be monitored and controlled or prevented and Management was in breach of the law.

## **2. Lack of an Approved Budget**

During the year under audit, the Centre did not have an approved budget to guide its operations. This was contrary to Regulation 31(2)(a) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer is responsible, in particular for ensuring that - all services which can be reasonably foreseen are included in the estimates and that they are within the capacity of her or his National Government entity during the financial year.

In the circumstances, the regularity of the Centre's transactions could not be confirmed and Management was in breach of the law.

## **3. Failure to Prepare and Submit Financial Statements for Audit**

Review of records and information provided revealed that Kigoche Vocational Centre started operations in the year 2012 under the Ministry of Education and Technology. Since then, Management has been required to be preparing financial statements for audit by the Ministry's schools' auditors. However, the audit reports were not provided for audit.

Further, available information indicates that Management was directed by the Accountant-General in 2016 to prepare and submit the Centre's financial statements to the Auditor-General beginning with financial year 2015/2016 in line with Section 14(3) of the Technical and Vocational Education and Training Act, 2013 which states that "the accounts of the Board shall be audited by the Auditor-General or by an auditor appointed by the Board with the written approval of the Auditor-General." Contrary to the provisions of the Act, Management did not submit the Centre's financial statements for financial years 2015/2016, 2016/2017, 2017/2018, 2018/2019 and 2019/2020 for audit. This is also contrary to Regulation 101(4) of the Public Finance (National Government) Management Regulations, 2015 which states that "an Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor-General with a copy to the County Treasury, the Controller of Budget and The National Treasury."

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 Internal Audit Function and Audit Committee**

In the year under audit, the Centre operated without an Internal Audit Unit and Audit Committee. This was contrary to Section 73(1)(a) of the Public Finance Management Act, 2012 which states that “every National Government entity shall ensure that it complies with this Act and - has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.” Further, sub-section 5 states that “every National Government public entity shall establish an internal auditing committee whose composition and functions are to be prescribed by the regulations”.

In the circumstances, the Centre was in breach of the law and lacked an internal monitoring mechanism to check on its operations as envisaged in the Public Finance Management Act, 2012.

### **2. Lack of a Risk Management Strategy**

In the year under audit, the Centre did not have in place a risk management strategy. This was contrary to Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer of a National Government entity to develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

In the circumstances, the Centre was in breach of the law and lacked a risk management mechanism to ensure robust business operations as required by the Regulations.

### **3. Lack of Human Resource Policy, Scheme of Service and Staff Establishment**

In the year under audit, the Centre did not have a human resource policy, scheme of service and staff establishment, to guide on administrative and personnel matters. This was contrary to Human Resources Policies and Procedures Manual for the Public Service, 2016 which bestows the Public Service Commission and Management with roles and functions which include setting and overseeing the overall human resources strategy, terms of service of employees and approval of significant policies of the organizational structure of the Centre.

In the circumstances, Management was in breach of law and may fail to operate in an effective, efficient, economical and transparent manner as in relation to governance of the Centre.

### **4. Lack of Information Communication Technology (ICT) Policy**

In the year under audit, the Centre did not develop Information Communication Technology (ICT) policies to ensure that the Centre effectively manages and secures data and information. This was contrary to Regulation 23(1)(c) of the Public Finance

Management (National Government) Regulations, 2015 which states that Accounting Officers shall, in accordance with Article 226(2) of the Constitution and Section 68(1) of the Act, be accountable to the National Assembly - for maintaining effective systems of internal controls and the measures taken to ensure that they are effective.

In the circumstances, the Centre Management was in breach of the law and may fail to utilize ICT systems, manage and secure data and information in an effective manner.

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

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

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

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

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

The Board of Governors is responsible for overseeing the Centre's financial reporting process, reviewing the effectiveness of how the 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 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 controls 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 Centre's policies and procedures may deteriorate.

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

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

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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

24 July, 2023

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

**IV. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	2021/2022	2020/2021
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the National Government – grants/ gifts in kind	6	2,782,500.00	0.00
Grants from donors and development partners	7	XXX	XXX
Transfers from other levels of government	8	XXX	XXX
Public contributions and donations	9	XXX	XXX
		<b>2,782,500.00</b>	<b>0.00</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Fees from students	10	XXX	XXX
Sale of goods	11	XXX	XXX
Rental revenue from facilities and equipment	12	XXX	XXX
Finance income - external investments	13	XXX	XXX
Other income	14	XXX	XXX
<b>Revenue from exchange transactions</b>		<b>XXX</b>	<b>XXX</b>
<b>Total revenue</b>		<b>2,782,500.00</b>	<b>0.00</b>
<b>Expenses</b>			
Use of goods and services	15	1,593,183.00	0.00
Employee costs	16	184,000.00	0.00
Remuneration of directors	17	-	0.00
Depreciation and amortization expense	18	XXX	XXX
Repairs and maintenance	19	728,500.00	0.00
Contracted services	20	XXX	XXX
Grants and subsidies	21	XXX	XXX
Finance costs	22	XXX	XXX

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

<b>Total expenses</b>		2,505,683.00	<b>0.00</b>
<b>Other gains/(losses)</b>			
Opening Balance	23	424,900.00	XXX
Unrealized gain on fair value of investments	24	XXX	XXX
Impairment loss	25	(XXX)	(XXX)
<b>Total other gains/(losses)</b>		<b>424,900.00</b>	<b>XXX</b>
<b>Net Surplus for the year</b>		<b>701,717.00</b>	<b>0.00</b>
Attributable to:			
Surplus/(deficit) attributable to minority interest		XXX	(XXX)
Surplus attributable to owners of the controlling entity		XXX	XXX
		<b>XXX</b>	<b>XXX</b>

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

**V. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2022**

	Notes	2021/2022	2020/2021
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	26	XXX	XXX
Current portion of receivables from exchange transactions	27(a)	XXX	XXX
Receivables from non-exchange transactions	28	XXX	XXX
Inventories	29	XXX	XXX
Investments	30	XXX	XXX
		XXX	XXX
<b>Non-current assets</b>			
Property, plant and equipment	33	XXX	XXX
Investments	32	XXX	-
Intangible assets	34	XXX	XXX
Investment property	35	XXX	XXX
Long term receivables from exchange transactions	27(b)	XXX	XXX
		XXX	XXX
<b>Total assets</b>		<b>XXX</b>	<b>XXX</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	36	XXX	XXX
Refundable deposits from customers	37	XXX	XXX
Provisions	38	XXX	XXX
Finance lease obligation	39	-	XXX
Current portion of borrowings	43	XXX	XXX
Deferred income	40	XXX	XXX
Employee benefit obligation	41	XXX	XXX
Payments received in advance		XXX	XXX
		XXX	XXX
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	41	XXX	XXX
Non-current provisions	42	XXX	XXX
Borrowings	43	XXX	XXX
Service concession liability	44	XXX	XXX
Deferred tax liabilities	53	XXX	XXX
		XXX	XXX
<b>Total liabilities</b>		<b>XXX</b>	<b>XXX</b>
<b>Net assets</b>		<b>XXX</b>	<b>XXX</b>
Reserves		XXX	XXX
Accumulated surplus		XXX	XXX
Capital Fund		XXX	XXX

TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022

Total net assets and liabilities

XXX

XXX

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

-----  
**Chairman of Council/Board of Governors    Finance Officer**  
**Principal**

Date.....  
Date.....

ICPAK No  
Date

-----  
NIGERIA TECHNICAL EDUCATION CENTRE  
Date.....  
Date.....

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

**VI. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2022**

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
<b>At July 1, 2022</b>	xxx	xxx	xxx	xxx	xxx
Revaluation gain	xxx	-	-	-	xxx
Fair value adjustment on quoted investments	-	xxx	-	-	xxx
Total comprehensive income	-	-	xxx	-	xxx
Capital/Development grants received during the year	-	-	-	xxx	xxx
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	xxx	(xxx)	-
<b>At June 30, 2022</b>	xxx	xxx	xxx	xxx	xxx
<b>At July 1, 2022</b>	xxx	xxx	xxx	xxx	xxx
Revaluation gain	xxx	-	-	-	xxx
Fair value adjustment on quoted investments	-	xxx	-	-	xxx
Total comprehensive income	-	-	xxx	-	xxx
Capital/Development grants received during the year	-	-	-	xxx	xxx
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	xxx	(xxx)	-
<b>At June 30, 2022</b>	xxx	xxx	xxx	xxx	xxx

Note:

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

**VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022**

		2021-2022	2020-2021
	Note	Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other Government entities/Govt. grants		2,782,500.00	0.00
Public contributions and donations		XXX	XXX
Rendering of services- Fees from students		XXX	XXX
Sale of goods		XXX	XXX
Rental revenue from facilities and equipment		XXX	XXX
Finance income		XXX	XXX
Other income		XXX	XXX
<b>Total Receipts</b>		<b>2,782,500.00</b>	<b>0.00</b>
<b>Payments</b>			
Compensation of employees		184,000.00	0.00
Use of goods and services		1,593,183.00	0.00
Repair and Maintenance		728,500.00	0.00
Rent paid		XXX	XXX
Taxation paid		XXX	XXX
Other payments		XXX	XXX
Grants and subsidies paid		XXX	XXX
<b>Total Payments</b>		<b>2,505,683.00</b>	<b>0.00</b>
<b>Net cash flows from operating activities</b>	45	<b>XXX</b>	<b>XXX</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(XXX)	(XXX)
Proceeds from sale of property, plant and equipment			
Decrease in non-current receivables		XXX	XXX

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

Increase in investments		(XXX)	(XXX)
<b>Net cash flows used in investing activities</b>		<b>(XXX)</b>	<b>(XXX)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		XXX	XXX
Repayment of borrowings		(XXX)	(XXX)
Increase in deposits		XXX	XXX
<b>Net cash flows used in financing activities</b>		<b>(XXX)</b>	<b>(XXX)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>XXX</b>	<b>(XXX)</b>
Cash and cash equivalents at 1 JULY	26	701,717.00	0.00
<b>Cash and cash equivalents at 30 JUNE</b>	26	<b>701,717.00</b>	<b>0.00</b>

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation).

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs
<b>Revenue</b>										
Transfers from other Govt entities Govt grants	2,850,000.00		0.00		2,850,000.00		2,782,500.00		67,500.00	
Public contributions and donations	-		-		-		-		-	
Rendering of services- Fees from students	1,900,000.00		0.0		1,900,000.00		-		1,900,000.00	
Sale of goods	-		-		-		-		-	
Finance Income	-		-		-		-		-	
Other Income (County Funds and Bursaries)	1,425,000.00		0.00		1,425,000.00		0.00		1,425,000.00	
Gains on disposal, rental income and agency fees	-		-		-		-		-	
<b>Total income</b>	<b>6,175,000.00</b>		<b>0.00</b>		<b>6,175,000.00</b>		<b>2,782,500.00</b>		<b>3,392,500.00</b>	
<b>Expenses</b>										
Compensation of employees	285,000.00		-		285,000.00		0.00		285,000.00	
Use of Goods and services	-		-		-		-		-	
Repair and Maintenance	2,223,000.00				2,223,000.00		2,170,350.00		52,650.00	

**TECHNICAL AND VOCATIONAL EDEICATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

	627,000.00	0.00	627,000.00	612,150.00	14,850.00
Rent paid	-	-	-	-	-
Remuneration of directors	0.00	-	0.00	-	0.00
Grants and subsidies paid	-	-	-	-	-
<b>Total expenditure</b>	<b>3,135,000.00</b>	<b>0.00</b>	<b>3,135,000.00</b>	<b>2,782,500.00</b>	<b>352,500.00</b>
<b>Surplus for the period</b>	<b>3,040,000.00</b>	<b>0.00</b>	<b>3,040,000.00</b>	<b>0.00</b>	<b>0.00</b>

**Budget notes**

- i. *The differences in the budget is due to the fact that the institution did not receive funds county grants that caters for personal emoluments and director allowances.*
- ii. *The funds allocated was in deficit as student fee collection did not meet the targeted amount*

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

**IX. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Kigoche is established by and derives its authority and accountability from 2013 Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is providing knowledge to trainees.

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

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

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

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

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

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

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

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

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

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

**TECHNICAL AND VOCATIONAL EDEICATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

<b>Standard</b>	<b>Effective date and impact:</b>
Financial Instruments	<ul style="list-style-type: none"> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> <li>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.</li> </ul>
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</li> <li>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</li> <li>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</li> <li>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</li> </ul>

**iii. Early adoption of standards**

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

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

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

**ii) Revenue from exchange transactions**

**Rendering of services**

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

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

**Sale of goods**

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

**Interest income**

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

**Dividends**

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

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

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

**a) Revenue recognition (Continued)**

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

**Rental income**

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

**b) Budget information**

The original budget for FY 2019/2020 was approved by the Board of Governors on **30<sup>th</sup> September 2019**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly,

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

the entity recorded additional appropriations of on the FY 2019/2020 budget following the Council/ Board's approval.

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

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

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

**c) Taxes**

***Current income tax***

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

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

**c) Taxes (continued)**

*Sales tax/ Value Added Tax*

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

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

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

**d) Investment property**

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

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

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

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

**e) Property, plant and equipment**

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

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

**f) Leases**

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

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

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

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

**g) Intangible assets**

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

**h) Research and development costs**

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

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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.

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

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

**i) Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

*Held-to-maturity*

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

*Impairment of financial assets*

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

assets that can be reliably estimated. Evidence of impairment may include the following indicators:

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**i) financial instruments (Continued)**

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

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

*Financial liabilities*

*Initial recognition and measurement*

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

*Loans and borrowing*

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

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

**i) Inventories**

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

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

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

**TECHNICAL AND VOCATIONAL EDECAION TRAINING (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

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

**i) Inventories (Continued)**

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

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

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

**j) Provisions**

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

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

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

***Contingent liabilities***

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

***Contingent assets***

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

**TECHNICAL AND VOCATIONAL EDEICATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

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

**k) Nature and purpose of reserves**

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

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

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

**m) Employee benefits**

**Retirement benefit plans**

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

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

**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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.

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

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

**p) Related parties**

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

**q) Service concession arrangements**

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

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

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

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

**6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

Description	2021-2022	2020-2021
	KShs	KShs
<b>Conditional grants</b>		
Repairs maintenance and improvement of tools and equipment	612,150.00	0.00
Text books, exercise books and stationery	371,000.00	0.00
Tools, equipment and instructional/assessment/examination materials	1,113,000.00	0.00
Electricity Water and bank charges-utilities	231,875.00	0.00
Skills, competitions and exhibitions	176,225.00	0.00
Co-curricular activities	185,500.00	0.00
Local travel and transport	92,750.00	0.00
<b>Total government grants and subsidies</b>	<b>2,782,500.00</b>	<b>0.00</b>

**7 TRANSFERS FROM OTHER LEVELS OF GOVERNMENT**

Description	2021-2022	2020-2021
	KShs	KShs
Transfer from Kisumu County	0.00	0.00
CDF-Kisumu West		
<b>Total Transfers</b>	<b>0.00</b>	<b>0.00</b>

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

**8 USE OF GOODS AND SERVICES**

Description	2021-2022	2020-2021
	KShs	KShs
TEXTBOOKS	160,000.00	0.00
I.M	1,112,500.00	0.00
UTILITY	100,126.00	0.00
SKILLS COMPETITION	65,857.00	0.00
CO-CURRICULAR ACTIVITIES	93,000.00	0.00
L.T&T	61,700.00	0.00
Consumables	xxx	xxx
Fuel and oil	xxx	xxx
Insurance	xxx	xxx
Legal expenses	xxx	xxx
Licenses and permits	xxx	xxx
Postage	xxx	xxx
Printing and stationery	xxx	xxx
Hire charges	xxx	xxx
Rent expenses	xxx	xxx
Security costs	xxx	xxx
Sewage treatment costs	xxx	xxx
Skills development levies	xxx	xxx
Inventory scrapping	xxx	xxx
Telecommunication	xxx	xxx
Training expenses	xxx	xxx
Other	xxx	xxx
<b>Total good and services</b>	<b>1,593,183.00</b>	<b>0.00</b>

**9 EMPLOYEE COSTS**

Description	2021-2022	2020-2021
	KShs	KShs
Salaries and wages	184,000.00	0.00
Employee related costs - contributions to pensions and medical aids	xxx	xxx
Travel, motor car, accommodation, subsistence and other allowances	xxx	xxx
Housing benefits and allowances	xxx	xxx
Performance and other bonuses	xxx	xxx
Social contributions	xxx	xxx

**TECHNICAL AND VOCATIONAL EDEICATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

<b>Employee costs</b>	<b>184,000.00</b>	<b>0.00</b>
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**10 REMUNERATION OF DIRECTORS**

Description	2021-2022	2020-2021
	KShs	KShs
Other allowances	0.00	0.00
<b>Total director emoluments</b>	<b>0.00</b>	<b>0.00</b>

**11 REPAIRS AND MAINTENANCE**

Description	2021-2022	2020-2021
	KShs	KShs
Property	728,500.00	0.00
Investment property – earning rentals	xxx	xxx
Equipment and machinery	xxx	xxx
Vehicles	xxx	xxx
Furniture and fittings	xxx	xxx
Computers and accessories	xxx	xxx
Other	xxx	xxx
<b>Total repairs and maintenance</b>	<b>728,500.00</b>	<b>0.00</b>

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

**13 CASH AND CASH EQUIVALENTS**

Description	2021-2022	2020-2021
	KShs	KShs
Current account	701,717.00	0.00
Others(specify)	-	xxx
<b>Total cash and cash equivalents</b>	<b>701,717.00</b>	<b>0.00</b>

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

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

Financial institution	Account number	2021-2022	2020-2021
		KShs	KShs
<b>a) Current account</b>			
		701,717.00	
Kenya Commercial bank			0.00
Equity Bank, etc		0.00	0
		<b>701,717.00</b>	<b>0.00</b>
<b>Sub- total</b>			
<b>b) Others(specify)</b>			
		xxx	xxx
Cash in transit		0.00	0.00
cash in hand		0.00	0.00
M pesa		0.00	0.00
<b>Sub- total</b>		<b>0.00</b>	<b>0.00</b>
<b>Grand total</b>		<b>701,717.00</b>	<b>0.00</b>

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

**14 INVENTORIES**

Description	2021-2022	2020-2021
	KShs	KShs
Consumable stores	xxx	xxx
Maintenance stores	xxx	xxx
Health Unit stores	xxx	xxx
Electrical stores	xxx	xxx
Cleaning materials stores	xxx	xxx
Catering stores	xxx	xxx
<b>Total inventories at the lower of cost and net realizable value</b>	<b>xxx</b>	<b>xxx</b>

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

**15 PROPERTY, PLANT AND EQUIPMENT**

Cost	Land and Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets (Specify)	Plant and equipment	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July xxx	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Additions	XXX	XXX	XXX	-	XXX	-	XXX	XXX
Disposals	(XXX)	(XXX)	-	-	(XXX)	-	(XXX)	(XXX)
Transfers/adjustments	XXX	(XXX)	XXX	(XXX)	(XXX)	-	XXX	(XXX)
<b>At 30<sup>th</sup> June 2022</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Additions	XXX	XXX	XXX	-	XXX	XXX	XXX	XXX
Disposals	(XXX)	-	-	-	(XXX)	-	(XXX)	(XXX)
Transfer/adjustments	(XXX)	XXX	XXX	(XXX)	(XXX)	-	XXX	(XXX)
<b>At 30<sup>th</sup> June 2022</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
<b>Depreciation and impairment</b>								
At 1 July xxx	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	-	(XXX)	(XXX)
Depreciation	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	-	(XXX)	(XXX)
Impairment	(XXX)	-	-	-	(XXX)	-	-	(XXX)
<b>At 30 June 2022</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Depreciation	(XXX)	(XXX)	(XXX)	-	(XXX)	(XXX)	(XXX)	(XXX)
Disposals	XXX	-	-	-	XXX	-	XXX	XXX
Impairment	(XXX)	(XXX)	-	-	(XXX)	-	-	(XXX)
Transfer/adjustment	XXX	(XXX)	(XXX)	XXX	(XXX)	-	(XXX)	XXX
<b>At 30<sup>th</sup> June 2022</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
<b>Net book values</b>								
At 30 <sup>th</sup> June 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
At 30 <sup>th</sup> June 2022	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

**17 REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS**

Description	2021-2022	2020-2021
	KShs	KShs
Consumer deposits	xxx	xxx
Caution money	xxx	xxx
Other refundable deposits	xxx	xxx
<b>Total deposits</b>	<b>xxx</b>	<b>xxx</b>

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

**18 EMPLOYEE BENEFIT OBLIGATIONS**

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2021-2022	2020-2021
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	xxx	xxx	xxx	xxx	xxx
Non-current benefit obligation	xxx	xxx	xxx	xxx	xxx
<b>Total employee benefits obligation</b>	xxx	xxx	xxx	xxx	xxx

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

	2021-2022	2020-2021
	KShs	KShs
Valuation at the beginning of the year	XXX	XXX
Changes in valuation during the year	XXX	XXX
Valuation at end of the year	XXX	XXX
	=====	=====

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

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

**19 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:

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

**(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
<b>At 30 June 2022</b>				
Receivables from exchange transactions	xxx	xxx	xxx	xxx
Receivables from non-exchange transactions	xxx	xxx	xxx	xxx
Bank balances	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>At 30 June 20xx</b>				
Receivables from exchange transactions	xxx	xxx	xxx	xxx
Receivables from non-exchange transactions	xxx	xxx	xxx	xxx
Bank balances	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

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

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

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

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

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

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

**(ii) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>				
Trade payables	xxx	xxx	xxx	xxx
Current portion of borrowings	xxx	xxx	xxx	xxx
Provisions	xxx	xxx	xxx	xxx
Deferred income	xxx	xxx	xxx	xxx
Employee benefit obligation	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>At 30 June 2022</b>				
Trade payables	xxx	xxx	xxx	xxx
Current portion of borrowings	xxx	xxx	xxx	xxx
Provisions	xxx	xxx	xxx	xxx
Deferred income	xxx	xxx	xxx	xxx
Employee benefit obligation	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

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

**(iii) Market risk**

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

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

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

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

**a) Foreign currency risk**

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

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>			
Financial assets(investments, cash ,debtors)	xxx	xxx	xxx
Liabilities			
Trade and other payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	xxx	xxx	xxx

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

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

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>			
Financial assets(investments, cash ,debtors)	xxx	xxx	xxx
Liabilities			
Trade and other payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	xxx	xxx	xxx

**Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
<b>2022</b>			
Euro	10%	xxx	Xxx
USD	10%	xxx	Xxx
<b>2022</b>			
Euro	10%	xxx	Xxx
USD	10%	xxx	Xxx

b) Interest rate risk

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

*Management of interest rate risk*

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

**46 FINANCIAL RISK MANAGEMENT (Continued)**

(iii) Market risk (Continued)

b) Interest rate risk(continued)

*Sensitivity analysis*

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

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

**iv) Capital Risk Management**

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

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

**20 RELATED PARTY BALANCES**

**Nature of related party relationships**

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

**Government of Kenya**

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

	2021-2022	2020-2021
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of goods to xxx	xxx	xxx
Sales of services xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>
<b>b) Grants from the Government</b>		
Grants from National Govt	xxx	xxx
Grants from County Government	xxx	xxx
Donations in kind	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	xxx	xxx
Payments for goods and services for xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>
<b>d) Key management compensation</b>		
Directors' emoluments	xxx	xxx
Compensation to the CEO	xxx	xxx
Compensation to key management	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

**21 SEGMENT INFORMATION**

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

**22 CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

<b>Contingent liabilities</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Court case xxx against the company	xxx	xxx
Bank guarantees in favour of subsidiary	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

*(Give details)*

**23 CAPITAL COMMITMENTS**

<b>Capital commitments</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Authorised for	xxx	xxx
Authorised and contracted for	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

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

**24 EVENTS AFTER THE REPORTING PERIOD**

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

**25 ULTIMATE AND HOLDING ENTITY**

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

**26 Currency**

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

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

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

**Guidance Notes:**

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

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

Date.....

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

**Projects**

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

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

**Status of Projects completion**

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

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

**APPENDIX III: INTER-ENTITY TRANSFERS**

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

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

Finance Manager  
XXX entity

Head of Accounting Unit  
xxx Ministry

Sign -----

Sign-----

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

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