

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY

DATE: 29 JUL 2023

DAY

TUESDAY

REPORT

Hon Naomi Wago, MP
Deputy majority whip
Anne Shubonko

CLERK-AT
THE-TABLE:

PARLIAMENT
OF KENYA
LIBRARY

OF

THE AUDITOR-GENERAL

ON

**GATUNDU SOUTH TECHNICAL AND
VOCATIONAL COLLEGE**

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



GATUNDU SOUTH TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

Gatundu South Technical and Vocational College
Annual Report and Financial Statements for the year ended 30th June 2022

Gatundu South Technical and Vocational College
Annual Report and Financial Statements for the year ended 30th June 2022

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I. Key Entity Information and Management

(a) Background information

The College was established under the TVET Act 2013. It started operations in September 2019. The entity is domiciled in Kenya and has no branches. The College is under the Ministry of Education.

(b) Principal Activities

The principal activity/mission of Gatundu South TVC is to provide Technical and Vocational Education and Training.

i. Vision

To be a premier Technical and Vocational Training College that sustainably empowers and transforms society

ii. Mission

To provide quality Technical and Vocational training to empower graduates for individual development and global competitiveness

iii. Strategic Objectives

- To produce competent and competitive workforce
- To provide adequate infrastructure for quality service delivery
- To develop innovative products that will meet the needs of the community.
- To enhance trainee welfare
- To improve organizational performance

(c) Key Management

The Gatundu South TVC day-to-day management is under the following key organs:

- Board of Governors
- Accounting officer/Principal
- Management

(d) Fiduciary Management

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

No.	Designation	Name
1.	Principal	Samuel Mwangi
2.	D/ Principal	Tabitha Maina
3.	Accountant	Paul Kagia
4.	Ag. Registrar	Fanice Chemunyan
5.	Ag. Dean of Students	Anthony Mwangi
6.	Procurement Officer	Emily Musyimi
7.	Industrial Liaison Officer	Julius Mukoya
8.	Performance Contracting Coordinator	Samuel Mararo

(e) **Fiduciary Oversight Arrangements**

Academic, Infrastructure and Technical Board Committee:

The Committee monitor the curriculum implementation and academic performance of the College and the infrastructural needs of the college.

Finance, Planning and Human Resource Board Committee:

The Committee is appointed by the Board to oversee the formulation and implementation of the budget, strategic plan and the human resource management matters including recruitment and discipline of staff.

Risk, Audit and Compliance Committee:

The committee monitor the integrity of the financial statements of the College, review the College's internal financial controls systems and oversee the internal audit function.

Senior Management:

Senior management comprise of Principal, Deputy Principal, Registrar and Dean of Students. The senior management is appointed by the Principal in consultation with the Board are responsible in the overall running of the College.

Middle Level Management:

The management report direct to the senior management. The management comprise of Head of Departments and Head of Sections and their deputies. The management is responsible in day to day running of their departments and sections.

(f) **Entity Headquarters**

P.O. Box 102 – 01030
Gatundu, KENYA

(g) **Entity Contacts**

Telephone: (+254)797255245
E-mail: gatundusouthtvc@gmail.com
Website: www.gatundusouthtvc.ac.ke

(h) **Entity Bankers**

Kenya Commercial Bank Limited
Gatundu Branch
P.O. Box 81 – 00900
Gatundu

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Key Entity Information and Management (Continued)





(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






II. The Board of Governors

No.	Member	Details
1.	 Dr. Peter Nagtia Chairman, Board of Governors	Date of Birth: 1973. Qualifications and Experience: Dr. Peter MakuNgatia is a holder of Ph.D in Entrepreneurship. Currently teaches at Jomo Kenyatta University of Science and Agriculture.
2.	 Benedictor Gichimu Member of the Board	Date of Birth: 1983. Qualifications and Experience: Benedictor Nyambura Gichimu is a holder of Bsc. Biomedical degree. She is currently a management consultant.
3.	 Rita Kaloki Member of the Board	Date of Birth: 1989. Qualifications and Experience: Rita Kanini Kaloki is a holder of LLB and an advocate of the High Court of Kenya
4.	 Joyce Mugure Member of the Board	Date of Birth: 1973. Qualifications and Experience: Ms. Joyce Mwenja holds a Master of Science in Data Communication, a Bachelor of Information Technology from KCA University. Joyce has also contributed majorly in ERP systems implementation in several higher learning institutions.




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5.	 <p>CPA Moses Kuria Member of the Board</p>	<p>Date of Birth: 1990. Qualifications and Experience: CPA Moses Muhia Kuria holds B. Com. (Accounting), CPA-K and is member of ICPAK in good standing.</p>
6.	 <p>Edwin Njeru Member of the Board</p>	<p>Date of Birth: 1982. Qualifications and Experience: Mr. Edwin Mwendu Njeru holds MSc. in Software Engineering with a career spanning 12 years.</p>
7.	 <p>Mr. Charles Nyota Member of the Board</p>	<p>County Director, TVET Date of Birth: 10th October, 1970 Masters in Computer Science 24 Years' Experience in TVET Technical Management</p>
8.	 <p>Samuel Mwangi Secretary to the Board</p>	<p>Qualifications and Experience: Holds a Masters in Business Administration and a B.Ed degree from Moi University. He also holds a Higher Diploma in Entrepreneurship and CS.</p>

III. Management Team

No.	Member	Details
1.	 Samuel Mwangi	Principal- Accounting Officer MBA, B.Ed, H.Dip. CS
2.	 Tabitha Mugure	Deputy Principal- Principal assistant to the Principal B.Ed Arts
3.	 Fanice Chemunyan	Ag. Registrar – In charge of Admissions, Records and Marketing Higher Diploma Civil Engineering
4.	 Anthony Mwangi	Ag. Dean – In charge of trainees welfare, HelB Applications and trainees' Leadership BSc. IT
5.	 Paul Kagia	Accountant – In charge of accounts department. CPA (K)

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6.	 Emily Musyimi	Procurement Officer- In charge of the procurement function and stores. Diploma in Purchasing and Supplies Management
7.	 Julius Mukoya	Industrial Liason Officer. BSC Manufacturing Engineering.
8.	 Samuel Mararo	Performance Contracting Coordinator. BSC Computer Technology.

IV. Chairman's Statement

I am honoured to report on the FY 2021/2022 as the Chairman Board of Governors for Gatundu South Technical and Vocational College. I am proud to note that the college has made great strides in becoming a premier TVET institution. The college continues to strength her corporate governance environment by instituting sound policies. In the year under review, the college developed the financial, risk management, ICT and Human Resource Management policies.

During the year under review, the college managed to improve its water storage capacity by acquiring 10,000l capacity for water storage. It also mitigated on the risk of water spillage by relocating the water reservoirs inside the premises to an external water tower. The college also acquired additional training materials and tools in hairdressing and beauty therapy, plumbing, masonry, electrical and welding to ensure quality training.

I take note that the College received capitation three quarters during the year under review from the Government through the Ministry of Education. I take this opportunity to thank the Government for the support both financial and policy direction. I also note that the funds together with the fees collected directly from the trainees was prudently utilised as it is evidenced in the financial statements in this report. The college continues to endeavour to maximize output with the limited resources but the missing out on the operational grants during the year and also the capitation grant for the fourth quarter really hampered the operations. I urge the Ministry to look into ways of supporting the college to enable it expand the much needed infrastructure in the FY 2022-2023.

Finally, I wish to note that the Board of Governors was instrumental in the realization of the achievements made by the College during the year. I wish to sincerely thank all the members of the Board for their oversight role and visionary guidance as we steer the college to even greater heights.

SIGN



FOR: **Dr. Peter M. Ngatia**
Chairman, Board of Governors

Date.....26/07/2023.....

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V. Report of the Principal

I am glad to give a review of Gatundu South Technical and Vocational College for the FY2021/2022. The College is in her third year of existence and I am happy to report that the College has recorded growth in trainee population, programmes as well as the training facilities. During the year under review, the College like all other organizations and sectors operated under very difficult socio-economic circumstances which saw funding decrease while the cost of operations increase. However, I wish to note that the College was able to manage its programs in a way that did not compromise service delivery.

The College presented candidates 75 candidates for the November 2021 KNEC examination and registered 68% pass. The college also registered 94 candidates for the July 2022 KNEC examinations which was a notable increase in candidature. I express my heartfelt gratitude to the training and administrative staff for their selfless efforts in ensuring that training and the overall curriculum implementation was successful. During the year under review, the college had 18 PSC trainers and 15 trainers under BOG terms of engagement. On this note, I sincerely thank the Government through the Ministry of Education for the relentless efforts in ensuring that the College is staffed while at the same time request for more staff to reduce the wage bill that becoming unsustainable.

In FY 2021/2022, the college admitted its pioneer class in Diploma in Electrical Engineering (power option) and Craft Certificate in Social Work and Community Development. I also note that training materials were availed on time and in the required quantities throughout the year. During the FY 2021/2022, the college managed to procure additional tools, materials and equipment in Hairdressing and Beauty Therapy, Plumbing, Welding, Electrical, ICT and Masonry. The College procured additional 50 lecture chairs, 10 portable drawing boards and 10 tables. The college continued ensuring that the training and working environment was safe. The college installed 6 fire extinguishers and 1 fire blanket and also continued observing Covid 19 protocols and sensitization on the need for vaccination.

On repairs and improvement, I wish to report that the College managed to fabricate a temporary shed to create more space. The college also installed four additional solar lamps to enhance security especially when there are blackouts at night. There were also repairs in the washing rooms to contain blockage and leakages which require a lasting solution by constructing an external ablution block. During the year also there were other small maintenance works and landscaping which kept the learning environment clean, safe and secure.

During the year under review, the College received capitation for three quarters from the Government through the Ministry of Education. I take this opportunity to thank the Government for the support both financial and policy direction. I also note that the funds together with the fees collected directly from the trainees was prudently utilised as it is evidenced in the financial

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statements in this report. However, the college missed on fourth quarter capitation amounting to Kshs. 2,392,500. This constrained the operations and negatively affected the budget performance.

In regard to the Human Resource Management, the College recruited a procurement officer. The Accountant also registered with ICPAK and attended online training on financial reporting. The Dean of students, Guidance & Counselling Coordinator, Career guidance coordinator, Sports Officer, Performance Contracting, Deputy Principal and the Principal attended various trainings during the year. The college also engaged the services of technical staff on need basis during the year. The college also engaged 15 trainers and/or technical personnel to ensure quality training took place. This was also necessitated by the fact that the pioneer diploma cohort had gotten to their module three which translated to a new set of subjects in the syllabus.

On the trainees' welfare, the College held guidance and counselling sessions on termly basis. The trainees were also engaged in volley ball and athletics. The administration also held meetings with class representatives who serve as the students leaders.

Finally, I wish to sincerely thank the Chairman Board of Governors and the members for their oversight and guiding role in steering the College in the right direction.

SIGN


.....
Samuel Mwangi
Principal/Secretary BOG

Date..... 26/04/2023

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VI. Statement of Performance against Predetermined Objectives

Gatundu South TVC has five strategic pillars and objectives within its strategic plan and the performance during the year under review is as summarized in the table below:

Strategic Pillar 1: Competent and competitive workforce

Strategic Pillar 2: Infrastructural Development

Strategic Pillar 3: Innovation and community service

Strategic Pillar 4: Trainees Welfare

Strategic Pillar 5: Organizational Capacity

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
<u>Pillar 1</u> Competent and Competitive workforce	To produce competent and competitive workforce	4 courses added: -1 diploma -2 artisan -1 craft certificate -all the added courses attracted trainees - assorted resource materials -additional training tools and equipment	-Introduction of additional courses -Marketing of courses - Acquisition of text books -acquire training tools and equipment	Diploma Electrical Engineering, certificate social work, Gr Test Plumbing,
<u>Pillar 2</u> Infrastructural Development	To provide adequate infrastructure for quality service delivery	-Temporary shed constructed -50 additional lecture chairs and 10 tables acquired -water tower constructed and 2 tanks installed -Temporary room fabricated/partitioned -Equipment and tools in plumbing, hair dressing, masonry, carpentry, welding, electrical and building were procured as per requisitions from departments	-Create space for practice -Enhance water supply and storage -Avail training equipment, tools and materials	-water tower in place with 2 tanks @5000l -Hall partitioned into 3 rooms -Shed behind main building Inventory updated
<u>Pillar 3</u> Innovation and community service	To develop innovative products that will meet the needs of the community	-Appointment letters -Exhibit in Electrical and Hair dressing	-Appoint a Research and Linkages coordinator & committee -Develop innovative products	-committee in place -appointment letters

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Pillar 4 Trainees Welfare	To enhance trainee welfare	<ul style="list-style-type: none"> -VCT and wellness services provided to trainees and trainers -2sessions organized -Hand washing points, sanitizers procured 	<ul style="list-style-type: none"> -Appoint and train guidance and counselling coordinator -Organize guidance and counselling forums and VCT services -Establish Covid 19 preventive measures 	<ul style="list-style-type: none"> -Training done-certificate available, -VCT and wellness service provided, invitation, lists and programmes available
Pillar 5 Organizational Capacity	To improve organizational performance	<ul style="list-style-type: none"> -Installation of MIS - Organizational structure in place -Staff establishment in place -ICT policy -Risk Policy -Annual financial report submitted on time - Remittance of statutory dues 	<ul style="list-style-type: none"> -Establish organizational structure - Enhance efficiency -Determine staff establishment -Develop institutional policies -Engage competent trainers -Compliance with statutes 	<ul style="list-style-type: none"> -MIS Installed with finance, admissions, examination, procurement and HR modules -ICT, Risk and HR policies in place -Trainers competitively recruited

VII. Corporate Governance Statement

The Board of Governors of Gatundu South Technical and Vocational College consists of eight members who were appointed by the Cabinet Secretary, Ministry of Education and comprise of Chairman, representative of Principal Secretary, Ministry of Education, and five other persons appointed on the basis of their knowledge and experience. The Principal of Gatundu South Technical and Vocational College is the Secretary to the Board. The Board met four times during the year and the Finance, Planning and Human Resource Committee met two times.

The Board of Governors has three sub-committees, that is, Academic & Infrastructure, Finance & HR and Risk, Audit & Compliance Committee.

Functions of the Board of Governors include:

- The Board Discuss and approves the budget for each financial year. The Board approves financial reports for every quarter and for each year. The Board negotiates and approves performance contracts for each year;
- The Board administer and manage property of the Institution;
- The Board develop and implement the College Strategic Plan;
- The Board determine the fees payable and method of payment;
- Receive on behalf of the Institution, fees, grants, subscriptions, donations, bursaries;
- Recruit and appoint trainers from among qualified professionals;
- Determine suitable terms and conditions of service for support staff, trainers and remunerate staff of the College;
- Provide the welfare of the students and staff of the College;
- Prepare annual financial statements and submit to the relevant authority

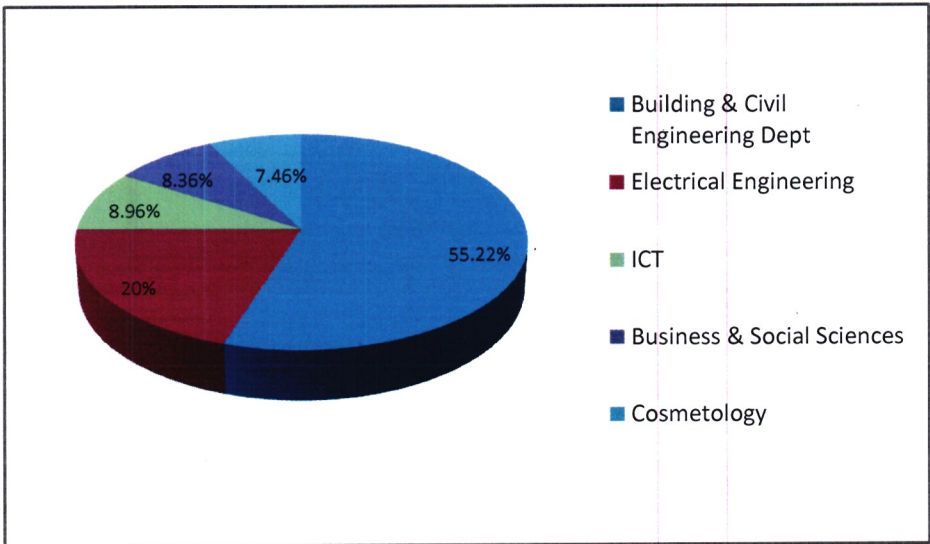
The Board has developed a board charter to guide its operations and spell out the terms of reference for the three committees. The Board members were inducted at the beginning of their term and the board remuneration was set as reimbursement of transport during the first full board meeting where the chairman was to be reimbursed Kshs. 15,000 and members Kshs. 10,000 for each meeting attended. The board is committed to high level of integrity and is in the process of developing a code of conduct and ethics

VIII. Management Discussion and Analysis

The entity's operational and financial performance

The students' population stood at 335 students as at 30th June 2022 as represented by each department;

- i. Building & Civil Engineering Department – 185 students
- ii. Electrical and Electronics Dept. -67 students
- iii. Cosmetology - 25
- iv. Business and Social Sciences Dept. – 28 students
- v. ICT Dept. - 30 students



The Pie chart shows students distribution per department

The College has received capitation grants as tabulated below;

Quarter	Amount (Ksh.)	Date received	Financial Year
1	1,882,500	23-11-2021	2021/2022
2	1,882,500	02-03-2022	2021/2022
3	2,392,500	03-06-2022	2021/2022
4	2,392,500	Not disbursed	2021/2022

This has contributed to growth in financial status and the college is able to meet its financial obligations as they fall due. The college thus is able to comply with legal requirements in filing and remitting statutory payments.

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The Ministry of Education did not remit capitation grant for the fourth quarter amounting to Ksh. 2,392,500. The Ministry advised the affected institutions to capture the undisbursed amount of Ksh. 7,500 as fees receivable and in the new financial year invoice the affected students accordingly (MOE Letter REF NO. MOE/VTT/11/4/VOL. VII). The undisbursed amount of Ksh. 2,392,500 has been captured as fees debtors in this financial report.

Entity's compliance with statutory requirements

The College has complied with the statutory requirements. The College is fully accredited with TVETA. All statutory remittances are paid to the respective authorities and in due time.

Key projects and investment decisions the entity is planning/implementing

During the year, we managed to procure additional equipment in Hairdressing and Beauty Therapy, Plumbing, Welding, Electrical, ICT and Masonry. We also managed to fabricate 1 temporary shed to be used for practice. The college constructed a water tower to host storage tanks that had been hosted inside the building and posed great risk since on two occasions they had overflow and damaged documents in offices. The college also procured 50 additional lecture chairs, portable technical drawing boards and 10 tables. The College installed Management Information System (MIS) phase one.

The college plans to procure and install CCTV surveillance system to enhance security. In addition, the college is planning to procure and install a medium size generator to ensure business continuity during power outages or rationing. The college is also planning to construct 2 semi permanent rooms for tuition space, external ablution block and reclaim the lower part of the compound which is a wetland to provide for more space.

The above projects will be financed by savings realized through prudent financial management of internal funds.

Major risks facing the entity

The College has not managed to enroll students to its full capacity due to the fact that accompanying amenities need to be established which has not been possible due to the low enrolment and undisbursed capitation funds. In addition, the receivables amounting to Kshs. 6,420,914 is a risk in case they are not recovered since it would affect the operations. The College has not managed to employ an internal auditor and Human Resource Officer to carry out the respective functions as recommended by law.

Material arrears in statutory/financial obligations

The College has no major pending supplier payments. The staff salary deductions are remitted to the respective institutions as they fall due.

The entity's financial probity and serious governance issues

The College has no governance issue however, title deed for the land has not been obtained from the County Government.

IX. Environmental and Sustainability Reporting Statement

Gatundu South TVC exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a highlight of strategies and activities that promote the organisation's strategic objectives.

Sustainability strategy and profile

The vision of the College is to be a premier Technical and Vocational Training College that sustainably empowers and transforms society. To ensure sustainability of adequate reliable water supply and save on water bill, the college is planning to harvest rain water by installing gutters around the building. In addition, the college has installed two solar security lights and plans to install three more in the new financial year.

Environmental performance

The college is planning to plant trees to improve the environment within the college and the neighbourhood. The college manages its waste by disposing as recommended by the relevant authority.

Employee welfare

The College is in the process of developing Human Resource Manual, Career progression guidelines and scheme of service for the management of employee welfare.

Market place practices

The College engage in fair competition while marketing its training courses. The College is involved in TVET Institutions sports and athletics activities.

The College suppliers are fairly treated and payments for goods and services supplied are paid within the contract terms as funds become available.

Corporate Social Responsibility / Community Engagements

The College did not engage in any corporate social responsibility during the financial year.

X. Report of the Board of Governors

The Board of Governors submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of Gatundu South TVC affairs.

Principal activities

The principal activities' of Gatundu South TVC are to provide Technical and Vocational Education and Training

Results

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

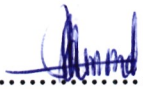
Board of Governors

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

Auditors

The Auditor General is responsible for the statutory audit of the College in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of Gatundu South TVC for the year ended June 30, 2022.

By Order of the Board


.....

Secretary of the Board

Date:..... 26/4/2023

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XI. Statement of Board of Governors/ Council's Responsibilities

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

The Board members are responsible for the preparation and presentation of the Gatundu South TVC financial statements, which give a true and fair view of the state of affairs of Gatundu South TVC for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of Gatundu South TVC; (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 Gatundu South TVC; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

Nothing has come to the attention of the Board members to indicate that Gatundu South TVC 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 Gatundu South TVC financial statements were approved by the Board on 26/4/23 and signed on its behalf by:


.....

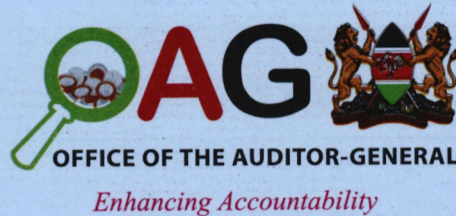
FOR: Name: Dr. Peter Ngatia
Chairperson of the Board


.....

Name: Samuel Mwangi
Accounting Officer/Principal

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON GATUNDU SOUTH TECHNICAL AND VOCATIONAL COLLEGE FOR THE YEAR ENDED 30 JUNE, 2022

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 Gatundu South Technical and Vocational College set out on pages 1 to 36, which comprise of the statement of financial position as at 30 June, 2022, and statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Gatundu South Technical and Vocational College 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 Public Finance Management Act, 2012 and the Technical and Vocational Education and Training (TVET) Act, 2013.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

Review of annual reports and financial statements revealed the following:

- (i) The statement of financial performance reflects total revenue amounting to Kshs.19,637,792. Included in this amount are transfers from the National Government of Kshs.6,157,500 in respect of capitation. However, the inter entity confirmation letter at appendix III indicate that the college received a total of Kshs.7,605,000 during the year under review resulting to unexplained variance of Kshs.1,447,500. Further, note 6 to the financial statements does not provide detailed tabulation for the capitation per quarter.
- (ii) The statement of financial performance and Note 7 to the financial statements reflects Kshs.13,480,292 relating to rendering of services against supporting schedule of Kshs.7,529,700 resulting to unreconciled variance of Kshs.5,950,592.
- (iii) Note 8 to the financial statements reflects Kshs.2,062,519 in respect of tuition materials while the trial balance reflects Kshs.2,117,352 resulting to unexplained variance of Kshs.54,833.

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

2. Unsupported Trade and Other Payables

The statement of financial position and Note 18 to the financial statements reflects a balance Kshs.1,583,550 in respect of trade and other payables from exchange transactions. However, Management did not provide the supporting creditors schedule and ageing analysis for audit review.

In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs.1,583,550 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final total receipts budget and actual on comparable basis totaling to Kshs.16,305,000 and Kshs.19,637,792, respectively, resulting to excess funding of Kshs.3,332,792 or 20% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.16,305,000 and Kshs.13,630,936 respectively resulting to an under expenditure of Kshs.2,674,064 or 16% of the budget. However, Management explanation for the variances was general as opposed to specific in line with the actual performance.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the 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.

1. Irregular Procurement of Security Services

The statement of financial performance and Note 8 to the financial statements reflects Kshs.9,196,067 in relation to use of goods and services out of which Kshs.429,000 relates to security expenses. Review of procurement records revealed that Management entered

in to a one-year contract with a Security Company with effect from September, 2021 for provision of security services. However, clause 7.1 of the signed contract document reflects contract duration of one (1) year commencing September, 2021 while the actual contract duration in the signed contract is 1 September, 2021 to 30 June, 2022 a period of nine (9) months and not one year.

Similarly, the initial signed contract expired on 30 June, 2021 and therefore the College operated for two months without a signed contract. Also, there were no signed minutes and reports detailing how the security service provider was procured, therefore it was not possible to confirm the regularity of the security services contract.

In addition, there were no monthly and quarterly performance-based reports prepared by the procurement officer and presented to the accounting officer for monitoring of the contract.

Further, there was no evidence that the unsuccessful bidders were notified of the fact that they were not successful, together with information disclosing the successful bidder.

Therefore, it was not possible to confirm the credibility of the tender award to the security firm which was alleged to have won the contract.

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

2. Incomplete Fixed Assets Register

The statement of financial position and Note 16 to the financial statements reflects property, plant and equipment balance of Kshs.166,365,345. However, the summary of fixed asset register provided in support of the balance was incomplete as each item of the property, plant and equipment did not have details such as date of delivery, purchase amount, annual depreciation, accumulated depreciation and Net book value. This was contrary to Regulation 143 (1) and (2) of the Public Finance Management Regulations, 2015, which require inclusion of such details in the Fixed assets register. In addition, the register of land did not have details of land owned by the college and therefore, it was not possible to confirm ownership and valuation of the college land.

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

3. Non-Compliance with Minimum Requirement on Ethnic Diversity

Review of employee records for the college revealed that the dominant ethnic community employed by the institution constituted 77% of the (twenty-six (26) staff members. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third of its staff members from the same ethnic community or gender.

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 matter 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

Understaffing

As previously reported, critical positions of Internal Auditor and Human Resources Officer were vacant. This was contrary to Section 18 of the Technical and Vocational Education and Training Act No 29 of 2013 which provides for an internal auditor and human resources officer. Further, review of the approved staff establishment revealed that there were fifty-nine (59) positions for teaching staff and forty two (42) positions for non-teaching staff against twenty (21) positions and three (3) positions for teaching and non-teaching staff in post resulting to a shortage of eleven (11) teaching and eighteen (18) non-teaching staff respectively.

In the circumstances, the college may not have the necessary human resource capacity to achieve its mandate.

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

Responsibilities of Management and 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 control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control 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 control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 June, 2023

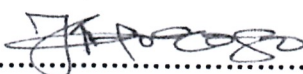
Gatundu South Technical and Vocational College
Annual Report and Financial Statements for the year ended 30th June 2022

XIII. Statement of Financial Performance for the year ended 30 June 2022

	Notes	Year ended 30 June 2022	Year ended 30 June 2021
		KSHS	KSHS
Revenue from non-exchange transactions			
Transfers from the National Government	6	6,157,500	5,100,000
Total Revenue from non-exchange transactions		6,157,500	5,100,000
Revenue from exchange transactions			
Rendering of services- Fees from students	7	13,480,292	5,628,650
Revenue from exchange transactions		13,480,292	5,628,650
Total revenue		19,637,792	10,728,650
Expenses			
Use of goods and services	8	9,196,067	5,367,593
Employee costs	9	3,604,860	1,380,404
BOG expenses	10	655,000	457,609
Repairs and maintenance	11	175,009	617,180
Depreciation	12	16,468,294	18,539,718
Total expenses		30,099,230	26,362,504
Surplus for the year		(10,461,438)	(15,633,854)

(The notes set out on page 6 to 44 form an integral part of the Annual Financial Statements).

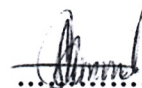
The Financial Statements set out on pages 1 to 5 were signed by:


.....

FOR: Chairman of the Board


.....

Finance Officer
ICPAK No...16471


.....

Principal

Date: 26/4/2023

Date: 26/4/2023

Date: 26/4/23

Gatundu South Technical and Vocational College
Annual Report and Financial Statements for the year ended 30th June 2022

XIV. Statement of Financial Position as at 30th June 2022

	Notes	30-Jun-22	30-Jun-21
		KSHS	KSHS
Assets			
Current Assets			
Cash and cash equivalents	13	1,337,274	183,933
Receivables from exchange transactions	14	6,355,315	3,890,890
Inventories	15	353,469	-
Total Current Assets		8,046,058	4,074,823
Non-current Assets			
Property, plant and equipment	16	166,365,345	182,058,052
Intangible Assets	17	250,000	-
Total Non-current Assets		166,615,345	182,058,052
Total Assets		174,661,403	186,132,875
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	18	1,583,550	2,667,054
Refundable deposits from customers	19	160,370	86,900
Total Current Liabilities		1,743,920	2,753,954
Total Liabilities		1,743,920	2,753,954
Capital and Reserves			
Accumulated surplus		(26,826,488)	199,743,970
Capital fund		199,743,970	(16,365,049)
Total Reserves		172,917,483	183,378,921
Total Liabilities and Reserves		174,661,403	186,132,875

The Financial Statements set out on pages 1 to 44 were signed by:



FOR: Chairman of the Board

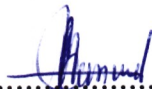
Date: 26/6/2023



....
Finance Officer

ICPAK No. 16497

Date: 26/6/2023



Principal

Date: 26/6/23

**Gatundu South Technical and Vocational College
Annual Report and Financial Statements for the year ended 30th June 2022**

XV. Statement of Changes in Net Asset for the year ended 30 June 2022

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/		Total
				Development Grants/Fund		
Balance b/f as at July 1, 2020	-	-	-	-	-	-
Cost of Buildings as per issued certificates of work done			-	65,826,036		65,826,036
Donated Equipments recognised			-	132,002,134		132,002,134
Furniture bought before 1st July 2020			-	1,915,800		1,915,800
Prior Year Adjustments			(731,195)	-		(731,195)
Total comprehensive income			(15,633,854)	-		(15,633,854)
Balance c/d as at June 30, 2021	-	-	(16,365,049)	199,743,970		183,378,921
Balance b/f as at July 1, 2021	-	-	(16,365,049)	199,743,970		183,378,921
Total comprehensive income			(10,461,438)	-		(11,567,780)
Balance c/d as at June 30, 2022	-	-	(26,826,487)	199,743,970		172,917,483

Prior year adjustments in Financial Year 2020/2021

Bank balance as at 1st July 2020 brought in	283,195
Salary advance given before 1st July 2020	5,000
Fees prepayments as at 1st July 2020 brought in	115,800
Operations expenses incurred by KIST as a mentoring Institution	903,590
Balance carried as prior year adjustment	<u>731,195</u>

Gatundu South Technical and Vocational College
Annual Report and Financial Statements for the year ended 30th June 2022

XVI. Statement of Cash Flows for the year ended 30 June 2022

Cash flows from operating activities	Notes	30-Jun-22	30-Jun-21
Receipts			
Transfers from National Government	6	6,157,499	4,062,500
Rendering of services- Fees from students	7	13,480,292	2,924,370
Total Receipts		19,637,791	6,986,870
Payments			
Use of goods and services	8	9,196,067	1,380,404
Compensation of employees	9	3,604,860	457,609
BOG remuneration	10	655,000	4,205,439
Repairs and maintenance	11	175,009	617,180
			65,500
Total Payments		13,630,936	6,726,132
Net cash flows from operating activities		6,006,855	260,738
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	16	(1,025,587)	(360,000)
Decrease in receivables	14	(2,464,425)	-
Increase in payables	18 & 19	(1,010,034)	-
Decrease in inventories	15	(353,469)	-
Net cash flows used in investing activities		(4,853,514)	(360,000)
Net increase/(decrease) in cash and cash equivalents		1,153,341	(99,262)
Cash and cash equivalents at 1 July	14	183,933	283,195
Cash and cash equivalents at 30 June	14	1,337,274	183,933

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



FOR: Chairman of the Board

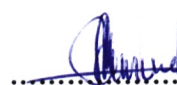
Date:.....
26/6/2023



Finance Officer

ICPAK No...16477

Date:.....
26/6/2023



Principal

Date:.....
26/6/23

**Gatundu South Technical and Vocational College
Annual Report and Financial Statements for the year ended 30th June 2022**

XVII. Statement of Comparison of Budget & Actual amounts for the year ended 30 June 2022

	Original annual Budget	Adjustments	Final Annual Budget	Actual Cumulative to date	Performance	% of Utilization	Explanation
	Kshs	Kshs	Kshs	Kshs		Kshs	
Revenue							
Transfers from National Government- capitation	9,500,000	-	9,500,000	6,157,500	3,342,500	35%	(a)
Rendring of services- Fees from students	6,805,000	-	6,805,000	13,480,292	(5,568,950)	-82%	(b)
Total Receipts	16,305,000	-	16,305,000	19,637,792			
Payments							
	-						
Compensation of employees	4,357,200	-	4,357,200	3,604,860	752,340	17%	(c)
Use of goods and services	8,090,360	-	8,090,360	9,196,067	(1,105,707)	-14%	(d)
BOG remuneration	2,870,000		2,870,000	655,000	2,215,000	77%	(e)
Repairs and maintenance	987,440	-	987,440	175,009	812,431	82%	(f)
Total expenditure	16,305,000	-	16,305,000	13,630,936			
Surplus for the period				6,006,856			

(Budget notes)

- a) We budgeted for capitation grants for the year Ksh 7.5 million based on 250 students. The college did not receive operational grants and fourth quarter capitation grant.
- b) The students' fees collection is below expectation due to high fees debtors.
- c) The College did not employ BOG trainers and other support staff as earlier budgeted due to limited resources.
- d) The college spent more on rendering of services to cater for increased student enrolment.
- e) The Institution utilisation of funds was low due to limited resources.
- f) The Board did not meet as earlier budgeted.

XVIII. Notes to the Financial Statements

1. General Information

Gatundu South TVC is established by and derives its authority and accountability from TVET Act 2013. The Gatundu South TVC is wholly owned by the Government of Kenya and is domiciled in Kenya. Gatundu South TVC principal activity is training.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the College accounting policies.

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

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

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2022.

IPSASB deferred the application date of standards from 1st January 2022 owing to covid19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes;

**Gatundu South Technical and Vocational College
Annual Report and Financial Statements for the year ended 30th June 2022**

Standard	Effective date and impact:
	<p>and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

Gatundu South Technical and Vocational College
Annual Report and Financial Statements for the year ended 30th June 2022

Standard	Effective date and impact:
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

The College did not early-adopt any new or amended standards in year 2022

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 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.

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 2021/2022 was approved by the Council or Board on 30th July, 2021. There were no subsequent revisions or additional appropriations to the original budget.

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 .

c) Taxes

Current income tax

The College is exempt from paying taxes.

Sales tax/ Value Added Tax

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

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

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.

Notes to the Financial Statements (Continued)

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, Gatundu South TVC recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on Property, plant and equipment is recognized in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Land	-
Buildings	2.5%
Motor vehicles	25%
Furniture and Fittings	12.5%
ICT Equipments`	30%
Office Equipment	12.5%

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A full year depreciation charge is recognised in the year of asset purchase. Depreciation charge is not recognised in the year of disposal.

The financial report for the period under review does not reflect the value of the land on which the College sits on as it is yet to be valued the land title has not been obtained from the County Government of Kiambu.

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.

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

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

Financial liabilities

Initial recognition and measurement

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.

j) 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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

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.

k) 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.

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

l) 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).*

m) 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.

n) 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.

o) 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.

p) Borrowing costs

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

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

q) 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 Principal and senior managers.

r) 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.

s) 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.

t) Comparative figures

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

u) 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.

Notes to the Financial Statements (Continued)

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.

(Include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

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Notes to the Financial Statements (Continued)

6. Transfers from other National Government entities

Transfers from National Government Ministries	30-Jun-22	30-Jun-21
Unconditional grants		
Capitation	6,157,500	3,600,000
Operational grants	-	1,500,000
Total Government grants and subsidies	6,157,500	5,100,000

7. Rendering of Services

Rendering of Services	30-Jun-22	30-Jun-21
Tuition	5,005,220	961,320
Administration	570,000	329,500
Registration	285,000	168,300
Personal emoluments	1,710,000	955,700
Local transport and travel	627,000	359,400
Electricity water and conservancy	712,500	409,000
Repair, maintenance and improvements	342,000	196,300
Activity	456,000	260,400
Insurance, industrial attachment and liaison	855,000	496,700
practical	262,200	-
Student ID	63,300	53,400
Material fee	176,450	152,520
Examination fees	2,415,622	1,286,110
Total Rendering services	13,480,292	5,628,650

8. Use Of Goods and Services

Use of goods	30-Jun-22	30-Jun-21
Tuition Materials	2,062,519	1,695,875
Security expenses	429,000	767,000
Internet and Website	152,051	161,576
office Expenses	421,452	279,316
office printing and stationery	876,161	438,957
Electricity, water and Conservancy	132,566	286,228
Training and capacity Building	404,000	155,140
Advertising	145,688	60,792
Bank and MPESA charges	17,717	4,106
Student Insurance and attachment	116,125	26,197
Telephone, postage and airtime	52,099	35,786
Travelling & subsistence	809,610	51,190
sports and games	348,274	635,000
Student ID	33,000	90,500
Covid-19 Expenses	17,200	10,600
Administration expenses	309,833	404,450
Registration and Subscriptions	276,700	-
Examination fees	2,592,072	264,880
Total use of goods	9,196,067	5,367,593

9. Employee Costs

Employment Cost	30-Jun-22	30-Jun-21
Salaries	1,468,000	844,230
NSSF	194,160	15,874
NHIF	59,250	13,500
Wages	1,883,450	506,800
Total Employee costs	3,604,860	1,380,404

10. Board Expenses

BOG Expenses	30-Jun-22	30-Jun-21
BOG expenses	655,000	457,609
Total BOG Expenses	655,000	457,609

11. Repairs, maintenance and improvements

Property repairs and maintenance and improvement	30-Jun-22	30-Jun-21
Repair, maintain ace and improvement	175,009	617,180
Total repair, maintenance and improvement	175,009	617,180

12. Repairs and Maintenance

Depreciation	30-Jun-22	30-Jun-21
Property and equipment	16,468,294	18,539,718
Total depreciation	16,468,294	18,539,718

13. Cash and Cash Equivalents

Cash and Cash Equivalents	30-Jun-22	30-Jun-21
Operational Account- Access Bank	1,336,517	102,240
Cash at hand	757	81,693
Total cash and cash equivalents	1,337,274	183,933

14. Receivables from Exchange transactions

Receivables from Exchange Transactions	30-Jun-22	30-Jun-21
Current receivables		
Student debtors	6,355,315	3,820,390
Staff advances	-	5,000
Sundry debtors	-	65,500
Total Receivables from Exchange Transactions	6,355,315	3,890,890

15. Inventories

Inventories	30-Jun-22	30-Jun-21
Consumables		
Total inventories at the lower of cost and net realizable value	353,469	-

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Notes to the Financial Statements (Continued)

16. Property, Plant and Equipment

	Buildings		Motor vehicles		Furniture and fittings		ICT Equipment		Plant and Equipment		Work In Progress		Total	
	Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	465,000	-	272,000	-	116,800	-	-	-	-	853,800
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of Building recognised	65,826,036													65,826,036
Donated Equipment recognised	-								132,002,134					132,002,134
Furniture bought before 1st July 2020	-				1,915,800				-					1,915,800
Transfers/adjustments	-				-				-					-
At June 2021	65,826,036				2,380,800			272,000	132,118,934					200,597,770
Additions	65,618				195,500			30,682	483,787					775,587
Disposals	-				-			-	-					-
At end of year - June 2022	65,891,654				2,576,300			302,682	132,602,721					201,373,357
Depreciation and impairment														
At 1 July 2020	-				-			-	-					-
Depreciation	1,645,651				297,600			81,600	16,514,867					18,539,718
On Disposals	-				-			-	-					-
Impairment	-				-			-	-					-
At 30 June 2021	1,645,651				297,600			81,600	16,514,867					18,539,718
Depreciation	1,606,150				284,838			66,325	14,510,982					16,468,294
On Disposals	-				-			-	-					-
Impairment	-				-			-	-					-
Transfer/adjustment	-				-			-	-					-
At 30 June 2022	3,251,801				582,438			147,925	31,025,849					35,008,012
Net book values														
At 30 June 2022	62,639,853				1,993,863			154,757	101,576,872					166,365,345
At 30 June 2021	64,180,385				2,083,200			190,400	115,604,067					182,058,052

GOK Donated Civil and Building Technology Equipment USD 1,222,808 @ Ksh. 107.95 exchange rate at 30th June 2021
 Cost of the equipment = Ksh.132,002,124

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Notes to the Financial Statements (Continued)

17. Intangible Assets

INTANGIBLE ASSETS-SOFTWARE	30-Jun-22	30-Jun-21
Description		
Cost		
At beginning of the year	-	-
Additions	250,000.00	-
At end of the year	250,000.00	-
Additions—internal development	-	-
At end of the year	250,000.00	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	250,000.00	-
Impairment loss	-	-
At end of the year		
NBV	250,000.00	-

18. Trade and Other Payables from Exchange transactions

Trade and other Payables from Exchange Transactions	30-Jun-22	30-Jun-21
Trade payables	102,089	1,294,584
Advance fees	337,401	393,410
Mentoring institute balances	1,117,660	926,260
HELB funds unutilised	26,400	52,800
Total trade and other payables	1,583,550	2,667,054

19. Refundable Deposits from Customers/Students

Refundable deposits from customers/students	30-Jun-22	30-Jun-21
Caution money	160,370	86,900
Balance at end of year	160,370	86,900

20. Employee Benefit Obligations

Retirement benefit Asset/ Liability

The entity does not operate a defined benefit scheme for its employees.

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21. Cash generated from operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus for the year before tax	(11,567,780)	(15,633,854)
Adjusted for:		
Depreciation	16,468,294	18,539,718
Working Capital Adjustments		
Increase in payables	(2,464,425)	(3,885,890)
Decrease in receivables	(1,010,034)	52,800
Decrease in inventories	(353,469)	22,670
Increase in refundable deposits	-	86,900
(Decrease)/Increase in Payables	-	800,784
Increase in Inventories	-	-
Increase in Payments received in advance	-	277,610
Net Cash Flow from Operating Activities	2,178,928	260,738

Notes to the Financial Statements (Continued)

22. Financial Risk Management

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

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

(i) Credit risk

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

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

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

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Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions	3,890,890	3,890,890	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	183,933	183,933	-	-
Total	4,074,823	4,074,823	-	-
At 30 June 2022				
Receivables from exchange transactions	6,355,315	4,794,404	1,626,510	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	1,337,274	-	-	-
Total	7,692,589	4,794,404	1,626,510	-

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 student debtors.

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.

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Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade Payables	-	1,294,584	-	1,294,584
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred Income	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	1,294,584	-	1,294,584
At 30 June 2022				
Trade Payables	102,089	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred Income	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	102,089	-	-	-

(iii) Market risk

The entity 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 entity'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.

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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.

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.

Sensitivity analysis

The College 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.

iv)Capital Risk Management

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Revaluation Reserve	-	-
Retained Earnings	(27,932,829)	(16,365,049)
Capital Reserve	199,743,970	199,743,970
Total Funds	172,110,103	183,378,921
Total Borrowings	-	-
Less: Cash and Bank Balances	1,337,274	183,933
Net Debt/(Excess Cash and Cash Equivalents)	1,337,274	183,933
Gearing	0%	0%

23. Related Party Balances

Nature of related party relationships

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

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Government of Kenya

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management;
- iv) Board of Governors;

Notes to the Financial Statements (Continued)

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Transactions with Related Parties		
a) Sales to related parties		
Sales of electricity to govt agencies	-	-
Rent income from govt. agencies	-	-
Water sales to govt. agencies	-	-
Others (<i>specify</i>)	-	-
Total	-	-
B) Purchases from related parties		
Purchases of electricity and water from govt. service providers	132,566	286,228
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Others (<i>specify</i>)	-	-
Total	132,566	286,228
b) Grants /Transfers from the Government		
Grants from National Govt	6,157,500	5,100,000
Grants from County Government	-	-
Donations in Kind	-	-
Total	6,157,500	5,100,000
c) Expenses incurred on behalf of related parties		
Payments of Salaries and Wages for Employees	3,604,860	1,380,404
Payments for Goods and Services	-	-
Total	-	-
d) Key Management Compensation		
Board of Governors expenses	520,000	457,609
Compensation to Key Management	-	-
Total	520,000	457,609

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Notes to the Financial Statements (Continued)

24. Contingent Assets and Contingent Liabilities

The College did not have any contingent asset and liability that arose during the year.

25. Capital Commitments

The College had no capital commitment as at 30th June 2022.

26. Deferred Tax Liability

The College has no incident that can result into a contingent asset and/or liability

27. Events After The Reporting Period

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

28. Ultimate And Holding Entity

The College is a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

29. Currency

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

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**XIX. Appendices
Appendix 1: Implementation Status of Auditor-General Recommendations**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Report on the Financial Statements				
1.	Unconfirmed Balances	<p>The management started its operations in September 2019 and systems were being set. The prior year adjustments were properly supported and explained</p> <p>Kshs 283,195 was opening bank balance of the previous year which is supported by the bank certificate</p> <p>Kshs 5000 was an advance given to staff and was recovered during the year under review.</p> <p>Kshs 115,800 was student fees prepayment for previous year and was supported by a schedule.</p> <p>Kshs 903,590 was operation expenses incurred by KIST as the mentoring institution on behalf of Gatundu South TVC and was supported by a schedule and supporting documents.</p> <p>Ksh. 1,915,800 was donated furniture</p>	Resolved	N/A

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.	Property, Plant and Equipment	<p>from Thika TTI and was properly supported.</p> <p>The management is in the process of installing MIS. The Fixed Asset Register will be managed using the Asset Module</p>	Not Resolved	30 th June 2023
3.	Understated Revenue	<p>The revenue was not understated as explained below;</p> <p>Invoices for 19 students 668,030</p> <p>Receipts from 19 students Ksh. 1,061,440</p> <p>Balance (prepayments) Ksh. 393,410 as reflected in note 14 of the financial statements in FY 2020/2021</p>	Resolved	N/A
4.	Unsupported Accounts Receivables	<p>Ksh. 3,890,890 was supported by a schedule of student debtors. The ageing analysis is being done.</p>	Not Resolved	30 th June 2023
5.	Non-Remittance of Statutory Deductions	<p>The college registered with NSSF in January 2021 and effective date for deduction and remittance was February 2021. June 2021 deduction was remitted on due date in July 2021. All deductions were remitted on due date except for February 2021 which was erroneously understated by Ksh. 1,980.</p>	Resolved	N/A

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
6.	Unsupported Expenses	The Board approved the budget on telephone and postage and airtime allowance. There is a policy in place and Board approval on provision of airtime allowance to staff. The management is implementing imprest management	Resolved	N/A
Report on Lawfulness and Effectiveness in use of Public Resources				
1.	Non-Submission of Financial Statements	The management started its operations in September 2019 and systems were being set. The management has prepared the financial statements. The report will be submitted to the office of Auditor General for audit.	Not Resolved	30 th June 2023
2.	Unsupported Remuneration of Board of Governors	The Chairman of the Board was provided with transport on official duty to the college which is outside the normal scheduled meeting	Resolved	
3.	Irregular Hiring of Casual Employees	The management has regularised the hiring of casual and contract employees and contract documents are being maintained.	Resolved	
4.	Lack of Ethnic Diversity	The college is in its first stage of growth and it involved the locals for its operations. The management will	Not Resolved	Continuous process

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		ensure compliance with ethnic diversity as the college grows.		
Report on Effectiveness of Internal Controls, Risk Management and Governance				
1.	Weak Inventory Management	The Management has engaged a qualified procurement officer to ensure proper inventory management.	Resolved	Continuous process
2.	Lack of Finance Management System and Admission Policy and Procedures	The management is installing MIS and operations will be automated	Resolved	N/A
3.	Lack of Internal Audit Function and Audit Committee	The management is committed to have in place internal audit function and audit committee	Not Resolved	30 th June 2023
4.	Lack of Policy Documents	The management is committed to have policy documents in place	Not Resolved	30 th June 2023
5.	Understaffing of Teaching and Non-Teaching Staff	The college is in its first stage of growth and engage staff on need basis and as financial resources become available. The management is committed to hire qualified and competent staff to fill the gap that arise	Not Resolved	Continuous process

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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.
.....*Samuel Mwangi*.....

Name
Accounting Officer
Samuel Mwangi

Date.....*26/4/2023*.....

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Appendix II: Projects Implemented by Gatundu South TVC

The College has no projects being implemented.

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Appendix III- Inter-Entity Confirmation Letter

GATUNDU SOUTH TECHNICAL AND VOCATIONAL COLLEGE

P.O. BOX 102-01030 GATUNDU, CELLPHONE: 0797252245
E-Mail: gatundusouthvc@gmail.com

The Gatundu South Technical and Vocational College wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Gatundu South Technical and Vocational Colleas at 30 th June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30th June 2022			Total (D)=(A+B+C)	Amount Received by [beneficiary Entity] (KShs) as at 30 th June 2021 (E)	Differences (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)			
DTE/CAP9/25(29)	16/07/2021	1,447,500			1,447,500	1,447,500	0
DTE/CAP9/28(33)	23/11/2021	1,882,500			1,882,500	1,882,500	0
DTE/CAP9/30(33)	02/03/2022	1,882,500			1,882,500	1,882,500	0
DTE/CAP9/33(34)	03/06/2022	2,392,500			2,392,500	2,392,500	0
Total		7,605,000			7,605,000	7,605,000	0

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

Head of Accountants department of beneficiary Entity:

Name Paul Ngotwa Sign [Signature] Date 28/6/2023

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Appendix IV: Reporting of Climate Relevant Expenditures

The College did not incur climate relevant expenditures.

Appendix V: Disaster Expenditure Reporting Template

The College did not incur disaster related expenditure during the year.

