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REPORT

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THE AUDITOR-GENERAL

ON

**MASINGA TECHNICAL AND VOCATIONAL
TRAINING COLLEGE**

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





OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB.

03 MAY 2023

RECEIVED

MASINGA TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

Masinga 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 Masinga Technical and Vocational College was established under the TVET Act 2013. The entity is domiciled in Kenya. The institute is under the Ministry of Education.

(b) Principal Activities

The principal activity of Masinga Technical and Vocational College is to produce graduates with competent skills that meet the dynamic demands of the industry.

Vision

To be a Centre of Excellence in the provision of vocational and Technical Training.

Mission

To produce graduates with competent skills that meet the Dynamic demands of the industry.

(c) Key Management

The Institute's day-to-day management is under the following key organs:

- i. Board of Governors
- ii. Principal
- iii. Deputy Principal
- iv. Registrar
- v. Dean of Students
- vi. Finance Officer
- vii. Heads of Department

(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:

1.	Principal	Kenneth C.K. Njoroge
2	Deputy principal	Titus Nzioki
3	Registrar (s)	Robert Munyiri
4	Dean of students	Jacinta Mutula
5	Head of Finance	Edgar Opiyo

(e) Fiduciary Oversight Arrangements

Finance & General Purposes committee activities

The Committee shall exercise all the powers of BOG in financial matters except in relation to the items which are reserved to BOG in these Standing Orders, on which the Committee shall advise BOG Terms of Reference. The role of the Committee shall be to monitor the financial status of the Institute on behalf of BOG. In addition to advising BOG on those matters referred to above, the Committee's responsibilities shall include:

- i. To monitor and facilitate the implementation of the Institute's strategy with regard to financial matters.
- ii. To receive reports from the Principal and the Finance Officer.
- iii. To monitor implementation of the strategy for the Institute.
- iv. To receive reports of the extent and condition of the Institute estate including the efficiency of space utilization, the consumption of energy and the adequacy of property insurance arrangements.
- v. To consider the adequacy of the Institute estate and proposals for its maintenance and development, including opportunities to dispose off and acquire new properties.
- vi. To determine the fees and charges made for Institute services and facilities.
- vii. To supervise the financial administration of the Institute and make recommendations to BOG where appropriate.
- viii. To supervise the arrangements for safeguarding the Institute's assets.
- ix. To ensure the proper financial evaluation and control of projects.
- x. To supervise the arrangements for investing the Institute's funds, including monitoring the performance of investments.
- xi. To make recommendations to BOG on the financing of projects.

Senior Management Activities

The main purpose of the Senior Management Team is to:

- (a) Ensure that Masinga Technical and Vocational College's BOG is able to take strategic decisions relating to Masinga Technical and Vocational College's activities.
- (b) Provide leadership in communicating Masinga Technical and Vocational College's mission, values, plans and achievements effectively and consistently to BOG Members, staff, Government, the voluntary and community sector, the general public and other stakeholders;
- (c) Be accountable for the development and implementation Masinga Technical and Vocational College's strategic, corporate and business plans in line with the mission and values.
- (d) Take a strategic overview of performance in all areas of Masinga Technical and Vocational College's activities.

Specifically, the Senior Management Team:

- i. Makes recommendations to the BOG on the implementation and achievement of the BOG's Strategic Framework;
- ii. Agrees Masinga Technical and Vocational College's Corporate Plan, and monitor delivery through appropriate key management and performance information reporting to the Board of Governors as appropriate.
- iii. In the light of income projections and forecasts, considers the annual grants and operational expenditure and monitors such expenditure;
- iv. Develops, agrees, monitors and reviews strategies relevant to the effective and efficient operation of Masinga Technical and Vocational College's, making recommendations as appropriate to the Board of Governors and/or its relevant Committees;
- v. Determines strategic issues arising from the introduction of new policies or process, including actively managing risk across the organization and regularly reviewing the corporate risk register;
- vi. Oversees and monitors Masinga Technical and Vocational College joint work with the other stakeholders
- vii. Considers the impact of external factors and developments, including specific political initiatives and the response to key consultation documents and where appropriate make recommendations to the BOG and/or its relevant Committees.
- viii. Leads all senior managers in motivating and developing Masinga Technical and Vocational College staff to deliver the highest standards of performance and customer service.

Government oversight activities

The Government of Kenya's oversight role includes provision of Grants for both Capitation and Development as well as provision of the regulatory framework. The audit of the Institutional activities is undertaken by the Office of the Auditor General

Key Entity Information and Management (Continued)

- (a) **Entity Headquarters**
Masinga Technical and Vocational College
P.O Box 181-90141,
MASINGA-KENYA

- (b) **Entity Contacts**
Masinga Technical and Vocational College
P.O Box 181-9014, Masingaa
Telephone :(254) 74327094
E-mail masingatechnical@gmail.com

- (c) **Entity Bankers**
Kenya Commercial Bank
P.O Box 147-90119
Matuu





Equity Bank Ltd
P.O Box 58-90119
Matuu

- (d) **Independent Auditors**
Auditor-General
Office of Auditor General
Anniversary Towers, Institute Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya






- (e) **Principal Legal Adviser**
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

Key Entity Information and Management (Continued)






II. The Board of Governors

1.		<p>Name: Kenneth CK Njoroge Date of Birth; 25/09/1966 Education Higher Diploma in Entrepreneurship Development Experience Mr. Kenneth Njoroge has a wide experience in management especial education sector after raising through the ranks to the deputy principal before being promoted to the position of the principal.</p>
2.		<p>Name: Patrick Kithome Date of Birth;05/02/1965. Bachelor of Arts Degree in Building Economics (University of Nairobi 1990) Experience Mr. Kithome has great experience from serving various boards in different capacities</p>
3.		<p>Name: Gillian Chambira Date of Birth Education Bachelor of Commerce (Marketing) 2ND Class honours-Upper Division University of Nairobi Certificate in basic computer application (2014) Bishop Gatimu Ngandu Girls (K.C.S.E)1991-1995</p>
4.		<p>Name: Anne Wanjiru Kariuki Date of birth. 25/10/967 Qualifications: Bachelor of Philosophy in Electrical & Electronic; Higher Diploma in Electrical & Electronics Engineering Work Experience: Over 20 Years</p>

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

5.		<p>Name: John Wamae Date of birth. 1969 Qualifications. Masters in Applied Statistics. County Director Work Experience: Over 10 years</p>
6.		<p>Name: Alex Kioka Mutula Date of birth: 30.03.1993 Qualifications: Bachelor of Science in Mathematics and Statistics Work Experience: 6 Years</p>
7.		<p>Name: Joachim Ndolo Kalamu Date of birth: 2/03/1987 Qualifications: Bachelor of Laws Work Experience: Over 10 Years while practising</p>
8.		<p>Name: Jacqueline Tumeso Taikon Date of birth: 27/09/1990 Qualifications: Bachelor of Commerce -Finance; CPA Sec 4 Work Experience: Over 20 Years</p>
9.		<p>Name: Faith Mbatha Nzivo Date of birth: 05/03/1991 Qualifications: Certified Public Accountant of Kenya(CPAK) Work Experience: 7Years</p>

III. Management Team

1		<p>Name: Kenneth CK Njoroge Qualification: Higher Diploma in Entrepreneurship Development Position: Principal</p>
2		<p>Name: Titus N. Nzioki Qualification: Masters degree of Education in leadership and policy studies Position: Deputy Principal</p>
3		<p>Name: Robert Munyiri Qualification: Mechatronics Engineering Position: Registrar</p>
4		<p>Name: Jacinta Mutula Qualification: Bachelor Information Communication Technology Position: Dean of Students</p>
5		<p>Name: Edgar Opiyo Qualification: Certified Public Accountant of Kenya Position: Accountant</p>

IV. Chairman's Statement

It is our responsibility to provide the required leadership in designing suitable plans and strategies that will contribute to high and sustainable socio-economic development. It is our undertaking to ensure that MTVC has a credible Strategic Plan and Performance Contract that will deliver the desired goals.

It is also our undertaking that we will perform our responsibilities diligently and to the best of our abilities to support the achievement of the agreed performance targets.

The Strategic Plan of Masinga Technical Vocational College (MTVC) has been developed through an all-inclusive, participatory process. It articulates the Institute's Vision for Kenya's TVET System and identifies the strategic imperatives to be implemented during the next five years. It goes on to prioritize specific resources upon which the college will be focused.

The Strategic Plan is developed in the context of increasing global competitiveness and the needs of Kenyan within Kenya Vision 2030. The underpinning values are inclusion, participation and relevance. In line with this, the Institute's priorities include tackling the various existing challenges especially given the fact that our college is in the Arid and Semi – arid Areas (ASAL) . Through Strategic Planning the Institute seeks to provide relevant knowledge and skills that addresses the needs of the domestic and global economy.

Our challenge therefore is to identify the needs of our communities and infuse training in technologies and concepts that are practical in line with industry demands.

The college is committed to gradually introduce Competency Based Education and Training (CBET) with a major focus on infusing industry expectations in our training methodologies. In this regard, the Plan proposes a systematic facet of issues from which pertinent objectives are realized and addressed through derived strategies.


To provide appropriate evidence to Kenya's decision makers, MTVC should complement the efforts of the Government's Poverty Reduction Strategy; and its development objectives as articulated in various official policy documents. Strategic Planning of MTVC is expected to lead to the realization of a wide range of other important benefits including, increasing entrepreneurship, economic growth, enhanced productivity across sectors and increased income

per capita. The Government recognizes that MTVC holds a vital key to implementation of the “Big four” initiatives and other national priorities in order to improve the quality of life of Kenyans and making Kenya globally competitive. The “Big Four” prioritizes on affordable housing, manufacturing, food security and affordable universal health care.

The successful implementation of the Plan requires devoted collaboration of all key stakeholders including the various levels of government. The Plan therefore, contains the strategies for the increased collaboration between stakeholders in the sector in terms of resource mobilization, funding and governance.

The MTVC Strategic Plan essentially presents its Corporate Strategy. It provides a sufficient framework within which Annual Work Plans will be developed. In this regard, it has been aligned to the Ministerial Strategic Plan, Medium Term Plans within Kenya Vision 2030 paradigm etc. the purpose of this Strategic Plan is therefore: -

- (i) To present key milestones in the Institution’s TVET programs
- (ii) To present the Institute’s ideology on the TVET’s Strategic options identified and modalities for the national respective agenda as a foundation for Vision 2030.
- (iii) To avail a tool for engagement and negotiation between the Governments, key Stakeholders and Collaborators regarding the financing of TVET.
- (iv) To provide a basis for resource targeting.
- (v) To provide a basis for programme implementation and performance evaluation.


MR. PATRICK S. KITHOME
CHAIRMAN, BOARD OF GOVERNORS

V. Report of the Principal

In the global arena, Science, Technology and Innovation (ST& I.) is the driver for rapid world's economic prosperity, social development and provision of tools and solutions to address global challenges. For this reason, the government through the Ministry of Education has strengthened the focus of Science, Technology and Innovation and Technical Education Policies as underlying the country's National Development efforts.

The Government's National Development Agenda is clearly outlined in various key policy documents including the Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) 2003-2007 and the National Development Plan 2002-2008. The government also recognizes that its Development Agenda can be accelerated if there is renewed focus on the integration of ST&I in all the Social-Economic sectors as outlined in the Kenya Vision 2030. The government has therefore embraced Science, Technology and Innovation and Technical Education (TE) as one of its top priorities.

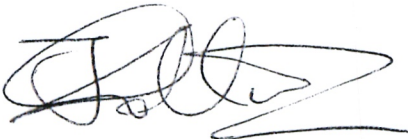
The State Department of Vocational and Technical Training in the Ministry of Education has been mandated to spearhead the integration of S.T & I. and T.E and Higher Education in National Development. It has prepared its Strategic Plan as a comprehensive statement on how it plans to pursue its mandate for the next five years. In line with the government and the Ministry's Development Agenda, MTVC as one of the TVET institutions charged with the mandate of training middle level technical manpower, presents this Strategic Plan as its Road Map to guide its Development Agenda for the next five years.

The Strategic Plan reviews the Vision and Mission that will encompass all those involved in its execution. It also reviews the analysis of the Internal and External environment using Strengths, Weaknesses, Opportunities and Threats (SWOT) and Political, Economic, Social, Technological, Environmental and Legal (PESTEL) analysis. Subsequently, it identifies key stakeholders and their roles, outlines the Strategic issues and objectives and identifies the strategies to address them. The reviewed Plan prioritizes activities to be implemented under the strategies, and provides an Implementation Plan, a Monitoring and Evaluation system and a projection of the Resource requirements.

During the year under review, Masinga Technical and Vocational College recorded improved enrolment compared to the previous year. This was as a result of the aggressive marketing strategies adopted by the college through social media, contact and other print medias.

Worth noting, the student enrolment is still below the expectations and the college strives to innovatively increasing the enrolment.

The college faced challenges that emanated from poor fee payments and delayed funding from the Ministry of education hence could not meet certain activities and some obligations were met past the timelines.



MR. KENNETH C.K. NJOROGE
PRINCIPAL

VI. Statement of Performance against Predetermined Objectives

Pillar / theme / issue 1	Provide high quality technical education	To produce competent graduate to meet dynamic market	Attracting high number of trainees	Marketing use of Technology and use of KUCCPS	Increased enrollment number of trainees
Pillar / theme / issue 2	Transparency and accountability	To ensure openness and sharing of information	Producing true and fair financial reports	Strictly adhering to PFM Act 2012 including audit	Being audited and sharing audit reports that are true and fair
Pillar / theme / issue 3	Partnership and community in the engagement	To include the community in the activities of the college	Collaboration between the college and the community	Finance sponsorship to needy students. Taking place in activities such tree planting.	CDF Masinga sponsoring needy students. Community coming for tree planting activities.

VII. Corporate Governance Statement

Corporate governance comprises rules, procedures, regulations and processes through which the Institute is directed. It involves balancing the interests of the Institute in order to achieve long term strategic objectives of the Institute.

The roles and functions of the Board members are clearly defined and include giving the overall oversight of management and giving the strategic direction of the Institute. The Board members defines the Institute's strategies, objectives, values and ensures that procedures and practices are put in place to ensure effective control over strategic, financial, operational and compliance issues. The Board members develops short- and long-term goals of the Institute, develops strategies to achieve those goals and monitors the performance of the Institute against the set goals. The Board members also spearheads the preparation of financial statements and reports of the Institute, approves and reviews annual budgets and ensures that the Institute has adequate systems of internal controls together with appropriate monitoring of compliance activities to ensure business continuity.

The BOG members provide oversight to the Institute's top management and have unrestricted access to timely and relevant information as well as advice and services of the Corporation Secretary to discharge its duties effectively.

Masinga Technical and Vocational College Board members operates in compliance with the Mwingozo code that offers corporate governance framework for all state corporations. The BOG Members have duly undergone training under this code.

The Board members prepares an annual almanac showing the schedule of meetings planned for each year. During the year, the Institute Board members held regular quarterly meetings, while special meetings were called when necessary.

The Board is headed by the Chairman and is composed of nine members inclusive of the principal who is the only executive member. The constitution of the Board members takes into consideration requirements of the sector, diversity of skills, academic qualifications, gender, age and experience necessary to add value to the operations of the Institute. The Board members are appointed to various Board Members' Committees mandated to carry out specified functions.

The Board members therefore bring their diverse experiences in deliberations during Board meetings. The Board members' committees have well defined terms of reference. The committees are intended to facilitate efficient decision making by the Board members in them discharging their duties and responsibilities.

1. Corporate governance statement

- a) Good corporate governance is the key to integrity and corporations and central to the institute stability
- b) Corporate governance their fore encompasses the system practices and procedures by which the individual corporation regulates itself to remain stable, competitive, sustainably and fair.
- c) The Board of Governors follows principles of transparency and accountability in its stewarding institute's affairs'
- d) The role of the Board of Governors is to ensure conformity by focusing and providing the institutes strategic direction and policy making as well as performance review through accountability, monitoring, supervision and internal control to safeguard the assets and ensure the reliability of financial information
- e) Management team comprising of the principal, deputy principal, head of departments and staff meet regularly to consider issues of operational and strategic importance.
- f) Below are key features of the existing governance practices within the institutes which are revised and improved from time to time

2. Institutes Board of Governors

- a) The Board of Governors constitutes of chairman Board of Governors and eight members who have been appointed in accordance to the TVET Act 2013, which meets formally at least three times a year and or any other time when need arises
- b) Board of Governors is responsible for setting the direction of the institute through establishment of strategic information, policies and approval of budgets. It monitors implementation of the above through structured approach of reporting by the management and accountability.
- c) The Board of Governors is actively involved and bring strong independent judgement on its deliberations and discussions
- d) The Board of Governors members have diverse skill set, wide range of knowledge and experience of the institute in objectives and decision making.
- e) The Board of Governors meets regularly and retains full and effective control over the institutes in all strategic financial operation and compliance areas

The Board held the following meetings during financial year 2021/2022

Name	Designation	No. of Meetings	Meetings attended.
Patrick Kithome	Chairman	2	2
Kenneth Njoroge	Principal/Secretary	2	2
Joachim Kalamu	Member	2	2
Alex K. Mutela	Member	2	1
Anne Kariuki	Member	2	1
Jacqueline T. Taikon	Member	2	2
Faith Nzivo	Member	2	2
John Wamae	County Director	2	2
Gillan Chambira	Member	2	1

3. Related party disclosure

Related parties for the purposes of this report include:

- a) The Government
- b) The Board of Governors
- c) The Management

VIII. Management Discussion and Analysis

Operational and Financial Performance

During the year ended 30 June 2022, the Institution had 352 students compared to 345 in year 2020/2021. The increased number of students attributed to Institutions publicity and marketing strategy through public awareness through both print and contact media.

To further enhance service delivery in financial management, the Institute will concentrate on eliminating wastages. In this regard, the Institution will lobby and mobilize financial resources for Technical Training, Innovation and Research on Technical fields.

Financial and Management risks

Major risks facing the Institute include

- i. Inadequate funding by the Ministry of Education- on capitation/operation and development grant (fourth quarter Capitation funds not received)
- ii. Delayed funding
- iii. Poor fee payments by students

Due to the above factors the institution is facing serious challenges in meeting its operational obligation fully.

Material arrears in Statutory and Financial Obligations

During the financial year 2021/2022 under review, the college faced serious challenges in meeting statutory deduction remittances due to poor fee payments.

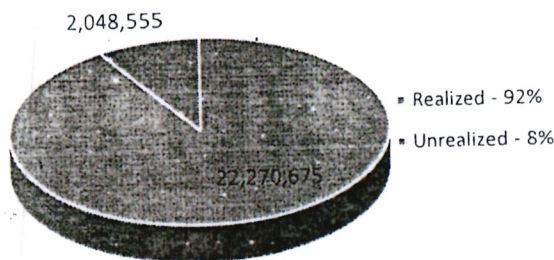
Governance

During the Financial year under review a new BOG was inaugurated on 31st August 2021

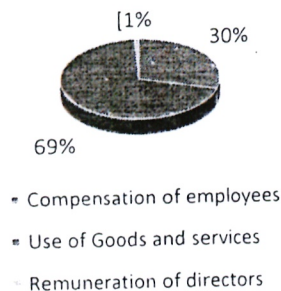
Budget Achievement

Masinga Technical and Vocational College had a total budget of Kshs. 24,319,230 in F/Y 2021-2022. The Institute managed to realize Kshs. 22,270,675 which translates to 92% of the total budget. The Institute spent Kshs. 23,177,020 of the realised amounts which translates to approximately 95% of the budget.

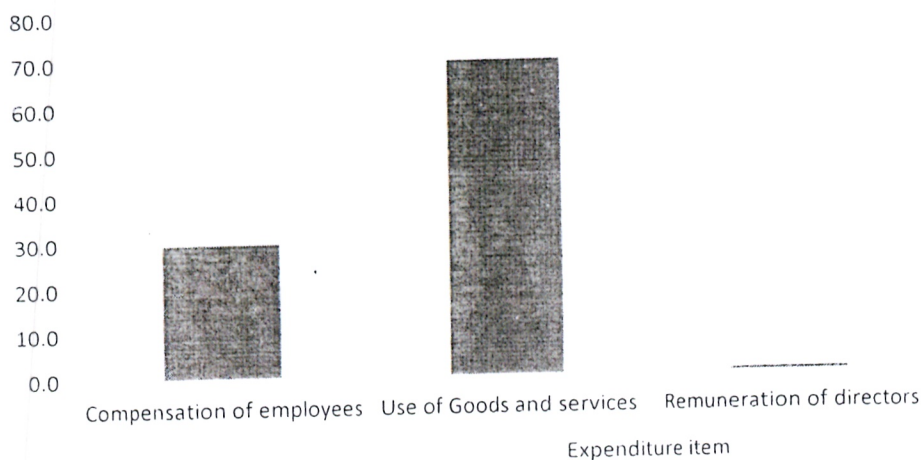
Realization of Budget



Percentage Expenditures



% percentage utilization



IX. Environmental And Sustainability Reporting Statement

Masinga Technical and Vocational College exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on Strategic pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

Sustainability strategy and profile

The college is guided and committed to its principle activity of production of graduates with competent skills that meet the dynamic demands of the industry. It has a strategic plan which outlines the key strategic pillars aimed at achieving the set goals and objectives.

Environmental performance

Before embarking on the construction of any building, the Institute conducts an environmental Impact analysis where all the stakeholders and the community are engaged. The Institute makes improvements on ablution blocks regularly and it has structures in place as advised by the Ministry of Health to reduce Covid -19 risks.

Employee welfare

The Institute participates in capacity building for trainers and other staff in collaboration with other organizations and partners. It also ensures the employees are adequately compensated for services provided.

Market place practices

Masinga Technical and Vocational College signed a performance contract for the year 2021-2022 with the Ministry of Education; State department of Vocational & Technical Training to fight corruption. Subsequently, the Institute has achieved the set targets during the period.

The Institute advertised for pre-qualified suppliers for supply of works, goods and services for the period 2021-2023 to ensure fair competition. The suppliers have had the opportunity to provide for goods and services to the institute and payments were made promptly. Additionally, the Institute continued to abide by the fee guideline issued by the government to be applied in all TVET institutions.

Community Engagements

The College engages the community in various occasions especially on matters concerning the growth of the college.

The Management runs forums aimed at identifying the very needy cases and assisting them to acquire necessary support in form of Bursaries from NG-CDF, County governments and other sponsors.

Corporate Social Responsibility / Community Engagements

MTVC being a public Institute embraces Corporate Social Responsibility (CSR) through engaging itself with the following social responsibilities:

- i. Financial support to needy students through coordinating bursary, HELB loans, support sustainability and sponsorship to students where possible as well as work study programme.
- ii. Offering both social and economic support to external community through provision of casual labour opportunities and supplies when opportunities arise
- iii. Environmental activities like planting of trees
- iv. Mentorship programmes for the youth and offering internship and industrial attachment opportunities to them.

X. Report of the Board of Governors

The Board members submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Masinga Technical and Vocational College affairs.

Principal activities

The principal activities of the entity are to provide quality technical education

Results

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

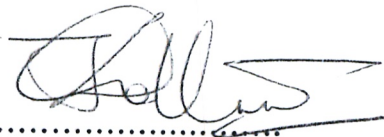
BOARD OF GOVERNORS

The members of the Board /Council who served during the year are shown on page xii. During the year no director retired/Resigned and no was appointed.

Auditors

The Auditor General is responsible for the statutory audit of the Masinga Technical and Vocational College in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



.....
Secretary of the Board of Governors
Masinga Technical and Vocational College

Date: 2/5/2023.....

XI. Statement of Board of Governors Responsibilities

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

The Board members are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board members accept responsibility for the Masinga Technical and Vocational College's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and TVET Act 2013. The Board members are of the opinion that the Masinga Technical and Vocational College's financial statements give a true and fair view of the state of College's transactions during the financial year ended June 30, 2022, and of the Masinga TVC's financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the College, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

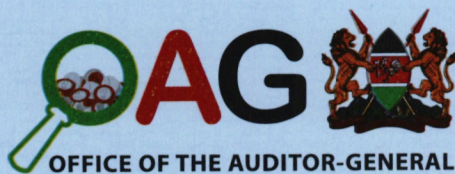
The Masinga Technical and Vocational College financial statements were approved by the Board on 11th April 2023 and signed on its behalf by:

.....
Name: Patrick Kithome
Chairperson of the Board/

.....
Name: Kenneth Njoroge
Principal

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON MASINGA TECHNICAL AND VOCATIONAL TRAINING 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

Adverse Opinion

I have audited the accompanying financial statements of Masinga Technical and Vocational Training College set out on pages 1 to 29, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in equity, statement of cash flows and statement of comparison of

Report of the Auditor-General on Masinga Technical and Vocational Training College for the year ended 30 June, 2022

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, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Masinga Technical and Vocational Training College as at 30 June, 2022, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with Technical and Vocational Education and Training (TVET) Act, 2013 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Unsupported Property, Plant and Equipment Balance

The statement of financial position and as disclosed in Note 17 to the financial statements reflects property, plant and equipment balance of Kshs.91,638,000. However, supporting documents and records including valuation reports by a qualified valuer were not provided for audit.

In the circumstances, the accuracy, completeness and valuation of property, plant and equipment balance of Kshs.91,638,000 could not be confirmed.

2. Long Outstanding Trade and Other Payables from Exchange Transactions

The statement of financial position and as disclosed in Note 18 to the financial statements reflects payables from exchange transactions of Kshs.7,895,837. However, individual creditors' accounts statements were not provided for audit.

Further, out of the total trade and other payables balance of Kshs.7,895,837, Kshs.7,335,175.62 or about 93% of the balance has been outstanding for over four (4) months. Management did not demonstrate any effort made towards clearing the outstanding payables.

In addition, trade and other payables balance increased by Kshs.6,524,994 from Kshs.1,370,843 in the previous year to Kshs.7,895,837. The increase is indicative of financial distress by the college.

In the circumstances, the accuracy, completeness and settlement of the trade and other payables from exchange transactions balance of Kshs.7,895,837 could not be confirmed.

3. Inaccuracies in Employees Costs

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects employee costs totaling to Kshs.6,875,079 which includes salaries

and wages amounting to Kshs.6,068,019. However, payroll analysis showed a total of gross staff salaries of Kshs.6,783,300 resulting to unexplained variance of Kshs.715,281. Further, the payroll records showed employer compulsory contributions to National Social Security Schemes amounting to Kshs.300,160 whereas Note 9 to the financial statements reflects Kshs.807,060 resulting to an unexplained variance of Kshs.506,900.

In the circumstances, the accuracy and completeness of employees costs totalling to Kshs.6,875,079 could not be confirmed.

4. Unsupported Inventories Balance

The statement of financial position and Note 16 to the financial statements reflect inventories balance of Kshs.1,771,488. However, supporting schedules and updated store cards, stock take/inspection reports and annual inventory of assets report were not provided for audit .

In the circumstances, the accuracy and completeness of the inventories balance of Kshs.1,771,488 could not be confirmed.

5. Inaccuracy in Revenue from Exchange Transactions

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects revenue from exchange transactions amount of Kshs.14,950,675. However, the supporting schedule and analysis in support of the amount reflected Kshs.13,050,505 resulting to an unexplained variance of Kshs.1,900,170.

In the circumstances, the accuracy and completeness of revenue from exchange transactions of Kshs.14,950,675 could not be confirmed.

6. Unsupported Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 14 to the financial statements reflects receivables from exchange transactions balance of Kshs.12,142,196. However, the Management did not provide aging analysis for individual debtors. In addition, the trade payables increased by Kshs.6,992,937 from previous year balance of Kshs.5,149,259 or 135% and the Management did not demonstrate effort to recover the outstanding balance.

In the circumstances, the accuracy, completeness and recoverability of the receivables from exchange transactions balance of Kshs.12,142,196 could not be confirmed.

7. Unsupported Cash and Cash Equivalents Balance

The statement of financial position and as disclosed in Note 13 to the financial statements reflects cash and cash equivalents balance of Kshs.548,556. However, the report of the board of survey and Note 13 to the financial statements reflected the bank balance for one of the accounts as Kshs.2,990 but cash book and bank reconciliations for the account were not provided for audit.

Further, the cash book for operations account reflected a closing bank balance of Kshs.331,708 while the certificate of bank balance reflected a balance of Kshs.545,566. However, bank reconciliations were not done to reconcile the bank balance and the cash book balance.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.548,556 could not be confirmed.

8. Unsupported Use of Goods and Services Expenditure

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects use of goods and services expenditure amounting to Kshs.15,790,791. However, payment vouchers and supporting documents were not provided for audit

In the circumstances, the accuracy and completeness of the use of goods and services expenditure amounting to Kshs.15,790,791 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters described in the Basis for Adverse Opinion and Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Late Submission of Financial Statements

The financial statements of the College for the year ended 30 June, 2022 were submitted to the Auditor-General on 16 March, 2023, more than six (6) months after the statutory deadline of 30 September, 2022. This is contrary to Section 68(2)(K) of the Public Finance

Report of the Auditor-General on Masinga Technical and Vocational Training College for the year ended 30 June, 2022

Management Act, 2012 which states that in the performance of a function under subsection (1), an accounting officer shall prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit.

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

2. Presentation and Disclosure Issues in the Annual Report and Financial Statements

Review of the annual report and financial statements presented for audit revealed that they contain errors and omissions as detailed here below:

- i. Appendix III on Inter entity Transfers and appendix IV on recording of transfers from other government entities are missing.
- ii. Information given in Appendix I of the financial statements on implementation status of the Auditor-General recommendations is not the information that was required.
- iii. The statement of financial position, the statement of financial performance and the statement of cash flows have not been signed by the finance officer and details of ICPAK registration number are missing.

In the circumstances, the annual report and financial statements as prepared and presented for audit do not comply with the reporting template prescribed by the Public Sector Accounting Standards Board.

3. Insufficient Board Meetings

Review of the board members personal files revealed that the board of governors met three times; twice in the first quarter and once in the third quarter. This is contrary to the Section 11(1) of the second schedule of the Training and Vocational Education and Training Act, 2013 which states that Board of Governors shall meet at least once every four months.

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

4. Late Remittance of Statutory Deductions

Review of the file on remittances of statutory deductions showed that some remittances for National Social Security Fund (NSSF) and National Health Insurance Fund (NHIF) amounting to Kshs.178,880 were made after the set deadlines, contrary to Section 27(1) of the National Social Security Act, 2013 which states that if any contribution for which a contributing employer is required to pay to the Fund is not paid within one month after the end of the month in which the last day of the contribution period to which falls, a sum equal to five per cent of the amount of that contribution shall be added to the contribution for each month or part of a month that the amount due remains unpaid, and any such

additional amount shall be recoverable at the same time and in the same manner as the contribution to which it is added.

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, because of the significance of the matters described in the Basis for Adverse Opinion and for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Risk Management Policy and Risk Register

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

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

2. Lack of Internal Audit Function and an Audit Committee

The College has not established an Internal Audit Function and an Audit Committee of the Board. This is contrary to Section 73(1)(a) of the Public Finance Management Act, 2012 which provides that every national government entity shall ensure that it complies with this Act and has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.

As such the college did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

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

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

Responsibilities of Management and those Charged with Governance

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect

a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal 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 controls may not prevent or detect misstatements and instances of non compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the College policies and procedures may deteriorate.

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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

04 July, 2023

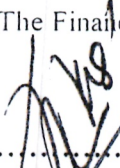
Masinga Technical and Vocational College
Annual Report and Financial Statements for the year ended 30th June 2022

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

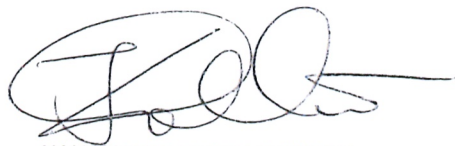
		2021-2022	2020-2021
	Note	Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other National government entities- Capitation	6	7,320,000	1,500,000
Transfers from donors and development partners		-	-
Transfers from other levels of government			
Public Contributions and donations			
Total revenue from non-exchange transactions		7,320,000	1,500,000
Revenue from exchange transactions			
Rendering of services- fees from students	7	14,950,675	11,883,917
Total revenue from exchange transactions		14,950,675	11,883,917
Total revenue		22,270,675	13,383,917
Expenses			
Use of Goods and Services	8	15,790,791	7,378,519
Employee costs	9	6,875,079	3,779,817
Board Expenses	10	185,000	109,000
Repairs and maintenance	11	297,100	259,600
Finance costs	12	29,050	-
Total expenses		23,177,020	11,526,936
Surplus (Deficit) for the Year		(906,345)	1,856,981

(The notes set out on pages 6 to 26 form an integral part of the Annual Financial Statements)

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


.....
Chairman of Council/Board

.....
Finance Officer


.....
Principal

Date 02/05/2023

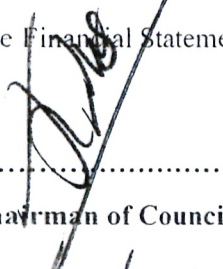
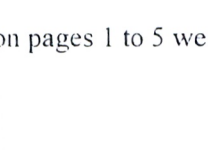
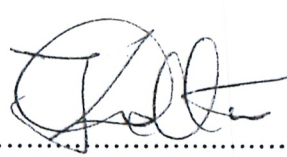
ICPAK No
Date

Date 02/05/2023

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

	Note	2021-2022 Kshs	2020-2021 Ksha
ASSETS			
Current assets			
Cash and cash equivalents	13	548,556.00	1,571,785
Receivables from exchange transactions	14	12,142,196	5,149,259
Receivables from non-exchange transactions	15	259,050	259,050
Inventories	16	1,771,488	2,932,025
Total Current Assets		14,721,290	9,912,119
Non-current assets			
Property ,plant and equipment	17	91,638,000	-
Total non-current assets		91,638,000	-
TOTAL ASSETS		106,359,290	9,912,119
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	7,895,837	1,370,843
Refundable deposits	19	1,413,910	197,400
Total current liabilities		9,309,747	1,568,243
Total liabilities		9,309,747	1,568,243
Net assets			
Accululated Surplus		5,436,531	6,342,876
Capital reserves		91,613,012	2,001,000
Total net assets		97,049,543	8,343,876
TOTAL NET ASSETS AND LIABILITIES		106,359,290	9,912,119

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

		
.....
Chairman of Council/Board	Finance Officer	Principal
	ICPAK No	
Date 02/05/2023	Date	Date 02/05/2023

Masinga 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	Accumulated Surplus	Capital Reserves	Total Reserves
At July 1, 2020	-	-	4,485,895	2,001,000	6,486,895
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Surplus (deficit) for the Year	-	-	1,856,981	-	1,856,981
Capital/Development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-
At June 30, 2021	-	-	6,342,876	2,001,000	8,343,876
At July 1, 2021	-	-	6,342,876	2,001,000	8,343,876
Fair value adjustment on quoted investments	-	-	-	-	-
Surplus (deficit) for the year	-	-	(906,345)	-	(906,345)
Capital/General reserves	-	-	-	89,612,012	88,705,667
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-
At June 30, 2022	-	-	5,436,531	91,613,012	97,049,543

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

		2021-2022	2020-2021
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from National Government	6	7,320,000	1,500,000
Rendering of services- Fees from students	7	14,950,675	11,883,917
Total Receipts		22,270,675	13,383,917
Payments			
Use of Goods and Services	8	15,790,791	7,383,769
Employee costs	9	6,875,079	3,779,817
Board Expenses	10	185,000	109,000
Repairs and maintenance	11	297,100	259,600
Finance costs	12	29,050	-
Total Payments		23,177,020	11,532,186
Net cash flows from operating activities		(1,023,229)	1,204,674
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Increase/decrease in deposits		-	81,000.00
Net cash flows used in financing activities		-	81,000.00
Net increase/(decrease) in cash and cash equivalents		(1,023,229)	1,285,674
Cash and cash equivalents at 1 July 2021	13	1,571,785	286,111
Cash and cash equivalents at 30 June 2022	13	548,556	1,571,785

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

.....
Chairman of Council/Board

Date

02/05/2023

.....
Finance Officer

ICPAK No

Date

.....
Principal

Date

02/05/2023

Masinga 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	Variance difference	Percentage
	a	b	c=a+b	d	e =c-d	f=e/d %
Revenue	Kshs	Kshs	Kshs	Kshs		Kshs
Transfers from other Govt entities Govt grants	2,000,000	5,320,000.00	7,320,000.00	7,320,000	0	0%
Rendering of services- Fees from students	12,499,230	4,380,000.00	16,879,230.00	14,950,675	1,928,555	11%
Other Income	-	120,000.00	120,000.00	-	120,000.00	100%
Total income	14,499,230	9,820,000	24,319,230	22,270,675	2,048,555	8%
Expenses		-	-			
Compensation of employees	2,600,000	4,500,000.00	7,100,000	6,875,079	224,921	3%
Use of Goods and services	11,499,230	5,320,000.00	16,819,230	16,116,941	702,289	4%
Remuneration of directors	400,000	-	400,000	185,000	215,000	54%
Total expenditure	14,499,230	9,820,000	24,319,230	23,177,020	1,142,210	5%
Surplus for the period	-	-	-	(906,345)		

The difference between the original budget and the final budget was due to a supplementary budget prepared. The college expected low enrolment but the actual number surpassed the projection

XVIII. Notes to the Financial Statements

1. GENERAL INFORMATION

Masinga Technical and Vocational College is established by and derives its authority and accountability from TVET Act 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is providing technical education.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

3. Adoption of New and Revised Standards

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

IPSASB deferred the application date of standards from 1st January 2022 owing to covid 19. 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	Applicable: 1 st January 2023: The objective of IPSAS 41 is to establish principles for the financial

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

Standard	Effective date and impact:
Instruments	<p>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.
<p>IPSAS 42: Social Benefits</p>	<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; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <p>Significance to the financial statements</p>

Standard	Effective date and impact:
	<i>The standard had no impact in preparation of financial statements</i>
<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>Significance to the financial statements</p> <p><i>The standard had no impact in preparation of financial statements</i></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> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>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> <p>Significance to the financial statements</p> <p><i>The standard had no impact in preparation of financial statements</i></p>
<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</p>

Standard	Effective date and impact:
	<p>lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<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: 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> <p><i>State the impact of the standard to the Entity if relevant</i></p>

iii. Early adoption of standards

Masinga Technical and Vocational 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 realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

-Significance to the Financial Statements

Masinga Technical and Vocational college recognised recurrent grants in the statement of financial performance on receipts of particular 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 Board on 31st August, 2021. Subsequent revisions were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Kshs. 9,820,000 on the FY 2021/2022 budget following the Council/ Board's approval.

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

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

c) Taxes

Current income tax

The entity is exempt from paying taxes.

Sales tax/ Value Added Tax

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

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

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

d) Investment property

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

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

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

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

e) Property, plant and equipment

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

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.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit.

During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial

measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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.

l) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements

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.

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.

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Notes to the Financial Statements (Continued)

6. TRANSFERS FROM OTHER NATIONAL GOVERNMENT ENTITIES

Unconditional Grants		
Operational Grant	7,320,000.00	1,500,000.00
Total Government Grants and Subsidies	7,320,000.00	1,500,000.00

Name Of The Entity Sending The Grant	Amount recognized to Statement of Comprehensive Income Kshs	Amount recognized under receivable Kshs.	Total grant income during the year	2020-2021
Ministry of Education	2,317,500.00	-	2,317,500	500,000
Ministry of Education	2,317,500.00	-	2,317,500	500,000
Ministry of Education	2,685,000.00	-	2,685,000	500,000
Total	7,320,000.00	-	7,320,000.00	1,500,000

7. Rendering of Services

Rendering of services	2022-2021	2020-2021
	Kshs	Kshs.
Tuition, Equipment And stores	2,888,760	6,204,755
Personal Emolument	2,511,960	-
Local Travelling & Transport	659,830	-
Electricity, Water & Conservancy	715,860	-
Contingencies	320,100	-
Repairs Maintenance & Improvements	360,745	-
Security income	331,650	-
Facilities & Materials	-	1,929,700
Student Welfare	331,650	-
Activity	735,300	2,931,057
Subscriptions/Activities	532,950	-
Internet	331,650	-
Insurance	176,400	-
Library	252,000	140,000
Development	2,033,900	-
Registration	195,000	504,650
College T-Shirt	165,750	-
Trainee Id	97,500	-
KUCCPS Registration	292,500	-

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Exam fee	2,017,170	173,755
Total revenue from the rendering of services	14,950,675	11,883,917

8. Use Of Goods and Services

Use of Goods and Services	2022-2021	2020-2021
	Kshs	Kshs.
KNEC Exam Expenses	-	42,000
Industrial Attachment	-	101,500
Bank Charges	-	10,580
Meals and Entertainment	-	50,335
Covid 19 Preparation expenses	-	37,950
Travelling & Accommodation	-	714,565
Overtime Allowances	-	9,500
Meeting allowances	-	7,000
Postage	-	15,450
Per diem	-	697,200
Telephone Expenses	-	18,380
Teaching and Learning materials	-	27,500
Reimbursements	-	1,009,062
Exam Expenses	4,079,559	921,500
Printing and stationery	1,010,725	83,480
Advertising	313,104	97,950
Activity/Communication/Subscription	4,621,738	176,000
Local Travelling & Transport	4,780,375	17,365
Electricity, Water & Conservancy	440,120	146,900
Training expenses	545,170	788,517
Other	-	2,405,785
	15,790,791	7,378,519

9. Employee Costs

	2021-2022	2020-2021
	Kshs.	Kshs.
Employee costs		
Salaries and wages	6,068,019	3,779,817
Contribution to Pensions and Medical Aids	807,060	-
Total employee costs	6,875,079	3,779,817

10. Board/Council Expenses

Remuneration to Board of Governors	2021-2022	2020-2021
	Kshs.	Kshs.
Board allowances	185,000	109,000
Total director emoluments	185,000	109,000

11. Repairs and Maintenance

Repairs Maintenance and Improvement	2021-2022	2020-2021
	Kshs.	Kshs.

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Other	297,100	259,600
Total repairs and maintenance	297,100	259,600

12. Finance Costs

Finance Costs	2021-2022	2020-2021
	Kshs.	Kshs.
Bank Charges	29,050	-
Total Finance Costs	29,050	-

13. Cash and Cash Equivalents

	2021-2022	2020-2021
	Kshs.	Kshs.
Current account	548,556	1,571,785
Total Cash & cash equivalents	548,556	1,571,785
Detailed Analysis of Cash and Cash equivalents	2021-2022	2020-2021
	Kshs.	Kshs.
Current Account		
Equity Bank Matuu- 0390275609102	545,566	1,571,785
Kenya Commercial Bank- 1223175537	2,990	-
Total Cash and cash equivalents	548,556	1,571,785

14. Receivables from Exchange transactions

Receivables from exchange transactions	2021-2022	2020-2021
	Kshs.	Kshs.
Student debtors account	12,142,196	5,149,259
Sundry Debtors	-	-
Total receivables from exchange transactions	12,142,196	5,149,259

15. Receivables from Non-Exchange Transactions

Receivables from Non exchange transactions	2021-2022	2020-2021
	Kshs.	Kshs.
Other Debtors	-	259,050
Total receivables from exchange transactions	-	259,050

16. Inventories

Inventories	2021-2022	2020-2021
	Kshs.	Kshs.
Consumable stores	349,368	230,000
Electrical stores	1,037,929	1,000,000
Catering stores	384,191	1,702,025
Total inventories	1,771,488	2,932,025

17. Property Plant and Equipment

Property Plant & Equipment	2021-2022	2020-2021
	Kshs.	Kshs.

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PPE	91,638,000	-
Total PPE	91,638,000	-

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Notes To the Financial Statements (Continued)

	Land and buildings	Buildings	Motor vehicles	Furniture, fittings, Plant & Equipment	Computers	Equipment	Total
Cost	Shs	Shs.	Shs	Shs	Shs	Shs	Shs
At 1 July 2021	-	-	-	-	-	-	-
Additions	30,000,000	53,000,000	-	1,908,000	4,930,000	1,800,000	91,638,000
Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
At 30th June 2022	30,000,000	53,000,000	-	1,908,000	4,930,000	1,800,000	91,638,000
Depreciation and impairment							
At 1 July 2021	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-
At 30th June 2022	-	-	-	-	-	-	-
Net book values	-	-	-	-	-	-	-
At 30th June 2022	30,000,000	53,000,000	-	1,908,000	4,930,000	1,800,000	91,638,000
At 30 th June 2021	-	-	-	-	-	-	-

Provision for depreciation for the fixed assets has not been charged. The amounts disclosed contain assets on historical costs that were determined by the Board of Governors and incorporated to the financial statements. The institute is in the process of seeking for a certified valuer.

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17 (b) Property, Plant and Equipment at Cost

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

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	30,000,000	-	30,000,000
Buildings	53,000,000	-	53,000,000
Motor Vehicles including Motorcycles	-	-	-
Computers and Related Equipment	4,930,000	-	4,930,000
Plant, Equipment, Furniture, And Fittings	3,708,000	-	3,708,000
Total	91,638,000	-	91,638,000

18. Trade and Other Payables from Exchange transactions

Trade and other payables from exchange transactions	2021-2022	2020-2021
	Kshs.	Kshs.
Trade payables	7,895,837	1,370,843
Total trade and other payables	7,895,837.00	1,370,843.00

19. Refundable Deposits from Customers/Students

Refundable Deposits	2021-2022	2020-2021
	Kshs.	Kshs.
Refundable Deposits (Caution money)	314,400	197,400
Student Prepayments	1,099,510	-
Total Refundable Deposits	1,413,910	197,400

20. Cashflows from operations

	2021-2022	2020-2021
	Kshs.	Kshs.
Surplus for the year before tax	(906,345)	1,851,731
Adjusted for:		
Changes in general reserves	(2,025,988)	
Working Capital Adjustments		
Increase in Inventory	1,160,537	-
Increase in Receivables	(6,992,937)	-
Increase/Decrease in payables/receivables	-	(647,057)
Increase in Payables	6,524,994	-
Increase in Payments received in advance	1,216,510	-
Net Cash Flow from Operating Activities	(1,023,229)	1,204,674

21. Financial Risk Management

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

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

(i) Credit risk

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

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

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions	5,149,259	5,149,259	-	-
Receivables from non-exchange transactions	259,050	259,050	-	-
Bank balances	1,571,785	1,571,785	-	-
Total	6,980,094	6,980,094	-	-
At 30 June 2022				
Receivables from exchange transactions	12,142,196	12,142,196	-	-
Receivables from non-exchange transactions	259,050	259,050	-	-
Bank balances	548,556	548,556	-	-
Total	12,949,802	12,949,802	-	-

(i) Credit risk (continued)

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

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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.

Description	At 30 June 2021	At 30 June 2022	At 30 June 2022	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade Payables		-	-	1,370,843.00
Total		-	-	1,370,843.00
At 30 June 2022				
Trade Payables	-	560,661	7,335,176	7,895,837.00
Total				7,895,837.00

iii) 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
Retained Earnings	5,436,531	6,342,876
Capital Reserve	93,639,000	2,001,000
Total Funds	99,075,531	8,343,876
Total Borrowings	-	-
Net Debt/(Excess Cash and Cash Equivalentents)	-	-

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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.

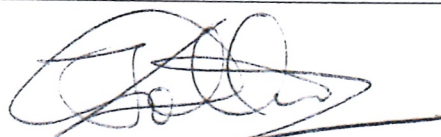
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
1.	Inaccuracies in the Financial Statements	Inaccuracies were corrected	resolved	30 June 2022
2.	Unsupported Expenditure on Use of Goods and Services The statement disclosed in note 8 to the financial statement reflects use of goods and services expenditure of ksh. 7,378,519. The expenditure incurred on various items totalling to ksh. 3,952,550 which were not supported. Where also the accuracy of the use of goods and services expenditure of ksh. 7,378,519 could not be confirmed.	The support documents for the expenditures provided	resolved	30 June 2022
3	Property, Plant and Equipment Omitted from Financial Statement. Financial position reflects nil balance on non-current assets, where the review of the documents shows that the college had property, plant and equipment which had not been valued hence not included in the financial statement. The college land was	The BOG has undertaken internal Asset Valuation awaiting valuation by a certified valuer and included in the current Annual Financial statements	Partly resolved	30 June 2022

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	also not included in the report.			
4	Unsupported cash and cash equivalent balance the statement of financial position as disclosed in note 12 to the financial statements reflects cash and cash equivalents balance of ksh. 1,571,785.00. the balance was not supported with board of survey certificate. The approval from National Treasury to open and operate the account was not provided for audit. The accuracy of the cash and cash equivalent balance of ksh. 1.571,785 could not be confirmed.	Board of survey reports for the cashbooks prepared	Resolved	30 June 2022
5.	Long Outstanding Receivables from Exchange Transactions could not be confirmed and recoverability of long outstanding receivables totalling to ksh. 3,994, 154 is doubtful.	The receivables were due from students and the college is in the process of recovering the debts	Not fully resolved	30 June 2022
6.	Unsupported Inventories Balance The statement of financial position and note 15 to the financial statement reflects inventories balance of ksh. 2,932,025.00. balance was not supported with stock sheet	The anomaly was noted and addressed in the subsequent financial year	Resolved	30 June 2022

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	and stock records. The college did not have an inventory management system, control the receipts and issues of stores. In circumstances, the accuracy and completeness of inventories balance of ksh. 2,932,025 could not be confirmed.			
7.	Unsupported Trade and Other Payables from Exchange transactions The statement of financial position and note 16 to the financial statement reflects trade and other payables from exchange transactions balance of ksh. 1,370,843. The balance was not supported	The anomaly noted and addressed in the subsequent financial year	Resolved	30 June 2022



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Kenneth C.K Njoroge
Principal/ Secretary BOG
Masinga Technical and Vocational College
Date... 02/5/2023

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Appendix II: Projects Implemented by Masinga Technical and Vocational College

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reports required as per the donor agreement (Yes/No)	Consolidated in the financial statements (Yes/No)
N/a	-	-	-	-	-	-

Status of Projects completion

Project Number	Project title	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	N/a	-	-	--	-	-