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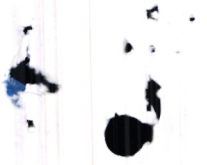
REPORT
THE NATIONAL ASSEMBLY
DATE: 01 AUG 2023
DAY: TUESDAY
TABLED BY: OF Hon. Naomi Wago, MP
Deputy Majority Whip
CLERK AT THE TABLE: Inzi mwale

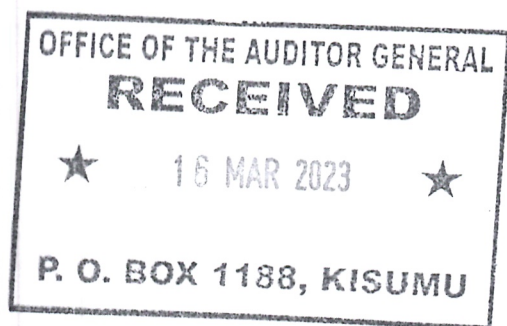
THE AUDITOR-GENERAL

ON

**AHERO VOCATIONAL TRAINING
CENTRE**

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





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

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Ahero Vocational Training Centre was founded in 1968 as a community initiative. It is located along Nairobi- Kisumu highway opposite Boya Nursing home, next to biya primary school in Ahero Ward, Nyando sub –county; Kakola location and Tura sub location.

It is currently under the County Government of Kisumu, Directorate of Vocational Education & Training. The centre registered by TVETA under TVET Act, 2013 section 20(1) with registration certificate No TVETA/PUBLIC/VTC/0143/2016 and licensed by TVETA under training license number TVETA/PUBLIC/VTC/0143/2016 A1

(b) Principal Activities

The principal activities/mission/ mandate of the entity is to offer vocational skills training to the youth in the following trades;

1. Metal processing technology
2. Hair dressing and beauty therapy
3. Agri- business technology
4. Building technology (masonry)
5. Fashion design & Garment making
6. Food processing technology
7. Electrical and electronic technology
8. Motor vehicle mechanic technology
9. Information communication technology

The aims of this vocational training include;

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

Vision

- *To be the leading institution in quality training to the youths in Kenya*

Mission

- *Provision of relevance skills to the trainees for self-reliance and sustainability*

Motor

- Technology to the youths

Core values

AHERO TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)
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Our core values are informed by our firm commitments that define who we are an institution and the qualities and principles that we integrate in all our activities within the institution. These are:

- Professionalism
- Integrity
- Transparency
- Accountability
- Team work

(c) Key Management

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

- Board of Governors
- County Directorate
- Centre Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CECM	-Mr. John Obiero Awiti
2.	Chief Officer	-Mrs. Peninah Onyango
3.	Director	-Mrs. Paschalia Ouma
4.	Centre Manager	-Mr. Martin Owino
5.	BOG chairman	-Mr. Victor Ogotu

(e) Fiduciary Oversight Arrangements

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

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

P.O. Box 3-40101
AHERO
KENYA

(g) Entity Contacts

E-mail: aheroyouthpoly@gmail.com

(h) Entity Bankers

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

(i) Independent Auditors

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

(j) Principal legal Adviser

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

**AHERO TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)
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FOR THE YEAR ENDED 30TH JUNE 2021**

THE BOARD OF GOVERNORS

1. Board of Governors Chairman-Mr. Victor Ogutu	Mr. Ogutu is a retired Educationist with a Bachelor of Education degree in mathematics Contact; 0714995533
2. Mr. Martin Owino	Secretary to the Board of Governors Contact : 0720877176
3. Mrs Paschalia Ouma	Director VET Contact : 0722596096
4. Dr. Samuel Oron	Sub-County Administrator Contact : 0721355279
5. Mr. Philemon Abuya	Technology Representative Contact : 0722265092
6. Mrs. Hellen Ongere	Leadership & Management Representative Contact : 0725220903
7. Mr. Erustus Seda Oluoch	Financial management Representative Contact : 0724705166
8. Mr. Julius ochieng Otieno	ICT Representative Contact : 0722838330
9. Mrs. Christine Salim Abuto	Industry Representative Contact : 0722570710
10. Mr. Dan Ngage	Engineering Representative Contact; 0723666681

MANAGEMENT TEAM

1. Centre Manager	Overall in charge of the centre
2. Deputy Centre manager	Deputizing the center manager and overseeing the day to day running of the institution in the manager's absence
3. Heads of Department	In charge of respective departments

AHERO TECHNICAL AND VOCATIONAL EDUCATION CENTRE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

BOG CHAIRMAN'S STATEMENT

I feel honoured to present the Annual Report and Financial Statements of Ahero vocational training centre for the financial year ended 30th June 2021. This annual re-port helps us to reflect on our performance for the year giving us an opportunity to celebrate our success and at the same time identify areas of improvement

The year 2020/2021 financial performance was achieved through concerted effort by the board of governors and the entire staff of Ahero VTC. The centre received **17,292,371.30**

Despite the limited resources and with Covid-19 epidemic, I am glad to announce that we continued with implementation of the Ahero VTC 2019-2021 strategic plan. The plan outlines our three-year blueprint for improving training standards, development, performance, and service delivery. It aims at identifying our priorities and focusing our energies and resources towards attaining desired strategic objectives

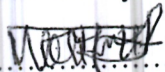
Challenges

- **Inadequate staff**
The centre has 2 instructors employed by the County government of Kisumu against an establishment of 8 and lacks key support staff
- **Poor infrastructure**
The centre lacks modern workshops, laboratories and other necessary facilities

Future outlook

With the new Strategic plan in place, we look forward to improving physical infrastructure of the centre and putting up key facilities for quality training

In conclusion, I take this opportunity to thank my colleagues in the Board for supporting me in providing leadership. I also commend management and staff for working tirelessly to achieve the objectives of the centre despite the limited resources. I am confident that we will continually spare no effort to attain and surpass the targets set for the new financial year. I also appreciate the County Government of Kisumu, the community at large and all other stakeholders for supporting and doing business with us.



.....
Mr. Victor Ogutu,
BOG Chairperson

REPORT OF THE CENTRE MANAGER

I am delighted to see our institution come to the end of another financial year despite many challenges especially with physical infrastructure the institution has seen increase in enrolment. The current trainees enrolment stands at 641 out this population 285 are boarders therefore the available physical facilities represents a serious shortage of proper & adequate infrastructure needed to support effective learning and training. This shortage negatively affects the quality of training and also significantly hampers increase in enrolment despite the fact that the institution has the potential to handle more, including adequate land for expansion

In line with the strategic plan, the financial year 2020/2021 saw building of administration block by help of our trainees in Building department. The county Government completed ladies hostel which is now operational and we also managed to establish baby care centre to help our girls with babies

The year also saw a creation of greenhouse through collaboration with Meru University in ensuring trainees in Agri- Business department gets hands on training this will ensure that our trainees produce their own foods to support the feeding program.

Challenges

The centre is experiencing shortage of instructors; there is need to have at least two per department, acquisition of modern equipment and facilities and improved infrastructure development for realisation of quality training.

I take this opportunity to thank all our stake holders for their unwavering support that has enable us to make steady strides towards the fulfilment of its mission which states; to offer and provide best knowledge and attitude, practical skills, quality training in modern science, appropriate technology and research for sustainable livelihood and development.



.....
Martin Owino
Centre Manager

AHERO TECHNICAL AND VOCATIONAL EDUCATION TRAINING (AHERO VTC)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

REVIEW OF AHERO VTC PERFORMANCE FOR FY 2020/2021

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

Ahero VTC has 3 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

- Pillar 1: To Increase the number of trainee enrolment
- Pillar 2: To increase the number of trainees graduating from the institution
- Pillar 3: Infrastructure development

Ahero VTC develops its annual work plans based on the above 3 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Ahero VTC achieved its performance targets set for the FY 2020/2021 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	To Increase the number of trainees enrolment from 500 - 700	Increased number trainees	Community Sensitization	Trainees numbers increased by 200
Pillar2:	To increase the number of trainees graduating from the institution from 100 to 150	Increased graduates	Trainees sitting final exams	65 sat for KNEC and 110 for NITA Exams
Pillar3:	Infrastructure development	Admin block Girls hostel	Construction of the admin block/girls hostel	The admin block and hostel for girls build.

CORPORATE GOVERNANCE STATEMENT

Appointment of Board of Governors members

The current BOG members were appointed in accordance with First schedule Section 28(1) (a) and the Second Schedule section 1 & 2 of TVET Act No 29 of 2013.

Membership of the Board of Governors is as follows:

1. a chairperson;
2. a representative of the minister/CECM in the department responsible for technical and vocational training;
3. a representative of the county Governor ; and

Six other persons appointed on the basis of their knowledge and experience in—

1. Leadership and management;
2. Financial management;
3. Technology;
4. Industry;
5. Engineering;
6. Information communication technology.

Responsibility of the Board of Governors

The board is responsible for;

- 1) The mission and vision of the Centre;
- 2) Promoting the aims and objectives of the center
- 3) Setting strategic directions for the Center;
- 4) Monitoring performance against strategic objectives
- 5) Extending links and communication between the Centre and the wider community;
- 6) Fundraising and resource mobilization;

Remuneration of the Board of Governors members

The BOG members are paid a sitting allowance for every meeting attended. The sitting allowance paid to the members is disclosed in the financial statements.

The Board of Governors meetings

The meetings of the full board are held at least once every quarter in a calendar year. In order to facilitate the smooth running of its affairs, the BOG establishes such committees with the membership and with such terms of reference as it may deem fit. During the financial year 2020/2021, four full board and three committee meetings were held

The following committees were in place during the 2020/2021 financial year

- 1) Finance & Strategic planning committee
- 2) Innovation & Infrastructure committee

Finance & Strategic planning committee is responsible for the following:

- i. Overseeing the preparation and annual review of five-year rolling strategic plan
- ii. Making recommendations to the BOG on annual budgets in the light of the overall plan, the annual operating budgets and other relevant information;
- iii. Giving advice to the BOG on the needs of the Centre as established by its plans

AHERO TECHNICAL AND VOCATIONAL EDUCATION CENTER
ANNUAL REPORT AND FINANCIAL STATEMENTS
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- iv. Reviewing the Center's financial strategy for approval by the BOG;
- v. Dealing with strategic issues concerning financial risk management and advising the BOG appropriately
- vi. Reviewing the Center's annual financial statements and reporting to the BOG

MANAGEMENT DISCUSSION AND ANALYSIS

As we come to the end of the financial year 2020- 2021 we have seen a lot of successes that we can be proud of as institution and also some challenges that we shall keep working on to make Ahero VTC a better institution.

There is still much more to be done to make the institution a centre of excellence;

1. Strengthening and improved delivery of tuition
2. Acquisition of modern equipment and facilities
3. Enhanced industrial attachment for lectures and trainees,
4. Strengthen research and development activities
5. Establishment of business incubators

The following still remain to be a challenge;

- Feeding the trainees due to high food prices
- Resource mobilisation to improve institution infrastructure
- Employment of more trainers for better training
- Untimely disbursement of funds to support training in VTCs by the government

The on- going project;

- a) Building of the motor vehicle workshop
- b) Epivot project by meru University-(Enhancing partnership for industry- led vocational training and education(Epivot)

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

AHERO VTC 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 3 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

1. Environmental performance

- Ahero vtc family believes in a green environment, during this financial year, 100 trees were planted

2. Employee welfare

- Ahero vtc observes gender ration policies in all its appointments and we had gender committee trained on gender issues through our collaboration arrangement with Meru University

3. Community Engagements-

- The centre participated in all the church activities since it's our main sponsor.
- Ahero VTC engages the community members as casual labourers, supply of food stuff to support our lunch programmes.
- Trainees do construction of houses to the local community at fair cost.

AHERO TECHNICAL AND VOCATIONAL TRAINING CENTRE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

REPORT OF THE BOARD OF GOVERNORS

The Board of Governors has the pleasure to submit the annual report and financial statements for the year ended June 30, 2021 which shows the state of Ahero VTC affairs.

The centre received Kenya shillings 16,156,963.00 (sixteen million one hundred and fifty six thousand nine hundred and sixty three) from the National government for the subsidised vocational training centres support grant (SVTCSG) and Kenya shillings 1,135,408.30 (one million one hundred and thirty five thousand four hundred and eight cents thirty from the County government of Kisumu as an opening balance

Principal activities

Ahero VTC's mandate is to offer Vocational Skill training to the youth.

Results

The year has seen a decline in revenue income and trainee enrolment which can be attributed to a stiff competition from a new Technical & Vocational College not far from us, but with the strategic plan in place and a clear strategic direction, we are confident of overcoming the current challenges.

Trainee enrolment for the year ended June 30 2021

Enrolment 2020-2021			
No.	Trade areas	1 st years	2 nd years
1.	Fashion design & garment making	27	17
2.	Building technology	77	72
3.	Electrical & electronic technology	70	85
4.	Motor vehicle mechanic	67	46
5.	Information communication Technology	6	7
6.	Food processing Technology	39	31
7.	Hair dressing Beauty therapy	35	22
8.	Metal processing Technology	12	16
9.	Agr- business Technology	5	7
	TOTAL	338	303

BOARD OF GOVERNORS

The members of the BOG who served during the year are shown on page v. The following committees were formed as mandated by the TVET 2013 Act

- 1) Finance & Strategic planning committee
- 2) Innovation & Infrastructure committee

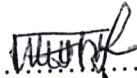
Auditors

The Auditor General is responsible for the statutory audit of the *Ahero Vocational Training Centre* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the

AHERO TECHNICAL AND VOCATIONAL EDUCATION
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audit of the *institution* for the financial year ended June 30, 2021 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

BOG Chairman... VICTOR OGUTU Sign...  Date... 15/07/2021

AHERO TECHNICAL AND VOCATIONAL EDUCATION CENTRE
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FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF BOARD OF GOVERNORS

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

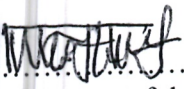
The BOG members are responsible for the preparation and presentation of the Ahero VTC financial statements, which give a true and fair view of the state of affairs of the Ahero VTC for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Ahero VTC; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The BOG members accept responsibility for the Ahero VTC financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*the State Corporations Act, and the TVET Act*). The BOG members are of the opinion that the Ahero VTC financial statements give a true and fair view of the state of *the centre's* transactions during the financial year ended June 30, 2021, and of the *centre's* financial position as at that date. The BOG members further confirm the completeness of the accounting records maintained for the *centre*, which have been relied upon in the preparation of the *centre's* financial statements as well as the adequacy of the systems of internal financial control.


Nothing has come to the attention of the BOG members to indicate that Ahero Vocational Training Centre 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 Ahero VTC financial statements were approved by the Board on 22nd July 2021 and signed on its behalf by:


.....
Chairperson of the Board

Mr. Victor Ogutu


.....
Principal

Mr. Martin Owino

REPUBLIC OF KENYA

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Enhancing Accountability

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Anniversary Towers
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P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON AHERO VOCATIONAL TRAINING CENTRE FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Ahero Vocational Training Centre set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2021, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Ahero Vocational Training Centre as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Technical and Vocation Education Training Act, 2013.

Basis for Qualified Opinion

1. Unconfirmed Opening Balances

The financial statements for the year ended 30 June, 2021, reflects comparative balances for 2019/2020. However, the financial statements for the financial year 2019/2020 were not prepared and submitted to the Auditor General.

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

2. Non-Provision of Trial Balance and Ledger

The financial statements reflect total revenue of Kshs.17,292,371, expenses totalling to Kshs.16,294,649 and that cash and cash equivalents balance of Kshs.997,722. However, no trial balance and ledger were provided for audit review.

In the circumstances, the accuracy and completeness of the figures in the financial statement could not be confirmed.

3. Inaccuracies in the Financial Statements

The financial statements as prepared and presented for audit contained various inaccuracies as follows;

- (i) The statement of changes in net assets reflects nil balances though the statement of financial position as at 30 June, 2021 reflects an accumulated surplus of Kshs.997,722.
- (ii) The statement of cash flows indicates the period for the year ended 30 June 2019 instead of 30 June, 2021. Further the comparative column is for the period 2017/2018 and with nil balances.
- (iii) The statement of financial performance reflects use of goods and services of Kshs.16,034,124 while the respective Note 3 to the financial statements reflects an amount of Kshs.15,164,082. This results to unexplained and unsupported variance of Kshs.870,042.

- (iv) The statement of financial position has not disclosed any property plant and equipment. However, physical inspection indicated that the institution has land and buildings, motor vehicles, equipment, furniture and fittings. The assets were not valued and incorporated in the financial statements.
- (v) The statement of cash flows shows a net decrease in cash and cash equivalents of Kshs.7,849,649 and cash and cash equivalents as at 1 July, 2020 of Kshs.8,847,371 resulting to a cash and cash equivalents as at 30 June, 2021 of Kshs.997,722. However, it is not clear how the decrease in cash and cash and cash equivalents as at 1 July, 2020 was arrived at since the changes in cash and the cash balance as at 1 July, 2020 were not supported.

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

4. Unsupported Revenue from Non - Exchange Transactions

The statement of financial performance reflects revenue from non-exchange transactions of Kshs.17,292,371. However, Management did not provide the supporting schedule for the National Government grant (SVCTSG) and transfers from the County Government of Kisumu of Kshs.16,156,963 and Kshs.1,135,408.30 respectively. Although the Centre Management stated that these balances were obtained from the institution's bank statements during the year under review, there were no correspondences in terms of letters and budget allocations indicating how much was disbursed to the Institution.

In the circumstances, the accuracy and completeness of the revenue from non -exchange transactions of Kshs.17,292,371 could not be confirmed.

5. Unsupported Revenue from Exchange Transactions

The statement of financial performance as disclosed in Note 10 to the financial statements reflects nil revenue from rendering of services – fees from students. However, Management did not provide the list of the students in the school showing the students on full government sponsorship, those on self-sponsorship and those on partial sponsorship to support the nil balances. Further, there were no records such as school's fees structure, fees receipts, cash books, bank statements and ledgers to support the amount paid by the students.

In the circumstances, the accuracy and completeness of revenue from non-exchange transactions could not be confirmed.

6. Unsupported Employee Costs

The statement of financial performance reflects employee costs of Kshs.224,800 paid to three (3) permanent staff and fifteen (15) contracted staff of the Centre. However, the Centre Management did not provide the monthly payrolls, bank remittances schedule on net salaries, statutory deductions and remittances schedules, employee data/ staff complement and personal files of both the teaching and non-teaching members of staff. In addition, the human resource documents including staff establishment, advertisements, recruitment, staffing, retirements, job descriptions, Board minutes on staff matters and promotions were not provided for audit.

In the circumstances, the accuracy and completeness of the employees cost of Kshs.224,800 could not be ascertained.

7. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.997,722 as disclosed in Note 7 to the financial statements. However, the Management did not prepare and maintain an updated cashbook and monthly bank reconciliations. Further, the Management did not provide bank confirmation certificate.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.997,722.30 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were not key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Late Submission of Financial Statements

The financial statements for the year under review were submitted for audit on 15 March, 2023, which is seventeen (17) months after the statutory deadline. This is contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

2. Non-Compliance with the Reporting Template on Presentation and Disclosure of the Annual Report and Financial Statements

The financial statement did not include the name of the entity as a header contrary to the requirements of the reporting template for Technical and Vocational Education Training (TVET)/National Polytechnic/Teachers Training Training Centre dated June, 2021 issued by the Public Sector Accounting Standards Board (PSASB).

In the circumstances, the Management was in breach of the PSASB reporting guidelines.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Non-Effectiveness of Internal Controls and Risk Management

Review of the Centre's internal controls and risk management revealed that the entity lacks internal controls that are necessary in enabling the Centre to operate effectively and efficiently. The following were noted.

- (i) Lack of proper accounting systems in recording of transactions.
- (ii) Lack of an internal audit function to evaluate on the internal controls and conduct risk assessments.
- (iii) There was no human resource section to deal with the training needs assessment, staff recruitment and general welfare of staff.

In the circumstances, the effectiveness of the internal control system in place 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 the Board of Governors

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

In preparing the financial statements, Management is responsible for assessing the Training Centre'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 Training Centre or cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal 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 policies and procedures may deteriorate.


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

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

- Perform such other procedures as I consider necessary in the circumstances.

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

06 July, 2023

TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)
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FOR THE YEAR ENDED 30TH JUNE 2021

IV. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021


	Notes	2020/2021	2019/2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants (SVTCSG)	1	16,156,963.0	8,183,500.0
Transfers from the County Government of Kisumu	2	1,135,408.30	3,263,932
Total revenue		17,292,371.30	11,447,432
Expenses			
Use of goods and services	3	16,034,124.00	-
Employee costs	4	224,800.00	-
Remuneration of directors	5	-	-
Repairs and maintenance	6	35,725.00	
Total expenses		16,294,649.00	-
Net Surplus for the year		997,722.30	-

TECHNICAL AND VOCATIONAL EDUCATION INSTITUTE (TVETI)
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V. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

	Notes	2020-2021 Kshs	2019-2020 Kshs
Assets			
Current assets			
Cash and cash equivalents	7	997,722.30	11,700,332
Inventories	29	-	-
		997,722.30	11,700,332
Non-current assets			
Property, plant and equipment	33	-	-
		-	-
Total assets		997,722.30	11,700,332
Total liabilities		-	-
Net assets		997,722.30	11,700,332
Accumulated surplus		997,722.30	11,700,332
Total net assets and liabilities			

The Financial Statements were signed on behalf of the Institute BOG/ Board of Governors by:


 Chairman of BOG/Board of Governors
 Date... 15/07/2021

 Finance Officer
 ICPAK No
 Date


 Principal
 Date... 15/07/2021

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

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
At July 1, 20xx	xxx	xxx	xxx	xxx	xxx
Revaluation gain	xxx	-	-	-	xxx
Fair value adjustment on quoted investments	-	xxx	-	-	xxx
Total comprehensive income	-	-	xxx	-	xxx
Capital/Development grants received during the year	-	-	-	xxx	xxx
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	xxx	(xxx)	-
At June 30, 20xx	xxx	xxx	xxx	xxx	xxx
At July 1, 20xx	xxx	xxx	Xxx	xxx	xxx
Revaluation gain	xxx	-	-	-	xxx
Fair value adjustment on quoted investments	-	xxx	-	-	xxx
Total comprehensive income	-	-	Xxx	-	xxx
Capital/Development grants received during the year	-	-	-	xxx	xxx
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	Xxx	(xxx)	-
At June 30, 20xx	xxx	xxx	Xxx	xxx	xxx

Note:

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

**TECHNICAL AND VOCATIONAL EDUCATION
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VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

		2018-2019	2017-2018
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	1	16,156,963.0	-
Transfers from County Government of Kisumu	2	1,135,408.3	-
Total Receipts		17,292,371.3	
Payments			
Use of goods and services	3	16,034,124.0	-
Other payments- salaries & wages	4	224,800.0	-
Repairs and maintenance	5	35,725.0	
Total Payments		16,294,649.0	-
Net cash flows from operating activities		997,722.30	-
Net increase/ (decrease) in cash and cash equivalents		(7,849,649.0)	
Cash and cash equivalents at 1 JULY 2020		8,847,371.30	-
Cash and cash equivalents at 30 JUNE 2021	7	997,722.0	-

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

TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)
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VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Transfers from other Govt entities Govt grants	16,156,963.00	-	16,156,963.00	15,164,132.0	93%
Public contributions and donations	1,135,408.30	-	1,135,408.30	1,130,517.0	96%
Total income	17,292,371.30	-	17,292,371.30	16,294,649.0	95%
Expenses					
Use of goods and services	17,067,571.3	-	17,067,571.3	16,069,849.0	94%
Employee costs(salaries & wages)	224,800	-	224,800	224,800.0	100%
Total expenditure	17,292,371.30	-	17,292,371.30	16,294,649.0	
Surplus for the period	-	-	-	997,722.30	-

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis(budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

IX. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Ahero VTC is established by and derives its authority and accountability from TVET 2013 Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Vocational training.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 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> <ol 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>Amendments to Other IPSAS resulting from IPSAS 41,</p>	<p>Applicable: 1st January 2022:</p> <ol style="list-style-type: none"> 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.

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

iii. Early adoption of standards

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) **Revenue from exchange transactions**

Rendering of services

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

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

Sale of goods

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

Interest income

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

Dividends

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) **Revenue recognition (Continued)**

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

Rental income

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

b) **Budget information**

The original budget for FY 2020/2021 was approved by the Board of Governors on *30th September 2019*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of on the FY 2020/2021 budget following the BOG/ Board's approval.

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

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

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

c) **Taxes**

Current income tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (continued)

Sales tax/ Value Added Tax

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

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

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

d) Investment property

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

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

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

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

e) Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

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

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

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

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

g) Intangible assets

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

h) Research and development costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**i) Financial instruments*****Financial assets******Initial recognition and measurement***

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

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

Loans and borrowing

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

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

i) Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

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

o) Borrowing costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

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.

1. TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2020-2021	2019-2020
	KShs	KShs
Conditional grants		
Conditional grants bal b/f	7,711,963.00	-
Conditional grant July 2020	5,070,000.00	-
Conditional grant March 2021	3,375,000.00	-
Repairs maintenance and improvement of tools and equipment		1,854,600.00
Text books, exercise books and stationary		1,124,000.00
Tools, equipment and instructional/assessment/examination materials		3,372,000.00
Electricity Water and bank charges-utilities		708,900.00
Skills , competitions and exhibitions		281,000.00
Co-curricular activities		562,000.00
Local travel and transport		281,000.00
Total government grants and subsidies	16,156,963.00	8,183,500.00

2. TRANSFERS FROM OTHER LEVELS OF GOVERNMENT

Description	2020-2021	2019-2020
	KShs	KShs
Transfer from Kisumu County		3,263,932
County Grant bal b/f	1,135,408.30	
Institution revenue		
Total Transfers	1,135,408.30	3,263,932

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. USE OF GOODS AND SERVICES

Description	2020-2021	2019-2020	Institution revenue
	NG	CG	
	KShs	KShs	
Repair maintenance and improvement of tools and equipment	1,952,180.00	-	
Text books, exercise books and stationery		-	
Tools, equipment and instructional/ assessment/examination materials	12,673,205.00	681,550.00	
Electricity water and bank charges- utilities	234,697.00	11,142.00	
Skills, competitions and exhibitions		-	
Local transport & travel	50,000.00	-	
Kisumu equipment		-	
Co-Curricular activities	254,000.00	-	
Other- money refund		177,300.00	
Total good and services	15,164,082.00	869,992.00	

4. EMPLOYEE COSTS

	2020-2021	2019-2020
	NG	CG
	KShs	KShs
Salaries and wages	-	224,800.00
Employee related costs- contributions to pensions and medical aids	-	-
Employee costs	-	224,800.00

5. REMUNERATION OF B.O.G MEMBERS

Description	2020-2021	2020-2021
	NG	CG
	KShs	KShs
Other allowances	-	-
Total BOG members emoluments	-	-

6. REPAIRS AND MAINTENANCE

Description	2020-2021	2020-2021
	NG	CG
	KShs	KShs
Property	-	-
Investment property –earning rentals		
Computers and accessories		
Other general office		35,725.00
Total repairs and maintenance	-	35,725.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. CASH AND CASH EQUIVALENTS

Description	2020-2021	2019-2020
	NG	CG
	KShs	KShs
Current account	997,722.30	-
Total cash and cash equivalents	997,722.30	-

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

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

Financial institution	Account number	2018-2019
		KShs
a) Current account		
Kenya Commercial bank	1112430717	4,891.3
Kenya Commercial bank	1233831305	992,831
Sub - total		997,722.30
Grand total		997,722.30

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. INVENTORIES

Description	2021-2020	2019-2020
	KShs	KShs
Consumable stores	-	-
Maintenance stores	-	-
Health Unit stores	-	-
Electrical stores	-	-
Cleaning materials stores	-	-
Catering stores	-	-
Total inventories at the lower of cost and net realizable value		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets (Specify)	Plant and Equipment	Capital Work in progress	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July xxx	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Additions	XXX	XXX	XXX	-	XXX	-	XXX	XXX
Disposals	(XXX)	(XXX)	-	-	(XXX)	-	(XXX)	(XXX)
Transfers/adjustments	XXX	(XXX)	XXX	(XXX)	(XXX)	-	XXX	(XXX)
At 30th June xxx	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Additions	XXX	XXX	XXX	-	XXX	XXX	XXX	XXX
Disposals	(XXX)	-	-	-	(XXX)	-	(XXX)	(XXX)
Transfer/adjustments	(XXX)	XXX	XXX	(XXX)	(XXX)	-	XXX	(XXX)
At 30th June xxx	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Depreciation and impairment								
At 1 July xxx	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	-	(XXX)	(XXX)
Depreciation	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	-	(XXX)	(XXX)
Impairment	(XXX)	-	-	-	(XXX)	-	-	(XXX)
At 30th June xxx	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Depreciation	(XXX)	(XXX)	(XXX)	-	(XXX)	(XXX)	(XXX)	(XXX)
Disposals	XXX	-	-	-	XXX	-	XXX	XXX
Impairment	(XXX)	(XXX)	-	-	(XXX)	-	-	(XXX)
Transfer/adjustment	XXX	(XXX)	(XXX)	XXX	(XXX)	-	(XXX)	XXX
At 30th June xxx	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Net book values								
At 30 th June xxx	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
At 30 th June xxx	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
[Include brief description of WIP as a footer]								

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. INTANGIBLE ASSETS-SOFTWARE

Description	2019-2020	2018-2019
	KShs	KShs
Cost		
At beginning of the year	xxx	xxx
Additions	xxx	xxx
At end of the year	xxx	xxx
Additions–internal development	xxx	xxx
At end of the year	xxx	xxx
Amortization and impairment		
At beginning of the year	xxx	xxx
Amortization	xxx	xxx
At end of the year	xxx	xxx
Impairment loss	xxx	xxx
At end of the year	xxx	xxx
NBV	xxx	xxx

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2019-2020	2018-2019
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	xxx	xxx	xxx	Xxx	xxx
Non-current benefit obligation	xxx	xxx	xxx	Xxx	xxx
Total employee benefits obligation	xxx	xxx	xxx	Xxx	xxx

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

	2019-2020	2018-2019
	KShs	KShs
Valuation at the beginning of the year	XXX	XXX
Changes in valuation during the year	XXX	XXX
Valuation at end of the year	XXX	XXX

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions	xxx	xxx	Xxx	xxx
Receivables from non-exchange transactions	xxx	xxx	Xxx	xxx
Bank balances	xxx	xxx	Xxx	xxx
Total	xxx	xxx	Xxx	xxx
At 30 June 2021				
Receivables from exchange transactions	xxx	xxx	Xxx	xxx
Receivables from non-exchange transactions	xxx	xxx	Xxx	xxx
Bank balances	xxx	xxx	Xxx	xxx
Total	xxx	xxx	Xxx	xxx

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

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

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

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

(ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	xxx	xxx	xxx	xxx
Current portion of borrowings	xxx	xxx	xxx	xxx
Provisions	xxx	xxx	xxx	xxx
Deferred income	xxx	xxx	xxx	xxx
Employee benefit obligation	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx
At 30 June 2021				
Trade payables	xxx	xxx	xxx	xxx
Current portion of borrowings	xxx	xxx	xxx	xxx
Provisions	xxx	xxx	xxx	xxx
Deferred income	xxx	xxx	xxx	xxx
Employee benefit obligation	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

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

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

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

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

a) Foreign currency risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

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

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on Equity
	Kshs	Kshs	Kshs
2021			
Euro	10%	xxx	Xxx
USD	10%	xxx	Xxx
20xx			
Euro	10%	xxx	Xxx
USD	10%	xxx	Xxx

b) Interest rate risk

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

Management of interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Interest rate risk(continued)

Sensitivity analysis

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

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

iv) Capital Risk Management

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

	20xx-20xx	20xx-20xx
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of goods to xxx	xxx	xxx
Sales of services xxx	xxx	xxx
Total	xxx	xxx
b) Grants from the Government		
Grants from National Govt	xxx	xxx
Grants from County Government	xxx	xxx
Donations in kind	xxx	xxx
Total	xxx	xxx
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	xxx	xxx
Payments for goods and services for xxx	xxx	xxx
Total	xxx	xxx
d) Key management compensation		
Directors' emoluments	xxx	xxx
Compensation to the CEO	xxx	xxx
Compensation to key management	xxx	xxx
Total	xxx	xxx

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. SEGMENT INFORMATION

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

15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	20xx-20xx	20xx-20xx
	Kshs	Kshs
Court case xxx against the company	xxx	Xxx
Bank guarantees in favour of subsidiary	xxx	Xxx
Total	xxx	Xxx

(Give details)

16. CAPITAL COMMITMENTS

Capital commitments	20xx-20xx	20xx-20xx
	Kshs	Kshs
Authorised for	xxx	Xxx
Authorised and contracted for	xxx	Xxx
Total	xxx	Xxx

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

17. EVENTS AFTER THE REPORTING PERIOD

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

18. ULTIMATE AND HOLDING ENTITY

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

19. Currency

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

Guidance Notes:

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

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

Date.....

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

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

Status of Projects completion

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

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

APPENDIX III: INTER-ENTITY TRANSFERS

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

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

Finance Manager
XXX entity

Sign -----

Head of Accounting Unit
xxx Ministry

Sign-----

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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