

REPUBLIC OF KENYA



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**REPORT** NATIONAL ASSEMBLY

DATE: 09 AUG 2023 DAY: WED

TABLED BY: OF  
CLERK-AT-THE-TABLE: Hon. Owen Baya, MP Deputy Leader, majority Ahmed Kachhi

**THE AUDITOR-GENERAL**

**ON**

**TAVETA TECHNICAL AND  
VOCATIONAL COLLEGE**

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



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**TAVETA TECHNICAL AND VOCATIONAL COLLEGE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 JUNE 2022**

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



**TAVETA TECHNICAL AND VOCATIONAL COLLEGE**  
**Annual Report and Financial Statements for the year ended 30th June 2022**

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TAVETA TECHNICAL AND VOCATIONAL COLLEGE  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
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**1. Key entity information and management**

**(a) Background information**

Taveta Technical and Vocational College was established under the TVET Act 2013, on 13<sup>th</sup> July 2017. TTVC is domiciled in Kenya and has no branches presently. TTVC is under the Ministry of Education, under the State Department of Vocational and Technical Training. Taveta Technical and Vocational College is committed to provide quality Education and training in Technical Courses, namely Electrical Engineering, Information and Communication Technology, Tourism Management, Food and beverage management and Human resource management. The college which started with only two department has grown and as now four departments. The departments are electrical engineering, building and construction technology, business management and tourism institution management. The four departments have now the total of sixteen (16) PSC Trainers, two BOM trainers and two hundred and fifty six (256) trainees. The young college is in cognition of the demand for quality and competent human labour force from TVET Institutions and has fully engaged in high skills training using the modern industrial training equipment from China supplied by the Ministry of Education.

**(b) Principal Activities**

The Principal activities of Taveta Technical and Vocational College are to teach and train in Technical and Vocational Education.

**(i) Vision statement.**

A leader in provision of quality technical and vocational training in Kenya and beyond.

**(ii) Mission Statement.**

To empower and produce highly innovative and competent graduates through quality training.

**(iii) Strategic Objectives**

**I** To promote efficient finance management and sustainability

**II** To promote information communication technology and innovations in the college and enhance

Corporate image.

**III** To improve training and learning through research and development.

**IV** . To continuously improve the college's Human Resource Capacity for effective service delivery

**(c) Key Management**

Taveta Technical and Vocational Training College day-to-day management is under the following key organs:

- i. Board of Governors(BOG)
- ii. The Principal
- iii. Top Management team

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**(d) Fiduciary Management**

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

<b>Designation</b>	<b>Name</b>
1. Principal	Mr. David Murungah
2. Deputy Principal	Ms. Evelyne Mwangeli
3. Ag. Registrar	Mr. Fredrick Ouma.
4. Ag. Dean of Trainees	Ms. Andrew Tarus
5. Ag. ILO	Mr. Roger Makove Wambua.

**(e) Fiduciary Oversight Arrangements**

Audit Committee activities

The responsibilities of the Committee are:

- i. Perform an independent review of the Financial Statements that ensures integrity of financial reports.
- ii. Review the adequacy and effectiveness of the Institution internal controls.
- iii. Monitor the effectiveness of the institutions internal audit functions.
- iv. Review audit issues by the internal/external audit and ensure external recommendations are fully addressed.
- v. Regulatory compliance: ensure the institution complies with the relevant legislative requirements.
- vi. Reviewing and assessing the quality, reliability and integrity of institutions risk management. -To monitor and ensure optimal composition of assets and liabilities.

**Key entity information and management (continued)**

**(f) Entity Headquarters**

TAVETA TECHNICAL AND VOCATIONAL COLLEGE  
P.O. Box 441-80302  
MOKINI RD OFF.TAVETA. HOLILI ROAD TAVETA, KENYA

**(g) Entity Contacts**

Telephone: (254) 748290567  
E-mail: [tavetatvc2018@gmail.com](mailto:tavetatvc2018@gmail.com)  
Website: [www.go.ke](http://www.go.ke)

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**(h) Entity Bankers**

Kenya Commercial Bank  
P.O BOX 48400-00100  
NAIROBI KENYA

Email: [contactcentre@kcbgroup.com](mailto:contactcentre@kcbgroup.com).  
Mobile + (254) 0711087000 or 0732187000  
[www.kcbgroup.com](http://www.kcbgroup.com)

**(i) Independent Auditors**

Auditor General  
Office of Auditor General  
Anniversary Towers, College 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

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I. The Council/Board of Governors

Name	Position	DOB	Qualifications	Work experience
 <p>1. Leonard Saning'o Ngaluma</p>	Chairman	15.12.1966	-Master's in Business Administration -Bachelors of Arts (Hon) Majoring in History & Kiswahili	2012-date: Commission on Administrative Justice 2010-2012: Senior deputy secretary (operations) 2002-2010: District Commissioner/Senior District Commissioner
 <p>2. Rosina Nasigha Mruttu</p>	Education, Training & Development Committee Member		-Masters in counselling studies -Degree in leadership and management -Higher diploma in psychological counselling	2016-Date: Centre of victims of torture(CVT) Nairobi 2015-2016: Centre of victims of torture(CVT) Dadaab 2011-2015: Kenya counselling and psychological association (KCPA)

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 <p>3. Athumani Omar Sheria</p>	<p>Education, Training &amp; Development Committee Member</p>	<p>1978</p>	<p>-MSc in electrical &amp; electronics engineering (Power system option) (pending g thesis) -Bachelor's degree in electrical &amp; electronic engineering (power option) -Diploma in Medical Engineering.</p>	<p>2017-Date: Kenya power &amp; lightning company 2010-2015: Technologist Technical University of Mombasa 2013: Consultant Kubase(K) International limited</p>
 <p>4. David Ochieng Okoth</p>	<p>Administratio n &amp; Finance Committee Member</p>	<p>1979</p>	<p>-Bachelor of commerce degree (finance option) -Master of Business Administration (ongoing) Diploma in Business Management</p>	<p>2010-date: Kenya College of Management 2006-2009: Piaggio services company</p>

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 <p>5. Dr. Merenga Abdallah Sarroney</p>	<p>Education, Training &amp; Development Committee Member</p>	<p>23.03.1962</p>	<p>-PhD (Plastic Physics)        MSc (Physics)        B.Ed. (Science)</p>	<p>2002-date: Senior lecturer department of Physics Kenyatta University        1996-2002: Lecturer department of Physics Kenyatta University        1996: Assistant Lecturer Egerton University</p>
 <p>6. Farida Abdalla Soud</p>	<p>Administration &amp; Finance Committee Member</p>	<p>11.01.1970</p>	<p>-MSc in Financial Service Management        -Certified Public Accountant (CPA)</p>	<p>2015-Date: Group Financial Controller Heritage Hotels East Africa, Kenya        2015: Chief accountant/Preopening accountant Multi-property Makkah, Saudi Arabia        2007-2008: Financial controller. Fairmont Group of Companies Zanzibar.</p>

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<p>7.</p>  <p>Susan Boke Wangwe</p>	<p>Administration &amp; Finance Committee Member</p>	<p>1978</p>	<p>Bachelor of Business Administration          Administration Diploma in Cooperative Management</p>	<p>2015-2016: Credit Administration Manager Sidian Bank          2009-2015: Relationship Manager SME Banking          2006-2009: Senior Business Development officer Sidian Bank</p>
<p>8. Mr David Murungah</p> 	<p>Secretary</p>	<p>12.02.1965</p>	<p>-B.E.D Technology          -Diploma Technical Education          -Certificate in solar installation Technology</p>	<p>17/10/2020- Principal TTVC          2019. Deputy Principal TTVC          2014-2019- HOD Electrical Dep. C.I.T- Voi</p>

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**II. Management Team**



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**2. Chairman's statement**

The tenure of the board is soon coming to an end having been launched in 2018. Being the first board for the institution, as our term comes to an end on 4<sup>th</sup> October 2021, we look back and appreciate the far we have come despite the many challenges including the low enrolment and inadequate and inadequate funding. The institution has continued to develop with training offered in fields ranging from information Technology, Tourism, Electrical Engineering, Human Resource Management, Food and beverage management and Building and Civil Engineering. We have also realised provision of basic facilities including playing fields, college fence and gate house. Adequate water supply to the institution remains a major challenge. The 2021/2022 financial year witnessed smooth training of government sponsorship of trainees , However as a board, we appreciate what the government, through the ministry of education state department of vocational and Technical Training was able to offer through Kuucps capitation, direct grants and HELB Loans to the trainees

I take this opportunity to present the Institute's Annual Report for the year 2021/2022. On behalf of the Board, I wish to sincerely thank all the stake holders who have continued to provide support which has enable the institution to grow. It should be noted that the training institute was only launched in 2018.

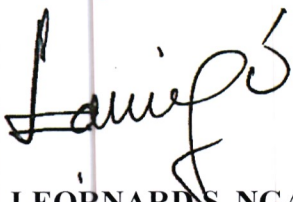
Taveta Technical and Vocational College (TTVC) is committed to be part of the National Government vehicle in delivering the dreams of the Big Four Agenda especially in Technology and innovations. The 2021/2022 Financial Year started well with high expectations in the college getting appropriate funding from the Government forums of financial aids and human resources.

However, financial aid in terms of student loans and tuition capitalization has not covered all students who have reported in Taveta Technical and Vocational College. This has caused some decline in steady growth of student's population as some trainees stay due to lack of fees.

I am highly optimistic that the supply of clean water will be completed this year because it is again captured in the **2020/2021** budget. The College is also expected to record improved enrolment of trainers because marketing and advertising budget has been put in place. The youth Mtaani project has come in handy and assisted the college in clearing the bush to make the college playing grounds.

I sincerely thank the National Government for continuous support in provision of trainers and equipment and hope that some more trainers will be posted especially in the main course of Electrical Engineering. We thank the County Government of Taita Taveta for upgrading the road to the college. Finally, we also thank Taveta Constituency MP through CDF for the chain-link fence, entry gate and gate house and workshop.

Thank you.



**LEORNARDS. NGALUMA, MBS**  
**B.O.G CHAIRMAN**

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### 3. Report of the Principal

On behalf of the board of Governors, trainers and trainees. I wish to thank the National Government through the Ministry of Education, State department of vocational and Technical Training for the continued support extended to Taveta TVC. The college received Government support to a total of one hundred and thirty seven (137) trainees in the fourth quarter of the financial year 2020/2021. We had a total population of one hundred and seventy six (176) trainees

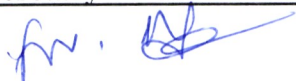
Taveta Technical and vocational College has grown where there are now five departments from the initial two departments. We have Electrical and Electronic Engineering, Hospitality and institution management, Information and Communication Technology (ICT), Business studies and Building and civil Engineering. The National Government has posted trainers in each of the stated five departments although some of the departments like Electrical and Hospitality and institution Management do not have enough trainers.

During the Financial Year 2020/2021, the improved budget boosted the operation of the college where key sections of the college amenities were improved on. The playing fields took a budget of about Kshs 80,000, Library books costed about Kshs 100,000 and wifi hot points were also improved on after the expenditure of about ksh 22,500. The college started a course in food and beverage Management after walk in enquiries indicated that there were people willing to pursue the course. The Food and Beverage course took a budget of Kshs 107,000 to purchase basic equipment and needed an average of kshs 7,000 per week for practical learning. Despite some improvement in fees collection through HELB and KUCCPS trainees still owe the college about 3,000,000 in fees arrears. The challenge has been that trainees sent away to collect fees walk out of training which is a negative effect to the intended goals of the institution which is to train youths who have transited from high schools.

The COVID- 19 pandemic affected training programs where the online training could not be achieved well especially in practical training programs. However, the areas of training, like Tourism and Human Resource Management which didn't require practical training were smoothly done. The resumption of face to face training in May was well executed until the end of the term in July, 2021

Despite the economic hardship experienced by our sponsors and sponsors of our trainees, we look with great hope that continuous support from the Government agents such as kuccps and HELB would still come to our aid. The management of the college has engaged in guiding and counselling the trainees so that they don't abandon learning/training due to lack of fees but seek support from NG-CDF offices and HELB loans

**David Murungah**  
**Principal/Secretary – Board of Governors**



#### **4. Statement of performance against predetermined objectives for Fy 2021/2022**

Taveta Technical and Vocational College didn't have a strategic plan during the financial year 2021/2022. However the budget implementation was within budget plan for the FY2021/2022 except that funds collected especially direct fees from students, were not as targeted. The problem of trainees abandoning training due to lack of fees has been rampant.

#### **5. Corporate Governance Statement**

Section 27 of the Technical and Vocational Education and Training Act, 2013 states that training in institutions under section 26.

- (1) (a) Shall be governed and managed in accordance with the provisions of this Act and any instrument of governance approved by the board. Part (2) of this section 27 states that The governance and management structures of all institutions shall aim at;
  - (i) Encouraging co-operation and collaboration among all stakeholders for effective representation in governance and management of the institution.
  - (ii) Decentralizing decision-making authority with regard to financial matters, human resource issues, and other relevant matters.
  - (iii) Enhancing the culture of accountability, democracy and management of the institutions.
  - (iv) Ensuring effective and efficient education and training.
  - (v) Ensuring the participation of and consultation with the stakeholders at the county, national and international level.

Taveta Technical and Vocational College is committed to the highest standards of corporate governance and ethics in discharge of its functions. The college takes recognition of the various stakeholders. The funding agencies and the regulations therefor, relating to its obligations as provided in the TVET Act, 2013 for the FY 2021/2022, the college complied with all regulatory provisions set out in the applicable statutes. The Board of Governors (BOG) is responsible for overall day to day administration of the college under the supervision of the principal who is the secretary to the BOG.

The responsibility that relate to the proper conduct of college business, policy development, strategic planning, monitoring effectiveness and performance, finance, audit human resource management, diversity, student welfare health and safety and the appointment of college staff support team is vested in the BOG. The BOG has;

- (a) Finance and Administration Committee.
- (b) Education and Training Committee.

The BOG committee report to the BOG full board meeting through board reports and presented by a committee member. All resolutions of the BOG are executed by the BOG secretary who is the principal of Taveta TVC.

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Taveta technical and Vocational College has held student election in June 2021 to form a student's to help in administrative matters related to students' welfare this will improve in sorting out administrative matters or issues affecting students and provide a forum for consultative between administration and student fraternity.

**MEMBERS PERFORMANCE**

NAME	POSITION	MEETING ATTENDED	GENDE R	COUNTY	SUB COUNTY
1. Leonard S. Ngaluma	Chairman	1/4	Male	Taita/ Taveta	Taveta
2.Rosina N. Mruttu	Member	1/4	Female	Taita/ Taveta	Taveta
3.Athumani O. Sheria	Member	1/4	Male	Kwale	Kubo
4.David O. Okoth	Member	1/4	Male	Migori	Nyatike
5.Dr.MerengA.Sarroney	Member	1/4	Male	Taita/Taveta	Taveta
6.Farida A. Soud	Member	1/4	Female	Mombasa	Kisauni
7.Susan B. Wangwe	Member	1/4	Female	Kuria	Kehacha
8.Ibrahim Nyambu	Secretary	1/4	Male	Taita/Taveta	Mwatate
9.Peter Mwangi Wangai	County Director TVET	1/4	Male	Mombasa	Mombasa

The members of Board of Governors are appointed by the Cabinet Secretary Ministry of Education in accordance with TVET Act, 2013. The Board members are appointed for a period of 3 years. The Board of Governors for Taveta Technical and Vocational College was inaugurated on 4<sup>th</sup> February 2019, its term is expected to end on 5<sup>th</sup> October 2021. The Board is currently composed of nine members.

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**Training and Induction**

The members of the Board attended an induction training from 1<sup>st</sup> -3<sup>rd</sup> April, 2019 at the Kenya School of Government, Mombasa. They were inducted on the principle of governance based on the Mwongozo principle. The other areas of training were in:

- (i) Human Resource Management**
  - a) Management of Trainers and support staff
  - b) Recruitment
  - c) Staff Motivation
  - d) Discipline
  - e) Student Management
- (ii) Financial Management**
  - a) Approval of Budget
  - b) Sourcing of Funds
  - c) Approval of use of funds
  - d) Audit and oversight
- (iii) Public Procurement and Asset Disposal Act 2015**
  - a) Key charges in PPAD Act, 2015
  - b) Methods of procurement
  - c) Procurement process
- (iv) Financial management in TVET institutions □ Public Finance Management Reforms.**
- (v) Legal framework**
- (vi) Project Management**

**Functions of the Board**

- a. Overseeing the conduct of education and training in the institution in accordance with the provisions of TVET Act, 2013 and any other written law.
- b. Promoting and maintaining standards, quality and relevance in education and training in the institutions in accordance with TVET Act, 2013 and any other written law.
- c. Administering and managing the institution's property.
- d. Developing and implementing the institution's strategic plan.
- e. Preparing annual estimates of revenue and expenditure for the institution and incurring expenditure on behalf of the institution.
- f. Receiving, on behalf of the institution, fees, grants, subscriptions, donations, bequests or other money and to make disbursement to the institution or other bodies or persons.
- g. Determining the fees payables and prescribing conditions under which fees may be remitted in part or in whole in accordance with the guidelines developed under the provisions of TVET Act, 2013.
- h. Mobilising resources for the institution.

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- i. Developing and reviewing programmes for training and to make representation thereon to the Board.
- j. Regulating the admission and exclusion of students from the institution, subject to qualifications framework and the provision of TVET Act, 2013.
- k. Approving collaboration or association with other institutions and industries in and outside Kenya subject to prior approval by the Board.
- l. Recruiting and appointing trainers from among qualified professionals and practising trade persons in relevant sectors of industry.
- m. Determining suitable terms and conditions of services for support staff, trainers and instructors and remunerating the staff of the institution, in consultation with the Authority.
- n. Making regulations governing the organization, conduct and discipline of the staff and students.
- o. Preparing comprehensive annuals reports on all areas of their mandate, including education and training services and submit the same to the Board.
- p. Providing for the welfare of the students and staff of the institution.
- q. Encouraging, nurturing and promoting democratic culture, dialogue and tolerance in the institution.
- r. Discharging all other functions conferred upon it by the TVET Act, 2013 or any other written law.

## **6. Management discussion and analysis**

In the Finance Year ended 30 June, 2022, Taveta Technical and Vocational College had an decrease in both sectors ie, grants from 1,500,000 as at last financial year 2020/2021 to 500,000 current year 2021/2022

Total income increased tremendously and was attributed by Helb Loan of Ksh 2,583,800, capitation of Ksh 6,232,500 bursary of Ksh 647,312 and tuition of ksh. 2,614,744

Total expenses increased from Kshs 4,915,403 in previous year to Ksh 7,132,130 in the reporting year. The receivable from exchange transactions increase to 13,145,807 from 5,725,485 previous year.

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<b>RENDERING OF SERVICES- 2022</b>	<b>RENDERING OF SERVICES- 2021</b>
Grants Kshs 500,000	Grants Kshs 1,500,000
Tuition fee Kshs. 2,614,744	Tuition fee Kshs 758,385
HELB Kshs 2,583,800	HELB Kshs 1,116,600
Bursary Kshs.647,312	Bursary Kshs 138,000
Capitation Kshs 6,232,500	Capitation Kshs 2,092,500
Exam fee Kshs 831,900	Exam fee Kshs 120,000
<b>Total Kshs:13,410,257</b>	<b>Total Kshs 5,725,485</b>

### **Finance Risks**

College financial risks includes credit and liquidity risk and effects of government policy of funds disbursement.

- i. Credit risk – extended to customers – trainers in form of fees payment extended periods. Some customers default to pay fees as agreed in the payment agreement.
- ii. Liquidity Risks – the ultimate liquidity risk management responsibility is in the hands of principal and the board of governors. The college manages liquidity risk through continuous monitoring of forecasts and actual cash flows in the college accounts

### **7. Environmental and sustainability Reporting**

Taveta Technical and Vocational College as an institution did not undertake corporate social responsibility activities during the FY 2020/2021 and FY 2021/2022 but individual trainers amongst them the dean of students organized some visits to children’s home in Taveta town. This was treated as a private matter because the college did not fund the function.

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**8. Report of the Board of Governors**

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

**Principal activities**

The principal activities of Taveta Technical and Vocational College continues to be training in Vocational and Technical Education.

**Results**

The results of Taveta Technical and Vocational College for the year ended 30 June 2021 are set on page 21-53.

**Board of Governors**

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

**Auditors**

The Auditor General is responsible for the statutory audit of the Taveta Technical and Vocational College in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Corporate Secretary

Nairobi

Date: .....

## 9. Statement of Board of Governors Council's Responsibilities

Section 81 of the Public Finance Management Act 2012, and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013 require the members to prepare financial statements in respect of that Taveta Technical and Vocational College, which give a true and fair view of the state of affairs of the Taveta Technical and Vocational College at the end of the financial 2020/2021 and the operating results of the Taveta Technical and Vocational College for that 2021/2022. The Board members are also required to ensure that Taveta Technical and Vocational College keeps proper accounting records which discloses with reasonable accuracy the financial position of the Taveta Technical and Vocational College. The Board members are also responsible for safeguarding the assets of the Taveta Technical and Vocational College.

The Board are responsible for the preparation and presentation of the Taveta Technical and Vocational

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

The Board members accept responsibility for Taveta Technical and Vocational College 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

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by the PFM Act, 2012 and the TVET Act 2013. The Board members are of the opinion that the Taveta Technical and Vocational College financial statements give a true and fair view of the state of Taveta Technical and Vocational College transactions during the financial year ended June 30, 2022 and of the Taveta Technical and Vocational College financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Taveta Technical and Vocational College, financial statement as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The Taveta Technical and Vocational College financial statements were approved by the Board on 29/11/2022 and signed on its behalf by:



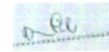
DAVID O. OKOTH  
MRUTTU

Board member



DAVID W. MURUNGAH

Board Member

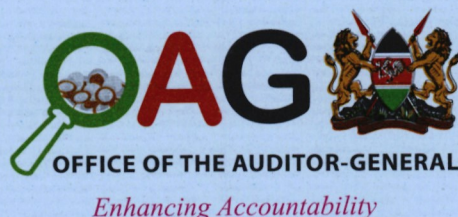


ROSINA N.

Board Member

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON TAVETA TECHNICAL AND VOCATIONAL COLLEGE FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Taveta Technical and Vocational College set out on pages 1 to 65, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in

net assets, statement of cash flows and 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 the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of Taveta Technical and Vocational College as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Technical and Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in the Financial statements**

Review of the financial statements revealed the following inaccuracies:

- i. The statement of financial position does not reflect total assets, total liabilities and net assets balances. Further, the statement reflects total current assets of Kshs.10,194,852 while the re-computed amount is Kshs.10,914,852, resulting in an unexplained variance of Kshs.720,000.

In addition, the statement reflects capital fund balance of Kshs.51,741,220 while the statement of changes in net assets reflects fair value adjustment reserve of Kshs.54,741,220, resulting in a variance of Kshs.3,000,000. The variance is attributed to the omission of capital grants received during the year under review for which Management did not provide an explanation.

- ii. The statement of changes in net assets reflects a surplus amount for the year of Kshs.6,513,677. However, the statement of financial performance reflects a surplus amount of Kshs.7,013,677, resulting in an unexplained and unreconciled variance of Kshs.500,000.
- iii. The statement of cash flows reflects cash and cash equivalents balance of Kshs.876,272 as at 30 June, 2022 while the re-computed amount is Kshs.6,056,538, resulting in an unexplained variance of Kshs.5,180,266.
- iv. The statement of comparison of budget and actual amounts reflects a performance difference of Kshs.9,895,715 for transfers from other Government entities-Government grants, while the re-computed difference amounted to Kshs.12,895,715. The variance of Kshs.3,000,000 between the two amounts was not explained or reconciled.

Further, the statement reflects total final expenditure budget of Kshs.25,960,432 while the re-computed total is Kshs.24,252,666 resulting in an unexplained and unreconciled variance of Kshs.1,707,766.

- v. The statement of financial performance reflects rendering of services – fees from students amount of Kshs.13,410,257, However, the supporting schedules reflect a balance of Kshs.12,910,257, resulting in unexplained and unreconciled variance Kshs.500,000.

Further, the statement reflects use of goods and services comparative amount of Kshs.1,242,706 while the corresponding Note 8 reflects a balance of Kshs.1,142,706, resulting in an unexplained and unreconciled variance of Kshs.100,000. In addition, the re-computed comparative total of Note 8 is Kshs.1,045,316, resulting in an unexplained variance of Kshs.97,390.

- vi. The statement of financial performance reflects total revenue and net surplus balances of Kshs.13,645,807 and Kshs.6,513,677 respectively, while the re-casted totals are Kshs.14,145,807 and Kshs.7,013,677, resulting in an unexplained and unreconciled variance of Kshs.500,000.
- vii. Review of the financial statements' balances revealed unexplained and unreconciled variances with the supporting ledger amounts as detailed in the table below:

Account/Vote Head	Note	Ledger Amount (Kshs.)	Financial Statements Amount (Kshs.)	Variance (Kshs.)
Accreditation of Courses	8	25,500	0	25,500
Bush clearing, tree planting and landscaping	8	21,900	32,700	(10,800)
General Expenses	8	948,276	949,927	(1,651)
Miscellaneous expenses	8	921,787	947,547	(25,760)
Printing and stationery	8	210,920	22,830	188,090

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2022 could not be confirmed.

## 2. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.9,352,240, as disclosed in Note 21 to the financial statements. The balance includes an amount of Kshs.9,316,300 in respect of student and staff debtors, out of which an amount of Kshs.9,196,039 was not supported with a schedule showing the details of the student or staff debtors owing the College.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance Kshs.9,196,039 as at 30 June, 2022 could not be confirmed.

### **3. Lack of Updated Fixed Assets Register**

The statement of financial position reflects property, plant and equipment balance of Kshs.50,051,381 as disclosed in Note 25 to the financial statements. Review of the assets register revealed that assets were recorded without unique serial or tag numbers, values, locations, costs, accumulated depreciation, and impairment losses attributable to each asset.

Further, there were no valuation reports in support of the figures reflected in the assets register. In addition, the records indicate that the College acquired a computer software at a cost of Kshs.1,150,000 during the year under review. However, the asset was neither recorded in the fixed asset register nor included in the statement of financial position.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.50,051,381 could not be confirmed.

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

#### **Key Audit Matters**

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

#### **Emphasis of Matter**

##### **1. Budgetary Performance and Control**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.22,329,925 and Kshs.14,145,807 respectively, resulting in under-collection of Kshs.8,184,118 or 37% of the budget. Similarly, the College spent Kshs.7,132,130 against an approved budget of Kshs.24,252,666, resulting in an under-expenditure of Kshs.17,120,536 or 71% of the budget.

The under-collection and under-expenditure affected the planned activities of the College and may have impacted negatively on service delivery to the public.

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

#### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for conclusion on Lawfulness

and Effective in Use of Public Resources, 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. Failure to Establish Internal Audit Function**

During the year, the College did not have an internal audit function and Management did not provide evidence of a request for audit services from the mentor institution, Coast Institute of Technology. This is contrary to Section 73 of the Public Finance Management Act, 2012, which requires a National Government entity to maintain internal auditing arrangements.

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

### **2. Lack of Risk Management Policy**

The College did not have an approved risk management framework nor undertake any formal risk assessment during the year under review. This is contrary to Regulation 165 of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to ensure that the National Government entity develops risk management strategies, which include fraud prevention mechanism, and a system of risk management and internal control that builds robust business operations.

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

### **3. Unsupported Procurement of the Integrated Enterprise Resource Planning (IERP)**

The College entered into a contract for the supply, installation, testing, training, commissioning and maintenance of an Integrated Enterprise Resource Planning (IERP) system at a contract price of Kshs.2,958,000. However, there was no evidence to confirm that requests for quotation were given to more than three persons. This is contrary to Section 106(2) of the Public Procurement and Assets Disposal Act, 2012 which requires the request for quotations to be given to as many persons as necessary to ensure effective competition and shall be given to at least three persons, unless that is not possible and that at least three persons shall submit their quotations prior to evaluation.

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

### **4. Non-Compliance with the Law on Board of Governors Meetings**

Review of the Board meeting minutes revealed that only one (1) meeting was held during the year. In addition, no evidence was provided of existence of the Board of Governors work plan/calendar with appropriate budgetary provision for the year under review. This was contrary to Paragraph 11, Part (1) of the Second Schedule to the Technical and Vocational Education and Training Act, 2013 which requires the Board of Governors to meet at least once every four months and Paragraph 1.9 (1) of the Mwongozo Code of

Governance for State Corporations, 2015 which requires Board members to ensure the development of an annual Board work plan.

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

#### **5. Lack of County Government Representative on the Board of Governors**

The College's financial statements under Page 4 lists the composition of Council/Board of Governors. However, the composition did not include a representative from the County Government of Taita Taveta as required of the Second Schedule Paragraph 1, Part 2 (c) of the Technical and Vocational Education and Training Act, 2013, which stipulates that 'the Board of Governors of a public institution shall consist of not less than seven and not more than nine members appointed by the Cabinet Secretary and a representative of the County Governor of the County within which the institution is located be appointed to the Board'.

In the circumstances, Management was in breach of law.

#### **6. Late Submission of Financial Statements for Audit**

The financial statements for the year ended 30 June, 2022 were submitted for audit on 29 November, 2022, which was two months after the statutory deadline of 30 September, 2022. This is contrary to Section 47(1) of the Public Audit Act, 2015 which provides that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the office of 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.

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

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

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

## **Basis for Conclusion**

### **1. Lack of Segregation of Duties**

Review of payment vouchers supporting use of goods and services expenditure amounting to Kshs.4,024,267 revealed that the Principal, who is the Accounting Officer, approved payments and held petty cash. This is contrary to Regulation 23(1)(c) of the Public Finance Management (National Government) Regulations, 2015 which states that 'Accounting Officers shall, in accordance with Article 226(2) of the Constitution and Section 68(1) of the Act, be accountable to the National Assembly for maintaining effective systems of internal control and the measures taken to ensure that they are effective'.

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

### **2. Failure to Maintain Imprests Register**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.9,352,240, out of which outstanding imprests totalled Kshs.35,940. However, Management did not provide evidence that the imprest was recorded in an imprests register. This is contrary to Regulation 93(4)(c) of the Public Finance Management (National Government) Regulations, 2015 which requires that before issuing temporary imprests, an Accounting Officer shall ensure that the applicant has been recorded in the imprest register including the amount applied for.

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

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

## **Responsibilities of Management and Board of Governors**

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

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

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

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

The Board of Governors is responsible for overseeing the College's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the College to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 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

18 July, 2023

**TAVETA TECHNICAL AND VOCATIONAL COLLEGE**  
**Annual Report and Financial Statements for the year ended 30th June 2022**

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

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the National Government – grants/ gifts in kind	6	500,000	1,500,000
<b>Total Revenue from non-exchange transactions</b>		<b>500,000</b>	<b>1,500,000</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Fees from students	7	13,410,257	4,225,485
Other Income	(a)	235,550	
<b>Revenue from exchange transactions</b>		<b>13,145,807</b>	<b>4,225,485</b>
<b>Total revenue</b>		<b>13,645,807</b>	<b>5,725,485</b>
<b>Expenses</b>			
Use of goods and services	8	4,024,267	1,242,706
Employee costs	9	1,380,780	1,656,705
Allowance of BOG Members	10	429,250	767,925
Amortization and impairment expense	11	1,150,000	1,248,067
Repair and maintenance	12	147,833	
<b>Total expenses</b>		<b>7,132,130</b>	<b>4,915,403</b>
<b>Other gains/(losses)</b>			
<b>Net Surplus /Deficit for the year</b>		<b>6,513,677</b>	<b>810,082</b>

The notes set out on pages 7 to 58 form an integral part of the Annual Financial Statement.

The Financial Statements set out on pages 1 to 6 were signed by:

*Aw. Ajani*  
 .....

**Chairman of Council/Board**

**Date** 29/11/2022

*Jee*  
 .....

**Finance Officer**

**ICPAK No**

**Date** 29/11/2022

*Kw. [Signature]*  
 .....

**Principal**

**Date** 29/11/2022

**TAVETA TECHNICAL AND VOCATIONAL COLLEGE**  
**Annual Report and Financial Statements for the year ended 30th June 2022**

**V. Statement of Financial Position as at 30th June 2022**

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	20	876,271.90	542,861
Receivables from exchange transactions	21	9,352,240	5,725,485
Receivables from Non-exchange transactions	22	500,000	-
Inventories	23	186,340	100,000
		<b>10,194,852</b>	<b>6,368,346</b>
<b>Non-current assets</b>			
Property, plant and equipment	25	50,051,381	47,930,930
Intangible Assets	26	1,808,000	
<b>Total assets</b>		<b>51,859,381</b>	<b>54,299,276</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	28	1,000,177	1,647,974
Refundable deposits from customers	29	71,700	-
Total Current Liabilities		<b>1,071,877</b>	<b>1,647,974</b>
<b>Non-current liabilities</b>			
		-	-
<b>Total liabilities</b>			
<b>Net assets</b>			
Reserves			
Accumulated surplus/Deficit		6,513,677	810,082
Capital Fund		51,741,220	51,741,220
Total Capital and Reserves		58,254,897	52,551,302
<b>Total net assets and liabilities</b>		<b>51,859,381</b>	<b>54,299,276</b>

The Financial Statements set out on pages 1 to 6 were signed by:



.....  
**Chairman of  
Council/Board**

Date 29/11/2022



.....  
**Finance Officer**

ICPAK No

Date 29/11/2022



.....  
**Principal**

Date 29/11/2022

**TAVETA TECHNICAL AND VOCATIONAL COLLEGE**  
**Annual Report and Financial Statements for the year ended 30th June 2022**

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

Description	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
<b>At July 1, 2021</b>	-	51,741,220	-	-	51,741,220
Revaluation gain	-	-	-	-	-
Surplus/Deficit for the year	-	-	810,082	-	810,082
Total comprehensive income	-	-	-	-	-
Capital/Development grants received during the year	-	-	-	-	-
<b>At June 30, 2021</b>		51,741,220	810,082		52,551,302
<b>At July 1, 2021</b>	-	51,741,220	810,082	-	52,551,302
Revaluation gain	-	-	-	-	-
Surplus/Deficit for the year	-	-	6,513,677	-	6,513,677
Total comprehensive income	-	-	-	-	-
Capital/Development grants received during the year	-	3,000,000	-	-	3,000,000
<b>At June 30, 2022</b>		54,741,220	6,513,677		61,254,897

*(Note:*

1. *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.*
2. *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).*

**TAVETA TECHNICAL AND VOCATIONAL COLLEGE**  
**Annual Report and Financial Statements for the year ended 30th June 2022**

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

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other Government entities/Govt. grants	6	500,000	2,320,000
Rendering of services- Fees from students, Helb, Capitation, Bursary	7	13,410,257	3,405,485
Other Income		235,550	
<b>Total Receipts</b>		<b>13,645,807</b>	<b>5,725,485</b>
<b>Payments</b>			
Use of goods and services	8	4,024,267	1,242,706
Employee costs	9	1,380,780	1,656,705
Allowance of BOG Members	10	429,250	767,925
Amortization and impairment expense	11	1,150,000	1,248,067
Repair and maintenance	12	147,833	-
<b>Total expenses</b>		<b>7,132,130</b>	<b>4,915,403</b>
<b>Net cash flows from operating activities</b>		<b>6,513,677</b>	<b>2,058,149</b>
<b>Cash flows from investing activities</b>			
Purchase of software		(1,500,000)	
Purchase of Furniture			
<b>Net cash flows used in investing activities</b>		<b>(1,150,000)</b>	<b>-</b>
<b>Cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,363,677</b>	<b>4,795,403</b>
Cash and cash equivalents at 1 JULY, 2021		542,861	-
<b>Cash and cash equivalents at 30 JUNE 2022</b>		<b>876,272</b>	<b>542,861</b>

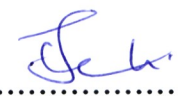
TAVETA TECHNICAL AND VOCATIONAL COLLEGE  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022

The Financial Statements set out on pages 1 to 6 were signed by:

  
.....

.....  
**Chairman of  
Council/Board**

**Date** 29/11/2022

  
.....

.....  
**Finance Officer**

**ICPAK No**

**Date** 29/11/2022

  
.....

.....  
**Principal**

**Date** 29/11/2022

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
Revenue	KShs	KShs	KShs	KShs	KShs
Transfers from other Government entities, Government grants	6,800,000	6,595,714.70	13,395,714.7	500,000	9,895,715
Rendering of services- Fees from students	4,227,200	4,707,010	8,934,210.0	13,410,257	-4,211,597
Other income				235,550	
<b>Total income</b>	<b>11,027,200</b>	<b>11,302,724.70</b>	<b>22,329,924.70</b>	<b>13,645,807</b>	<b>5,684,118</b>
<b>Expenses</b>					
Compensation of employees	2,342,400	1,427,786	3,770,186	1,380,780	
Use of Goods and services	9,421,600	7,979,713	17,401,313	4,024,267	13,377,046
Allowances of BOG Members	1,520,000	163,100	1,683,100	429,250	1,253,850
Amortization and impairment expense	11	1,150,000	1,248,067	1,150,000	1,808,000
Repair and maintenance	150,000		150,000	147,833	2,167
<b>Total expenditure</b>	<b>13,431,833</b>	<b>12,676,432</b>	<b>25,960,432</b>	<b>7,132,130</b>	<b>18,828,302</b>
<b>Surplus for the period</b>	<b>-2,2404,633</b>	<b>1,373,707.30</b>	<b>3,630,507.30</b>	<b>6,513,677</b>	<b>-2,883,170</b>

**(Budget notes)**

1. The difference between budgeted amount with actual on comparable basis is as a result of students debts and also delay in receiving funds from Government in time.
2. Poor absorption of funds is attributed by receiving funds at the closure of the financial year.

**IX. Notes to the Financial Statements**

**1. General Information**

Taveta TVC is established by and derives its authority and accountability from 2013Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to teach and train in Technical and Vocational Education.

**2. Statement of Compliance and Basis of Preparation**

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

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

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.

**Notes to the Financial Statements (Continued)**

**3. Adoption of New and Revised Standards**

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

IPSASB deferred the application date of standards from 1st January 2022 owing to covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

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

Standard	Effective date and impact:
<b>IPSAS 41:</b> Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>

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Standard	Effective date and impact:
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul>

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Standard	Effective date and impact:
	<p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul> <p><i>State the impact of the standard to the Entity if relevant</i></p>
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>

**iii. Early adoption of standards**

*(The entity) did not early-adopt any new or amended standards in year 2022.*

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

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

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

**Rendering of services**

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

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

**Sale of goods**

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

**Interest income**

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

**Dividends**

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

**4 Summary of Significant Accounting Policies (Continued)**

**a) Revenue recognition (Continued)**

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

**Rental income**

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

**b) Budget information**

The original budget for FY 2021/2022 was approved by the Council or Board on *xxxx*. 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 *xxxx* on the FY 2021/2022 budget following the Council/ Board's approval.

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

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

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.

***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.

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

**Notes to the Financial Statements (Continued)**

**d) Investment property**

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

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

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

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

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, 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.

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

**Notes to the Financial Statements (Continued)**

**4 Summary of Significant Accounting Policies (Continued)**

**i) Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

*Held-to-maturity*

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

*Impairment of financial assets*

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

**Notes to the Financial Statements (Continued)**

**4 Summary of Significant Accounting Policies (Continued)**

**i) Financial instruments (Continued)**

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

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

*Financial liabilities*

*Initial recognition and measurement*

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

*Loans and borrowing*

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

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

**j) Inventories**

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

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

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

**Notes to the Financial Statements (Continued)**

**4 Summary of Significant Accounting Policies (Continued)**

**Inventories (Continued)**

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

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

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

**k) Provisions**

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

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

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

***Contingent liabilities***

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

***Contingent assets***

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

**Notes to the Financial Statements (Continued)**

**4 Summary of Significant Accounting Policies (Continued)**

**l) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements.

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

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

**n) Employee benefits**

**Retirement benefit plans**

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

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

**o) Foreign currency transactions**

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

**p) Borrowing costs**

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

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

**Notes to the Financial Statements (Continued)**

**4 Summary of Significant Accounting Policies (Continued)**

**q) Related parties**

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

**r) Service concession arrangements**

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

**s) Cash and cash equivalents**

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

**t) Comparative figures**

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

**u) Subsequent events**

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

**Notes to the Financial Statements (Continued)**

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

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

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

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

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**Notes to the Financial Statements (Continued)**

**6. Transfers from other National Government entities**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Unconditional Grants</b>		
Capitation Grants		-
Operational Grant	500,000	1,500,000
Unconditional Grants		
<b>Conditional Grants</b>		
Library Grant	-	-
Hostels Grant	-	-
Administration Block Grant	-	-
Laboratory Grant	-	-
Learning Facilities Grant	-	-
Other Organizational Grants	-	-
<b>Total Government Grants and Subsidies</b>	<b>500,000</b>	<b>1,500,000</b>

**(a) Transfers from other Government entities (Categorized)**

<b>Name Of The Entity Sending The Grant</b>	<b>Amount recognized to Statement of Comprehensive Income Kshs</b>	<b>Amount deferred under deferred income Kshs</b>	<b>Amount recognised in capital fund.</b>	<b>Total grant income during the year</b>	<b>2020-2021</b>
			<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
State Department					
Ministry					
<b>Total</b>					

*(Ensure that the amount recorded above as having been received from the Ministry fully reconciles to the amount recorded by the sending Ministry. An acknowledgement note/receipt should be raised in favour of the sending Ministry. The details of the reconciliation have been included under appendix xxx)*

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**Notes to the Financial Statements (Continued)**

**(b) Grants from Donors and Development Partners**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
JICA- Research Grant	-	-
World Bank Grants	-	-
In-Kind Donations	-	-
Other Grants	-	-
<b>Total Grants from Development Partners</b>	<b>-</b>	<b>-</b>

**(d) Reconciliations of grants from donors and development partners**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Balance unspent at beginning of year</b>		
Current year receipts		
Conditions Met - Transferred to Revenue		
<b>Conditions Yet To Be Met - Remain Liabilities</b>		

**© Transfers from Other Levels of Government**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Transfer from County		
Transfer from University		
Transfer from Institute		
<b>Total Transfers</b>		

**(e) Public Contributions and Donations**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Public Donations		
Donations from Local Leadership		
Donations from Religious Institutions		
Donations from Alumni		
Other Donations		
<b>Total Donations and Contributions</b>		

*(Provide brief explanation for this revenue)*

**TAVETA TECHNICAL AND VOCATIONAL**  
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**Notes to the Financial Statements (Continued)**

**7. Rendering of Services**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
Tuition Fees	1,080,344	758,385
Activity Fees	163,600	-
Registration Fee	61,000	-
Student ID card	81,800	-
Caution fee	18,000	-
Industrial Attachment Fees	70,000	-
Examination Fees	831,900	120,000
Higher Education Loans Board(HELB)	2,583,800	1,116,600
Bursary	647,312	138,000
Medical	14,120	-
RMI	86,000	-
Contingencies	60,400	-
Personal Emolument	1,201,000	-
Internet	122,700	-
Insurance	86,000	-
Electricity, Water and Conservancy(EWC)	38,988	-
Local Tour and Travelling (LTT)	30,793	-
Capitation	6,232,500	2,092,500
<b>Total Revenue from The Rendering Of Services</b>	<b>13,410,257</b>	<b>4,225,485</b>

**(a) Sale of Goods**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Cafeteria sales and hiring of hall	235,550	-
<b>Total Revenue from Sale of Goods</b>	<b>235,550</b>	<b>-</b>

*Income generated from sale of food and beverage practical food to staffs.*

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**(b)Rental revenue from facilities and equipment**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
	-	-
<b>Total</b>		-

The revenue was as a result of highering of college hall and meals to Teachers service commission.

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**Notes to the Financial Statements (Continued)**

©Finance Income

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Cash investments and fixed deposits		
Interest income from treasury bills		
Interest income from treasury bonds		
Interest from outstanding debtors		
<b>Total finance income</b>		

*(Provide brief explanation for this revenue)*

**TAVETA TECHNICAL AND VOCATIONAL  
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**Notes To The Financial Statements (Continued)**

**8. Use Of Goods And Services**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Teaching and learning materials	95,840	-
Repairs	-	143,416
Electricity	170,592	41,457
Accommodation	13,500	134,720
Security	275,736	351,000
Registration fee to KUCCPS	22,380	25,500
Marketing and advertising	57,080	-
Consumables	14,040	32,650
Examination fees	302,200	-
Extra Curriculum Activities	48,170	-
Postage	8,575	15,450
Travelling and accommodation	744,280	57,450
Fuel and oil	2,000	-
Healthy and Safety	-	123,660
Play Ground	8,300	-
Printing and stationery	22,830	-
Bush clearing, tree planting and Landscaping	32,700	-
Metal Grill	10,100	-
Accreditation of College	-	20,000
Internet expenses	93,420	48,013
Training expenses	64,450	34,000
KATTI Subscription	67,000	-
NITA Exams	73,600	-
General Expense	949,927	18,000
Miscellaneous Expense	947,547	-
<b>Total good and services</b>	<b>4,024,267</b>	<b>1,142,706</b>

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**Notes to the Financial Statements (Continued)**

**9. Employee Costs**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Salaries and wages	1,210,590	1,350,912
Employee related costs - contributions to pensions and medical aids	170,190	305,793
<b>Employee Costs</b>	<b>1,380,780</b>	<b>1,656,705</b>

**10. Board/Council Expenses**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Other Board of Governance Allowance	429,250	767,925
<b>Total</b>	<b>429,250</b>	<b>767,925</b>

**11. Amortization and impairment expense**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Property, plant and equipment		1,248,066.59
Amortization and impairment	1,150,000	-
<b>Total depreciation and amortization</b>	<b>1,150,000</b>	<b>1,248,066.59</b>

**12. Repairs and Maintenance**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Property	147,833	-
<b>Total Repairs and Maintenance</b>	<b>147,833</b>	<b>-</b>

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**Notes to the Financial Statements (Continued)**

**13. Contracted Services**

Description	2021-2022	2020-2021
	Kshs	Kshs
Actuarial valuations		
Investment valuations		
Property valuations		
<b>Total contracted services</b>		

**14. Grants and Subsidies**

Description	2021-2022	2020-2021
	Kshs	Kshs
Community Development		
Education Initiatives and Programs		
Social Development		
Community Trust		
Sporting Bodies		
<b>Total Grants and Subsidies</b>		

**15. Finance Costs**

Description	2021-2022	2020-2021
	Kshs	Kshs
Borrowings (Amortized Cost)*		
Finance Leases (Amortized Cost)		
Unwinding of Discount		
Interest on Bank Overdrafts		
Interest on Loans from Commercial Banks		
<b>Total Finance Costs</b>		

(\*Borrowing costs that relate to interest expense on acquisition of non- current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)

**16. Gain On Sale of Assets**

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, Plant and Equipment		
Intangible Assets		
Other Assets not capitalised		
<b>Total Gain On Sale of Assets</b>		

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**Notes to the Financial Statements (Continued)**

**17. Unrealized Gain on Fair Value Investments**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Investments at Fair Value		
<b>Total Gain</b>		

**18. Impairment Loss**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Property, Plant and Equipment		
Intangible Assets		
<b>Total Impairment Loss</b>		

**19. Cash and Cash Equivalents**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Current Account		
On - Call Deposits		
Fixed Deposits Account		
Staff Car Loan/ Mortgage		
Others (Specify)		
<b>Total Cash and Cash Equivalents</b>		

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

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**Notes To The Financial Statements (Continued)**

**20. (a). Detailed Analysis of Cash and Cash equivalents**

		2021-2022	2020-2021
<b>Financial Institution</b>	<b>Account number</b>	<b>Kshs</b>	<b>Kshs</b>
<b>a) Current Account</b>			
Kenya Commercial Bank	1253860238	876,271.90	542,860.70
<b>Sub- Total</b>		<b>876,271.90</b>	<b>542,860.70</b>
<b>b) Others(Specify)</b>			
Cash in Hand		-	-
<b>Sub- Total</b>		-	-
<b>Grand Total</b>		<b>876,271.90</b>	<b>542,860.70</b>

**TAVETA TECHNICAL AND VOCATIONAL**  
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**Notes to the Financial Statements (Continued)**

**21. Receivables from Exchange transactions**

**(a) Current Receivables from Exchange transactions**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Current receivables</b>		
Student debtors/ Staff Debtors	9,316,300	66,000.00
Imprest	35,940.00	-
<b>Total current receivables</b>	<b>9,352,240</b>	<b>66,000.00</b>

**(b) Long- term Receivables from Exchange transactions**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Non-Current Receivables</b>		
Refundable Deposits		
Advance Payments		
Public Organizations		
Less: Impairment Allowance		
<b>Total</b>		
Current Portion Transferred To Current Receivables		
<b>Total Non-Current Receivables</b>		
<b>Total Receivables</b>		

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**(c) Reconciliation for impairment Allowance on Receivables from Exchange Transactions**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
At the beginning of the year		
Provisions during the year		
Recovered during the year		
Write offs during the year		
At the end of the year		

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**22. (a) Receivables from Non-Exchange transactions**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Current Receivables</b>		
Capitation Grants*	500,000	
Transfers from Other Govt. entities		
Undisbursed Donor Funds		
Other Debtors (Non-Exchange Transactions)		
Less: Impairment Allowance		
<b>Total Current Receivables</b>	<b>500,000</b>	

(\*Receivables on capitation grants are recognised for monies received after year end but relating to the year under review).

**(b) Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
At the beginning of the year		
Additional provisions during the year		
Recovered during the year		
Written off during the year		
At the end of the year		

**23. Inventories**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Stationery	186,340.00	100,000.00
<b>Total inventories at the lower of cost and net realizable value</b>	<b>186,340.00</b>	<b>100,000.00</b>

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**Notes to the Financial Statements (Continued)**

**24. Investments**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>a) Investment in Treasury Bills and Bonds</b>		
<b>Financial Institution</b>		
CBK		
CBK		
<b>Sub- Total</b>		
<b>b) Investment with Financial Institutions/ Banks</b>		
Bank X		
Bank Y		
<b>Sub- Total</b>		
<b>c) Equity Investments (<i>Specify</i>)</b>		
Equity/ Shares in Company Xxx		
<b>Sub- Total</b>		
<b>Grand Total</b>		

**d) Shareholding in other entities**

For investments in equity share listed under note 30 (c) above, list down the equity investments under the following categories:

Name of Entity where Investment is Held	No of Shares			Nominal Value of Shares	Fair Value of Shares	Fair Value of Shares
	Direct Shareholding	Indirect Shareholding	Effective Shareholding			
	%	%	%	Kshs	Kshs	Kshs
Entity A						
Entity B						

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**Notes to the Financial Statements (Continued)**

**25. Property, Plant and Equipment**

	Land and Building	Motor vehicle	Furniture and Fittings	Computers	Other Assets	Plant And Equipment	Capital Work in progress	Total
Cost	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
At 1 July 2021								
Additions	51,733,330.00	-	-	-	-	-	-	51,733,330.00
As at 30 <sup>th</sup> June 2021	51,733,330.00	-	-	-	-	-	-	51,733,330.00
Additions	-	-	-	-	-	-	-	-
AS at 30 <sup>th</sup> June 2021	-	-	-	-	-	-	-	-
Depreciation	1,260,999.92	-	-	-	-	-	-	1,260,999.92
As at 30 <sup>th</sup> June 2021								
Net book values								
As at 30 <sup>th</sup> June 2021	50,472,330.08	-	-	-	-	-	-	50,472,330.08
At 1 July 2021								
Additions	47,930,930.24	-	90,365.00	-	-	-	-	47,930,930.24
As at 30 <sup>th</sup> June 2022	47,930,930.24	-	-	-	-	-	-	47,930,930.24
Additions	-	-	-	-	-	-	-	-
AS at 30 <sup>th</sup> June 2021	-	-	-	-	-	-	-	-
Depreciation	958,618.60	-	11,295.63	-	-	-	-	969,914.23



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**Notes to the Financial Statements (Continued)**

**Valuation**

As per National Treasury guidelines, Land and buildings were identified and valued as per the National Liabilities and Management Policy and guidelines (Issued June 2020). These amounts were adopted in the financial statements on xxx.

**(b) Property, Plant and Equipment at Cost**

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

<b>Description</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>NBV</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Land			
Buildings			
Plant And Machinery			
Motor Vehicles including Motorcycles			
Computers and Related Equipment			
Office Equipment, Furniture, And Fittings			
<b>Total</b>			

**26. Intangible Assets**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Cost</b>		
<b>At beginning of the year</b>		
Additions	2,958,000	
<b>At end of the year</b>	2,958,000	
Additions–internal development	-	
<b>At end of the year</b>	2,958,000	
<b>Amortization and impairment</b>	1,150,000	
<b>At end of the year</b>	<b>1,808,000</b>	

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**Notes to the Financial Statements (Continued)**

**27. Investment Property**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>At beginning of the year</b>		
Additions		
Disposal during the year		
Depreciation		
Impairment		
<b>At end of the year</b>		

*(This note applies to investment property held at cost. For investment property held at fair value, changes in fair value should go through the statement of financial performance).*

**28. Trade and Other Payables from Exchange transactions**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade payables	2,026,433.94	
Fees paid in advance	(1,026,257)	
Other Payables	-	
<b>Total Trade and Other Payables</b>	<b>1,000,177</b>	

**29. Refundable Deposits from Customers/Students**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Consumer deposits	10,700.00	
Caution money	61,000.00	
Other refundable deposits	-	
<b>Total Deposits</b>	<b>71,700.00</b>	

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**Notes to the Financial Statements (Continued)**

**30. Current Provisions**

Description	Leave provision	Bonus provision	Gratuity Provisions	Other provision	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Balance at The Beginning Of The Year</b>					
Additional Provisions					
Provision Utilised					
Change Due To Discount And Time Value For Money					
Transfers From Non -Current Provisions					
<b>Total Provisions</b>					

**31. Finance Lease Obligation**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>At the start of the year</b>		
Discount interest on Lease Liability		
Paid during the year		
<b>At end of the year</b>		

**32. Maturity Analysis**

Period	Amount
	Kshs
Year 1	
Year 2	
Year 3	
Year 4	
Year 5 and Onwards	

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Less: Unearned Interest	

**Notes to the Financial Statements (Continued)**

**Analysed as:**

<b>Description</b>	<b>Amount</b>
	<b>Kshs</b>
Current	
Non- Current	
<b>Total</b>	

**33. Deferred Income**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
National Government		
International Funding Bodies		
Public Contributions and Donations		
<b>Total Deferred Income</b>		

**The deferred income movement is as follows:**

<b>Description</b>	<b>National government</b>	<b>International funders/ donors</b>	<b>Public contributions and donations</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Balance brought forward				
Additions during the year				
Transfers to capital fund				
Transfers to income statement				
Other transfers				
Balance carried forward				

Analysed as:

Description	Amount
	Kshs
Current	
Non- Current	
<b>Total</b>	

Notes to the Financial Statements (Continued)

**34. Employee Benefit Obligations**

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2021-2022	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation					
Non-Current Benefit Obligation					
<b>Total Employee Benefits Obligation</b>					

**Retirement benefit Asset/ Liability**

The entity operates a defined benefit scheme for all full-time employees from July 1, 2022. The scheme is administered by xxx while xxx are the custodians of the scheme. The scheme is based on xxx percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at xxx June xxx by xxx actuarial valuers on this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

Description	2021-2022	2020-2021
	Kshs	Kshs
Discount Rates	x%	x%
Future Salary Increases	x%	x%
Future Pension Increases	x%	x%
Mortality (Pre- Retirement)	x%	x%

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Mortality (Post- Retirement)	x%	x%
Withdrawals	xx	xx
Ill Health	xx	xx
Retirement	xx years	xx years

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**Notes to the Financial Statements (Continued)**

**Recognition of Retirement Benefit Asset/ Liability**

**a) Amounts recognised under other gains/ Losses in the statement of Financial Performance:**

Description	2021-2022 Kshs	2020-2021 Kshs
The return on defined plan assets		
Actuarial gains/ losses arising from changes in demographic assumptions		
Actuarial Gains/ Losses Arising From changes In Financial Assumptions		
Actuarial gains and losses arising from experience adjustments		
Others ( <i>specify</i> )		
Adjustments for restrictions on the defined benefit asset		
<b>Remeasurement of the net defined benefit liability (asset)</b>		

**b) Amounts recognised in the Statement of Financial Position**

Description	2021-2022 Kshs	2020-2021 Kshs
Present value of defined benefit obligations(a)		
Fair value of plan assets(b)		
Funded status(=a-b)		
Restrictions on asset recognised		
Others		
Net asset or liability arising from defined benefit obligation		

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity'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. Other than NSSF the entity also has a defined contribution scheme operated by XXX Pension Fund. Employees contribute xx% while employers contribute xx% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

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**Notes To The Financial Statements (Continued)**

**35. Non-Current Provisions**

<b>Description</b>	<b>Long service leave</b>	<b>Bonus Provision</b>	<b>Gratuity</b>	<b>Other Provisions</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Balance at the beginning of the year					
Additional Provisions					
Provision utilised					
Change due to discount and time value for money					
Less: Current portion					
<b>Total deferred income</b>					

*(NB: The current portion deducted in this note should tie to line on current portion transferred from non- current provisions under note 34)*

**36. Borrowings**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance at beginning of the year		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the year		
Repayments of domestic borrowings during the year		
Balance at end of the year		

**37. (a) Analysis of External and Domestic Borrowings**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>External borrowings</b>		
Dollar denominated loan from 'xx organization'		
Sterling pound denominated loan from 'yyy organization'		
Euro denominated loan from zzz organization'		
<b>Domestic borrowings</b>		
Kenya shilling loan		
<b>Total balance at end of the year</b>		

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**Notes to the Financial Statements (Continued)**

**38. (b) Breakdown of Long and Short-Term Borrowings**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Short Term Borrowings(Current Portion)		
Long Term Borrowings		
<b>Total</b>		

*(NB: the total of this statement should tie to note 42 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).*

**39. Service Concession Arrangements**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Fair value of service concession assets recognized under PPE		
Accumulated depreciation to date		
Net carrying amount		
Service concession liability at beginning of the year		
Service concession revenue recognized		
Service concession liability at end of the year		

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**Notes to the Financial Statements (Continued)**

**40. Cash generated from operations**

	2021-2022	2020-2021
<b>Surplus for the year before tax</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Adjusted for:</b>		
Depreciation		
Non-Cash grants received		
Contributed assets		
Impairment		
Gains and Losses on Disposal of Assets		
Contribution to provisions		
Contribution to impairment allowance		
Finance Income		
Finance Cost		
<b>Working Capital Adjustments</b>		
Increase in Inventory		
Increase in Receivables		
Increase in Deferred Income		
Increase in Payables		
Increase in Payments received in advance		
<b>Net Cash Flow from Operating Activities</b>		

*(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)*

**41. 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

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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

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**Notes to the Financial Statements (Continued)**

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:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2021</b>				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
<b>Total</b>				
<b>At 30 June 2022</b>				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
<b>Total</b>				

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

**42. 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

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short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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**Notes to the Financial Statements (Continued)**

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2021</b>				
Trade Payables				
Current Portion Of Borrowings				
Provisions				
Deferred Income				
Employee Benefit Obligation				
<b>Total</b>				
<b>At 30 June 2022</b>				
Trade Payables				
Current Portion Of Borrowings				
Provisions				
Deferred Income				
Employee Benefit Obligation				
<b>Total</b>				

**Financial Risk Management (Continued)**

**(iii) Market risk**

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

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

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

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

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**Notes to the Financial Statements (Continued)**

**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:

Description	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>			
Financial Assets (Investments, Cash, Debtors)			
Liabilities			
Trade and Other Payables			
Borrowings			
Net Foreign Currency Asset/(Liability)			

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.

**43. Financial Risk Management (Continued)**

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30<sup>th</sup> June 2022</b>			
Financial Assets (Investments, Cash, Debtors)			
Liabilities			
Trade and Other Payables			
Borrowings			
Net Foreign Currency Asset/(Liability)			

**a) 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.

**Notes to the Financial Statements (Continued)**

	<b>Change in currency rate</b>	<b>Effect on Profit before tax</b>	<b>Effect on equity</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>20xx</b>			
Euro	10%		
Usd	10%		
<b>20xx</b>			
Euro	10%		
Usd	10%		

**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.

**44. 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 (2022: Kshs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs xxx (2022 – Kshs xxx)

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**Notes To The Financial Statements (Continued)**

**iv)Capital Risk Management**

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Revaluation Reserve		
Retained Earnings		
Capital Reserve		
<b>Total Funds</b>		
Total Borrowings		
Less: Cash and Bank Balances		
Net Debt/(Excess Cash and Cash Equivalents)		
<b>Gearing</b>		

**45. 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:

- i) The National Government;
- ii) The Parent Ministry;
- iii) Xxx;
- iv) Xxx;
- v) Xxx;
- vi) Key management;
- vii) Board of directors;

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**Notes to the Financial Statements (Continued)**

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

Description	2021-2022 Kshs	2020-2021 Kshs
<b>Transactions with Related Parties</b>		
<b>a) Sales to related parties</b>		
Sales of electricity to govt agencies		
Rent income from govt. agencies		
Water sales to govt. agencies		
Others ( <i>specify</i> )		
<b>Total</b>		
<b>B) Purchases from related parties</b>		
Purchases of electricity from kplc		
Purchase of water from govt service providers		
Rent expenses paid to govt agencies		
Training and conference fees paid to govt. agencies		
Others ( <i>specify</i> )		
<b>Total</b>		
<b>b) Grants /Transfers from the Government</b>		
Grants from National Govt		
Grants from County Government		
Donations in Kind		
<b>Total</b>		
<b>c) Expenses incurred on behalf of related parties</b>		
Payments of Salaries and Wages for xx Employees		
Payments for Goods and Services for XX		
<b>Total</b>		
<b>d) Key Management Compensation</b>		
Directors' emoluments		
Compensation to Key Management		
<b>Total</b>		

**46. 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)*

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**Notes to the Financial Statements (Continued)**

**47. Contingent Assets and Contingent Liabilities**

**Contingent Assets**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Contingent Assets</b>		
Insurance Reimbursements		
Assets arising from determination of Court Cases		
Reimbursable Indemnities and Guarantees		
Others ( <i>Specify</i> )		
<b>Total</b>		

**Contingent Liabilities**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Contingent Liabilities</b>		
Court Case Xxx against ( <i>The Entity</i> )		
Bank guarantees in favour of subsidiary		
Contingent liabilities arising from Contracts including PPPs		
Others ( <i>Specify</i> )		
<b>Total</b>		

(Give details)

**48. Capital Commitments**

<b>Capital Commitments</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Authorised for		
Authorised and Contracted for		
<b>Total</b>		

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

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**Notes to the Financial Statements (Continued)**

**49. Deferred Tax Liability**

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

Description	2021-2022	2020-2021
	Kshs	Kshs
Accelerated Capital Allowances		
Unrealised Exchange Gains/(Losses)		
Revaluation Surplus		
Tax Losses carried forward		
Provisions for Liabilities and Charges		
<b>Net Deferred Tax Liability/(Asset)</b>		
The movement on the deferred tax account is as follows:		
Balance at beginning of the year		
Credit to revaluation reserve		
Under provision in prior year		
Income statement charge/(credit)		
Balance at end of the year		

*[In ordinary circumstances public sector entities under IPSAS are not expected to pay taxes. However, in specific cases where this is applicable an organisation is supposed to seek guidance on accounting for income taxes from IAS 12)*

**50. Events After The Reporting Period**

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

**51. 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.

**52. Currency**

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

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.1	Lack of a Risk Management Policy	We concur with the audit observation that we do not have a Risk Management Policy but we have a risk management framework each year to undertake risk assessment. The issue has been communicated to the Board of Governors and we are hereby unanimously agreed to form a Risk Management policy to guide on management of risks as occurred in our institution. We are also ready to form risk management committee that will review the policy and report on risk matters on quarterly year basis.	Not resolved	30 <sup>th</sup> June, 2024
4.2	Lack of Segregation of Duties	Inability to segregate duties was due to government failing to employ enough staff in the institution. Through the board of governance, we are in process of getting finance manager from the parent institution as we wait for the government to	Not resolved	30 <sup>th</sup> June, 2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		deploy one. We wrote to government to look deep into that matter through a letter requesting for four lap on the same.		

**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.  
.....

**Name**  
**Accounting Officer**  
**(Enter title of Head of entity)**  
**Date**

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**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, i.e. 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						

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**Appendix III- Inter-Entity Confirmation Letter**

**[Insert your Letterhead]**

*[Insert name of beneficiary Entity]*

*[Insert Address]*

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 <sup>th</sup> June 2022						
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30th June 2022			Amount Received by [beneficiary Entity] (KShs) as at 30 <sup>th</sup> June 2021 (E)	Differences (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)		
Total						

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

**Head of Accountants department of beneficiary Entity:**

**Name .....** **Sign .....** **Date .....**

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**Appendix IV: Reporting of Climate Relevant Expenditures**

Name of the Organization  
 Telephone Number  
 Email Address  
 Name of CEO/MD/Head

Name and contact details of contact person (in case of any clarifications) .....

Project Name	Project Description	Project Objectives	Project Activities	Source Of Funds				Implementing Partners
				Q1	Q2	Q3	Q4	

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**Appendix V: Disaster Expenditure Reporting Template**

Date:						
Entity						
Period to which this report refers (FY)	Year	Quarter				
Name of Reporting Officer						
Contact details of the reporting officer:						
Email			Telephone			
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (K.shs.)	Comments