

REPUBLIC OF KENYA



Enhancing Accountability

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CLERK-AT THE-TABLE:

REPORT

OF

THE AUDITOR-GENERAL

ON

**MASINGA TECHNICAL AND VOCATIONAL
TRAINING COLLEGE**

**FOR THE YEAR
ENDED 30 JUNE, 2020**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB,
21 APR 2021
RECEIVED



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


MASINGA TECHNICAL AND VOCATIONAL COLLEGE



ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE 2020

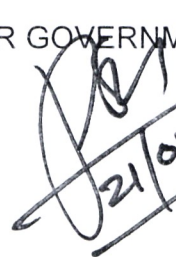
Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector
Accounting Standards (IPSAS)


21/04/2021

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
 ANNUAL REPORT AND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30TH JUNE 2020

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Masinga Technical and Vocational College is located in Masinga market, Masinga Sub-County in Machakos County.

MTVC is a public Technical and Vocational College under the Ministry of Education, Vocational and Technical Training section under the Directorate of Technical Education. The College started its operations in 2018.

The college was initially mentored by Machakos Technical Training Institute. The mentoring institute later became a constituent college of Kenyatta University. It consequently became a fully-fledged university named Machakos University. In 2017, the college was handed over to Nkabune Technical Training Institute as the University was no longer a TVET institution. Nkabune TTI handed over the college to the first Principal to be posted to the college, Kenneth C.K. Njoroge on 27th December, 2017.

It was born out of a grand plan by the government of ensuring that at least a technical and vocational college is built in every constituency. The intention therein is to improve on access for the youth in the acquisition of saleable skills that will help improve all sectors of the Kenyan economy through employment and entrepreneurship.

The college operated under an interim committee chaired by Rev. Isaac Mululu. It admitted its first seventy one (71) students in February 2018 in electrical engineering, social work and community development, business finance, early childhood development education, general agriculture and hair dressing and beauty therapy.

The college has since introduced accounting tourism management and building technology courses. The aim is to introduce as many market-driven courses as possible.

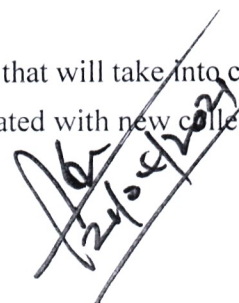
MTVC focuses to start courses in mechatronics and horticulture under the newly introduced CBET curriculum by TVET-CDACC.

The college intends to ensure to maintain quality assurance in line with TVETA requirements.

The Board of Governors was inaugurated in March, 2019.

It is against this background that the college seeks to develop strategies that will take into consideration the start-up nature of the college, taking into account the challenges associated with new colleges.

1.2 Governance Structure



MASINGA TECHNICAL AND VOCATIONAL COLLEGE
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MTVC is a governmental middle level Technical and Vocational College. It is established under the Ministry of Education (TVET Act 2013). It offers a variety of courses at Diploma, Craft and Artisan and Trade.

MTVC operates under TVET as stipulated in the laws of Kenya. The Institute's operations are also carried out in accordance with the Government policies and procedures as spelt out in official documents and circulars. The Institute is conscious of the Government's policy of industrialization by the year 2020, and the Kenya Vision 2030. It is gearing towards playing a significant and leading role in the fulfilment of its mandate.

MTVC is a centre of excellence in mechatronics engineering. The college seeks to create more centres of excellence in hair dressing, beauty therapy, electrical and electronics engineering and civil engineering. This will be achieved through: strengthened and improved delivery of tuition; acquisition of modern equipment and facilities; enhanced industrial attachment for lecturers and trainees; strengthened research and development activities and establishing a "Business Incubator that will allow incubation of all young graduates as they prepare to start their own business.

To strengthen the management of the college, the Board of Governors has employed a number of staff in various sections of Boarding and Tuition as well as Security. Current population stands at eighteen (18) PSC trainers, twelve (12) BOG trainers, five (5) BOG non-teaching staff and (One Hundred Fourteen (114) student enrolment. Students are both boarders and non-boarders.

(b) Principal Activities

The principal activity/mission of Masinga Technical and vocational college is to produce graduates with competent skills that meet the dynamic demands of the Industry.

Vision

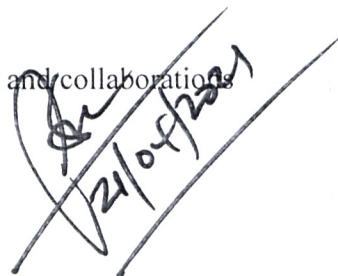
To be a Centre of Excellence in the provision of vocational and Technical Training.

Mission

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

The strategic objectives are to promote

- i. Inclusive Focus-respect for cultural diversity(people and culture)
- ii. Professionalism-ethical practices, honesty, integrity
- iii. Transparency and Accountability-in all activities
- iv. Excellence-training and research
- v. Partnership and community engagement-teamwork and collaborations
- vi. Innovativeness and creativity



MASINGA TECHNICAL AND VOCATIONAL COLLEGE

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(c) Key Management

The *Masinga Technical and Vocational College's* day-to-day management is under the following key organs:

- Board of council members/ Council/ Management etc;
- Accounting officer/ Principal
- Management

(d) Fiduciary Management

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

No.	Designation	Name
1.	Principal	Kenneth C.K. Njoroge
2.	Deputy Principal	Titus Nzioki
3.	Registrar	Jacinta Mwikali Mutula
4.	Head of Finance	Edgar Opiyo

(e) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- *Audit committee activities*
- *Development partner oversight activities*
- *Other oversight activities*

Masinga Technical and Vocational College is working on putting up an Audit committee to enhance the oversight responsibility. This is to take place in the financial year 2021/2022.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

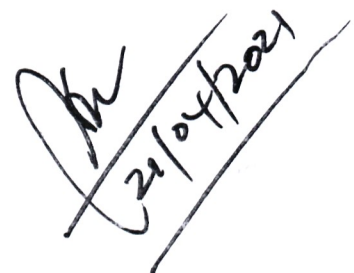
P.O. Box 181-9014, Masinga
KENYA

(g) Entity Contacts

Telephone: (254)74327094
E-mail: masingatechnical@gmail.com.

(h) Entity Bankers

1. Equity Bank Limited
Matuu Branch



MASINGA TECHNICAL AND VOCATIONAL COLLEGE
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P.O. Box 58

2. Kenya Commercial Bank
P.O. Box 147-90119
Matuu

(i) Independent Auditors

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

(j) Principal Legal Adviser

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



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THE BOARD OF GOVERNORS



1. Kenneth Njoroge

Date of Birth: 25TH SEP 1966
 ID. No:8341338

Education
 Higher Diploma in
 Entrepreneurship Development

Experience
 Mr. Kenneth Njoroge has a wide
 experience in management especial
 education sector after raising
 through the ranks to the deputy
 principal before being promoted to
 the position of the principal.



2. Patrick Kithome

Date of Birth:05/02/1965.
 I.D. NO:8699712

Education
 Bachelor of Arts Degree in
 Building Economics(University of
 Nairobi 1990)

Experience
 Mr. Kithome has great experience
 from serving various boards in
 different capacities

3. Catherine W. Karanja

Date of Birth:31/10/1992
 I.D. NO:29673415

Education
 Bachelor of Commerce(Finance
 option) Technical University of
 Kenya(2012-2016), 2nd class
 honour upper Division
 Chania Girls High School(B⁺)
 2007-2010

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MASINGA TECHNICAL AND VOCATIONAL COLLEGE
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2020



4. Sylvester Muok Joseph

Currently CPA part 2
Experience;
Catherine has management experience from both public and private sector.

Date of Birth;02/12/1977
I.D. NO;20103281

Education
Masters of Business Administration
University of Nairobi 2010
Bachelor of science in information Science
Moi University(2001)

Certified Information System Auditor

Experience
Mr. Muoki holds a vast experience in management and IT of over 8years. He is currently IT specialist at ISUZU KENYA.



5.Emmaculate Awino Masime

Date of Birt;17/11/1989
I.D. NO;27803343

Education
Bachelor of Mass communication- public relations
1st Class Honors Division- JKUAT(2012-2015)

Experience
Emmaculate brings a lot of experience in public relation, marketing, communication and general management of over 5 years from different organizations.

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5. Gillian Agnes Chambira

Date of Birth;28/04/1977P

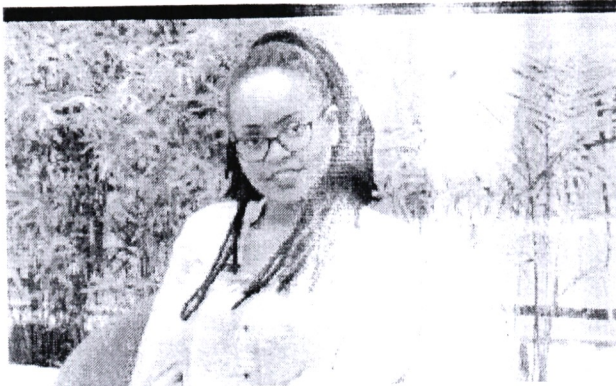
ID No 20351872

Education

Bachelor of Commerce(Marketing)
2ND Class honours-Upper Division
University of Nairobi

Experience

Gillian Chambira is the independent board of Masinga Technical and Vocational College. She has a lot of experience gained from both public and private sector.



6. Faith Nzivo

Date of Birth:05/03/1991

ID No;28697574

Education

Bachelor of Agribusiness Management

Experience

Faith is a Certified Public Accountant and a member of ICPAK. She has a wide experience of over 5 years in accounting and auditing. She is currently an Auditor with Mezars Group

Date of Birth 9/7/1966

ID No;773018

Education

Mr. Kitetu holds Msc. Degree in Engineering and Disaster management, BSc. (Hon) Degree in water and Environmental Engineering



7. Job Kitetu

Experience

Job Kitetu, has a wide experience in management and consultancy gained from both public and private sector.

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21/04/2021

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE
2020

2. MANAGEMENT TEAM



1. Kenneth Njoroge

Date of Birth; 25TH SEP 1966
ID. No; 8341338

Education
Higher Diploma in Entrepreneurship
Development

Experience
Mr. Kenneth Njoroge has a wide
experience in management especial
education sector after raising through the
ranks to the deputy principal before being
promoted to the position of the principal.



2. Titus Nzioki

Date of Birth; 12/12/1963

Education
Mr. Nzioki holds a Masters degree of
Education in leadership and policy studies
from Moi University.

Experience
Mr. Nzioki has over Twenty years in
Education where he served through the
ranks and becoming a principal in various
high schools before switching to technical
education.

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MASINGA TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020



3. Jacinta Mutula

Date of Birth 17th April 1982

ID No:22466352

Education

Bachelor of Science in Information Technology and Diploma in information Technology.

Experience

Ms. Mutula has a great experience in IT and management at large which she has acquired over a period of time both in public and private sector.



4. Edgar Opiyo

Date of Birth 11/09/1991

ID NO: 29073238

Education

CPA-On going

Experience

Edgar has a vast experience of over 4years in accounting from both public and private sector.

3. CHAIRMAN'S STATEMENT

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

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

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

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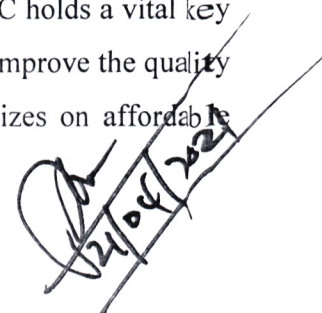
The Strategic Plan is developed in the context of increasing global competitiveness and the needs of Kenyan within Kenya Vision 2030. The underpinning values are inclusion, participation and relevance. In line with this, the Institute's priorities include tackling the various existing challenges especially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

. Through Strategic Planning the Institute seeks to provide relevant knowledge and skills that addresses the needs of the domestic and global economy.

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

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

To provide appropriate evidence to Kenya's decision makers, MTVC should complement the efforts of the Government's Poverty Reduction Strategy; and its development objectives as articulated in various official policy documents. Strategic Planning of MTVC is expected to lead to the realization of a wide range of other important benefits including, increasing entrepreneurship, economic growth, enhanced productivity across sectors and increased income per capita. The Government recognizes that MTVC holds a vital key to implementation of the "Big four" initiatives and other national priorities in order to improve the quality of life of Kenyans and making Kenya globally competitive. The "Big Four" prioritizes on affordable housing, manufacturing, food security and affordable universal health care.



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MASINGA TECHNICAL AND VOCATIONAL COLLEGE

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

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

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

MR. PATRICK S. KITHOME

CHAIRMAN, BOARD OF GOVERNORS

4 REPORT OF THE PRINCIPAL

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

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

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

The Strategic Plan reviews the Vision and Mission that will encompass all those involved in its execution. It also reviews the analysis of the Internal and External environment using Strengths, Weaknesses,

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Opportunities and Threats (SWOT) and Political, Economic, Social, Technological, Environmental and Legal (PESTEL) analysis. Subsequently, it identifies key stakeholders and their roles, outlines the Strategic issues and objectives and identifies the strategies to address them. The reviewed Plan prioritizes activities to be implemented under the strategies, and provides an Implementation Plan, a Monitoring and Evaluation system and a projection of the Resource requirements.

MR. KENNETH C.K. NJOROGE
PRINCIPAL

5 REVIEW OF MASINGA TECHNICAL AND VOCATIONALTE COLLEGE 'S PERFORMANCE FOR FY 2019/2020

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

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

Pillar 1: Providing high quality education

Pillar 2: Transparency and accountability

Pillar 3; Partnership and community engagement

Masinga TVC develops its annual work plans based on the above 3 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *College* achieved its performance targets set for the FY 2019/2020 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar		Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	Provide high quality technical education	To produce competent graduate to meet dynamic market	Attracting high number of trainees from all over the country	Marketing, use of Technology and use KUCCPS	Increased enrolment number of trainees
Pillar 2	Transparency and accountability	To ensure openness and sharing of information	Producing true and fair financial reports	Strictly adhering to PFM Act 2012 including audit	Being audited and sharing audit reports that are true and fair.
Pillar 3	Partnership and community engagement	To include the community in the activities of the College	Collaboration between the college and the community	Finance sponsorship to needy students. Taking place in activities such tree planting	CDF Masinga sponsoring needy students. Community coming for tree planting activities.

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6 CORPORATE GOVERNANCE STATEMENT

Good corporate governance is key to the integrity of Government institutions and is to its sustainability. Corporate governance plays a leading role in how corporations and their boards and management are directed, controlled and held to account. Corporate governance, therefore, encompasses the systems, practises and procedures by which the individual institution is regulated in order to remain competitive, ethical, sustainable and fair.

The board of governors of Masinga Technical and Vocational College adhere to the principal of openness, integrity and accountability in its stewardship of the College affairs. It recognises the developing nature of corporate governance and assess the College's compliance with generally accepted corporate governance practises on regular basis and the management. The role of the Board is to ensure conformance by focusing on and providing the College's overall strategic direction and policy-making as well as performance review through accountability and ensuring appropriate monitoring and supervision. The Board is also responsible for the overall system of internal control and for reviewing its effectiveness. The controls are designed to both safeguard the College's assets and ensure reliability of financial information.

The Board consist of the Chairman and eight members who have been in accordance to TVET Act 2013. The Board at least four times a year.

The Board is responsible for setting the direction of the College through establishment of strategic objectives, key policies and approval of budgets. The Board held the following meetings during financial year 2019/2020.

Name	Designation	No. of Meetings	Meetings attended.
Patrick Kithome	Chairman	3	3
Kenneth Njoroge	Principal/Secretary	3	3
Sylvester Muok Joseph	Member	3	2
Emmaculate A.Masime	Member	3	2
Catherine W. Karanja	Member	3	0
Job Kitetu	Member	3	2
Faith Nzivo	Member	3	2
John Wamae	County Director	3	1

7 MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year 2019/2020, Masinga Technical and Vocational College recorded an increase in revenue collection by 57% from ksh 4,238,220 to 6,664,635. This was due release of operation/recurrent

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MASINGA TECHNICAL AND VOCATIONAL COLLEGE

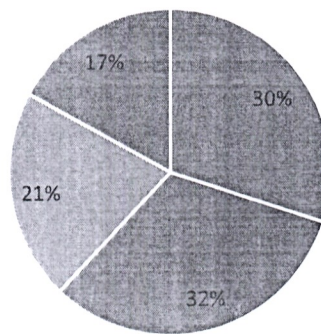
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

grant constituting 30% of the revenue collected and another 32% as capitation. There was also increase in HELB LOANS to students contributing 17% of the revenue collected while fees directly from students contributing 21%

The management of Masinga Technical and Vocational College rely mostly on recurrent grants and capitation from the government to run its operations.

The College is growing and attracting students from all over the country through KUCCPS which is projected to increase steadily. However, this may be thwarted by lack of infrastructure such as classrooms and hostels.

Revenue



■ Grant ■ Capitation ■ Students self payments ■ Students loans from HELB

8 CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Masinga Technical and Vocational College being a public entity embraces the policy of Corporate Social Responsibility (CSR) through engaging herself with the following responsibilities.

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

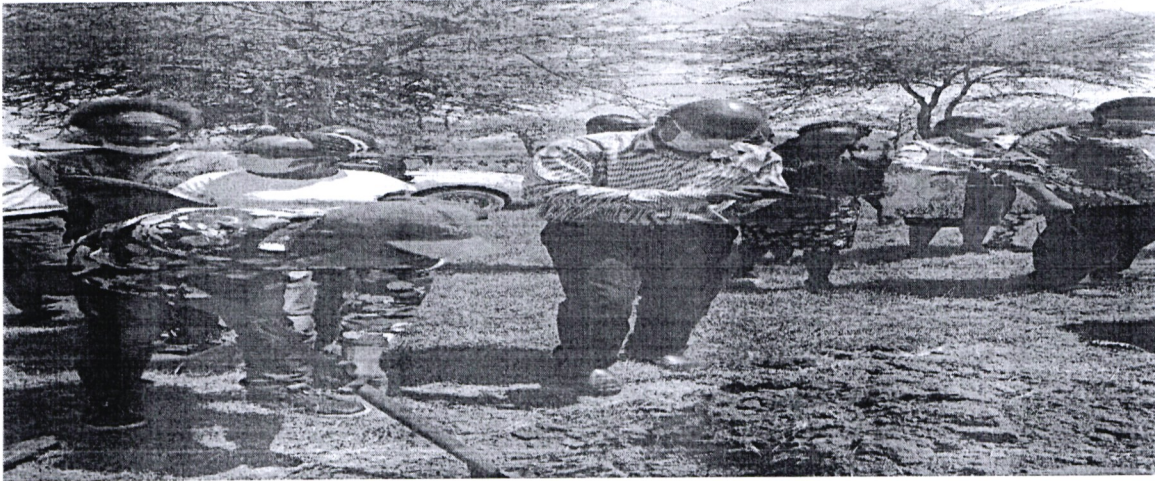
1. Sustainability strategy and profile -

Masinga Technical and Vocational College engaged HELB to aid assistance to needy students who had challenges regarding fees payment. This enables students to continue studying rather than being sent home for school fees. This has been a positive strategy that increased our cash flow as it is discussed in the next pages. Approaching Masinga CDF has also yield fruits as far as fees collection is concerned.

2. Environmental performance

Masinga Technical and Vocational College takes environment sustainability as one of her mandate and responsibility. In this regard, we have annual Tree planting day/event where the community is also invited to take part.

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21/09/2021



Tree planting event at Masinga Technical and Vocational College

3. Employee welfare

Masinga Technical and Vocational College focus on employee welfare as a core driver of the institution activities. On this regard, the college managed to offer attachment opportunities to two (2) students in the department of ICT and Accounts. The College intends to keep on offering these opportunities every year.

The College installed fire extinguishers in the institution as precaution measures against such risks in compliance Occupation Safety and Health Act of 2007.

4. Market place practices-

Masinga Technical engages in responsible completion and respect to the competitors. The college ties her efforts to proper marketing activities such as person to person or use of internet to reach potential students.

The College honours her obligations towards suppliers where they are paid on time according the contracts between the two.

5. Community Engagements-

The College involves activities such as tree planting

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21/04/2021



Community participating in Tree planting event

9 REPORT OF THE BOARD OF GOVERNORS

The Board members submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the *Masinga TVC*'s affairs.

Principal activities

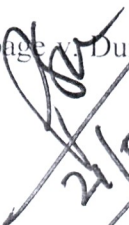
The principal activities of the entity are to provide quality technical Education.

Results

The results of the entity for the year ended June 30 are set out on page v-27
There was no report to that effect.

BOARD OF GOVERNORS

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


~~2/10/2020~~

Auditors

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

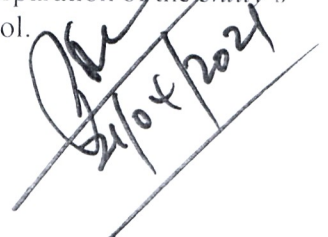
By Order of the Board

10 STATEMENT OF BOARD OF GOVERNORS MEMBERS' RESPONSIBILITIES

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

The council members are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *entity*; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The council members accept responsibility for the *Masinga Technical and Vocational College's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *TVET Act* 2013. The council members are of the opinion that the *Masinga Technical and Vocational College's* financial statements give a true and fair view of the state of *College's* transactions during the financial year ended June 30, 2020, and of the *Masinga TVC's* financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the *College*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

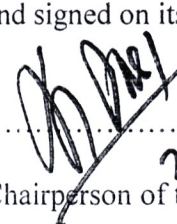
A handwritten signature in black ink is written over a diagonal line. Below the signature, the date "21/04/2021" is written in black ink.


MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

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

Approval of the financial statements

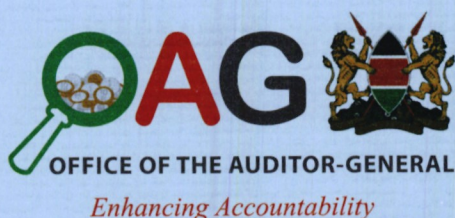
The *Masinga Technical and Vocational College's* financial statements were approved by the Board on ... and signed on its behalf by:


.....
21/04/2021
Chairperson of the Board


.....
Accounting officer/Principal

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MASINGA TECHNICAL AND VOCATIONAL TRAINING COLLEGE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Masinga Technical and Vocational Training College set out on pages 1 to 27, which comprise the statement of financial position as at 30 June, 2020, and statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Masinga Technical and Vocational Training College as at 30 June, 2020 and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with Technical and Vocational Education and Training (TVET) Act, 2013 and the Public Finance Management Act, 2012.

Basis for Adverse opinion

1. Inaccuracies in the Financial Statements

1.1 Inaccurate Statement of Cash Flows

Review of the statement of cash flows showed the following errors:

- i. Statement of cash flows reflects balances of Kshs.1,403,015 and Kshs.226,431 as increase in receivables and accrued expenses reconciliations respectively. However, the balances were not supported by disclosure notes to the financial statements.
- ii. Statement of cash flows also reflects an amount of Kshs.116,400 as the increase in deposits for the year which differs with the amount of Kshs.32,400 confirmed on re-computation from the statement of financial position.

- iii. Statement of financial position reflects balances of Kshs.1,431,437 and Kshs.1,880,963 as the increase in inventories and trade and other payables respectively. However, the working capital changes in respect of inventories and trade and other payables were not included in the statement of cash flows.
- iv. The statement of cash flows reflects comparative amounts of Kshs. nil, Kshs.848,758 and Kshs.968,590 in respect of repairs and maintenance, general expenses and increase in receivables instead of amounts of Kshs.96,500, 829,688 and Kshs.1,110,744 on the three accounts respectively as confirmed from the financial statements for 2018/19 financial year.

Consequently, the accuracy and completeness of the statement of cash flows could not be confirmed.

1.2 Inaccurate Statement of Comparison Budget and Actual Amounts

Review of the statement of budgets and actual amounts showed the following anomalies:

- i. Statement of comparison budget and actual amounts reflects the receipts of Kshs.4,664,635 in respect of revenue from rendering of services which differs with the amount of Kshs.5,357,870 shown in the statement of financial performance resulting to a variance of Kshs.693,235 which was not reconciled or explained.
- ii. Statement of comparison of budget and actual amounts shows total expenditure for the year amounting to Kshs.6,383,524 while the statement of financial performance has expenditure totaling Kshs.5,590,215 resulting to a variance of Kshs.793,309 for which no explanation was provided.
- iii. Statement of comparison of budget and actual amounts reflects a balance of Kshs.281,111 as the net surplus for the year which differs from the amount of Kshs.1,767,655 disclosed in the statement of financial performance resulting to unexplained variance of Kshs.1,486,544.

Consequently, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed .

1.3 Inaccurate General Expenses

The statement of financial performance reflects an amount of Kshs.2,938,145 in respect of general expenses as disclosed in Note 9 to the financial statements. However, a casting error of Kshs.30,450 was noted under note 9 resulting to correct general expenses totaling Kshs.2,907,695.

Consequently, the accuracy and completeness of the general expenses amounting to Kshs 2,938,145 could not be confirmed.

2. Unexplained Variance for Revenue from Exchange Transactions

The statement of financial performance reflects an amount of Kshs.5,357,870 in respect of revenue from rendering of services- fees from students as disclosed in Note 7 to the

financial statements . However, the amount differs with the supporting ledger balance of Kshs.6,664,635 resulting to unexplained variance of Kshs.1,306,765.

In the circumstances, the completeness and accuracy of the revenue from exchange transactions amounting to Kshs.5,357,870 could not be confirmed.

3. Non-Inclusion of Property Plant and Equipment Items in the Financial Statements

Review of documents provided showed that the College had items of plant, property and equipment that were not valued for inclusion in the statement of financial position. Further, the land on which the College is built and the developments therein were also not included in the statement of financial position.

Consequently, the financial statements do not reflect the correct financial position of the College as at 30 June, 2020.

4. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.6,766,710 in respect of receivables from non-exchange transactions as disclosed in Note 14 to the financial statements. However, the balance relates to students' debtors and therefore, should have been disclosed under receivables from exchange transactions and not from non-exchange transactions as described. Further, ageing analysis for the debtor's balance of Kshs.6,766,710 was not provided for audit and Management did not demonstrate efforts towards recovery of the outstanding amounts.

In the circumstances, the accuracy, completeness, fair statement and recoverability of the receivables from exchange transaction amounting to Kshs.6,766,710 as reported in the financial statements could not be confirmed.

5. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.286,111 as disclosed in Note 13 to the financial statements . However, the bank balance was not supported with adequate relevant documents such as bank reconciliation statements, board of survey report, cash books and bank statements.

In the absence of adequate relevant supporting documents, it has not been possible to ascertain the accuracy, completeness and fair statement of the reported cash and cash equivalents balance of Kshs.286,111.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Masinga Technical and Vocational Training College Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I

believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my Adverse opinion.

Key Audit Matters

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

Other Matters

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs. 12,930,285 and Kshs. 6,664,635 respectively, resulting to an underfunding amounting to Kshs. 6,265,650 or 48% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs. 12,930,285 and Kshs. 6,383,524 respectively, resulting to an underperformance amounting to Kshs. 6,546,761 or 51% of the budget.

The underfunding and under expenditure affected the planned activities and may have impacted negatively on the College's performance.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with Prescribed Format

Review of the financial statements presented for audit showed errors as detailed below:

- i. Table of Contents does not include, the Board of Governors in page vi and Chairman's report in page x. Further, the page numbers indicated does not correspond to the actual pages for some items.
- ii. Board of Governors information in page vi does not include passport size photographs of one of the members.
- iii. Chairman's Statement on page xi is not signed.
- iv. Report of the Principal at page xi and xii is not signed.

- v. Financial statements do not indicate page numbers between xv and xviii.
- vi. Report of the Board of Governors shown between pages xv and xviii is not signed by the Chairman.
- vii. Statement of Board of Governors Members' Responsibilities has referred to the Board of Governors as Council Members.
- viii. Statement of compliance and basis of preparation of the financial statements at page 6 is a replica of the reporting template. The same case applies to the statement of general information and adoption of new and revised standards. The statement does not indicate the impact of the standards to the entity if relevant as indicated in the template.
- ix. Management Analysis and Discussion report on page xiii indicates revenue for the year and for the previous year as Kshs.6,664,635 and Kshs.4,238,220 which differs from the amounts of Kshs.7,357,870 and Kshs.5,801,860 respectively reflected in the statement of financial performance.
- x. Statement of financial performance includes a disclosure on receipts which should be included under the disclosure note but not on the statement.
- xi. Statement of financial position is not signed by the Finance Officer and details of ICPAK membership have not been indicated.
- xii. Statement of financial position refers to financial statements set out on pages 1 to 48 instead of pages 1 to 27 as is the case.
- xiii. Statement of financial position refers to misstatement relating to 2018-19 financial year. However, this should have been corrected under the financial statements for 2019-20 financial year and comparative figures restated in accordance with the requirements of IPSAS 3.

In the circumstances, the financial statements for the year ended 30 June, 2020 as presented do not fully comply with the reporting template and the disclosures prescribed by Public Sector Accounting Standards Board for Technical Vocational Education Training (TVET) Institutions and the International Public Sector Accounting Standards.

2. Lack of Ethnic Diversity

Review of the payroll and the human resources bio-data showed that out of the workforce of thirty-four (34) employees as at 30 June, 2020, eighteen (18) or 53% were from the dominant local ethnic community. This is contrary to the provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which stipulates that no public establishment shall have more than one third of its staff from the same ethnic community.

Consequently, the College is in breach of the law.

3. Irregular Remuneration of Board of Governors

As disclosed in Note 11 to the financial statements, the statement of financial performance reflects remuneration of directors of Kshs.205,000. However, it was noted that there were no approved rates for payments to the Board of Governors contrary to the provisions of Section 17 of the second schedule of the Technical and Vocational Education and Training Act, 2013. It was also noted that the minutes of the board meetings were not signed and there were no attendance registers to support the board meetings.

In the circumstances, the validity and regularity of Kshs.205,000 paid to board of governors could not be confirmed.

4. Irregular Employment of Staff

Audit showed that the College had engaged twenty-four (24) employees on contractual basis as at 30 June, 2020. However, there were no written contracts and letters of appointment to stipulate the terms of engagement, contrary to the provisions of Section 9 (1) and 10(1)(2) of the Employment Act 2007 and Section B.10(1) and (2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016. In addition, there was no documents to support the recruitment process that includes advertisements, applications, interviews and appointments.

In the circumstances, the regularity and value for money of the recruitment could not be confirmed.

5. Unsupported Procurement of Examination Materials

Review of documents provided in support of expenditure for the year showed that an amount of Kshs.318,429 was paid to a company in respect of procurement of examination materials. However, management did not provide documents to show how the company was identified or whether an open and competitive process was used as required by the Public Procurement and Assets Disposal Act, 2015.

In the absence of a competitive process, it has not been possible to confirm the regularity and value for money of the expenditure of Kshs.318,429.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Approved Staff Establishment

During the year under review, the audit showed that the College did not have in place an approved Staff establishment and Scheme of Service. The College may therefore face challenges in undertaking human resource functions such as recruitment, training, promotions and remuneration of its staff.

To this extent, the College is in breach of the law.

2. Lack of a Procurement Function

During the year under review, the Management had not put in place a procurement function including recruitment of a Procurement Officer, to assist in preparation of procurement documents, giving professional opinion on procurement process and provide guidance on general adherence to procurement laws. For this reason, procurement of goods and services was done without use of tender documents including quotations, tender registers, tender opening/ evaluation reports and notification of award.

Failure to establish a procurement function is a contravention of Section 45(1) of the Public Procurement and Assets Disposal Act, 2015.

3. Lack of Risk Management Policy and Disaster Recovery and Business Continuity Plan

The College did not have an approved Risk and Fraud Management Policy. This is contrary to section 165(1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and internal control that builds robust business operations. In the absence of a Disaster Recovery and Business Continuity Plan, the College lacks a blue print for identifying, preventing and mitigating against disasters and ensuring that its operations are not interrupted.

4. Lack of an Internal Audit Function

Audit showed that the College does not have in place an Internal Audit Function and an Audit Committee contrary to the provisions of Section 73(1) and (5) of the Public Finance

Management Act, 2012 which requires every National Government entity to have arrangement in place for internal audit function for the purpose of carrying out in depth reviews of management operations and internal controls.

Consequently, the College is in breach of the law.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions

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

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

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

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

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

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

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the College to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 February, 2022

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019-2020 Kshs	2018-2019 Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	6	2,000,000.00	1,000,000.00
		2,000,000.00	1,000,000.00
Revenue from exchange transactions			
Rendering of services- Fees from students	7	5,357,870.00	4,801,860.00
Total revenue		7,357,870.00	5,801,860.00
Expenses			
Use of goods and services	8	593,190.00	261,920.00
General expenses	9	2,938,145.00	829,688.00
Employee costs	10	1,811,160.00	3,061,677.00
Remuneration allowances for Board of Governors	11	205,000.00	246,000
Repairs and maintenance	12	42,720.00	96,500
Total expenses		5,590,215.00	4,495,785.00
Other gains/(losses)			
Net Surplus for the year		1,767,655.00	1,306,075.00

The Kshs.2, 000,000.00 received includes Kshs.1, 000,000.00 that was for quarter 3 and 4 of Financial Year 2018/2019.

 21/04/2021

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

12 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

	Notes	2019-2020 Kshs	2018-2019 Kshs
Assets			
Current assets			
Cash and cash equivalents	13	286,111.00	31,501.00
Receivables from non-exchange transactions	14	6,766,710.00	5,363,695
Inventories/store	15	1,431,437.00	-
Non-current assets		-	-
Total assets		8,484,258.00	5,395,196.00
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	16	1,880,963.00	-
Refundable deposits from customers	17	116,400.00	84,000.00
Non-current liabilities			
Total liabilities		1,997,363.00	84,000.00
Reserves			
Accumulated surplus		4,485,895	3,310,196.00
Capital Fund		2001000	2,001,000.00
Total net assets and liabilities		8,484,258.00	5,395,196.00

NOTES:

The Financial statements for F/Y 2018/2019 had material misstatement due to unavailability of proper records which have been corrected in the F/Y 2019/2020. However lack of costs related to Assets such as land, buildings, furniture and equipment still give a major challenge in preparation of true and fair reports.

The Financial Statements set out on pages 1 to 48 were signed on behalf of the Institute Council/ Board of Governors by:

Chairman of Council/Board of Governors

Date..... 21/04/2021

Finance Officer

ICPAK No

Date

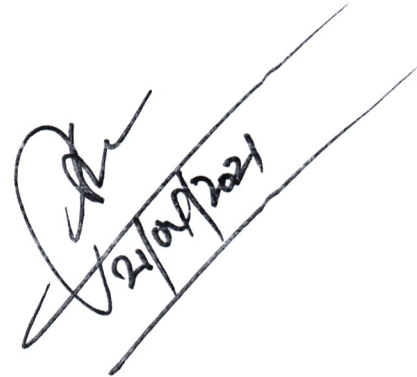
Principal

Date..... 20/4/2021

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

13 STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 30TH JUNE 2020

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
At July 1, 2018	-	-	1,412,165	-	1,412,165.00
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	1,306,075.00	-	1,306,075.00
Capital/Development grants received during the year	-	-	-	2,001,000.00	2,001,000.00
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-
At June 30, 2019	-	-	2,718,240.00	-	4,719,240.00
At July 1, 2019	-	-	2,718,240.00	2,001,000	4,719,240.00
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	1,767,655.00	-	1,767,655.00
Capital/Development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-
At June 30, 2020	-	-	4,485,895.00	2,001,000.00	6,486,895.00


2/09/2021

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

14 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

		2019-2020	2018-2019
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	6	2,000,000.00	1,000,000.00
Rendering of services- Fees from students	7	5,357,870.00	4,801,860.00
Total Receipts		7,357,870.00	5,801,860.00
Payments			
Use of goods and services	8	593,190.00	261,000.00
General expenses	9	2,938,145.00	848,758.00
Compensation of employees	10	1,811,160.00	3,061,677.00
Remuneration allowances for Board of Governors	11	205,000.00	246,000.00
Repair and Maintenance	12	42,720.00	0
Increase in receivables reconciliation		1,403,015.00	968,590.00
Accrued expenses reconciliation		226,431.00	220,504.00
Total Payments		7,219,661.00	5,606,529.00
Net cash flows from operating activities		138,209.65	195,331.00
Cash flows from investing activities			
Net cash flows used in investing activities		0	0
Cash flows from financing activities			
Increase in deposits		116,400.00	31,200.00
Net cash flows used in financing activities		116,400.00	31,200.00
Net increase/(decrease) in cash and cash equivalents		254,609.65	226,531.00
Cash and cash equivalents at 1 JULY 2019	13	31,501.42	-195,030
Cash and cash equivalents at 30 JUNE 2020	13a	286,111.07	31,501.00

[Handwritten signature]
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MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020


15 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs
Revenue										
Transfers from other Govt entities Govt grants	2,000,000.00		0		2,000,000.00		2,000,000.00		0	
Rendering of services- Fees from students	10,930,285.00		0		10,930,285.00		4,664,635.00		-6,265,650.00	
Total income	12,930,285.00		0		12,930,285.00		6,664,635.00		-6,265,650.00	
Expenses										
Compensation of employees	1,534,000.00		-		1,534,000.00		1,646,296.00		-112,296.00	
Remuneration of directors	590,000.00		0		590,000.00		145,000.00		445,000.00	
General expenses	10,806,285.00		-		10,806,285.00		4,592,228.00		6,214,057.00	
Total expenditure	12,930,285.00				12,930,285.00		6,383,524.00		6,546,761.00	
Surplus for the period	0.00		0		0.00		281,111.00		281,111.00	

Budget notes

NOTES;

- The College received Kshs.2, 000,000.00 in the financial year 2019/2020 but Ksh.1, 000,000.00 was for Q3&4 of F/Y 2018/2019.
- The rendering services (fees from students) was heavily affected by COVID-19 Pandemic hence bringing up a huge negative variance.
- The remuneration of directors was affected by COVID-19 Pandemic. Board members receives sitting allowances during meeting which did not occur as planned. The amount is differing from the statement of performance because they sat but were not remunerated Kshs.60, 000.00 for that sitting hence treated as payables.
- The general expenses included the salaries, statutory arrears and payables from the previous F/Y 2018/2019.
- The actuals represents the real cash realized and spent which is showing different amount from the statement of financial performance which is showing invoice amount as per accrual basis.


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16 NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

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

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. Significance to the financial statements The standard had no impact in preparation of financial statements

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</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"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>Significance to the financial statements</p> <p>The standard had no impact in preparation of financial statements</p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</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> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p>Significance to the financial statements</p> <p>The standard had no impact in preparation of financial statements</p>

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Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. <p>Significance to the financial statements The standard had no impact in preparation of financial statements</p>
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard. <p>Significance to the financial statements The standard had no impact in preparation of financial statements</p>

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iii. Early adoption of standards

- Significance to the Financial Statements

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

- Significance to the Financial Statements

Masinga Technical and Vocational College recognised recurrent grants in the statement of financial performance on receipt of particular funds.

ii) Revenue from exchange transactions

Rendering of services

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

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

- Significance to the Financial Statements

Masinga Technical and Vocational College recognised revenue from rendering of service which is to take one year from the date of invoicing.

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

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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.

- Significance to the Financial Statements

Masinga Technical and Vocational College had no revenue from sale of goods hence had no significance on financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

- Significance to the Financial Statements

Masinga Technical and Vocational College had no rental income hence had no effect on the financial statement.

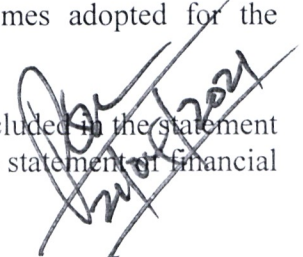
b) Budget information

The original budget for FY 2019/2020 was approved by the Council or Board on **21/09/2019**. There were no subsequent revisions or additional appropriations that were made to the approved budget.

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

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

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



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c) Taxes

Current income tax

Masinga Technical and Vocational College is exempted from income tax under Income Tax Act cap 470 Section 13(1), Part I of the First Schedule(10)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (continued)

Sales tax/ Value Added Tax

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

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

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

d) Investment property

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

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

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

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

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in

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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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

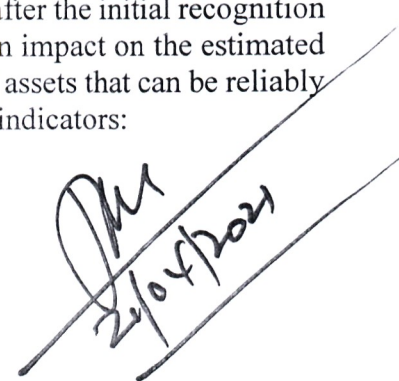
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated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

Held-to-maturity

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

Impairment of financial assets

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

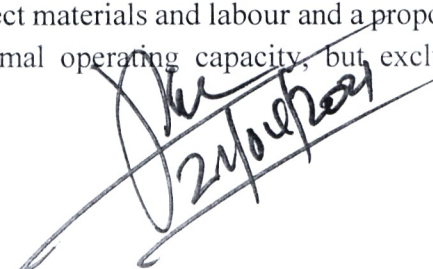
Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

i) Inventories

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

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

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

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

Masinga Technical and Vocational College does not maintain reserve accounts but there are reserves in the statements

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

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

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o) Borrowing costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

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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.

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.

6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2019-2020	2018-2019
	KShs	KShs
Unconditional grants		
Operational grant-Through NKABUNE TTI	2,000,000	1,000,000
Total	2,000,000	1,000,000
Conditional grants		
Total government grants and subsidies	2,000,000	1,000,000

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7 RENDERING OF SERVICES

Description	2019-2020	2018-2019
	KShs	KShs
Tuition fees	1,260,315.00	938,745
Activity fees	1,471,735.00	1949355
Examination fees	757,610.00	511580
Library fees	96,000.00	82000
Facilities and materials	1,637,210.00	1254680
Registration fees	135,000.00	65500
Total revenue from the rendering of services	5,357,870.00	4,801,860.00

- The rendering of services is on accrual basis.
- The revenue are recognised annually but divided into three terms as per student calendar year. The realization of revenue from rendering services was heavily affected by COVID-19.
- Capitation is treated as part of fees which is to reduce students 'fees balance immediately received and receipt issued in favour of the students
- The College is yet to come up with a policy on writing off bad debts
-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 USE OF GOODS AND SERVICES

Description	2019-2020	2018-2019
	KShs	KShs
Exam fees expenses	593,190.00	261920
Total good and services	593,190.00	261920

9 GENERAL EXPENSES

Description	2019-2020	2018-2019
	KShs	KShs
Electricity	120,000.00	100,000
Advertising	94,500.00	125,000
Conferences and delegations		237,246
Consumables	258,350.00	42520
Fuel and oil	8,105.35	0
Printing and stationery	554,430.00	104,278
Hire charges	13,600.00	6000
Telecommunication	25,200.00	0
Training expenses	209,500.00	0
Other	1,624,010.00	214,644.00
Total good and services	2,938,145.00	829,688.00

10 EMPLOYEE COSTS

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	2019-2020	2018-2019
	KShs	KShs
Salaries and wages	1,809,660.00	3,054,377.00
Employee related costs - contributions to pensions and medical aids	-	-
Overtime payments	1,500.00	7,300
Employee costs	1,811,160.00	3,061,677.00

11 REMUNERATION ALLOWANCES FOR BOARD OF GOVERNORS

Description	2019-2020	2018-2019
	KShs	KShs
Directors emoluments	205,000.00	246,000
Total director emoluments	205,000.00	246,000

12 REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	KShs	KShs
Property	42,720.00	96,500
Total repairs and maintenance	42,720.00	96,500

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	KShs	KShs
Current account	286,111.07	31,501
Total cash and cash equivalents	286,111.07	31,501

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

Financial institution	Account number	2019-2020	2018-2019
		KShs	KShs
a) Current account			
Kenya Commercial bank	1223175537	5,000.00	5000
Equity Bank,	0390275609102	281,111.07	26,501
Sub- total		286,111.07	31,501
Grand total		286,111.07	31,501

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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14 RECEIVABLES FROM EXCHANGE TRANSACTIONS

(a)

Description	2019-2020 KShs	2018-2019 KShs
Current receivables		
Student debtors	6,766,710.00	5,363,695.00
Total current receivables	6,766,710.00	5,363,695.00

15 INVENTORIES

Description	2019-2020 KShs	2018-2019 KShs
Consumable stores	249,368.00	-
Electrical stores	1,037,929.00	-
Catering stores	144,140.00	-
Total inventories at the lower of cost and net realizable value	1,431,437.00	-

16 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020 KShs	2018-2019 KShs
Third-party payables	1,880,963.00	-
Total trade and other payables	1,880,963.00	-

17 REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2019-2020 KShs	2018-2019 KShs
Caution money	116,400.00	84000
Total deposits	116,400.00	84000

18 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

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2020				
At 30 June 2020				
Receivables from exchange transactions	6,766,710.00	4,058,921.00	2,707,789.00	-
Bank balances	281,111.07	-	-	-
Total	7,047,821.07	4,058,921.00	2,707,789.00	-

46. FINANCIAL RISK MANAGEMENT (Continued)**(i) Credit risk (continued)**

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

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

(ii) Liquidity risk management

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

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

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	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Trade payables	106,000.00	50,000.00	1,605,152.00	1,761,152.00
Employee benefit obligation	119,811.00	-	-	119,811.00
Total	225,811.00	50,000.00	1,605,152.00	1,880,963.00

46. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

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

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

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

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

- (a) Masinga Technical and Vocational College is working to put up Internal Audit function and Audit Committee.

46. FINANCIAL RISK MANAGEMENT (Continued)

Masinga Technical and Vocational College is not projecting any financial risks yet.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 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

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The Government of Kenya is the principal shareholder of the *Masinga Technical and Vocational College*, 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) Key management;
- iv) Board of Governors;

	2019-2020	2018-2019
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Total	-	-
b) Grants from the Government		
Grants from National Govt	2,000,000.00	1,000,000.00
Total	2,000,000.00	1,000,000.00
c) Expenses incurred on behalf of related party		
Total	-	-
d) Key management compensation		
Directors' allowances	145,000.00	246,000.00
Compensation to the CEO	-	-
Compensation to key management	240,000.00	240,000.00
Total	385,000.00	286,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 SEGMENT INFORMATION

Masinga Technical and Vocational College has only one area of operation

21 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Masinga Technical and Vocational College did not have any contingent assets nor liabilities

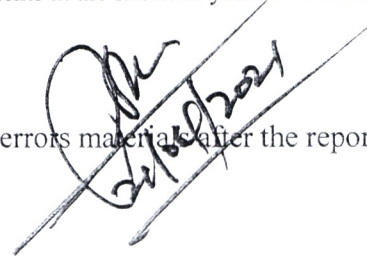
22 CAPITAL COMMITMENTS

Masinga Technical and Vocational College did not have Capital commitments in the financial year 2019/2020

23 EVENTS AFTER THE REPORTING PERIOD

There were some adjustments on receivables for correction of errors material after the reporting period.

24 ULTIMATE AND HOLDING ENTITY



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

25 Currency

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

17 APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Masinga Technical and Vocational has not yet been audited before.

Guidance Notes:

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

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

Date.....20/04/21.....

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

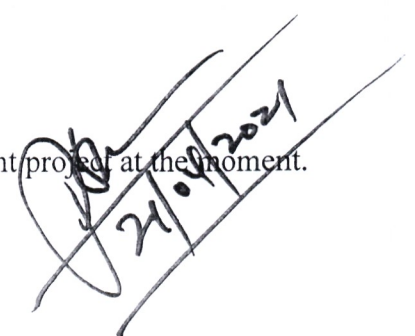
Projects

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

Masinga Technical and Vocational College is not running any development project at the moment.

Status of Projects completion

Masinga Technical and Vocational College is not running any development project at the moment.



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APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of -NKABUNE TTI				
FY 2019/2020				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		19/07/2019	1,000,000.00	F/Y 2018/2019
		29/05/2020	1,000,000.00	F/Y 2019/2020
		Total	2,000,000.00	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	-	-
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Capitation	19/07/2019	1,470,000.00	F/Y 2018/2019
	Capitation	12/11/2019	675,000.00	F/Y 2019/2020
		Total	2,145,000.00	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>


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

Finance Manager
entity

Sign -----

Head of Accounting Unit
Ministry

Sign  -----


21/04/2021

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized				Total Transfers during the Year	
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables		Others - must be specific
Ministry of Education	19/07/2019;	Recurrent	1,000,000.00	1,000,000.00	-	-	-	-	1,000,000
Ministry of Education	29/05/2020	Recurrent	1,000,000.00	1,000,000.00	-	-	-	-	1,000,000
Ministry of Education	19/07/2019	Direct Payment	1,470,000.00	-	-	-	1,470,000.00	-	1,470,000
Ministry of Education	12/11/2019	Direct Payment	675,000.00	-	-	-	675,000.00	-	675,000.
Total			4,145,000.00	2,000,000.00	-	-	2,145,000.00	-	4,145,000

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21/04/2021

