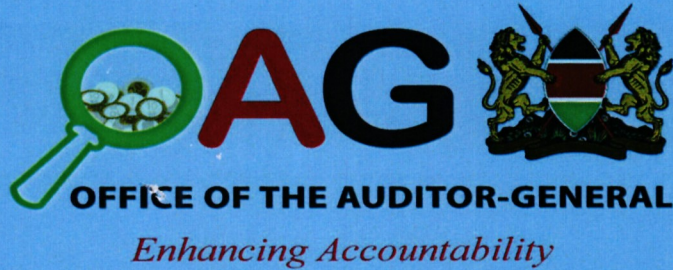


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REPORT

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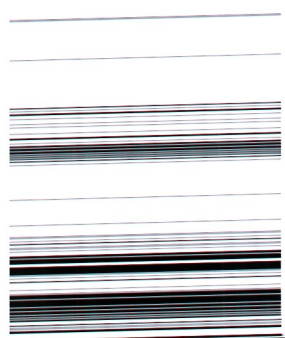
| | |
|-----------------------|--|
| THE NATIONAL ASSEMBLY | |
| DATE: 25 JUL 2023 | DAY: TUESDAY |
| TABLED BY: | Hon Naomi Waga, MP Deputy Majority Whip |
| CLERK-AT THE TABLE: | Anne Shuburo |

THE AUDITOR-GENERAL

ON

**TETU TECHNICAL AND VOCATIONAL
COLLEGE**

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





TETU TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE 2022

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



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

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

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I. Key Tetu TVC Information and Management

(a) Background information

The college was established under the TVET Act 2013 on 2nd Feb 2019, it's domiciled in Kenya and has no branches. The College is a technical and vocational college under the Ministry of Education Currently the college has the following academic programmes

- a) Food & beverages
- b) Fashion and design
- c) Information communication technology
- d) Plumbing
- e) Electrical engineering
- f) Hairdressing and Beauty therapy

(b) Principal Activities

The principal activity of the college is to provide quality TVET skills using appropriate technology to empower trainees for global competitiveness

College motto

TVET skills for industrial growth

Mission

To provide quality TVET skills using appropriate technology to empower trainees for global competitiveness

Vision

To be a leader in provision of technical skills in Kenya and beyond

(c) Key Management

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

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

- a) Board of Governors
- b) Accounting officer/ Principal
- c) Head of departments
- d) Heads of sections

(d) Fiduciary Management

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

| No. | Designation | Name |
|-----|---|------------------------|
| 1. | Principal | Fredrick Wainaina |
| 2 | Deputy Principal | Josiah Kivondo Mwanja |
| 3 | Ag. Registrar | Henry Kihara Mbugua |
| 4 | Ag. Head of Department-ICT | James Mwangi Kihara |
| 5 | Ag Dean of Students | Charles Omweri Omambia |
| 6 | Ag Head of Department- Institutional Management | Lilly Wangari Mugo |
| 7 | Ag Head of Department-plumbing | Gideon Muraguri |
| 8 | Ag Head of Department- Electrical | Josiah Macharia Ndonga |
| 9 | Finance Officer | Kelvin Njaungiri |

e) Fiduciary Oversight Arrangements

Audit and risk committee activities

- To evaluate adequacy of management procedure with regard to issues relating to risk management, control and governance;
- To review external audit findings and recommendations and propose corrective and preventive actions where necessary;
- To review the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics;
- To initiate special audits and or investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Accounting Officer; and
- To exercise such other powers as the Board may from time to time delegate to the Committee

Finance and operations committee activities

- To receive, consider and submit the proposed budget estimates from the various college department for approval by the Board;
- To receive and consider all requests for authorization of expenditure more than the approved annual estimates and make recommendations to the Board;
- To report to the Board all matters related to finance and development;
- To ensure that accurate records are kept on the establishments in the College;
- To consider and recommend to the Board the priority development projects and receive reports, and the recommendations of Management on the progress of the physical development of the College;
- To report to the Board on the progress of physical infrastructure development of the College;
- To prepare College Development plans for an approved period and submit to the Board; and
- To exercise such other powers as the Board may from time to time delegate to the Committee.

Academic committee activities

- Formulation and Review of the Academic Policy
- Quality Assurance
- Development and Implementation of New Programmes
- Determination of Resources:
 - Human Resource
 - Teaching/Learning Materials
- Curriculum Evaluation
- Establish Linkage between the College and Industry
- Ensure Relevance of Courses to Market Needs
- In Charge of Graduations and Academic Awards

Key Tetu TVC Information and Management (Continued)

(e) College Headquarters

P.O. Box 1716 – 10100,
Nyeri
3 Km from Giakanja Shopping Center- Off Nyeri Othaya Road

(f) College Contacts

Telephone :(254) 758 660 300
E-mail: tetutvc@gmail.com
Website: www.tetutvc.ac.ke

(g) College Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

Kenya Commercial Bank
Murang'a Branch
P.O. Box 112,
Murang'a;




(h) Independent Auditors

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

(i) Principal Legal Adviser



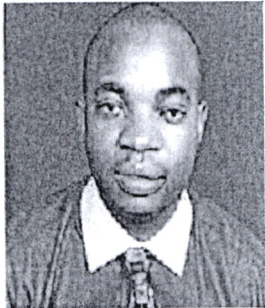
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

II. The Council/Board of Governors

| No. | Member/ Director | Details |
|-----|--|---|
| |  <p>Name: Dr. Mercy W Mwaniki Profession: Lecturer Academic: Doctor of philosophy natural science and technology (Bioscience)</p> | <p>Date of birth: 15th April, 1969 Qualification Doctor of philosophy natural science and technology (Bioscience) Work experience: 30 years</p> |
| |  <p>Name: Catherine Chepng'eno Ng'etich Profession: Electrical Engineer Academic: BSC. Electrical & Electronics Engineering</p> | <p>Date of birth: 25th Nov 1979 Qualification Bsc. Electrical & electronics engineering Work experience 4yrs as acting senior engineer central engineering workshop 6yrs as electrical engineer 2 central engineering workshop</p> |
| |  <p>Name : Arthur Kihato Mamo Profession: Engineer</p> | <p>Date of birth 20th September, 1986 Qualification MBA Project Management BSC. Water Engineering Work experience Project coordinator : 3 yrs Project Engineer: 8 yrs Non –revenue water management engineer: 2yrs</p> |



Tetu Technical and Vocational College

Annual Report and Financial Statements for the year ended 30th June 2022


| | | |
|--|--|---|
| | <p>Academic : MBA Project Management BSC. Water Engineering</p> | |
| | <div style="text-align: center;">  </div> <p>Name :Lucy Mugure Wanyitu Profession: Teacher /Trainers Academic : Masters in gender &development studies</p> | <p>Date of birth 8th August, 1966</p> <p>Qualification Master in gender &development studies Bachelors of education arts</p> <p>Work experience 1 Year as county executive officer 4years as member of county assembly 21 years as a teacher at Nyeri Moi Complex and Tetu Girls</p> |
| | <div style="text-align: center;">  </div> <p>Name: Doreen Kairuthi Mugiira Profession: Accountant Academic: Bachelors Of Commerce (Finance)</p> | <p>Date of birth: 05/06/1985</p> <p>Qualification Bachelors Of Commerce (finance) Diploma In Business Management Certificate In Business Administration</p> <p>Work experience 1 yr as IT and customer relations at centenary sacco 4 yrs as clerical officer at CDF North Imenti Constituency</p> |
| | <div style="text-align: center;">  </div> <p>Name: Sebastian Chitechi Kweyu Profession: Lecturer/Business Consultancy Academic: MBA</p> | <p>Date of birth 24/02/1973</p> <p>Qualification Phd candidate Kenyatta University MBA University of Nairobi BSC Tourism Degree Moi University</p> <p>Work experience 2012- date Lecturer Kenyatta university 2014 -2015 commercial manager southern airlines 2011- 2011 revenue manager arik air 2006- 2011 senior demand analyst Kenya airways 2005- 2006 capacity control coordinator Qatar airways</p> |

Tetu Technical and Vocational College

Annual Report and Financial Statements for the year ended 30th June 2022




| | | |
|--|---|---|
| |  <p>Name: Mary Jane Waithira Gachuhi Profession: Human Resource Manager Academic: BA (Economic & public Administration)</p> | <p>Date of birth 24th January, 1964 Qualification Higher diploma in human resource management Work experience 9 years as human resource officer at KPLC 23 Years as human resource officer at KenGen</p> |
| |  <p>Name: Fredrick Wainaina Principal Tetu TVC</p> | <p>Date of birth: 21st march 1968 key Qualifications: Higher diploma in technical education Profession qualifications Diploma in technical education Working experience Teaching experience for 20 years</p> |

III. Management Team

| No. | Member/ Director | Details |
|-----|---|------------------------------|
| |  <p>Fredrick Wainaina Profession Trainer/Lecturer Academic Qualification Higher diploma in technical education</p> | <p>CEO/Principal/Sec BoG</p> |

Tetu Technical and Vocational College



Annual Report and Financial Statements for the year ended 30th June 2022

| | | |
|--|---|------------------|
| |  <p>Josiah Kivondo Mwanja Profession Trainer/Leturer Academic Qualification M. Education (curriculum studies)</p> | Deputy Principal |
| |  <p>Henry Kihara Profession Trainer/Lecturer Academic Qualification Bachelors Of Education(Arts)</p> | Ag. Registrar |
| |  <p>Kelvin Njaungiri Profession Finance Officer Academic Qualification Bachelors Of Commerce/CPA (K)</p> | Finance officer |

Tetu Technical and Vocational College

Annual Report and Financial Statements for the year ended 30th June 2022

| | | |
|--|---|---|
| |  <p>James Mwangi Profession Trainer/Lecturer Academic Qualification Bachelors Of Science In Information Technology</p> | <p>Ag. HoD Information Communication Technology</p> |
| |  <p>Gideon Muraguri Profession Trainer/Lecturer Academic Qualification Bachelors Of Technology In Building Construction</p> | <p>Ag. HoD Plumbing</p> |
| |  <p>Lilly Mugo Profession Trainer/Lecturer Academic Qualification Diploma In Technical Education Food & Beverage</p> | <p>Ag. HoD Institutional management</p> |

| | | |
|--|--|---|
| |  <p>Josiah Macharia Ndonga Profession Trainer/Lecturer Academic Qualification Diploma In Electrical and Electronics</p> | <p>Ag. HoD Electrical and Electronics</p> |
| |  <p>Charles Omwereri Profession Trainer/Lecturer Academic Qualification Diploma In Technical Education Food & Beverage</p> | <p>Ag. Dean of students</p> |

IV. Chairman's Statement



Tetu Technical & Vocational College was established from Kagwathi primary school through collaboration with the National Government and Tetu NG CDF. The College is located within Nyeri County, Tetu Sub County, Karundu Location, Kianjogu Sub-Location, Kagwathi Village.

The college opened its doors to first group of student in March 2019 and by 30th June 2019 it had a population of 89 students. This had been made possible through support of the Government of Kenya, mentoring institution Michuki T T I and the local community.

The College has been implementing her Strategic Plan which was developed through a process of wide consultations with key stakeholders who included the College Management, heads of academic and administrative departments. The plan captures TTVC's strategic objectives for the period 2020-2025 while taking cognizance of the MoE and TVETA strategic plans from where strategic direction has been designed from.

During the Financial year 2021/2022 the college has expanded access to technical & vocational training in by increasing student enrolment levels and providing requisite infrastructure and industry focused programmes. Research & innovations conducted in the institution are expected to help provide solutions to environmental, social, economic and cultural resource utilization challenges facing the Country.

Tetu TVC has also increased equity in the provision of technical & vocational training to disadvantaged groups and created gender balance on the courses offered. Tetu TVC will aim at producing trainees who are socially responsible and have skills, attitudes and entrepreneurial spirit necessary in the development of this country as outlined in Vision 2030 and MTP III.

The college has engaged the local community by engaging them in provision of unskilled labour and provision of locally grown food stuffs. The college has encouraged the local community to put up hostels for the increasing student population

On giving back to the community, the college has been providing tree seedlings to increase the forest cover and also encouraging the community to grow avocados for economic prosperity.

Finally, the College expects community involvement and industry linkages to facilitate its growth as a budding world class institution.

The college in conjunction with National government Constituency development fund –Tetu has continuously constructed the perimeter wall, after putting up the gate.

The Ministry has provided a dedicated transformer to the college, whose installation is almost complete. This will go a long way in making sure that power outages are checked.

Tetu Technical and Vocational College

Annual Report and Financial Statements for the year ended 30th June 2022

The County government of Nyeri with the college has succeeded in installing a floodlight to make sure that the college is secure.

Throughout the financial year, the college has longevity as an ongoing concern.



Dr, Mercy Mwaniki

Chairman-BOG

V. Report of the Principal



Tetu Technical & Vocational College is a national government institution established under the TVET ACT 2013

The college seats on five (5) acres piece of land which was ceded from Kagwathi primary school. The college was put up with the collaboration of the National Government and National Government Constituency Development Fund- Tetu. The College is in Nyeri County, Tetu Sub County, Karundu Location, Kianjogu Sub-Location, Kagwathi Village.

Population

During the financial year 2021/2022, the college achieved a total population of 348 students who are spread out in four departments.

During the year, the college has maintained the following departments:

| <u>Department</u> | <u>Section</u> |
|----------------------|----------------|
| Building Department: | Welding |
| | Plumbing |

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

| | | |
|--------------------------|------------------------|--|
| | Building Technology | |
| Institutional Management | Food & Beverage | |
| | Fashion & Design | |
| | Hairdressing & Beauty | |
| Electrical department | Electrical engineering | |
| ICT | Information technology | |

Strategic plan

The College has a Strategic Plan which was developed through a process of wide consultations with key stakeholders who included the Board of governors.

The plan captures TTVC's strategic objectives for the period 2020-2025 while taking cognizance of the MoE and TVETA strategic plans from where strategic direction has been designed from.

The College managed to launch its strategic plan whereby the occasion was graced by the Governor –Nyeri county.

Access to Technical Education

In the Financial year 2021/2022 the college has improved access to technical & vocational education by increasing student enrolment levels and providing requisite infrastructure and industry focused programmes. Research & innovations conducted in the institution are expected to help provide solutions to environmental, social, economic and cultural resource utilization challenges facing the Country.

Tetu TVC has also increased equity in the provision of technical & vocational training to the disadvantaged groups and created gender balance on the courses offered .Tetu TVC will aim at producing trainees who are socially responsible and have skills, attitudes and entrepreneurial spirit necessary in the development of this country as outlined in Vision 2030 and MTP III.

Training equipment

The college has continuously been equipping the workshops in line with the increasing number of students:

- Additional equipment in Fashion and design

Tetu Technical and Vocational College

Annual Report and Financial Statements for the year ended 30th June 2022

- Additional Equipment in Building technology
- Putting up a plumbing and masonry workshop

Community outreach

The college has involved the local community by engaging them in provision of unskilled labour and provision of locally grown food stuffs.

The college has encouraged the local community to put up hostels for the increasing student population

On giving back to the community, the college has been providing tree seedlings to increase the forest cover and also encouraging the community to grow avocados for economic prosperity.

Finally, the College expects community involvement and industry linkages to facilitate its growth as a budding world class institution.

National government Constituency development fund –Tetu

The college in conjunction with the National government Constituency development fund –Tetu has constructed a section of the perimeter wall, after putting up the gate.

Dedicated transformer

To check on continual power outages the Ministry has provided a dedicated transformer to the college.

The County government of Nyeri with the college has succeeded in installing a floodlight to make sure that the college is secure.

Throughout the financial year, the college has longevity as an ongoing concern.



Wainaina Fredrick

Principal



VI. Statement of Performance against Predetermined Objectives

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 Tetu TVC's performance against predetermined objectives.

Tetu TVC has eight strategic pillars and objectives within its Strategic Plan for the FY 2020/2021-2022/2024. These strategic pillars are as follows:

Pillar 1: Access and Equity

Pillar 2: Institutional Corporate Governance/Management

Pillar 3: Ict (Equipment and Technology)

Pillar 4: Research and Innovation

Pillar 5: Financial resources

Pillar 6: Publicity of the College

Pillar 7: Collaboration and Linkages

Pillar 8: Infrastructure Development

Tetu TVC developed its annual work plans based on the above eight 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 2021/2022 period for its eight strategic pillars, as indicated in the diagram below:

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

| Strategic Pillar | Strategic issues | Strategic Objective | Key Performance Indicators | Activities | Achievements |
|------------------|---|--|---|--|---|
| 1: | access and equity | to diversify training programmes | No. of students enrolled No. of programmes launched | Introduced 1 new learning programmes and applied for registration list the programmes | Increased enrolment of trainees from 183 in year 2021 to 284 in June 2022 |
| 2: | Institutional ,Corporate Governance /Management | Improve Institutional corporate governance/Management | Organisational structure, HIV/Aids, Drug and substance Abuse, Safety measures, Gender mainstreaming, Disability Mainstreaming Affirmation policies | Established institutional policies, strategies and programmes that are responsive to effective governance and management of TVET | Established 4 policies in the year: -gender main streaming -disability mainstreaming policy -human resource manual -academic policy |
| 3: | ICT | Promote effective application of ICT | upgrade the college server | liaise with the Tetu NGCDF to upgrade the college server | upgraded the college server |
| 4: | Research and Innovation | establish forums for sensitization of staff and students | Originality of research document/ideas Award/recognition for innovation | Participate in TVET Fairs Develop innovations | The trade fair was attended at Nyeri NP in preparation for participation in the next financial year. |
| 5: | Financial Resources | Enhance fees collection | fees collection & debts Control systems established and implemented | fees collection policy developed debt management policy developed and operationalized | fees collection policy debt management policy |
| 6: | Human Resource | Enhance the staff adequacy and competent. | increased number of the PSC /BoG staff | - Liaise with the PSC/BoG for meeting gaps in teaching as per | 1 PSC trainer posted to college within the year and |

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

| | | | | | |
|----|----------------------------|-------------------------------------|--|--|--|
| | | | | | the college BoG recruited (4) trainers |
| 7: | Collaboration and linkages | Enhance Collaborations and Linkages | Collaboration and linkages frameworks established and strengthened | Participated in KATTI and CAPA activities to strengthen linkages with other TVET institutions. | capacity building on establishing collaboration and linkages to the TVET institutions managers on December 2021 at Nyeri National Poly and at Meru National Poly in June, 2021 |
| 8: | Infrastructure improvement | Upgrade infrastructure | construction of the 200 metres perimeter length phase 3 and building of shed for the building department | develop a bill of quantity for the building dept. shed and Write a proposal for the funding of the construction of the shed. | Perimeter fence phase 3 constructed measuring 200 metres under Tetu NGCDF Funding and Building shed completed. |

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

VII. Corporate Governance Statement

Good corporate governance is key to the integrity of state corporations and is central to its sustainability. Corporate governance plays a leading role in how corporations and their boards of governors are directed, controlled, and held to account. Corporate governance, therefore, encompasses the systems, practices, and procedures by which the individual corporation is regulated to remain competitive, ethical, sustainable, and fair.

Tetu TVC Board adheres to principles of openness, integrity, and accountability in its stewardship of the College's affairs. It recognizes the developing nature of corporate governance and assesses the College's compliance with generally accepted corporate governance practice on a regular basis, directly and through its full board and Board committees. 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 the reliability of financial information.

The College Board meets regularly to consider issues of operational and strategic importance to the College. Below are the key features of the existing corporate governance practices within Tetu TVC which are reviewed and improved on a regular basis: -

1. College Board

The College Board consists of the Chairman and eight members, who have been appointed in accordance with the TVET Act (2013). The full College Board meets at least four times a year.

The Board is responsible for setting the direction of the College through the establishment of strategic objectives, key policies, and approval of budgets. It monitors the implementation of strategies and policies through a structured approach of reporting by management and consequent accountability.

The Board is actively involved and brings strong independent judgment on its deliberations and discussions. The College Board members have diverse skill set, a wide range of knowledge and experience of College setting that is applied to the formulation of strategic objectives and decision-making. The Board meets regularly and retains full and effective control over the College in all strategic, financial, operational and compliance areas. The College Board held the following full Board meetings during the 2020/2021 financial year:

Meetings held by the Board members

| Name | Designation | Meeting Attended | | | | | Total Meeting |
|----------------------|-------------------|------------------|------------|-----------|----------|-----------|---------------|
| | | 15/09/2021 | 14/12/2021 | 25/2/2022 | 6/5/2022 | 28/6/2022 | |
| Dr Mercy Mwaniki | Chairman of Board | √ | √ | √ | √ | √ | 5 |
| Ms Catherine Ngetich | Board Member | √ | √ | √ | √ | √ | 5 |
| Mr Sebastian Kweyu | Board Member | √ | √ | √ | √ | √ | 5 |

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

| | | | | | | | |
|-------------------------|---------------------------------|--------------|------------|--------------|--------------|--------------|---|
| Ms Doreen Mugiira | Board Member | √ | √ | √ | √ | √ | 5 |
| Ms Mary Gachuhi | Board Member | √ | √ | √ | √ | √ | 5 |
| Mr Authur Mamo | Board Member | X | X | X | X | X | 0 |
| Ms Lucy Wanyitu | Board Member | √ | √ | √ | √ | √ | 5 |
| Charles Nyota | county director TVET | √ | X | √ | √ | √ | 4 |
| Mr Fredrick Wainaina | Secretary of Board/principal | √ | √ | √ | √ | √ | 5 |
| | Attendance rate | 87.5% | 75% | 87.5% | 87.5% | 87.5% | |

BOARD COMMITTEES

To assist the Board in the discharge of its responsibilities, Board committees have been established. All the Board committees meet at least two times a year. The committees are as follows: -

1. FINANCE, HR, PLANNING AND DEVELOPMENT COMMITTEE

Membership

| S no | Name | Designation |
|------|-------------------|-----------------|
| 1 | Ms Mary Gachuhi | Committee Chair |
| 2 | Ms Lucy Wanyitu | Member |
| 3 | Ms Doreen Mugiira | Member |
| 4 | Ms Mary Gachuhi | Member |

Responsibilities:

1. To receive, consider and submit the proposed budget estimates from the various college department for approval by the Board;
2. To receive and consider all requests for authorization of expenditure more than the approved annual estimates and make recommendations to the Board;
3. To report to the Board all matters related to finance and development;
4. To ensure that accurate records are kept on the establishments in the College;
5. To consider and recommend to the Board the priority development projects and receive reports, and the recommendations of Management on the progress of the physical development of the College;
6. To report to the Board on the progress of physical infrastructure development of the College;

Tetu Technical and Vocational College

Annual Report and Financial Statements for the year ended 30th June 2022

7. To prepare College Development plans for an approved period and submit to the Board; and
8. To exercise such other powers as the Board may from time to time delegate to the Committee.

Meetings held by the Board committee:

| Name | Designation | No. of Meetings | Meetings attended |
|----------------------|--------------------|------------------------|--------------------------|
| Ms Mary Gachuhi | Chairperson | 3 | 100% |
| Ms Lucy Wanyitu | Board Member | 3 | 66.67% |
| Ms Doreen Mugiira | Board Member | 3 | 100% |
| Mr Fredrick Wainaina | Secretary | 3 | 100% |

2. AUDIT AND RISK COMMITTEE

Membership

| S no | Name | Designation |
|------|----------------------|-----------------|
| 1 | Ms Doreen Mugiira | Committee Chair |
| 2 | Ms Mary Gachuhi | Member |
| 3 | Mr. Arthur Mamo | Member |
| 4 | Mr Fredrick Wainaina | Secretary |

Responsibilities:

- (1) To evaluate adequacy of management procedure with regard to issues relating to risk management, control and governance;
- (2) To review external audit findings and recommendations and propose corrective and preventive actions where necessary;
- (3) To review the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics;
- (4) To initiate special audits and or investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Accounting Officer; and
- (5) To exercise such other powers as the Board may from time to time delegate to the Committee

Meetings held by the Board committee

| Name | Designation | No. of Meetings | Meetings attended |
|----------------------|--------------------|------------------------|--------------------------|
| Ms Doreen Mugiira | Chairperson | 1 | 100% |
| Ms Mary Gachuhi | Board Member | 1 | 100% |
| Mr. Arthur Mamo | Board Member | 1 | 0% |
| Mr Fredrick Wainaina | Secretary of Board | 1 | 100% |

3. ACADEMIC COMMITTEE

Membership

| S no | Name | Designation |
|------|----------------------|-----------------|
| 1 | Mr. Sebastian Kweyu | Committee Chair |
| 2 | Ms Catherine Ngetich | Member |
| 3 | Ms Lucy Wanyitu | Member |
| 4 | Mr. Arthur Mamo | Member |

Responsibilities:

- i) To Oversee academic performance of the college
- ii) To formulate guidelines rules and regulations of all academic affairs
- iii) Working with the Principal to implement academic policies in the school

Meetings held by the Board committee

| Name | Designation | No. of Meetings | Meetings attended |
|----------------------|--------------|-----------------|-------------------|
| Mr. Sebastian Kweyu | Chairperson | 1 | 100% |
| Ms Catherine Ngetich | Board Member | 1 | 100% |
| Ms Lucy Wanyitu | Board Member | 1 | 100% |
| Mr. Arthur Mamo | Secretary | 1 | 0% |

2. Board Members' Remuneration

Sitting allowance for Board members and Chairman Honorarium are guided by circular No. OP/CAB.9/21/2A/LII/43 dated 23rd November, 2004. The remuneration for Board members consists of sitting and subsistence allowances in connection with Board & Board committee and Chairman's honorarium the financial year ended 30th June, 2022 are outlined under Note 11 on page 23 of these Financial Report and Financial Statements (Board expenses).

3. Succession Plan

The appointment of Board members is the prerogative of the Cabinet Secretary, Ministry of Education. Members have no control of the appointment and duration of service.

4. Board Charter

Tetu TVC Board has a board charter. The Board is also guided by Mwongozo Code of Governance.

5. Appointment and removal of Board members

The appointment of Board members is the prerogative of the Cabinet Secretary, Ministry of Education

6. Induction and Training

Tetu TVC Board of governors are inducted on periodical bases however, in the 2021/2022 financial only one training was done due to inconveniences created by the COVID 19 pandemics.

7. Board and Board Members' Performance

The Board performance evaluation exercise was done in July, 2021.

8. Conflict of interest

In every Board meeting held by the Tetu TVC Board, Members declare conflict of interest on matters in the agenda and register the same in the conflict of interest register book.

9. Ethics and Conduct

Tetu College Board Members uphold the highest standard of Ethics and conduct while executing their mandate.

10. Governance Audit

The Board has put in place a combination of processes and structures to inform, direct, manage and monitor the activities of the College towards the achievement of its objectives. There is an independent audit and risk committee that reports to the Board on a regular basis. The audit and risk committee plays a key role in assisting the Board to fulfill its oversight responsibilities in areas such as financial reporting, internal control systems, risk management systems and the external audit functions.

11. Internal Controls

The College has implemented and maintained internal controls designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard and maintain accountability of the College's assets.

Such controls are based on Law, Government & College regulations, Policies, and circulars and are implemented by trained personnel with appropriate segregation of duties. The effectiveness of the system of internal controls is monitored regularly through operational meetings and the annual external audit.

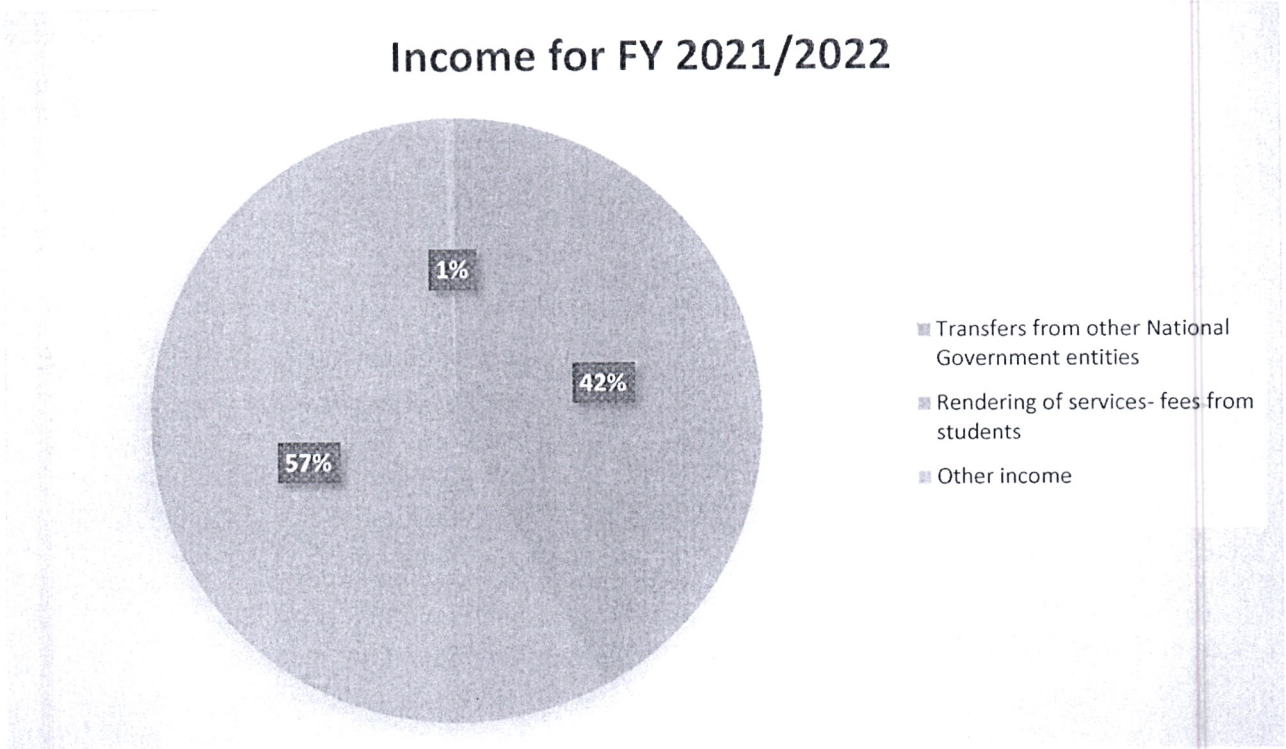
12. Going Concern

The College Board confirms that Tetu College has adequate resources to continue in operation for the foreseeable future and therefore, the continued use of going concern as a basis of preparing the financial statements.

VIII. Management Discussion and Analysis

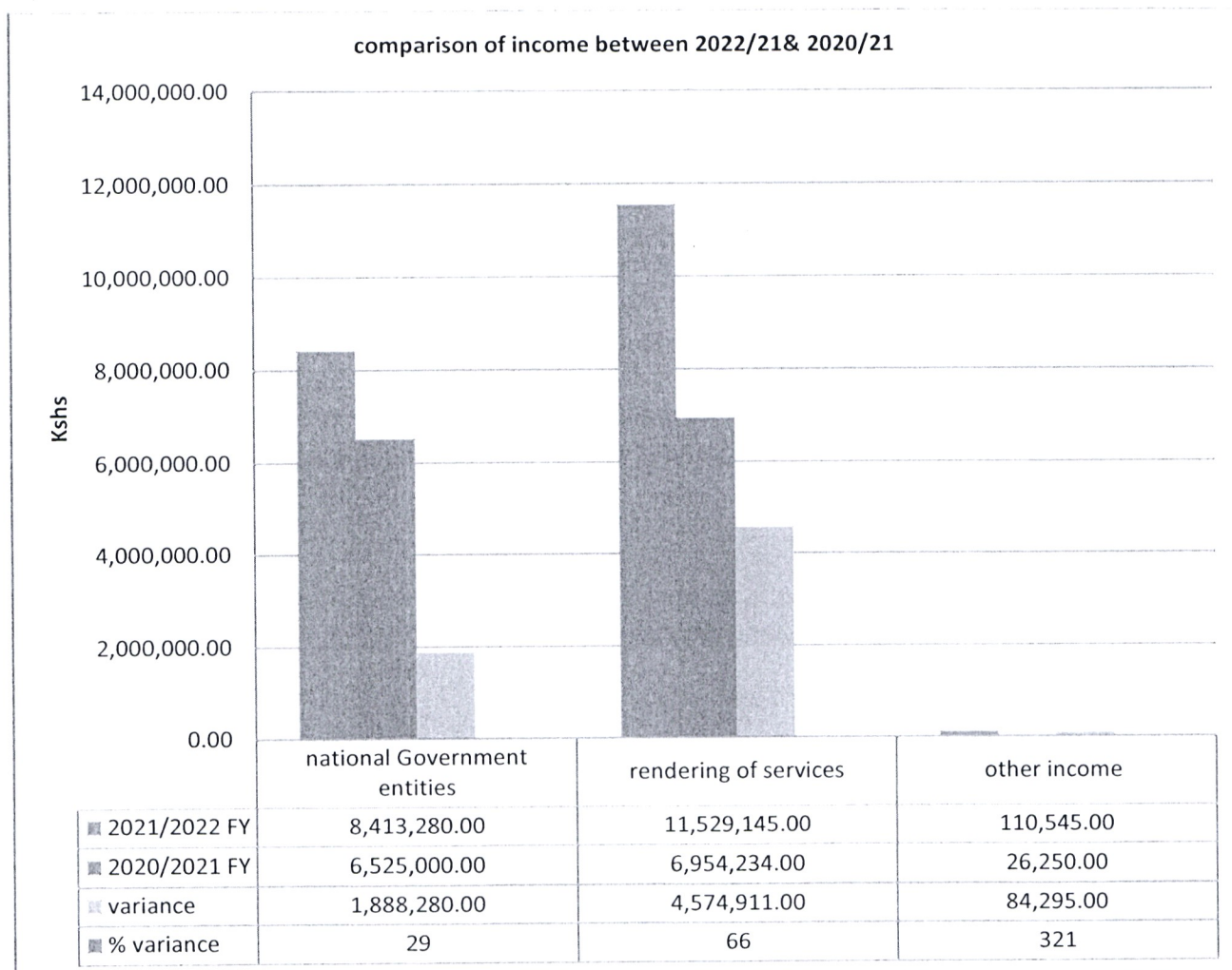
OPERATIONAL AND FINANCIAL PERFORMANCE

A) INCOME ANALYSIS:



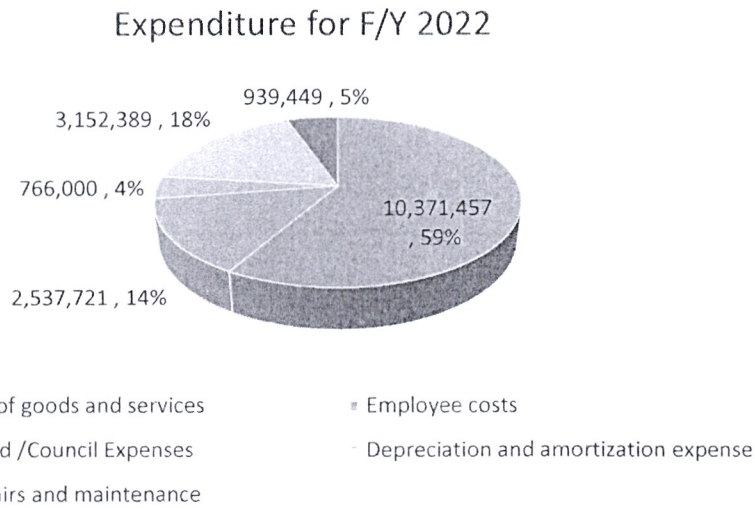
During the 2021/2022 financial year, National Government contributed to 42% while tuition and its related incomes contributed to 57%. Income generating activities contributed to 1% respectively. The College mostly depended on fees, transfers from other government agencies such as bursary and HELB to execute its operations.

Comparison of Income between 2022/21 and 2020/2021



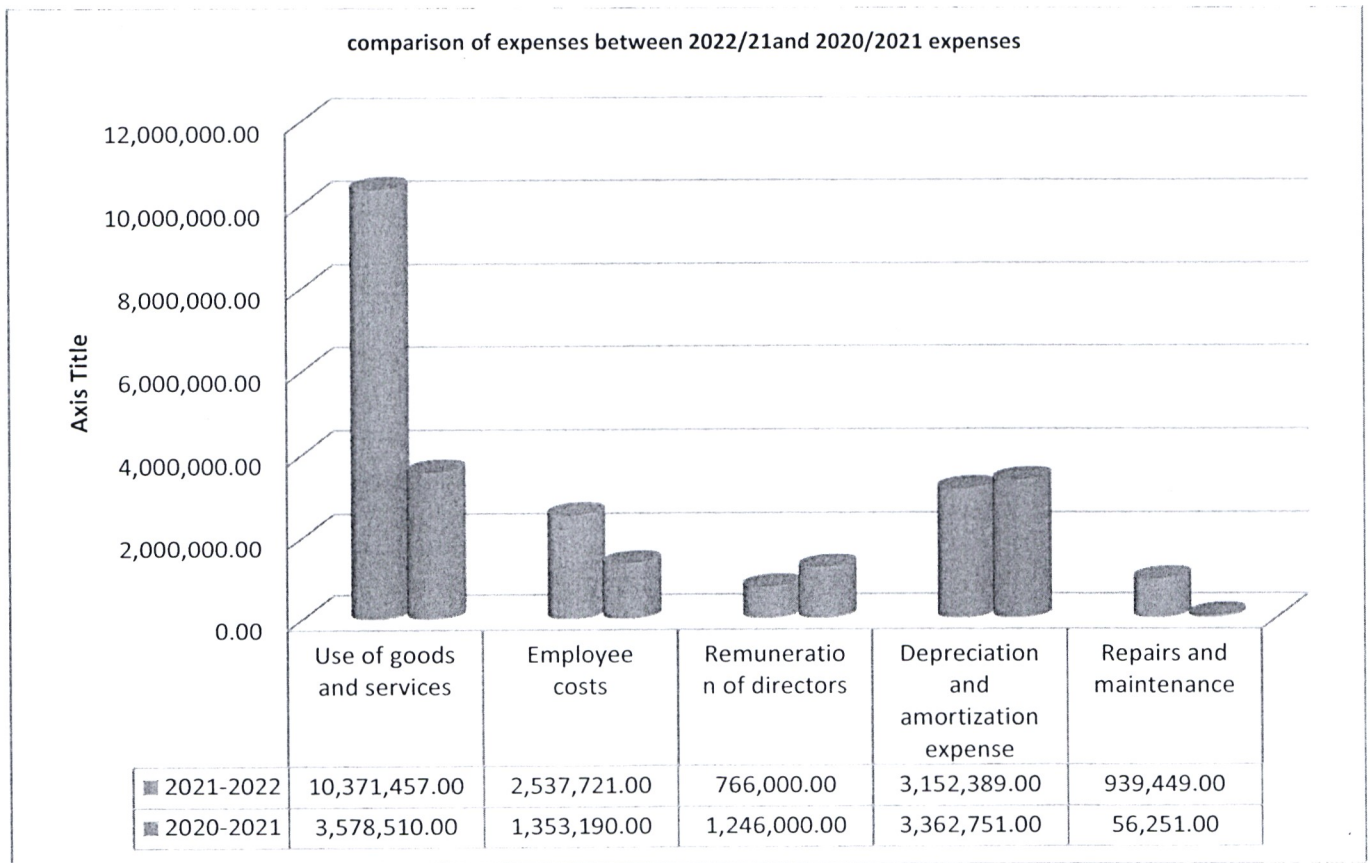
There was a substantial improvement of incomes in 2021/2022 financial year compared to 2020/2021 financial year in rendering of services and in Government disbursements.

B) EXPENDITURE ANALYSIS



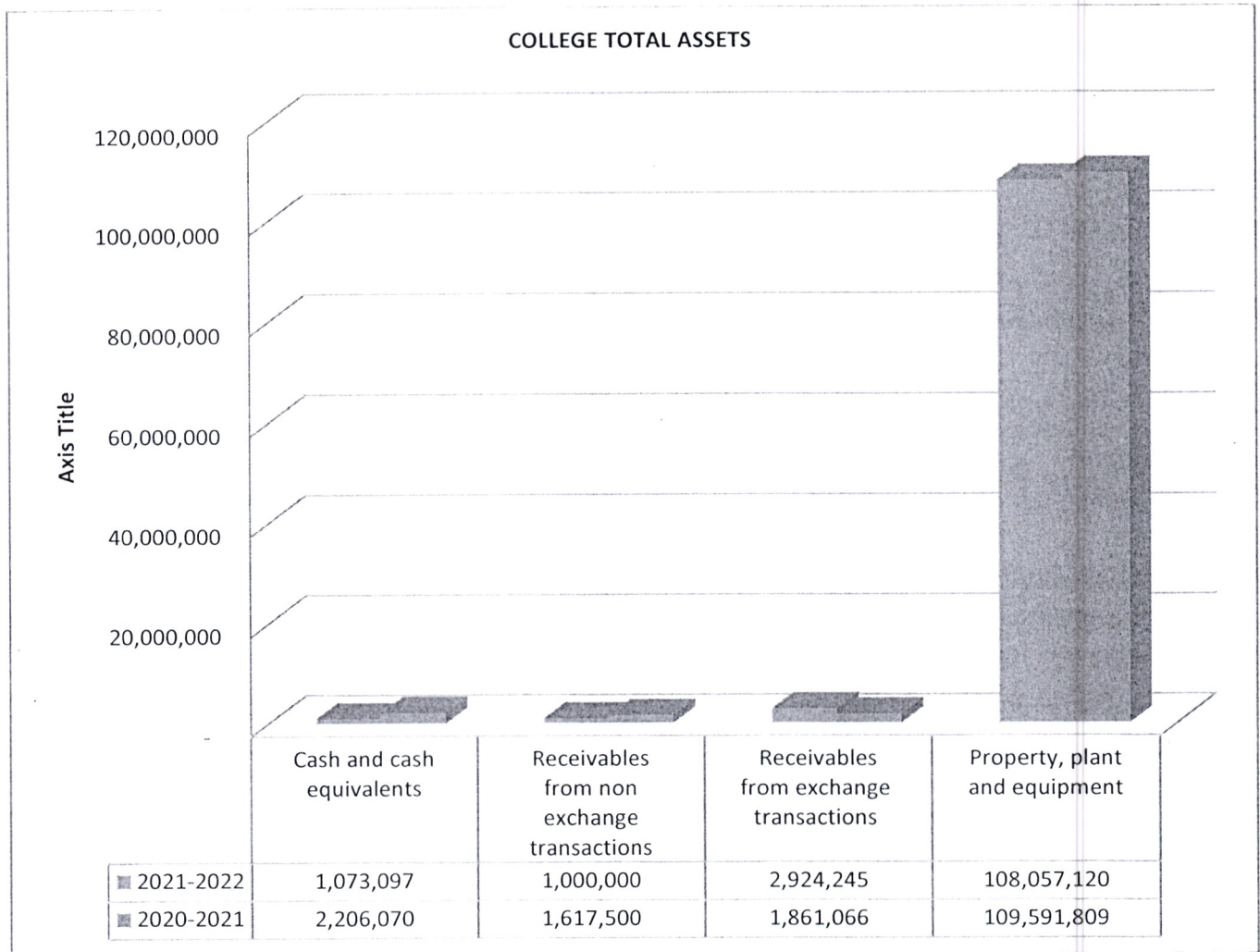
During the 2021/2022 financial year, depreciation expense which is non-cash expenditure item of 3,152,389.457.00 took the second highest amount of recurrent expenditure with 18%. Use of goods and services which include college core mandate operations formed 59 % with the employees cost (personal emoluments), college repairs/improvements, and directors' allowances taking 14%, 5%, and 4% respectively of the total recurrent expenses of Kshs. 17,767,016.

1. Comparison of Expenses between 2022/2021 and 2020/2021



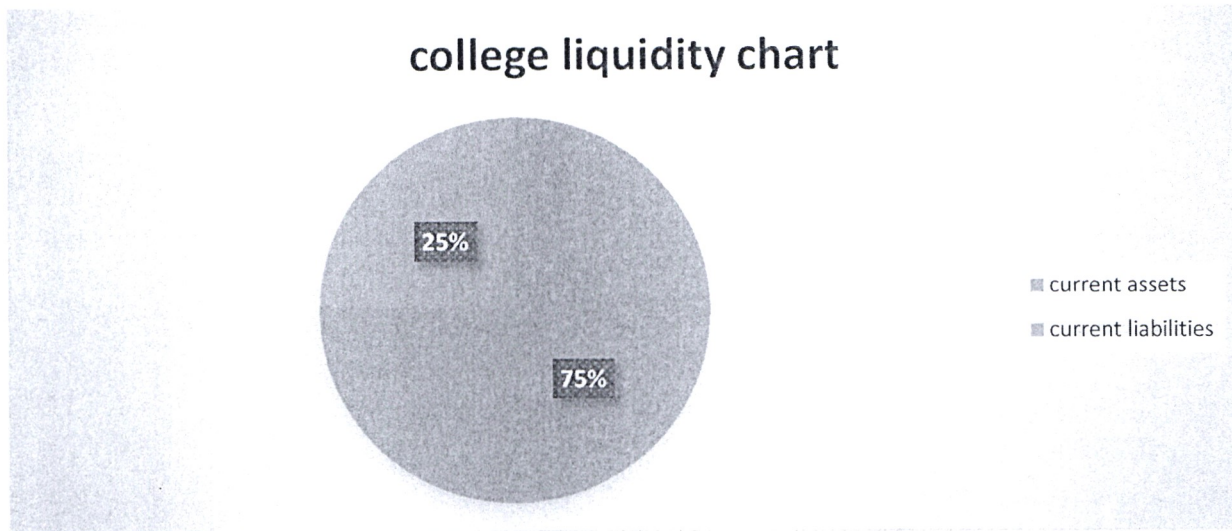
The financial year had a substantial increase in some of the expenses with use of goods & services, employee costs and repair /improvements increasing by Kshs 6,612,947 Kshs 1,184,531 and Kshs 883,198.00 respectively. Additionally, remuneration of directors and depreciation/ amortization costs fell by Kshs. 480,000 and Kshs. 210,362 respectively.

C) STATEMENT OF THE FINANCIAL POSITION



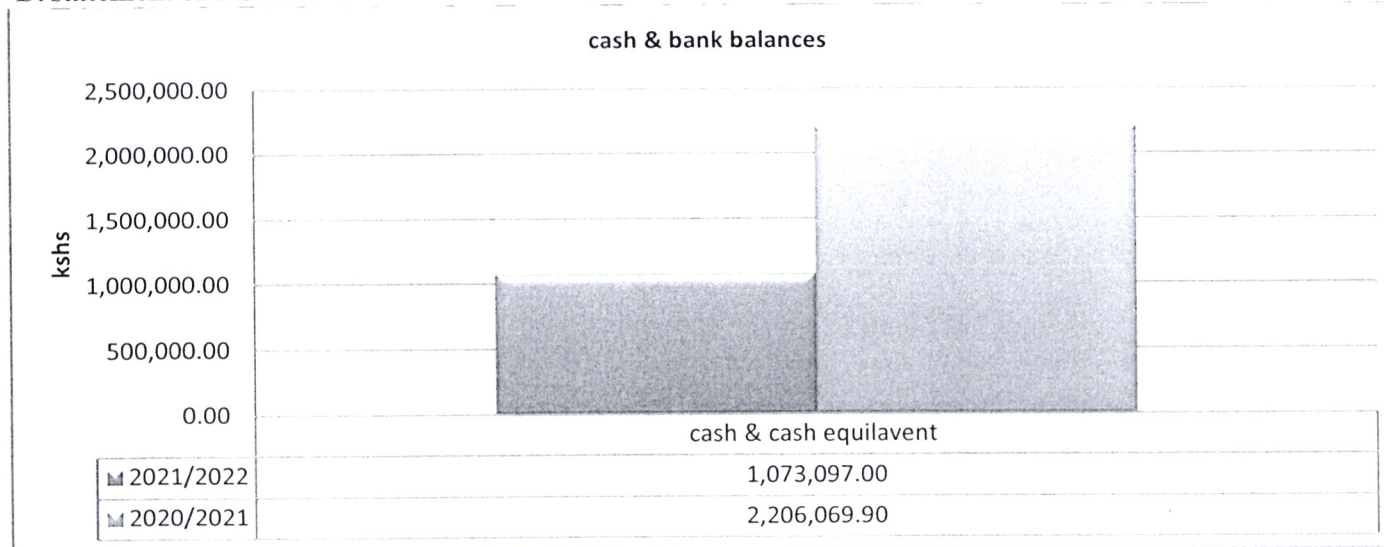
The college statement of financial position included Net book value of the fixed assets Kshs. 108,057,120 some of which were revalued at the end of the financial year 2020/2021. The increase in receivable from revenue from exchange transactions is a result of the population growth of trainees and unpredicted academic calendar. Portion of the 2020/2021 receivables was the fees collected through the mentor institution account which in the current financial was debited to offset the outstanding debt with the mentor.

Current assets Vs current liabilities



The College closed the financial year with current assets of Kshs. 4,997,342 which can absorb the current liabilities of Kshs. 1,633,810. This implies that the liquidity of the College is favorable as at the end of the 2021/2022 financial year.

D. statement of cash flow



The College closed the financial year with cash and cash equivalent of Kshs. 1,073,097 compared to the Kshs. 2,206,069.9 in the 2020/2021 financial year. This decrease in cash and bank balance can be attributed to:

- a) cash outflow from investing activities

PROJECTS AND INVESTMENT DECISIONS PLANNED AND IMPLEMENTED

Within the financial year ended 30th June 2022, the College has been implementing the following projects in order of priority;

| S/No | Project | % of Completion | Financing of the project | Remarks |
|------|--|-----------------|--------------------------|----------|
| 1 | Building of shed for the building department | 100 | A.I.A | Complete |
| 2 | construction of the 200 metres perimeter fence phase 3 | 100 | Tetu NG CDF | complete |
| 3 | acquisition of plumbing training equipment | 100 | A.I.A | Complete |
| 5 | partitioning of the dean of students office | 100 | A.I.A | Complete |

Funding for the projects was based on saving realized on cost cutting measures on recurrent expenditures as the Government stopped funding capital development.

COMPLIANCE WITH STATUTORY REQUIREMENTS

During the 2021/2022 financial year, the College complied with all statutory requirements. The Institution does not have any non-compliance that may result to any potential litigation issues or exposure to contingent liabilities.

MAJOR RISKS

OPERATIONAL RISKS

This is loss resulting from inadequate or failed procedures, systems or policies including:

- 1) Failure to collect the full income owing
- 2) Some students fail to pay their full fees
- 3) Some debtors from non-tuition activities delay paying for services rendered.
- 4) The College is facing the risk of insecurity which is prevalent in the country

Risk Mitigation Strategies

- 1) Strict enforcement of the fees payment policy
- 2) Enhancing debt collection measures
- 3) Enforcement of the 100% payment on admission or on reporting back in new term
- 4) Installation of CCTV security systems and outsourcing more security guards

MARKET RISKS

These are losses due to factors that affect the overall performance of market including:

- 1) Risk of not attracting enough trainees due to the competition from other TVET colleges in the region
- 2) Risk of failing to get enough specialist trainers to act as thematic leaders due to competition.

Risk Mitigation strategies:

- i. Aggressive marketing of programmes
- ii. Enhance the diversity and quality of the College programmes
- iii. Enhancing the staff working environment and improving staff welfare

CAPITAL RISKS

The College is not exposed to any capital risks.

LIQUIDITY RISK

This is termed to be the inability to meet short term financial demands. This usually occurs due to the inability to convert assets like debts to cash.

Risk Mitigation strategies:

1) Step up efforts to collect the outstanding fees and sensitize the trainers on alternative sources of funding like NG CDF bursaries, HELB loan/bursaries,

MATERIAL ARREARS IN STATUTORY AND OTHER FINANCIAL OBLIGATIONS

The College has no material arrears in statutory and financial obligations to the national exchequer or any other Government agency.

FINANCIAL PROBITY AND SERIOUS GOVERNANCE ISSUES

The College does not have any cases of financial improbity as reported by Audit committee, external auditors, or other National Government Agencies providing oversight.

There are no governance issues among the members of the board, college top management team, including conflict of interest. This has been due to the cordial working relationship between the board and College top management as well as adherence to constitutional requirements and guidelines.

IX. Environmental and sustainability reporting
Sustainability strategy and profile

Innovation and technology- the college has put a lot of Effort in sustainability related R&D in order to reduce environmental impacts in new products and in business activities of training. The college uses BAT (best available techniques) and integrated environmental technologies, we concentrate on cleaner production and zero-emission technologies.

Collaboration – the college maintained a Good cooperation and active collaboration with various business partners which included suppliers, TVET institutions, universities and others working in common programmes and networks on innovative products and technologies. Exchange of information and knowledge through conferences

Knowledge management – the college have planned, developed, organized, maintained, transferred, applied and measured specific knowledge and to improve the organizational knowledge base.

Processes- Clear processes and roles are define so that college activities are efficiently conducted and that every employee knows what the college management expects from him or her.

Purchase- the college had a good Relationship with suppliers focusing also on sustainability.

Sustainability reporting – the college maintained Considerable reporting of sustainability issues within the board meeting reports.

Environmental performance

This dimension deals with environmental impacts due to corporate activities. These environmental impacts are caused by resource use and emissions into air, water, ground and hazardous waste.

Ecological Dimension of Corporate Sustainability

This dimension deals with environmental impacts due to corporate activities. There exist several publications about the most relevant ecological aspects (GRI, 2006; Labuschagne et al., 2005; DJSI, 2007; FTSE, 2006). These environmental impacts are caused by resource use, and emissions into air, into water or into ground, as well as waste and hazardous waste. Additionally, the impact on biodiversity and environmental issues of the product over the life cycle are of importance. This dimension is mainly measured by impacts, but within corporate sustainability strategies the focus has to be laid on the effects causing these impacts, e.g., the higher the maturity levels are the more it has to be concentrated on causes rather than on effects.

Corporate Sustainability Strategies

This dimension is mainly measured by impacts, but within corporate sustainability strategies the focus has to be laid on the effects causing these impacts, e.g., the higher the maturity levels are the more it has to be concentrated on causes rather than on effects.

Emissions into the air-

Emissions into the air due to corporate activities the college does not emit any pollution to air as we are training and not manufacturing.

Employee welfare

Corporate governance- Transparency in all its activities in order to ameliorate relationship towards its stakeholders. During the financial year, the college recruited staff using the laid down recruitment procedures. This was done through the guidance of public service commission who Give insight into all relevant data; following rules of on recruitment of the corporate governance and defining responsibilities and mandates of the board.

Staff Motivation and incentives – this is an Active involvement and exemplary function of management on sustainability of all the Employees Being Aware of their needs, claims and motivation factors of employees in order to implement sustainability sufficiency into the organization due to support of management for acting in sustainable way (e.g. time, money, resources). The management Developed and implemented incentives and reward systems (monetary and non-monetary).

Health and safety – the college guarantee that no health and safety risks occur when working in/for the college. No negative impact of employees' physical health at any time was reported. The college has Operation of programmes for employees to prevent dangers and to stay generally fit and healthy.

Human capital development - Development of human capital for sustainability related issues through specific programmes is key to any organization. The college has sponsored staff to various seminars and workshops and also allowed others join holiday classes. The college has also encouraged Broad cross-working education (job enrichment, job enlargement) for staff in order to become aware of the different challenges and issues of corporate sustainability

Market place practices-

a) Responsible competition practice.

The college practices responsible competition by following normal procedure of marketing. The college has developed an anti-corruption policy and non-political adherence

b) Responsible Supply chain and supplier relations-

The college has list of suppliers who were prequalified through advertisement. The policy of the college is to pay all the bills at the end of every month and this has created a good rapport with her suppliers and service providers

c) Responsible marketing and advertisement

The college carries out normal marketing through media and organized talks.

d) Product stewardship.

Trainees trained in Tetu Technical and Vocational College are competently prepared emotionally, intellectually and spiritually. They are equipped with Hands on Skills and Technology to make a difference in this generation and generations to come. The Tetu Technical and Vocational College is committed to offering the best and top quality training.

Corporate Social Responsibility / Community Engagements

Tetu College being a public Tetu TVC embraces the policy of Corporate Social Responsibility (CSR) through engaging herself with the following amongst many social responsibilities:

(a) Charitable Activities

The College trainees have been offering material & spiritual support to needy children in various children homes within Tetu region through donation of foodstuffs and cloths.

(b) Communities outreach activities

Tetu TVC in conjunction with Giakanja health centre organised for a COVID 19 awareness sensitization programmes at Chaka shopping centre. . This was a sign that the College is moving towards fulfilling its core mandate of community service. A college worth its name must benefit the community and not only improve its economic activities but also uplift the health and the well-being of people around it to attain the country's Universal Health. Universal Health Coverage (UHC) concept is firmly based on WHO constitution of 1948 declaring health a fundamental Human right. This is equally in line with the Constitution of Kenya 2010 that confers on every Citizen Highest attainable standards of Health Including Reproductive Health. H.E President Uhuru Kenyatta reaffirmed the objective of Kenyan constitution through the Big Four Agenda where Affordable Health Care is a pillar. UHC should be every body's business and a multi-sectoral approach is the way to go in the realization of this concept of Health care delivery.

The College has also been offering both social and economic support to the external community through provision of casual labor opportunities and supplies wherever such opportunities arise.

(c) Environmental Improvement activities

Introduction of communal periodical cleaning day at Kagwathi & Giakanja Shopping Center has been one of the environmental activities of the Institution.

(d) Academic Mentorship

Tetu TVC in conjunction with local secondary schools was involved in offering career advice to students within and around Tetu Sub County during the financial year.

The College also offered internship and industrial attachment to qualified youths from the surrounding community and Institutions.

X. Report of the Council/Board of Governors

The Council/Board members submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the *Tetu TVC's* affairs.

Principal activities

The principal activities of the Tetu TVC are (continue to be) offering of technical and vocational training.

Results

The results of the Tetu TVC for the year ended June 30 are set out on page 1.

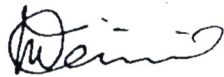
Council/Board of Governors

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

Auditors

The Auditor General is responsible for the statutory audit of the *Tetu TVC* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *Tetu TVC* for the year/period ended June 30, 2022, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



.....
Secretary of the Board/Council
Nairobi
Date: 6th April, 2023



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

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

The Council members are responsible for the preparation and presentation of the *Tetu TVC*'s financial statements, which give a true and fair view of the state of affairs of the *Tetu TVC* for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *Tetu TVC*, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the *Tetu TVC*, (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 *Tetu TVC*'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 the TVET Act. The council members are of the opinion that the *Tetu TVC*'s financial statements give a true and fair view of the state of *Tetu TVC*'s transactions during the financial year ended June 30, 2022, and of the *Tetu TVC*'s financial position as at that date. The Council members further confirm the completeness of the accounting records maintained for the *Tetu TVC*, which have been relied upon in the preparation of the *Tetu TVC*'s financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council members to indicate that the *Tetu TVC* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The *Tetu TVC*'s financial statements were approved by the Board on 6/4/2023 and signed on its behalf by:

.....
Name : DR. MERCY MWANIKI
Chairperson of the Board/Council

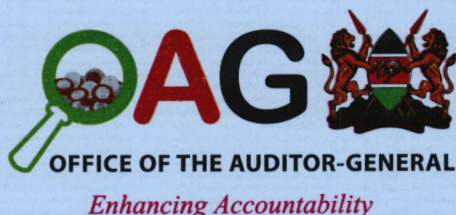
.....
Name: FREDRICK N. WAINAINA
Accounting Officer/Principal

PRINCIPAL
TETU TECHNICAL AND VOCATIONAL COLLEGE
06 APR 2023
P. O. Box 1716-10100, NYERI
TEL: 0758660300

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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tetu Technical and Vocational College set out on pages 1 to 36, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and

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

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

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects cash and cash equivalents closing balance of Kshs.1,073,097 as at 30 June, 2022. However, re-casting of the statement revealed a balance of Kshs.1,126,699, resulting to unexplained and unreconciled variance of Kshs.53,602. In addition, the statement reflects decrease in payables/increase in receivables negative amount of Kshs.4,778,714 erroneously under cash flows from investing activities instead of cash flows from operating activities, while re-computation of the amount revealed a net amount of negative Kshs.659,629, resulting to unreconciled and unexplained variance of Kshs.4,119,085.

In the circumstances, the accuracy and completeness of the cash flow statement for the year under review could not be confirmed.

2. Unconfirmed Property, Plant and Equipment Balance

The statement of financial position and as disclosed in Note 17 to the financial statements reflects a balance of Kshs.108,057,120 with a comparative balance of Kshs.109,591,809 in respect to property, plant and equipment. However, the comparative balance of Kshs.109,591,809 differs with the audited financial statements for the year ended 30 June, 2021 balance of Kshs.106,123,733, resulting to unexplained and unreconciled variance of Kshs.3,468,076. Further, the comparative property, plant and equipment movement schedule for 2020/2021 financial year was not disclosed in these financial statements in line with Paragraph 53 of the International Public Sector Accounting Standards (IPSAS) 1, which requires that except when an IPSAS permits or requires otherwise, comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements. In addition, the property, plant and equipment balance include land valued at Kshs.10,000,000. However, the land ownership documents were not provided for audit review.

In the circumstances, the accuracy, completeness and ownership status of property, plant and equipment balance of Kshs.108,057,120 could not be confirmed.

3. Unconfirmed Cash and Cash Equivalents Balance

The statement of financial position and as disclosed in Note 14 to the financial statements reflect a balance of Kshs.1,073,097 in respect of cash and cash equivalents, which includes cash in hand balance of Kshs.316,421. However, board of survey report provided for audit revealed cash in hand balance of Kshs.25,900 for the year under review. Further, the un-surrendered imprest balance of Kshs.290,504 was erroneously reported under cash in hand instead of receivables.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.1,073,097 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis amount of Kshs.21,420,810 and Kshs.14,614,627 respectively, resulting to an underperformance of Kshs.6,806,183 or 32% of the budget.

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

2. Unresolved Prior Year Matters

The audit report for the year ended 30 June, 2021 highlighted several unsatisfactory matters. The Management has indicated that the issues had been resolved as at 30 June, 2022 as disclosed in Appendix 1 to the financial statements on progress on follow up of auditor recommendations. However, no information was provided to indicate how the issues were resolved. This is contrary to Section 149(2)(l) of the Public Finance Management Act, 2012, which requires that in carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned try to resolve any issues resulting from an audit that remain outstanding.

In the circumstances, the audit issues remained unresolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Non-Compliance with the Law on Ethnic Composition

Review of human resource records revealed that during the year under review, the College had twenty-six (26) employees out of whom twenty (20) were from one dominant community which translates to 77% of the employees. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and the Board of Governors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

05 June, 2023

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

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




| Description | Revaluation reserve | Fair value adjustment reserve | Retained earnings | Capital/Development Grants/Fund | Total |
|--|---------------------|-------------------------------|-------------------|---------------------------------|--------------------|
| At July 1, 2020 | | | (1,605,035) | 69,704,785 | 68,099,750 |
| Revaluation gain | 39,781,700 | - | - | - | 39,781,700 |
| Fair value adjustment on quoted investments | - | - | - | - | - |
| Total comprehensive income | - | - | 2,232,029 | - | 2,232,029 |
| Capital/development grants received during the year | - | - | - | - | - |
| Transfer of depreciation/amortization from capital fund to Retained earnings | - | - | - | (420,315) | (420,315) |
| At June 30, 2021 | 39,781,700 | - | 626,994 | 69,284,470 | 109,693,164 |
| At July 1, 2021 | 39,781,700 | - | 626,994 | 69,284,470 | 109,693,164 |
| Revaluation gain | - | - | - | - | - |
| Fair value adjustment on quoted investments | - | - | - | - | - |
| Total comprehensive income | - | - | 1,440,139 | - | 1,440,139 |
| Capital/development grants received during the year | - | - | - | - | - |
| Transfer of depreciation/amortization from capital fund to Retained earnings | - | - | - | 287,349 | 287,349 |
| At June 30, 2022 | 39,781,700 | - | 2,067,133 | 69,571,819 | 111,420,652 |

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

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

| Description | Note | 2021-2022 Kshs | 2020-2021 Kshs |
|---|------|-------------------------|-------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfers from other National Government entities | 6 | 8,413,280 | 6,525,000 |
| Rendering of services- fees from students | 7 | 11,529,145 | 6,954,234 |
| Other income | 8 | 110,545 | 26,250 |
| Total Receipts | | 20,052,970 | 13,505,484 |
| Payments | | | |
| Use of goods and services | 9 | 10,371,457 | 3,125,073 |
| Employee costs | 10 | 2,537,721 | 1,806,627 |
| Board /Council Expenses | 11 | 766,000 | 1,246,000 |
| Repairs and maintenance | 13 | 939,449 | 56,251 |
| Total Payments | | 14,614,627 | 6,233,951 |
| Net Cash Flows from operating activities | | <u>5,438,343</u> | <u>7,271,533</u> |
| Cash flows from investing activities | | | |
| Acquisitions | | | |
| plant, machinery & equipment | 17 | -481,500 | - |
| building shed | 17 | -1,257,500 | - |
| Decrease in receivables/increase in payables | 20 | -4,778,714 | - |
| Net cash flows used in investing activities | | -6,517,714 | - |
| Cash flows from financing activities | | | |
| Net cash flows used in financing activities | | - | - |
| Net Increase/(Decrease) in Cash and Cash equivalents | | -1,079,371 | -953,051 |
| Cash and Cash equivalents at 1 JULY 2021 | 14 | 2,206,070 | 1,391,141 |
| Cash and Cash equivalents at 30 JUNE 2022 | 14 | 1,073,097 | 2,206,070 |

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

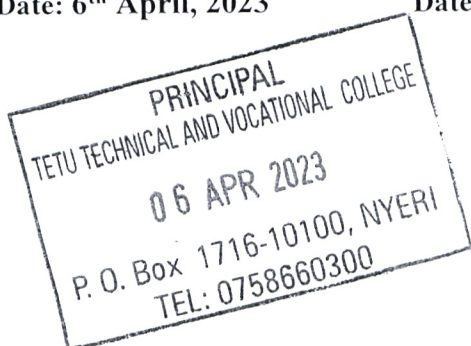
 Chairman of Council/Board Finance Officer Principal

ICPAK No 25452

Date: 6th April, 2023

Date: 6th April, 2023

Date: 6th April, 2023



Tetu Technical and Vocational College

Annual Report and Financial Statements for the year ended 30th June 2022

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

| Description | Original budget | | Adjustments | | Final budget | | Actual on comparable basis | | Performance difference | | Utilization Difference | |
|--|----------------------|------|-------------|------|----------------------|------|----------------------------|------|------------------------|------|------------------------|---|
| | 2021-2022 | Kshs | 2021-2022 | Kshs | 2021-2022 | Kshs | 2021-2022 | Kshs | 2021-2022 | Kshs | 2021-2022 | % |
| Revenue | | | | | | | | | | | | |
| Transfers from other Govt entities Govt grants | 2,000,000.00 | | - | | 2,000,000.00 | | 8,413,280.00 | | 6,413,280.00 | | 320.66 | |
| Rendering of services- Fees from students | 19,050,810.00 | | - | | 19,050,810.00 | | 11,529,145.00 | | (7,521,665.00) | | (39.48) | |
| Other Income | 370,000.00 | | - | | 370,000.00 | | 110,545.00 | | (259,455.00) | | (70.12) | |
| Total income | 21,420,810.00 | | - | | 21,420,810.00 | | 20,052,970.00 | | (1,367,840.00) | | (6.39) | |
| Expenses | | | | | | | | | | | | |
| Compensation of employees | 2,382,000.00 | | - | | 2,382,000.00 | | 2,537,721.00 | | 155,721.00 | | 6.54 | |
| Use of Goods and services | 11,550,810.00 | | - | | 11,550,810.00 | | 10,371,457.00 | | (1,179,353.00) | | (10.21) | |
| Remuneration of directors | 906,000.00 | | - | | 906,000.00 | | 766,000.00 | | (140,000.00) | | (15.45) | |
| Repair and maintenance | 582,000.00 | | - | | 582,000.00 | | 939,449.00 | | 357,449.00 | | 61.42 | |
| General expenses | 6,000,000.00 | | - | | 6,000,000.00 | | - | | (6,000,000.00) | | (100.00) | |
| Provision for depreciation | - | | - | | - | | 3,152,389.46 | | 3,152,389.46 | | | |
| Total expenditure | 21,420,810.00 | | - | | 21,420,810.00 | | 17,767,016.46 | | (3,653,793.54) | | (17.06) | |
| Surplus for the period | | | | | | | 2,285,953.54 | | 2,285,953.54 | | | |

XVIII. Notes to the Financial Statements

1. General Information

Tetu Technical & Vocational College is established by and derives its authority and accountability from TVET Act of 2013. The college is wholly owned by the Government of Kenya and is domiciled in Kenya. The college principal activity is technical & vocational.

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 *Tetu TVC'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 *Tetu TVC*.

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

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

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

| Description | Notes | 2021-2022 | 2020-2021 |
|---|-------|-------------------|-------------------|
| | | Kshs | Kshs |
| Revenue from Non-Exchange transactions | | | |
| Transfers from other National Government entities | 6 | 8,413,280 | 6,525,000 |
| | | 8,413,280 | 6,525,000 |
| Revenue from Exchange transactions | | | |
| Rendering of services- fees from students | 7 | 11,529,145 | 6,954,234 |
| Other income | 8 | 110,545 | 26,250 |
| Revenue from Exchange transactions | | 11,639,690 | 6,980,484 |
| Total Revenue | | 20,052,970 | 13,505,484 |
| Expenses | | | |
| Use of goods and services | 9 | 10,371,457 | 3,578,510 |
| Employee costs | 10 | 2,537,721 | 1,353,190 |
| Board /Council Expenses | 11 | 766,000 | 1,246,000 |
| Depreciation and amortization expense | 12 | 3,152,389 | 3,362,751 |
| Repairs and maintenance | 13 | 939,449 | 56,251 |
| general expenses | | - | - |
| Total Expenses | | 17,767,016 | 9,596,702 |
| Net surplus for the year | | 2,285,954 | 3,908,782 |

(The notes set out on pages 6 to 34 form an integral part of the Annual Financial Statements).

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

[Signature]

[Signature]

[Signature]

.....
Chairman of Council/Board

.....
Finance Officer

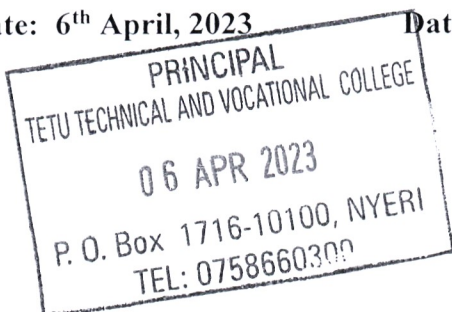
.....
Principal

ICPAK No 25452

Date: 6th April, 2023

Date: 6th April, 2023

Date: 6th April, 2023



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

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

| Description | Notes | 2021-2022 | 2020-2021 |
|---|-------|--------------------|--------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 14 | 1,073,097 | 2,206,070 |
| Current portion of receivables from exchange transactions | 15 | 2,924,245 | 1,861,066 |
| Receivables from non-exchange transactions | 16 | 1,000,000 | 1,617,500 |
| | | 4,997,342 | 5,684,636 |
| Non-Current Assets | | | |
| Property, plant, and equipment | 17 | 108,057,120 | 109,591,809 |
| | | 108,057,120 | 109,591,809 |
| Total Assets | | 113,054,462 | 115,276,445 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables from exchange transactions | 18 | 1,633,810 | 1,847,760 |
| Refundable deposits from customers | 19 | - | 13,800 |
| Total Liabilities | | 1,633,810 | 1,861,560 |
| Reserves | | 39,781,700 | 39,781,700 |
| Accumulated Surplus | | 2,067,133 | 626,994 |
| Capital Fund | | 69,571,819 | 69,284,470 |
| Capital and reserves | | 111,420,652 | 113,414,885 |
| Total Liabilities, capital and reserves | | 113,054,462 | 115,276,445 |

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



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

Date: 6th April, 2023



.....
Finance Officer

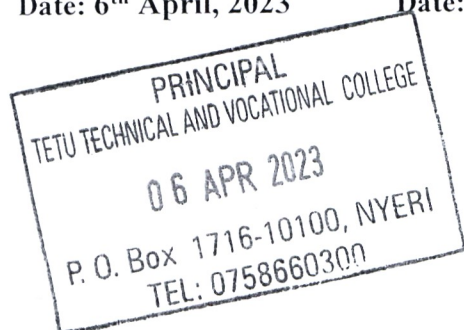
ICPAK No 25452

Date: 6th April, 2023



.....
Principal

Date: 6th April, 2023



Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

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

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

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

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

Tetu Technical and Vocational College

Annual Report and Financial Statements for the year ended 30th June 2022

| Standard | Effective date and impact: |
|---|---|
| <p>IPSAS 42: Social Benefits</p> | <p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Tetu TVC provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Tetu TVC;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Tetu TVC's financial performance, financial position and cash flows.</p> |
| <p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p> | <p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> |
| <p>Other improvements to IPSAS</p> | <p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement |

Tetu Technical and Vocational College

Annual Report and Financial Statements for the year ended 30th June 2022

| Standard | Effective date and impact: |
|--|--|
| | Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1 st January 2023. |
| IPSAS 43 | <i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Tetu TVC. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. |
| IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations | <i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. |

iii. Early adoption of standards

Tetu TVC did not early-adopt any new or amended standards in year 2022.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Dividends

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

4 Summary of Significant Accounting Policies (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2021/2022 was approved by the Council or Board on **28th May 2021**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Tetu TVC upon receiving the respective approvals in order to conclude the final budget.

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

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

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

Notes to the Financial Statements (Continued)

c) 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 **10** years.

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

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.

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

e) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Tetu TVC. 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 Tetu TVC 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 Tetu TVC 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 Tetu TVC. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) 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

g) Research and development costs

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

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

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

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

h) 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 Tetu TVC 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 Tetu TVC 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 Tetu TVC assesses at each reporting date whether there is objective evidence that a financial asset or an Tetu TVC of financial assets is impaired. A financial asset or an Tetu TVC 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 Tetu TVC of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

4 Summary of Significant Accounting Policies (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

- The debtors or an Tetu TVC 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 Tetu TVC 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) Provisions

Provisions are recognized when the Tetu TVC 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 Tetu TVC 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.

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Contingent liabilities

The Tetu TVC 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 Tetu TVC 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 Tetu TVC in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

j) Nature and purpose of reserves

Tetu TVC does not create and maintains reserves in terms of specific requirements.

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

The Tetu TVC provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Tetu TVC pays fixed contributions into a separate Tetu TVC (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.

m) 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.

n) 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)

o) Related parties

The Tetu TVC 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 Tetu TVC, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

p) Service concession arrangements

The Tetu TVC 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 Tetu TVC 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 Tetu TVC also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

q) 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.

r) Comparative figures

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

s) Subsequent events

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

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Notes to the Financial Statements (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Tetu TVC'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 Tetu TVC 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 Tetu TVC. 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 Tetu TVC
- 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

No provisions were raised in the financial year 2021/2022.

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Notes to the Financial Statements (Continued)

6. Transfers from other National Government entities

| Description | 2021-2022 | 2020-2021 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Unconditional Grants | | |
| Capitation Grants | 4,890,000 | 5,025,000 |
| Operational Grant | 1,500,000 | 1,500,000 |
| | 6,390,000 | 6,525,000 |
| Conditional Grants | | |
| HELB | 1,909,400 | - |
| SPONSORSHIP | 113,880 | - |
| Total Government Grants and Subsidies | 8,413,280 | 6,525,000 |

7. Rendering of Services

| Description | 2021-2022 | 2020-2021 |
|---|-------------------|------------------|
| | Kshs | Kshs |
| Tuition | 4,493,300 | 5,753,228 |
| Administration | 1,606,030 | 113,011 |
| Practical | 334,100 | 47,810 |
| Capacity Building Development | 25,900 | - |
| P. Emolument | 733,280 | 157,775 |
| Casuals | 196,850 | 39,925 |
| Local Transport & Travelling | 232,590 | 44,300 |
| Repair Maintenance & improvement | 151,695 | 26,025 |
| Electricity water & conservancy | 324,505 | 44,970 |
| Activity | 235,790 | 39,920 |
| Student Welfare | 73,250 | 11,050 |
| Insurance | 102,000 | 13,500 |
| Kenya National Examination Council | 1,065,420 | 54,700 |
| Gratuity | 53,500 | 7,750 |
| Attach | 303,250 | 32,800 |
| College Identity Card | 96,200 | 19,800 |
| National Industrial Training Authority | 368,085 | 37,970 |
| Bursary | 1,133,400 | 509,700 |
| Total revenue from the rendering of services | 11,529,145 | 6,954,234 |

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8. Other Income

| Description | 2021-2022 | 2020-2021 |
|---------------------------|----------------|---------------|
| | Kshs | Kshs |
| Sale of tender documents | - | 19,000 |
| Farm income | 14,800 | 7,250 |
| Computer packages | 49,000 | - |
| production unit | 9,100 | - |
| Replacements | 4,095 | - |
| Marketing | 33,550 | - |
| Total other income | 110,545 | 26,250 |

Tetu Technical and Vocational College

Annual Report and Financial Statements for the year ended 30th June 2022

Notes to the Financial Statements (Continued)

9. Use Of Goods And Services

| Description | 2021-2022 | 2020-2021 |
|--|-------------------|------------------|
| | Kshs | Kshs |
| Training Equipment | 800,450 | 200,301 |
| Training Materials | 3,467,453 | 1,236,329 |
| Kenya National Examination Council | 1,081,134 | 75,340 |
| National Industrial Training Authority | 533,530 | 43,460 |
| Attachment | 192,075 | 83,817 |
| Sports | 135,144 | 33,955 |
| Admin Expenses | 238,055 | 309,376 |
| Covid 19 | 15,000 | 202,846 |
| Hospitality | 74,475 | 126,976 |
| Internet | 107,840 | 20,060 |
| Electricity | 360,484 | 224,452 |
| Water & Conservancy | 17,355 | 15,000 |
| Stationery/Photocopies | 157,975 | 39,520 |
| Transport | 48,450 | 139,390 |
| Bank Charges | 9,266 | 7,871 |
| Marketing | 259,720 | 139,680 |
| Subsistence Allowance | 899,250 | 112,250 |
| Local Travelling & Transport | 73,700 | 114,450 |
| Posta Rental Charges | 7,725 | - |
| S/Welfare | 33,200 | - |
| Subscription to KATTI | 920,340 | - |
| Subscription to KUCCPS | 125,000 | - |
| Subscription to TVET Activities | 138,600 | - |
| Production Units (PU) | 136,653 | - |
| Performance Contracting (PC) | 127,725 | - |
| Security | 410,858 | 453,437 |
| Total good and services | 10,371,457 | 3,578,510 |

10. Employee Costs

| Description | 2021-2022 | 2020-2021 |
|-----------------------|------------------|------------------|
| | Kshs | Kshs |
| P. emoluments | 2,116,231 | 1,141,273 |
| Part-Time Trainer | 61,160 | - |
| Casuals | 112,354 | 140,267 |
| NSSF | 50,600 | 31,000 |
| NHIF | 75,900 | 40,650 |
| PAYE | 28,076 | - |
| Sacco deductions | 2,400 | - |
| HELB Deductions | 3,000 | - |
| Salary advance | 88,000 | - |
| Employee Costs | 2,537,721 | 1,353,190 |

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Notes to the Financial Statements (Continued)

11. Board/Council Expenses

| Description | 2021-2022 | 2020-2021 |
|------------------------------|----------------|------------------|
| | Kshs | Kshs |
| Chairman's Honoraria | 57,000 | 20,000 |
| Directors Emoluments | 709,000 | 1,188,500 |
| Other Allowances | 0 | 37,500 |
| Other Board/Council Expenses | 0 | 0 |
| Total | 766,000 | 1,246,000 |

12. Depreciation and Amortization expense

| Description | 2021-2022 | 2020-2021 |
|--|---------------------|---------------------|
| | Kshs | Kshs |
| Property, plant and equipment | 3,152,389.46 | 3,362,751.35 |
| Total depreciation and amortization | 3,152,389.46 | 3,362,751.35 |

13. Repairs and Maintenance

| Description | 2021-2022 | 2020-2021 |
|--------------------------------------|-------------------|------------------|
| | Kshs | Kshs |
| Property | 939,449.00 | 56,251.00 |
| Total Repairs and Maintenance | 939,449.00 | 56,251.00 |

14. Cash and Cash Equivalents

| Description | 2021-2022 | 2020-2021 |
|--|-------------------------|-------------------------|
| | Kshs | Kshs |
| Current Account | 756,676 | 1,877,033 |
| Cash | 316,421 | 329,037 |
| Total Cash and Cash Equivalents | <u>1,073,097</u> | <u>2,206,070</u> |

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Notes to the Financial Statements (Continued)

14 (a). Detailed Analysis of Cash and Cash equivalents

| | | 2021-2022 | 2020-2021 |
|---------------------------|----------------|-------------------------|-------------------------|
| Financial Institution | Account number | Kshs | Kshs |
| a) Current Account | | | |
| Kenya Commercial Bank | | 756,676 | 1,877,033 |
| Sub- Total | | <u>756,676</u> | <u>1,877,033</u> |
| b) Others(Specify) | | | |
| Cash in Hand | | 316,421 | 329,037 |
| Sub- Total | | <u>316,421</u> | <u>329,037</u> |
| Grand Total | | <u>1,073,097</u> | <u>2,206,070</u> |

15. Receivables from Exchange transactions

15 (a) Current Receivables from Exchange transactions

| Description | 2021-2022 | 2020-2021 |
|----------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Current Receivables | | |
| Student Debtors | 2,924,245 | 1,861,066 |
| Total Current Receivables | 2,924,245 | 1,861,066 |

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Notes to the Financial Statements (Continued)

16. Receivables from Non-Exchange transactions

| Description | 2021-2022 | 2020-2021 |
|----------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Current Receivables | | |
| Capitation Grants* | 1,000,000 | 500,000 |
| Recurrent grants | 0 | 1,117,500 |
| Total Current Receivables | 1,000,000 | 1,617,500 |

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

| Description | 2021-2022 | 2020-2021 |
|---------------------------------------|------------------|------------------|
| | Kshs | Kshs |
| At the beginning of the year | 1,617,500 | 0 |
| Additional provisions during the year | 1,000,000 | 1,617,500 |
| Recovered during the year | -1,617,500 | 0 |
| Written off during the year | 0 | 0 |
| At the end of the year | 1,000,000 | 1,617,500 |

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Notes to the Financial Statements (Continued)

17. Property, Plant and Equipment

| | Land | Buildings | Furniture and fittings | Computer & ICT Infrastructure | Plant, Machinery and equipment | Total |
|-------------------------------|------------|------------|------------------------|-------------------------------|--------------------------------|-------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs |
| At 30 th June 2021 | 10,000,000 | 85,184,540 | 14,162,269 | 245,000 | - | 109,591,809 |
| Additions | - | 1,257,500 | - | - | 481,500 | 1,739,000 |
| Disposals | - | - | - | - | - | - |
| Transfer/Adjustments | - | - | (9,346,169) | 974,120 | 8,250,750 | (121,299) |
| At 30 th June 2022 | 10,000,000 | 86,442,040 | 4,816,100 | 1,219,120 | 8,732,250 | 111,209,510 |
| Depreciation And Impairment | | | | | | |
| Depreciation | - | 433,456 | 893,357 | 226,139 | 1,599,438 | 3,152,389 |
| At 30 th June 2022 | - | 433,456 | 893,357 | 226,139 | 1,599,438 | 3,152,389 |
| Net Book Values | | | | | | |
| At 30 th June 2021 | 10,000,000 | 85,184,540 | 14,162,269 | 245,000 | - | 109,591,809 |
| At 30 th June 2022 | 10,000,000 | 86,008,584 | 3,922,743 | 992,981 | 7,132,812 | 108,057,120 |

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Notes to the Financial Statements (Continued)

Valuation

As per National Treasury guidelines, Land and buildings were identified and valued as per the National Liabilities and Management Policy and guidelines (Issued June 2020). Land and buildings were valued by Icon independent valuer ltd on 25th august, 2021 on market value basis of valuation. These amounts were adopted on 17/09/2021

17 (b) Property, Plant and Equipment at Cost

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

| Description | Cost | Accumulated Depreciation | NBV |
|---|--------------------|--------------------------|--------------------|
| | Kshs | Kshs | Kshs |
| Land | 10,000,000 | - | 10,000,000 |
| Buildings | 86,442,040 | 433,456 | 86,008,584 |
| Plant And Machinery | 4,816,100 | 893,357 | 3,922,743 |
| Computers and Related Equipment | 1,219,120 | 226,139 | 992,981 |
| Office Equipment, Furniture, And Fittings | 8,732,250 | 1,599,438 | 7,132,812 |
| Total | 111,209,510 | 3,152,389 | 108,057,120 |

18. Trade and Other Payables from Exchange transactions

| Description | 2021-2022 | 2020-2021 |
|---------------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Trade payables | 0 | 286,290 |
| Fees paid in advance | 978,646 | 184,569 |
| Refundable to Mentoring institution | 655,164 | 1,376,901 |
| Total Trade and Other Payables | 1,633,810 | 1,847,760 |

19. Refundable Deposits from Customers/Students

| Description | 2021-2022 | 2020-2021 |
|-----------------------|-----------|---------------|
| | Kshs | Kshs |
| Caution money | 0 | 13,800 |
| Total Deposits | 0 | 13,800 |

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NB: the caution money was utilized to meet the tuition fee payable since the students who had been charged the amount had outstanding high balances

Notes to the Financial Statements (Continued)

20. Cash generated from operations

| | 2021-2022 | 2020-2021 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Surplus for the year before tax | 2,285,954 | 3,908,782 |
| Adjusted for: | | |
| Depreciation | 3,152,389 | 3,362,751 |
| Working Capital Adjustments | | |
| Increase in Receivables | (445,679) | (1,409,856) |
| Increase in Payables | (213,950) | (4,093,697) |
| Net Cash Flow from Operating Activities | 4,778,714 | 1,767,980 |

21. Financial Risk Management

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

(i) Credit risk

The Tetu TVC 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

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Notes to the Financial Statements (Continued)

The company's management based on prior experience and their assessment of the current economic environment.

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

| Description | Total amount Kshs | Fully performing Kshs | Past due Kshs | Impaired Kshs |
|--|----------------------|--------------------------|------------------|------------------|
| At 30 June 2021 | | | | |
| Receivables from exchange transactions | 1,861,066 | - | - | - |
| Receivables from non-exchange transactions | 1,617,500 | 1,617,500 | - | - |
| Bank balances | 1,073,097 | - | - | - |
| Total | 4,551,663 | 1,617,500 | - | - |
| At 30 June 2022 | | | | |
| Receivables from exchange transactions | 2,924,245 | - | - | - |
| Receivables from non-exchange transactions | 1,000,000 | 1,000,000 | - | - |
| Bank balances | 756,676 | - | - | - |
| Total | 4,680,921 | 1,000,000 | - | - |

21. 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 Tetu TVC has significant concentration of credit risk on amounts due from 60 days.

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 Tetu TVC's directors, who have built an appropriate liquidity risk management framework for the management of the Tetu

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

Notes to the Financial Statements (Continued)

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

| Description | Less than 1 month | Between 1-3 months | Over 5 months | Total |
|-------------------------|-------------------|--------------------|------------------|------------------|
| | Kshs | Kshs | Kshs | Kshs |
| At 30 June 2021 | | | | |
| Trade payables | | 286,290 | | 286,290 |
| prepaid fees | | 184,569 | | 184,569 |
| refundable to customers | | | 13,800 | 13,800 |
| refundable to mentor | | | 1,376,901 | 1,376,901 |
| | | | | |
| Total | 0 | 470,859 | 1,390,701 | 1,861,560 |
| At 30 June 2022 | | | | |
| Trade payables | 0 | - | - | - |
| prepaid fees | | 68,000 | 38,680 | 106,680 |
| refundable to customers | | - | - | - |
| refundable to mentor | | - | 655,164 | 655,164 |
| | | | | |
| Total | 0 | 68,000 | 693,844 | 761,844 |

21. Financial Risk Management (Continued)

(iii) Market risk

The Tetu TVC has put in place an internal audit function to assist it in assessing the risk faced by the Tetu TVC 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 Tetu TVC's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control

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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 Tetu TVC'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 Tetu TVC's exposure to market risks or the manner in which it manages and measures the risk.

Notes to the Financial Statements (Continued)

21. Financial Risk Management (Continued)

(iii) Market risk (Continued)

a) Interest rate risk

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

Management of interest rate risk

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

21 Financial Risk Management (Continued)

(iii) Market risk (Continued)

b) Interest rate risk(continued)

Sensitivity analysis

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

iv)Capital Risk Management

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

| Description | 2021-2022 | 2020-2021 |
|---|--------------------|--------------------|
| | Kshs | Kshs |
| Revaluation Reserve | 39,781,700 | 39,781,700 |
| Retained Earnings | 2,067,133 | 626,994 |
| Capital Reserve | 69,571,819 | 69,284,470 |
| Total Funds | 111,420,652 | 109,693,164 |
| Total Borrowings | - | - |
| Less: Cash and Bank Balances | 1,073,097 | 1,458,525 |
| Net Debt/(Excess Cash and Cash Equivalents) | 1,073,097 | 1,458,525 |
| Gearing | - | - |

22. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

- i) The National Government;
- ii) The Parent Ministry; Ministry of Education
- iii) Tetu CDF
- iv) Local community
- v) Nyeri County Government
- vi) College Top management and trainers;
- vii) Board of Governors;
- viii) College trainees, sponsors and guardians.

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Notes to the Financial Statements (Continued)

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

| Description | 2021-2022 | 2020-2021 |
|---|-------------------|------------------|
| | Kshs | Kshs |
| Transactions with Related Parties | | |
| a) Grants /Transfers from the Government | | |
| Grants from National Govt | 9,546,680 | 6,525,000 |
| Total | 9,546,680 | 6,525,000 |
| b) Key Management Compensation | | |
| Directors' emoluments | 766,000 | 1,246,000 |
| Total | 10,312,680 | 7,771,000 |

23. Events After The Reporting Period

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

24. Ultimate And Holding Tetu TVC

The Tetu TVC 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).

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

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

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved/ Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|--|-------------------------------------|---|
| | Failure to report on the prior audit issues | The management of Tetu technical and vocational college is at the forefront to implement the issues highlighted in the audit report for the year 2019/2020 of which most of them have been resolved and that is why they were never recurring in the current audit of the financial year 2020/2021 | resolved | 30/6/2022 |
| 1. | Staff Ethnic Diversity | The human resource of Tetu technical and Vocation College is on the lookout for the ethnic composition of the institution. With the growing population of students, the college is in the process of increasing the staff population where equal opportunities are offered to all qualified personnel. Thus, with time the college will resolve the issue of ethnic diversity. | Resolved | Gradual |
| 2. | Failure to deduct and remit Board's Pay-As-You-Earn (PAYE) | The issue of the Board of Governors' remuneration is in effect for the tax deduction where in the next financial | Resolved | 30/6/2023 |

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| Reference No. on the external audit Report | Issue / Observation / Auditor | Management Response | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|-------------------------------|--|-----------------------------------|--|
| | | year, the PAYE deductions are in place and the BOG members are aware of the same upon consultation with the KRA office. It was agreed with the office of KRA the expense to be categorized as facilitation of the BoG instead of allowances. | | |

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 Tetu TVC responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.



Name of Accounting Officer: Fredrick N. Wainaina
Title: Principal
Date: 6/4/2023

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Appendix II: Projects Implemented by Tetu TVC

Projects

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

| Project title | Project Number | Donor | Period/ duration | Donor commitment | Separate donor reporting required as per the donor agreement (Yes/No) | Consolidated in these financial statements (Yes/No) |
|---------------|----------------|-------|------------------|------------------|---|---|
| I. | BUILDING SHED | A.I.A | MARCH-JUNE 2022 | 100% COMMITMENT | NO | YES |

Status of Projects completion

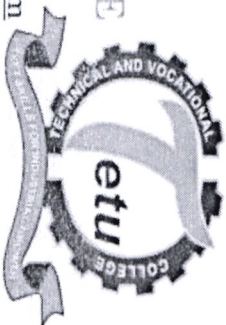
| Project | Total project Cost | Total expended to date | Completion % to date | Budget | Actual | Sources of funds |
|---------|--------------------|------------------------|----------------------|-----------|-----------|------------------|
| I | BUILDING SHED | 1,257,500 | 100% | 1,000,000 | 1,257,500 | A.I.A. |

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Appendix III- Inter-Tetu TVC Confirmation Letter



MINISTRY OF EDUCATION
STATE DEPARTMENT OF TECHNICAL & VOCATIONAL TRAINING
TETU TECHNICAL AND VOCATIONAL COLLEGE
P.O BOX 17,6 - 10100, NYERI TEL: 0758 660 300
Website: www.tetuve.ac.ke E-mail: info@tetuve.ac.ke tetuvcc@gmail.com



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

Confirmation of amounts received by Tetu TVC as at 30th June 2022

| Reference Number | Date Disbursed | Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30th June 2022 | | | Total (D)=(A+B+C) | Amount Received by [beneficiary Tetu TVC] (KShs) as at 30 th June 2021 (E) | | Differences (F)=(D-E) |
|------------------|--------------------------------|---|-----------------|-----------------------|-------------------|---|---|-----------------------|
| | | Recurrent (A) | Development (B) | Inter-Ministerial (C) | | | | |
| Capitation | | | | | | | | |
| CHQ11734 | 14 th July 2021 | 1,117,500 | | | 1,117,500 | 1,117,500 | 0 | |
| 999999FT2 | 23 rd November 2021 | 1,215,000 | | | 1,215,000 | 1,215,000 | 0 | |
| DPC MIN | 2 nd march 2022 | 1,215,000 | | | 1,215,000 | 1,215,000 | 0 | |
| DPC MIN | 3 rd June 2022 | 1,342,500 | | | 1,342,500 | 1,342,500 | 0 | |
| | Sub-total | <u>4,890,000</u> | | | <u>4,890,000</u> | <u>4,890,000</u> | 0 | |

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| | grants | | | | | | |
|-----------|--------------------------------|------------------|--|--|--|------------------|---|
| 21195HNNG | 14 th July 2021 | 500,000 | | | | 500,000 | 0 |
| 1999999F | 23 rd November 2021 | 500,000 | | | | 500,000 | 0 |
| 2999999F | 23 rd November 2021 | <u>500,000</u> | | | | <u>500,000</u> | 0 |
| | Sub-total | 1,500,000 | | | | <u>1,500,000</u> | 0 |
| Total | | <u>6,390,000</u> | | | | <u>6,390,000</u> | 0 |

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

Head of Accountants department of beneficiary Tetu TVC:

Name Fredrick N. Wainaina Sign  Date 6/4/2023