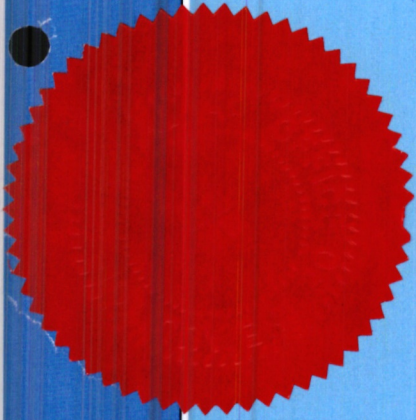
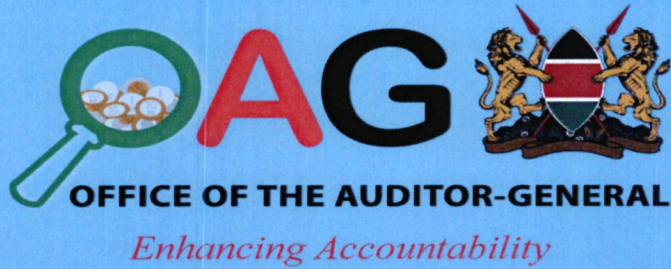


REPUBLIC OF KENYA



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**REPORT**

THE NATIONAL ASSEMBLY	
DATE: 01 AUG 2023	DAY: TUE
OF TABBLED BY:	Hon Naomi Wago, MP Deputy Majority Whip
CLERK AT THE TABLE:	Mozu Mwale

**THE AUDITOR-GENERAL**

**ON**

**NAVAKHOLO TECHNICAL AND  
VOCATIONAL COLLEGE**

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



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**NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30<sup>TH</sup> JUNE 2022**

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

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## I. Key Entity Information and Management

### (a) Background information

Navakholo Technical and Vocational College established under the TVET Act 2013 on 28<sup>th</sup> January 2021. The college is domiciled in Kenya and has NO branches. The college is under the Ministry of Education. The college is located at Chebuyusi village in Navakholo sub-county, Kakamega county. The construction of the college started in January 2016 on a 5.5-acre piece of land donated by Chebuyusi Boys high school. It was a joint effort of the Kenya Government and the NG-CDF of Navakholo constituency. The Government contributed Kshs. 49,210,550 whereas the NG-CDF Navakholo constituency contributed Kshs. 10,000,000. The college was mentored by Kisiwa Technical Training institute in Bungoma county. It was completed in September 2019 and the public service commission posted the first two staffs, the principal Mr Patrick Ngore and his deputy Mr Ekhavi Gilbert. The Government equipped the college with Building Technology Machines and training equipment making a centre of excellence in building & civil engineering.

### (b) Principal Activities

The mandates of the college are as contained in the TVET act 2013.

#### Our Vision

To be a leading college in technical Training & innovation for socio-economic prosperity and global competitiveness.

#### Mission

To provide quality competency-based technical training in science, engineering & Technology to foster applied research and community outreach for innovative and Sustainable Development.

#### Core values

NTVC is guided by:

- **Integrity** –Committed to acting in an honest, accountable and transparent manner in all our undertakings.
- **Professionalism** –Committed to the highest levels of achievement obtainable through competence and critical skills.
- **Teamwork** -Embrace collaboration both within the Council and with all partners in the provision of services.
- **Good Governance**-Committed to the protection of stakeholders' rights and the enforceability of contracts with service providers.

□ **Innovation**-committed to offer the training and resources for making everyone comfortable using available technology and trains its students to be lifelong learners when it comes to new developments.

**(c) Key Management**

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

Board of Governors  
 Accounting officer/ Principal  
 Management board  
 Heads of departments

**(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	Mr. Gilbert Ekhavi
2.	Deputy principal	Mr. Amai Alfred
3	Head of accounts	Asman Wangwe
4	procurement (s)	Anne Saisi

**Fiduciary Oversight Arrangements**

**Board committees**

**Finance, planning & development committee**

No	NAME	Designation
1	Evans Barasa	Chair
2	Duncan Njuguna	Member
3	Eunice Rapando	Member

**Human resource, training committee**

No	Name	Designation
1	David Shikuku	Chair
2	Dr Bernadette Sabuni	Member
3	Josiah Maaga	Member

**Key college Information and Management (Continued)**

**(e) college Headquarters**

P.O. Box 766-50100  
Kakamega county  
Navakholo sub county  
½ kms from kakamega Bungoma via Nambacharoad

**(f) college Contacts**

Telephone: (254) 721589977  
E-mail: navakholo tvc@gmail.com  
Website: www.navakholotvc.ac.ke

**(g) college Banker**

Equity bank-0500280066901  
Kakamega branch  
Kakamega town.








**(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 Board of Governors.

 <p>1. Boardchair</p>	<p>Name: Prof. Violet N. Opata                  D.O.B:1966                  Key Qualifications: PhD                  Work experience: Education associate professor of communication technology, coordinator school of education Moi university.</p>
 <p>2. BoG Member</p>	<p>Name: Evans Barasa Wanjala                  D.O.B:1992                  Key Qualifications: Holder of Bed Arts, MBA strategic management.                  Work experience: Relationship Officer-Operations at EBL(k)</p>
 <p>3. BoG Member</p>	<p>Name: Duncan Mwangi Njuguna                  D.O.B:1965                  Key Qualifications: holder bachelors of commerce                  Work experience: insurance industry,x-mca</p>
 <p>4. BoG Member</p>	<p>Name: Dr, Eng. Bernadette W. Sabuni                  D.O.B: 1964                  Key Qualification; PHD                  Work experience: dean elect, school of engineering and built environment mmust.</p>
 <p>5. BoG Member</p>	<p>Name: David Sikuku                  D.O.B:                  Key Qualification: MBA (finance option)                  Work experience: researcher parliamentary service commission.</p>
 <p>6. BoGMember</p>	<p>Name: Eunice Rapando                  D.O.B:1978                  Key Qualification: MSc human resource                  Work experience: administration duties</p>
 <p>7. BoG Member</p>	<p>Name: Josiah B. Karori Maaga                  D.O.B:1956                  Key Qualification: holder of degree civil Eng.                  Work Experience: Road's construction.</p>

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

 8. Secretary to the Board	Name: Gilbert Ekhavi D.O.B; Key Qualification: bachelor of technology in civil engineering
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**III. Management Team**

 1. Principal	Name: Gilbert Ekhavi Key Qualification; Bachelor degree.
 2. Ag Deputy Principal	Name: Amai Alfred Key Qualification: Bachelor degree(Geography)
 3. HOD Building	Name: Charity Jepkorir Key Qualifications: Bachelor Degree
 4. Accountant	Name: Asman Wangwe Key Qualification: CPA Sec v.
5. Procurement officer	Name: Anne Saisi Key Qualifications: dip in supply chain Mgmt.

#### IV. Board chair's statement.

The Navakholo Technical and Vocational College Board of Management was appointed on 12th day of May in 2020. In view of Mandate bestowed to us by the Cabinet Secretary I would announce, without any reservations that the Board has carried out its functions diligently and satisfactorily.

On 21st day of July 2020 the Board was inaugurated. During the first meeting the Board formed the following committees to enhance efficiency in its functions. These included:

- a) Finance and Human Resources committee.
- b) Education, Training and Research subcommittee.
- c) Risk and compliance subcommittee.

Since then, the Board has held several meetings to ensure the college management fast tracks the necessary procedures for the smooth running of the college. On 12<sup>th</sup> July 2022 the Board, held a meeting. During the meetings, the following resolutions were made:

- a) The members agreed that all policies documents need to be fully discussed at the committee level before submission to the full board this included: Building policy document, Human Resource and finance policy and Academic policy, the strategic plan among others.
- b) The finance and Human Resource committee reported that the college was not doing well financially since trainees do not pay all fees and that will only improve if the fees payment trend changes.
- c) Also, it was noted that the college received capitation funds totalling to Kshs 3,277,500 of which Kshs1,710,000 came through our mentor Kisiwa TTI.

#### Challenges


In view of the complementary roles carried out by the Board and College management, there are several factors that affect the structural and managerial processes.

The reluctance and aloofness of the community in ensuring their children join the college to acquire knowledge. Thus, recruiting of students is a really challenge. The College also had its student's population reduced during the wave of Covid 19.

The College relies mainly on trainer recruited by the Board causing constrains on the meagre resources provided by the Ministry. Most courses were deferred due to this problem of not having qualified trainers from the Ministry.

#### Way Forward

Having many students who failed to join university from many secondary schools and with activated and energetic marketing strategies and sensitizing the community on Government bursaries and loans, there is a lot of hope students' population will increase greatly.

Board chairperson. Prof. Violet N. Opata.....

Date: .....12/07/22.....

**Navakholo Technical and vocational College**  
**Annual Report and Financial Statements for the year ended 30th June 2022**

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**V. Report of the Principal**

Navakholo Technical and Vocational College is situated in Chebuyusi village, Bunyala Central Location, Navakholo Sub-County in Kakamega County. It is a public institution with registration TVETA/Public/tvc/0006/2021. The college is being mentored by Kisiwa Technical Training Institute. The 5.5 (five) acre land has yet to be given land title deed; it was donated by Chebuyusi boy high school. The one storey building was constructed by the G.O.K. houses, two buildings/civil engineering workshops, 8 classrooms, staffroom, computer laboratory, land survey room, library space, office washrooms and administration offices.

**THE HUMAN RESOURCE.**

The college opened its doors to students on January 2020 with the first intake. The college is managed by a board of governors inaugurated on 21/7/2020. Currently there are 5(Gvt) trainers including the principal deployed by the Ministry of Education and 12(twelve) on B.O.G employment. The College has 6 board employees and three casuals for support services.

**COURSES AND ENROLMENT**

The college is a Centre of excellence in **BUILDING AND CIVIL ENGINEERING**. Other courses include: ICT, Water Engineering, Plumbing and Masonry. The total enrolment as at 30. June 2022 was 332 trainees spread across the courses.

**PROJECTS**

The college has constructed and initiate the following;

1. 6 door pit latrines
2. Gate (Medium)
3. Plant a Kei Apple (Kayaba) fence.
4. Plant 1000 trees.

The College also hosts a solar-powered borehole which was constructed by The National Government and C.D.F Navakholo Constituency.

**STRENGTH.**


The college is sited strategically 100m from existing colleges and therefore has a large catchment for trainees.

It has a substantive Board of Governors.

**CHALLENGES**

The College is in dire need for;

- Public service trainers to ease the burden of BOG trainers.
- A permanent gate
- Hostels to attract trainees from a far.
- Compound fencing
- Tools and equipment for plumbing, ICT and Masonry courses.
- Transportation; double cabin and bus for mobility and training.
- E-Library books, computers, library chairs and tables for research and training purposes.
- Filling of administrative positions for effective operation of the college.

Principal: Mr Ekhavi Gilbert Wawire.....

Date: ..... 12/05/2022 .....

## **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 entity's performance against predetermined objectives.

The college is to work on the strategic pillars and objectives within the ongoing design of a Strategic Plan for the college.

## **VII. Corporate Governance Statement**

Navakholo Technical & vocational College corporate objective is to provide Technical and Vocational Education and training for producing competent graduates that can develop rapidly in their specialized fields and are relevant in the global market

This will be done by using innovation, training and community outreach as prescribed by the mission statement and through the discovery, development and conversion of talent and natural resources, and the provision of innovative customer and market- focused academic programmes.

## **VIII. Management Discussion and Analysis**

The PFM act of 2012 requires that the BOG to prepare financial statement for the institute which gives true and fair view of the state of affairs of the college and operating results of the college. The BoG is also required to ensure that the college keeps proper accounting records which disclose with accuracy the financial position of the college and safeguard the college assets.

The BoG is responsible for the preparation and presentation of the college financial statement which give a true & fair view of the college. The 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 college.
- 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 misstatement, whether due to error or fraud.
- iv. Safeguard the college assets
- v. Selecting & applying appropriate accounting policies
- vi. Making accounting estimates that are reasonable in the circumstances

## **IX. Environmental And Sustainability Reporting Statement**

### **1. Sustainability strategy and profile**

The college has to develop the following sustainability strategy to ensure that it remains afloat.

- a) Development and implementation of the college strategic plan.

- b) Development of various operational policies
- c) Strengthening and expanding the current academic programmes and introducing new competitive programmes

### **Achievement**

These include:

- Growth in student's numbers,
- Competitive recruitment of staff, both trainers and other support staff.
- Development of the infrastructures to support academic programmes.
- Development of various physical infrastructures in the college.

### **Challenges**

Key challenges faced by the college since inception is inadequate resources to finance the proposed projects. The covid 19 pandemic has created uncertainty environment for doing business including the marketing of the college programmes.

### **2. Environmental performance**

The college recognises environmental sustainability as the greatest challenges in the 21<sup>st</sup> century and commits to ensuring that its major strategy and operations consider their environmental and ecological aspect and impacts. In this respect, the college is:

- a) Partnering with the local community within Navakholo shopping centre in keeping those towns clean by sponsoring staffs and students to freely participate periodical cleaning exercises
- b) In order to maintain healthy environment, the college planted grass and flowers on the sloppy part of the compound besides around the tuition block to reduce the soil erosion and for beautification.

### **3. Employee welfare**

The college is to develop human resource policy and scheme of service that spells out

- a) The terms of employments,
- b) Qualification and experiences needed at each position
- c) Process of the identifying the skills gap
- d) Process of the recruitment

### **4. Market place practices-**

The college has adopted the following marketing practices to ensure it has enough numbers per academic programme as per the MOE requirements.

- a) Established exchange programme with institution of higher learning
- b) College excellence performance trends to its trainers in both internal and external exams
- c) Participating in the regional education forums and also in KATTI activities
- d) Organised career guidance to the form 4 students in secondary schools within the Kakamega county
- e) Building capacities of its trainers as per the training needs analysis gaps intervention programmes
- f) Recruitment of the competent trainers in areas where there are skills gap.
- g) Use of television and road shows.

## **X. Report of the Council/Board of Governors**

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

Principal activities are

- Produce competent and quality trainees as per the demand of the market.
- Generate appropriate knowledge, skills, attitude, competencies, and innovation outputs that impact on the national development goals and social welfare.
- Produce, transfer and disseminate appropriate technology for the benefit of the College, industry and society in general.
- Develop collaborations & linkages with relevant industries and training institution

Results

The college result for December 2021 sitting was encouraging.

### **Board of Governors**

The members of the Board who served during the year are shown on page iii. During the year 1 of the director retired/ resigned and non was appointed.

### **Auditors**

The Auditor General is responsible for the statutory audit of the college 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 *entity* 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**

**Nairobi**

**Date:**

## **XI. Statement of Board of Governors Responsibilities**

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

The council members are responsible for the preparation and presentation of the college's financial statements, which give a true and fair view of the state of affairs of the college for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the college;
- (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 college's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act, and the TVET Act. The council members are of the opinion that the college's financial statements give a true and fair view of the state of Navakholo technical and vocational college's transactions during the financial year ended June 30, 2022, and of the college's financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the college, which have been relied upon in the preparation of the Navakholo technical and vocational college's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board members to indicate that Navakholo technical and vocational college will not remain a going concern for at least the next twelve months from the date of this statement.

**Navakholo Technical and vocational College**  
**Annual Report and Financial Statements for the year ended 30th June 2022**

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Approval of the financial statements

The Navakholo technical and vocational college financial statements were approved by the Board on 19/8/2022 and signed on its behalf by:

*Prof Violet Cpaka*

Name

**Chairperson of the Board**

*Ekhavi Gilbert*

Name

**Accounting Officer/Principal**

# REPUBLIC OF KENYA

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

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

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Navakholo Technical and Vocational College set out on pages 1 to 34, which comprise 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

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

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 the Navakholo 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 Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act, 2013.

### **Basis for Qualified Opinion**

#### **Lack of Title Deed and Valuation Report**

The statement of financial position reflects a balance of Kshs.162,409,770 in respect of property, plant and equipment which, as disclosed in Note 19 the financial statements, includes land measuring 5.5 acres where the College is located valued at Kshs.2,500,000. However, the College did not have a title deed for the land and a valuation report was also not provided for audit verification.

In the circumstances, the fair valuation and ownership of the land could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Navakholo 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.

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

### **Conclusion**

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

## **Basis for Conclusion**

### **1. Execution of an Unapproved Budget**

During the year under review, the College did not have an approved budget. It was therefore not possible to establish the authenticity of the balances contained in the statement of comparison of budget and actual amounts. This was contrary to the requirements of Regulation 218(1) of the Public Finance Management (National Government) Regulations, 2015, which states that the Cabinet Secretary responsible for a Government entity shall approve the estimates of budget of the entity not later than January of every year, and submit it to The National Treasury for final approval.

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

### **2. Failure to Maintain Annual Board Work Plan and Board Charter**

The statement of financial performance reflects an amount of Kshs.644,020 in respect of remuneration of Directors as disclosed in Note 11 to the financial statements. However, review of records relating to Board activities revealed that the Board operated without an Annual Work Plan, Board Register and Board Charter. This was contrary to provisions of Paragraph 1.11 of the Mwongozo Code of Governance for State Corporations which states that the Board should develop and adopt a Board Charter which shall define the role, responsibilities, and functions of the Board in the governance of the organization. Paragraph 1.9 also requires the Board to ensure the development of an Annual Work Plan.

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

### **3. Failure to Adhere to National Cohesion and Integration Act, 2008**

During the year under review, the College had twenty-four (24) employees. Out of this number twenty-one (21) or 88% were from the same ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states 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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my

report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **Lack of Information Technology (IT) Internal Controls**

The College did not have an Approved Policy on Information Communications Technology (ICT) and policies on information technology continuity plan. Further, the College did not have an IT Steering Committee and a Disaster Recovery Plan.

In the circumstances, the confidentiality, integrity and safety of the College's information and data could not be confirmed.

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

### **Responsibilities of Management and those Charged with Governance**

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

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to 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 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 controls 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**

**03 July, 2023**

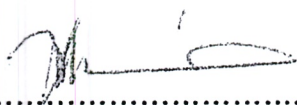
Navakholo Technical and Vocational College  
Annual Report and Financial Statements for the year ended 30th June 2022

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

Description	Notes	2021-2022	2020-2021
		Kesha	Kesha
<b>Revenue from Non-Exchange transactions</b>			
Transfers from other National Government entities	6	1,000,000	1,500,000
Grants from donors and development partners		-	
Transfers from other levels of government		-	
		<b>1,000,000</b>	<b>1,500,000</b>
<b>Revenue from Exchange transactions</b>			
Rendering of services- fees from students	7	6,059,044	7,608,830
Other income	8	2,000	30,000
<b>Revenue from Exchange transactions</b>		<b>6,061,04</b>	<b>7,638,830</b>
<b>Total Revenue</b>		<b>7,061,044</b>	<b>9,138,830</b>
<b>Expenses</b>			
Use of goods and services	9	6,640,602	961,818
Employee costs	10	2,747,733	1,249,685
Board Expenses	11	644,020	426,650
Depreciation and amortization expense	12	17,853,402	17,706,295
Repairs and maintenance	13	28,830	217,762
Contracted services	14	450,200	439'200
<b>Total Expenses</b>		<b>28,364,787</b>	<b>21,001,410</b>
<b>Other Gains/(Losses)</b>		-	-
<b>Net surplus for the year</b>		<b>(21,303,743)</b>	<b>(11,862,580)</b>

(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:



Board chair person



Finance Officer

ICPAK No



Principal

Date

12/05/2023

Date

12/5/2023

Date


12/5/2023

Navakholo Technical and vocational College  
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XIV. Statement of Financial Position as at 30th June 2022

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	15	94,541	2,332,779
Current portion of receivables from exchange transactions	16	2,064,994	3,712,360
Receivables from non-exchange transactions	17	1,000,000	500,000
Inventories	18	240,360	110,613
		<b>3,399,895</b>	<b>6,655,752</b>
<b>Non-Current Assets</b>			
Property, plant, and equipment	19	162,409,770	179,440,601
		162,409,770	179,440,601
<b>Total Assets</b>		<b>165,809,665</b>	<b>186,096,353</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	20	1,324,366	1,131,187
		<b>1,324,366</b>	<b>1,131,187</b>
<b>Non-Current Liabilities</b>			
<b>Total Liabilities</b>		<b>1,324,366</b>	<b>1,131,187</b>
<b>Net Assets</b>		<b>164,485,299</b>	<b>184,965,166</b>
Reserves		-	-
Accumulated surplus/deficit		2,387,374	5,837,715
Capital Fund		162,097,925	179,145,451
<b>Total Net Assets and Liabilities</b>		<b>165,809,665</b>	<b>186,096,353</b>

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



Board chair person

Date

12/06/2022



Finance Officer  
ICPAK No

Date

12/05/2022



Principal

Date

12/05/2022

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

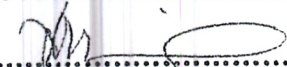
<b>Description</b>	<b>Accumulated surplus/deficit</b>	<b>Capital Fund</b>	<b>Total</b>
<b>At July 1, 2020</b>	-	<b>196,851,746.00</b>	<b>196,851,746.00</b>
Revaluation gain	-	-	-
Fair value adjustment on quoted investments	-	-	-
Total comprehensive income	(11,868,580)	-	(11,868,580)
Capital/development grants received during the year	-	-	-
Transfer of depreciation/amortisation from capital fund to Retained earnings	17,706,295	(17,706,295)	-
<b>At June 30, 2021</b>	<b>5,837,715</b>	<b>179,145,451</b>	<b>184,983,166</b>
<b>At July 1, 2021</b>	<b>5,837,715</b>	<b>179,145,451</b>	<b>183,401,668</b>
Revaluation gain	-	-	-
Fair value adjustment on quoted investments	-	-	-
Total comprehensive income	(21,303,743)	-	(21,303,743)
Capital/development grants received during the year	-	-	-
Transfer of depreciation/amortisation from capital fund to Retained earnings	17,853,402	(17,853,402)	-
<b>At June 30, 2022</b>	<b>2,387,374</b>	<b>161,292,049</b>	<b>162,097,925</b>

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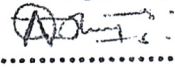
VI. Statement of Cash Flows for the year ended 30 June 2022

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other government entities/govt. Grants	6	1,000,000	1,500,000
Rendering of services- fees from students	7	6,059,044	7,608,830
Other income-tender-	8	2,000	30,000
<b>Total Receipts</b>		<b>7,061,044</b>	<b>9,138,830</b>
<b>Payments</b>			
Compensation of employees	10	2,747,733	1,249,685
Use of goods and services	9	6,640,602	961,818
Board expenses	11	644,020	426,650
Prior year adjustments	21	1,210,234	
Repairs and maintenance	13	28,830	217,762
Contracted services	14	450,200	439,200
<b>Total Payments</b>		<b>9,301,151</b>	<b>3,295,115</b>
<b>Net Cash Flows from operating activities</b>		<b>(2,240,107)</b>	<b>5,843,715</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(822,560)	(295,000)
<b>Net cash flows used in investing activities</b>		<b>(822,560)</b>	<b>(295,000)</b>
<b>Changes in current Assets/Liabilities</b>			
Decrease in receivables from exchange transactions	16a	1,647,355	
Increase in receivables from non-exchange transactions	17	(500,000)	
Decrease in trade payables from exchange transactions	20	(193,179)	
Increase in inventory	18	(129,747)	
<b>Net change in working capital</b>		<b>824,429</b>	
<b>Net Increase/(Decrease) in Cash and Cash equivalents</b>		<b>(2,238,238)</b>	
Cash and Cash equivalents at 1 JULY 2021	15	2,332,779	
<b>Cash and Cash equivalents at 30 JUNE 2022</b>	15	<b>94,541</b>	<b>2,332,779</b>

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


  
.....

Board chair person

  
.....

Finance Officer

ICPAK No

  
.....

Principal

Date 12/5/2023

Date 12/5/2023

Date 12/5/2023

**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	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>%</b>
Transfers from other govt entities and govt grants	2,000,000	-	2,000,000	1,000,000	(1,000,000)	50%
Rendering of services- fees from students	9,257,500	-		6,059,044	(3,198,456)	35%
Other income	-	-	-	2,000	(2000)	%
<b>Total Income</b>	<b>11,257,500</b>	<b>-</b>	<b>11,257,500</b>	<b>7,061,044</b>	<b>(4,200,456)</b>	<b>37%</b>
<b>Expenses</b>						
Compensation of employees	3,600,000	-	3,600,000	2,747,733	(852,267)	24%
Use of goods and services	6,895,500		6,895,500	6,640,602	(254,898)	4%
Remuneration of directors	762,000		762,000	644,020	117,980	15%
<b>Total Expenditure</b>	<b>11,257,500</b>		<b>11,257,500</b>	<b>10,032,355</b>	<b>(1,225,145)</b>	<b>11%</b>
<b>Surplus/deficit For the Period</b>	<b>-</b>		<b>-</b>	<b>2,971,311</b>	<b>2,975,311</b>	

(Budget notes)

- Due to fiscal challenges the government did not disburse the full capitation and full recurrent grants, this made the college to miss the budgeted target
- The revenue collection did not meet the target because the college fees collection was low due to defaulters.

**XVIII. Notes to the Financial Statements**

**1. General Information**

Navakholo technical and vocational college is established by and derives its authority and accountability from TVET Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is as per the act.

**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 college'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 21.

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

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.

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

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

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Standard	Effective date and impact:
	<p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**iii. Early adoption of standards**

The college did not early-adopt any new or amended standards in year 2022.

#### 4. Summary of Significant Accounting Policies

##### a) Revenue recognition

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

###### Transfers from other government entities

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

##### ii) Revenue from exchange transactions

###### Rendering of services

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

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

###### Sale of goods

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

###### Interest income

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

###### Dividends

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

4 Summary of Significant Accounting Policies (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

**Rental income**

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

b) Budget information

The original budget for FY 2021/2022 was approved by the Board on 15/2/2021. 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 entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the college didn't record additional appropriations on the FY 2021/2022 budget.

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

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

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

c) Taxes

*Current income tax*

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

*Sales tax/ Value Added Tax*

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

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

- When receivables and payables are stated with the amount of sales tax included.

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

**d) Investment property**

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

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

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

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

**e) Property, plant and equipment**

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

f) Leases

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

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

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

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

g) Intangible assets

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

h) Research and development costs

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

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

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

**Navakholo Technical and vocational College**  
**Annual Report and Financial Statements for the year ended 30th June 2022**

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

i) Financial instruments

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

*Held-to-maturity*

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

*Impairment of financial assets*

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

i) Financial instruments (Continued)

*Impairment of financial assets (Continued)*

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

*Financial liabilities*

*Initial recognition and measurement*

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

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

*Loans and borrowing*

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

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

j) Inventories

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

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

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

Notes to the Financial Statements (Continued)

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

##### **Inventories (Continued)**

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

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

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

##### **k) Provisions**

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

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

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

##### ***Contingent liabilities***

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

##### ***Contingent assets***

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

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

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

**l) Nature and purpose of reserves**

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

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

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

**n) Employee benefits**

**Retirement benefit plans**

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

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

**o) Foreign currency transactions**

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

**p) Borrowing costs**

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

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

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

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

**q) Related parties**

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

**r) Service concession arrangements**

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

**s) Cash and cash equivalents**

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

**t) Comparative figures**

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

**u) Subsequent events**

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

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

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

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

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

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

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Notes to the Financial Statements (Continued)

6. Transfers from other National Government entities

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Unconditional Grants</b>		
Capitation Grants	-	-
Operational Grant	1,000,000	1,500,000
Other Grants	-	-
	<b>1,000,000</b>	<b>1,500,000</b>
<b>Conditional Grants</b>		
<b>Total Government Grants and Subsidies</b>	<b>1,000,000</b>	<b>1,500,000</b>

(a) Transfers from other Government entities (Categorized)

Name Of the Entity Sending the Grant	Amount recognized to Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year	2020-2021
			Kshs	Kshs	Kshs
TVET State Department	1,000,000	-	-	1,000,000	1,500,000
<b>Total</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>1,500,000</b>

**Navakholo Technical and vocational College**  
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**Notes to the Financial Statements (Continued)**

**7. Rendering of Services**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
TUITION	3,132,952	2,792,090
PERSONAL EMOLUMENT	1,106,420	1,837,060
ROBOTIC&TVET FAIRS	81,000	374,000
ADM	356,252	673,520
LT&T	318,100	342,660
RMI	189,780	617,100
EWC	311,320	355,300
MEDICAL	18,060	168,300
LIBRARY	20,400	224,400
ACTIVITY	162,260	224,400
PRACTICAL	3,000	-
ATTACHMENT	172,550	-
DEVELOPMENT	165,350	-
STUDENT COUNCIL	21,600	-
<b>Total Revenue from The Rendering of Services</b>	<b>6,059,044</b>	<b>7,608,830</b>

**8. Other incomes**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Income from sale of tender	2,000	30,000
<b>Total other income</b>	<b>2,000</b>	<b>30,000</b>

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Notes to the Financial Statements (Continued)

9. Use Of Goods and Services

Description	2021-2022	2020-2021
	Kshs	Kshs
Administration expenses	1,465,185	362,685
Travelling and accommodation	1,172,050	77,380
Industrial Attachment	116,346	-
Internet Subscription	34,000	-
Training materials	84,250	20,000
Networking materials	30,000	-
Wiring materials	227,335	-
SES	1,089,933	491,253
Examination fees	888,000	-
Landscaping & Beautifying	49,730	-
Pit latrine materials	141,446	-
Advertising	349,950	-
Power bill	304,512	-
College fencing	20,000	-
Hire charges	70,400	-
Workers uniforms	2,450	-
Activities	172,325	10,500
TVET & Robotic	61,200	-
Student Chair materials	103,140	-
Gate materials	258,350	-
<b>Total good and services</b>	<b>6,640,602</b>	<b>961,818</b>

10. Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries and wages	2,747,733	1,249,685
Employee related costs-contributions to pensions and medical aids	-	-
Travel, motorcar, accommodation, subsistence and other allowances	-	-
Housing benefits and allowances	-	-
Performance and other bonuses	-	-
<b>Employee Costs</b>	<b>2,747,733</b>	<b>1,249,685</b>

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

Notes to the Financial Statements (Continued)

11. Board Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Chairman's Honoraria	-	
Directors Emoluments	644,020	426,650
Other Allowances	-	
Other Board/Council Expenses	-	
<b>Total</b>	<b>644,020</b>	<b>426,650</b>

12. Depreciation and Amortization expense

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, plant and equipment	17,853,402	17,706,295
Intangible assets	-	
Investment property carried at cost	-	
<b>Total depreciation</b>	<b>17,853,402</b>	<b>17,706,295</b>

13. Repairs and Maintenance

Description	2021-2022	2020-2021
	Kshs	Kshs
General repairs	28,830	217,762
Investment property-earning rentals	-	
Equipment and machinery	-	
Vehicles	-	
Furniture and fittings	-	
Computers and accessories	-	
<b>Total Repairs and Maintenance</b>	<b>28,830</b>	<b>217,762</b>

14. Contracted Services

Description	2021-2022	2020-2021
	Kshs	Kshs
Security services	450,200	439,200
<b>Total contracted services</b>	<b>450,200</b>	<b>439,200</b>

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Notes to the Financial Statements (Continued)

15. Cash and Cash Equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Account	94,541	2,332,779
On - Call Deposits	-	
Fixed Deposits Account	-	
Staff Car Loan/ Mortgage	-	
Others (Specify)	-	
<b>Total Cash and Cash Equivalents</b>	<b>94,541</b>	<b>2,332,779</b>

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

Financial Institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
<b>a) Current Account</b>			
Equity Bank		25,078	2,225,054
<b>Sub- Total</b>		<b>25,078</b>	<b>2,225,054</b>
<b>b) Others</b>			
Cash in Transit		-	-
Cash in Hand		69,463	107,725
Mobile Money account		-	-
<b>Sub- Total</b>		<b>69,463</b>	
<b>Grand Total</b>		<b>94,541</b>	<b>2,332,779</b>

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Notes to the Financial Statements (Continued)

16. Receivables from Exchange transactions

16(a) Current Receivables from Exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Current Receivables</b>		
Student Debtors	2,065,005	3,712,360
Other Exchange Debtors	-	
Less: Impairment Allowance		
<b>Total Current Receivables</b>	<b>2,065,005</b>	<b>3,712,360</b>

16(b) Long- term Receivables from Exchange transactions

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

17. Receivables from Non-Exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Current Receivables</b>		
Capitation Grants*	-	
Recurrent grant	1,000,000	500,000
Undisbursed Donor Funds	-	
Other Debtors(Non-Exchange Transactions)	-	
Less: Impairment Allowance	(-)	
<b>Total Current Receivables</b>	<b>1,000,000</b>	<b>500,000</b>

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Notes to the Financial Statements (Continued)

16. Receivables from Exchange transactions

16(a) Current Receivables from Exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Current Receivables</b>		
Student Debtors	2,064,994	3,712,360
Other Exchange Debtors	-	
Less: Impairment Allowance		
<b>Total Current Receivables</b>	<b>2,064,994</b>	<b>3,712,360</b>

16(b) Long- term Receivables from Exchange transactions

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

17. Receivables from Non-Exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Current Receivables</b>		
Capitation Grants*	-	
Recurrent grant	1,000,000	500,000
Undisbursed Donor Funds	-	
Other Debtors(Non-Exchange Transactions)	-	
Less: Impairment Allowance	(-)	
<b>Total Current Receivables</b>	<b>1,000,000</b>	<b>500,000</b>

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	Land	Buildings	Furniture and fittings	Computers & printers	Machinery & equipment	Plant and equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs		Kshs	Kshs
2021							
Depreciation		1,184,211	310,693	515,398	42,866	15,827,034	17,853,402
Disposals		-	-	-	-	-	-
Impairment		-	-	-	-	-	-
Transfer/Adjustment							
At 30 <sup>th</sup> June 2022		2,368,422	603,743	890,598	42,866	31,654,068	35,559,697
Net Book Values							
At 30 <sup>th</sup> June 2021	2,500,000	58,026,339	2,051,350	798,000		116,064,912	179,440,601
At 30 <sup>th</sup> June 2022	2,500,000	56,842,128	1,881,798	647,902	300,063	100,237,879	162,409,770

Note. The 5.5-acre land is yet to be given land title deed: it was donated by our sister high school as per the minutes indicated, the title processing is underway.

#### Valuation

As per National Treasury guidelines, Land and buildings have to be identified and valued as per the National Liabilities and Management Policy and guidelines (Issued June 2020). These amounts have to be adopted in the financial statements. Thus, the college is in the process of identifying a potential valuer to carry out the process.

#### 19 (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	Rates	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs	Kshs
Land		2,500,000	-	2,500,000
Buildings	2%	59,210,550	2,368,422	56,842,128
Plant And equipment	12.5%	131,891,946	31,654,068	100,237,878
Machinery and equipment	12.5%	342,929	42,866	300,063
Computers and Related Equipment	33.3%	1,458,500	890,598	567,902

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Office Equipment, Furniture, And Fittings	12.5%	2,485,540	603,743	1,881,797
<b>Total</b>		<b>197,889,465</b>	<b>35,559,696</b>	<b>162,409,759</b>

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade payables	742,645	1,131,187
Fees paid in advance	581,721	
Salary deductions	-	
Third-Party Payments	-	
Other Payables	-	
<b>Total Trade and Other Payables</b>	<b>1,324,366</b>	<b>1,131,187</b>

**21. Prior year adjustments**

item	Audited balances	Adjusted balances	Adjusted amount
	Kshs	Kshs	Kshs
Capital fund	184,983,166	183,401,668	-1,581,498
Receivables from non-exchange	500,000	871,264	371,264
Rendering of services	3,215,830	7,608,830	7,608,830

**22. Service Concession Arrangements**

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

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Notes to the Financial Statements (Continued)

23. Cash generated from operations

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

24. Financial Risk Management

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

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

(i) Credit risk

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

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

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

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

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2021</b>				
Receivables from exchange transactions	3,712,360			
Receivables from non-exchange transactions	500,000			
Bank balances	2,225,054			
<b>Total</b>	<b>647,414</b>			
<b>At 30 June 2022</b>				
Receivables from exchange transactions	1,065,005			
Receivables from non-exchange transactions	1,000,000			
Bank balances	25,078			
<b>Total</b>	<b>2,090,083</b>			

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

**(i) Credit risk (continued)**

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

The entity has significant concentration of credit risk on amounts due from 3,065,005

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

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The

entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

#### **44. Financial Risk Management (Continued)**

##### **(iii) Market risk**

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

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

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

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

##### **a) Interest rate risk**

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

##### ***Management of interest rate risk***

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

##### ***Sensitivity analysis***

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

Notes to the Financial Statements (Continued)

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs- (2022: Kshs-). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs xxx (2022 – Kshs-)

**iv)Capital Risk Management**

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

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

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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)

**Guidance Notes:**

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

.....*Ekhavi Gilbert*.....

**Name**  
**Accounting Officer/Principal**

**Date**

