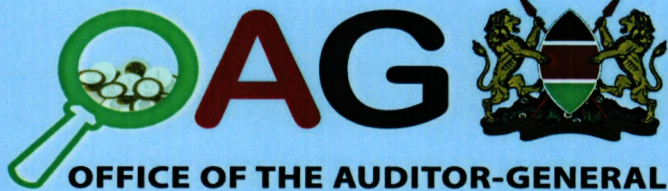




REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

**MASINGA TECHNICAL AND VOCATIONAL
TRAINING COLLEGE**

**FOR THE YEAR ENDED
30 JUNE, 2019**

 THE NATIONAL ASSEMBLY PAPERS LAID	
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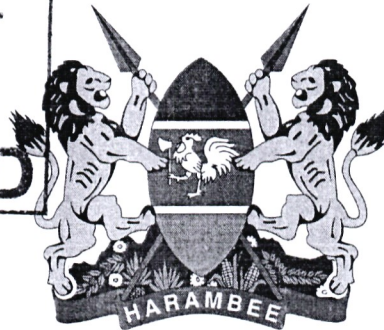
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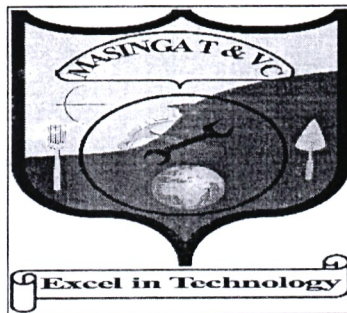
OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUS.
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Template: June 2019



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

MASINGA TECHNICAL & VOCATIONAL TRAINING COLLEGE



ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30TH JUNE 2019**

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

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21/4/2021

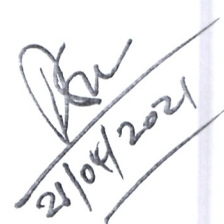
I. Table of Contents

KEY ENTITY INFORMATION AND MANAGEMENT	ii
KEY ENTITY INFORMATION AND MANAGEMENT (Continued)	v
THE BOARD OF GOVERNORS.....	vi
MANAGEMENT TEAM.....	ix
CHAIRMAN'S STATEMENT.....	x
REPORT OF THE PRINCIPAL	xi
MANAGEMENT DISCUSSION AND ANALYSIS.....	xii
CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY	xii
REPORTING	xii
REPORT OF THE BOARD OF GOVERNORS	xiii
STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITIES.....	xiv
REPORT OF THE INDEPENDENT AUDITORS ON THE <i>MASINGA TECHNICAL AND VOCATIONAL COLLEGE</i>	xv
IV. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019 1	
V. STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2019.....	2
VI. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE	3
VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019.....	4
VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019.....	5
IX. NOTES TO THE FINANCIAL STATEMENTS.....	6

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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


21/04/2021

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

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

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

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

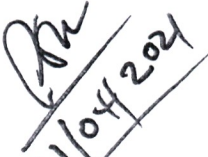
The college operated under an interim committee chaired by Rev. Isaac Mululu. It admitted its first seventy one (71) students in February 2018 in electrical engineering, social work and community development, business finance, early childhood development education, general agriculture and hair dressing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

The college immediately introduced courses in electrical engineering, secretarial studies, business and finance, early childhood and development education, general agriculture, information communication technology, social work and community development and hair dressing and social therapy. The aim was and remains to introduce as many market-driven courses as possible.

MTVC focuses to start courses in mechatronics and horticulture under the newly introduced CBET curriculum by TVET-CDACC. The college is fully equipped to run the mechatronics course but it is not generally accepted by applicants as it is a futuristic course whose application has not been adopted by the Kenyan industry because most Kenyans are driven by market-attractive courses.

The college intends to further develop its technology based courses in line with industry demands as well as incorporating marketing strategies with the aim of rapidly increasing enrolment as this will enable the college to meet its obligations.

In future the college will also introduce catering and accommodation, food and beverage production and service, mechanical and automotive engineering, tourism management, clothing technology among others. This is in line with the Strategic Plan of 2024 which aligns itself to the Ministerial Strategic Plan, Medium Term Plans and Kenya Vision 2030


21/04/2021

(b) Principal Activities

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

Vision

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

Mission

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

The strategic objectives are to promote

- i. Access and Equity
- ii. Institutional corporate governance
- iii. Utilization of equipment, technology and resources
- iv. Collaborations and linkages

(c) Key Management

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

- Board of Governors
- Accounting officer/ Principal
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	-Kenneth Njoroge
2.	Head of Finance	-Joseph Munyao

(e) Fiduciary Oversight Arrangements

Masinga Technical and Vocational College is yet to put Fiduciary Oversight Arrangement

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21/04/2021

P.O. Box 58

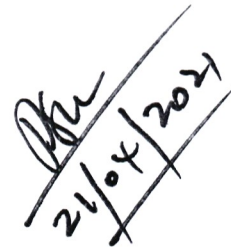
2. Kenya Commercial Bank
P.O. Box 147-90119
Matuu

(i) Independent Auditors

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

(j) Principal Legal Adviser

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


21/04/2021

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

THE BOARD OF GOVERNORS



1. Kenneth Njoroge

Date of Birth: 25TH SEP 1966
ID. No:8341338
Education
Higher Diploma in
Entrepreneurship Development

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



2. Patrick Kithome

Date of Birth:05/02/1965.
I.D. NO:8699712
Education
Bachelor of Arts Degree in
Building Economics(University of
Nairobi 1990)

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

3. Catherine W. Karanja

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

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

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4. Sylvester Muok Joseph

Currently CPA part 2

Experience;

Catherine has management experience from both public and private sector.

Date of Birth:02/12/1977

I.D. NO:20103281

Education

Masters of Business Administration

University of Nairobi 2010

Bachelor of science in information Science

Moi University(2001)

Certified Information System Auditor

Experience

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



5.Emmaculate Awino Masime

Date of Birt:17/11/1989

I.D. NO:27803343

Education

Bachelor of Mass communication- public relations

1st Class Honors Division-

JKUAT(2012-2015)

Experience


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

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2/10/2021

MASINGA TECHNICAL AND VOCATIONAL COLLEGE

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

	<p>Date of Birth;28/04/1977P ID No 20351872 Education Bachelor of Commerce(Marketing) 2ND Class honours-Upper Division University of Nairobi</p> <p>Experience Gillian Chambira is the independent board of Masinga Technical and Vocational College. She has a lot of experience gained from both public and private sector.</p>
	<p>Date of Birth;05/03/1991 ID No;28697574 Education Bachelor of Agribusiness Management Experience Faith is a Certified Public Accountant and a member of ICPAK. She has a wide experience of over 5 years in accounting and auditing. She is currently an Auditor with Mezars Group</p>
	<p>Date of Birth 9/7/1966 ID No;773018 Education Mr. Kitetu holds Msc. Degree in Engineering and Disaster management, BSc. (Hon) Degree in water and Environmental Engineering</p> <p>Experience Job Kitetu, has a wide experience in management and consultancy gained from both publica and private sector.</p>


21/04/2021

2. MANAGEMENT TEAM

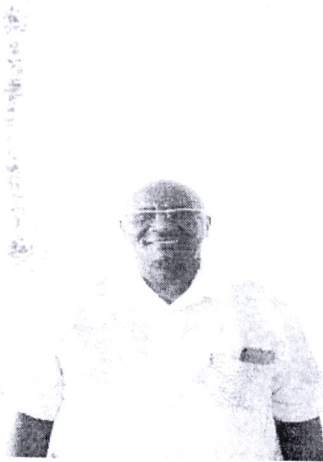


1. Kenneth Njoroge

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

Education
Higher Diploma in Entrepreneurship
Development

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



2. Titus Nzioki

Date of Birth; 12/12/1963

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

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

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



3. Jacinta Mutula

Date of Birth 17th April 1982

ID No;22466352

Education

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

Experience

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



4. Edgar Opiyo

Date of Birth 11/09/1991

ID NO; 29073238

Education

CPA-On going

Experience

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

3. CHAIRMAN'S STATEMENT

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

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

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

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21/04/2021

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

MR. PATRICK S. KITHOME
CHAIRMAN, BOARD OF GOVERNORS

REPORT OF THE PRINCIPAL

The Board of management was able to hold a meeting with the Masinga Member of Parliament Hon. Joshua Mwalyo M.P. where it was acknowledged that the NG-CDF Masinga Constituency had partially sponsored a total of **86 (eighty six)** The college had an enrolment of **97 (ninety seven)** trainees in various courses. **49 (forty nine)** male and **48 (forty eight)** female.

The first **18 (eighteen KNEC candidates)** were registered at Machakos Technical Training Institute for the Blind where they sat their June/July 2018 examinations. The college was paid **62,000.00 (sixty two thousand shillings)** and computers were transported to the venue and back with trainees and two trainers at a cost of **Ksh. 28,000.00 (twenty eight thousand)**.

The college has **5 (five)** non-training staff consisting of **1 (one)** accountant, **1 (one)** secretary, **2 (two)** security/cleaners and **1 (one)** grounds man. All the employees receive a salary of

The college has a total of **18 (twenty one)** trainers. They are employed on a part-time basis. Only the Principal of the college is employed by the Public Service Commission. The trainers are paid Ksh. 250 per hour for content taught. Their salaries range from approximately **Ksh. 18,000 (eighteen thousand)** to **Ksh. 38 (thirty eight thousand)**.

In October, 2018, Masinga Technical and Vocational College (MTVC) became a member of Kenya Association of Technical Training Institutes. The membership was **Ksh. 20,000 (twenty thousand)**.

In November 2019 NG-CDF Masinga Constituency paid examinations fee for **40 (forty) students** comprising of **11 (eleven)** candidates sitting for NITA exams and **29 (twenty nine)** sitting for KNEC exams. The amounts paid were **Ksh. 391, 360.00 (three hundred and ninety one thousand, three hundred and sixty)**. **Ksh 105,000.00 (One hundred fifty thousand)** was sent to NITA and **Ksh. 286, 360.00 (Two eighty six thousand, three hundred and sixty)**.

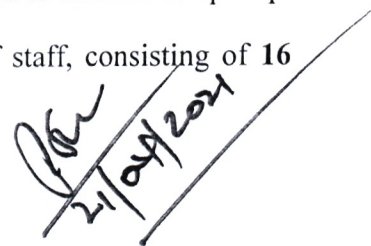
In March 2019 the college signed a memorandum with the Higher Education Loans Board. This was after the college had registered with the Kenya Universities and Colleges Placement Service at a fee of **Ksh 72000 (seventy two thousand)**. The money was paid by Machakos University who were in collaboration with the college at the time. The college was also registered with Kenya Association of Technical Training Institutes (KATTI) at **Ksh. 20,000 (twenty thousand)** and **10 (ten)** courses were approved by the Technical and Vocational Education and Training Authority (TVETA) at a cost of **Ksh. 20,000.00 (twenty thousand)**.

The Government of Kenya (GoK) introduced a new fee of **Ksh. 56,420.00 (Fifty six thousands, four hundred and twenty)** per annum. The previous fee was **Ksh 46,900 (forty six thousand nine hundred)**. In this respect the college adjusted the fee accordingly. Further, the Government directed HELB to issue loans of up to **Ksh. 30,000.00 (thirty thousand)** where **ksh. 26,400 (twenty six thousand, four hundred)** is paid to the college and **ksh. 13, 600 (thirteen thousand six hundred)** is provided to trainees as upkeep.

As at November, 2018, the college had a total of **21 (twenty one)** members of staff, consisting of **16 (sixteen)** trainers and **5 (five)** non-teaching staff.

CHALLENGES

The following are the challenges currently faced by the college.


21/04/2021

MASINGA TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

1. Lack of Development funding by the Government which inhibits the development of much needed classrooms.
2. Lack of white boards and notice boards in training rooms and on strategic walls within the college which inhibit dispensation of training and general communication.
3. Lack of sufficient three-phase power as college uses single-phase power supplied for the contractors who built the building.
4. Building of a Generator House and that would protect the generator from adverse weather conditions.
5. Upgrading college from single to three phase in order to be able provide the college with sufficient electricity supply that can feed machines and all other installations.
6. Supply of water from the mains to premises which will create the access to clean water and connection to the water systems in the building.
7. Setting up of the Electrical Engineering workshop for the purpose of creating more capacity to accommodate more trainees.
8. Erecting of Grills in areas where Desktop computers are situated to enhance their safety.
9. Branding and signage on college walls and main road junctions in order to create presence and to offer directions.
10. Erection of facer boards and that will help drain the rain water from the roof to storage tanks for further utility.
11. Installation of 2 (two) 20,000 litre storage capacity tanks that will help improve the water capacity especially when the water supply is low.

WAY FORWARD

The college shall continue to use the Kenya Universities and Colleges Central Placement Service (KUCCPS) to invite students from all over the country in order to increase trainee enrolment and also to conform to the National Cohesion and Integration Act, 2019 that states that all public establishments shall seek to represent the diversity of the people of Kenya.



MR. KENNETH C.K. NJOROGE
PRINCIPAL

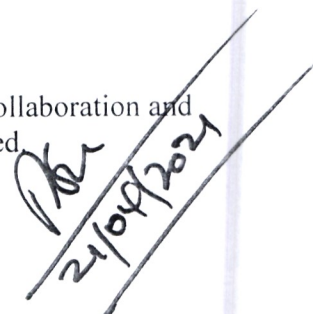


MANAGEMENT DISCUSSION AND ANALYSIS

The management analysed the operational risks such as low enrolment of students and low fees payment during the financial year 2018/2019 and embarked on marketing and approaching HELB and CDF to assist needy student

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Masinga Technical and Vocational College believes CSR as a key driver to community collaboration and it involves members of the community in activities such as tree plant as it has been highlighted


21/04/2021

MASINGA TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

REPORT OF THE BOARD OF GOVERNORS

The Board members submit their report together with the financial statements for the year ended June 30, 2019 which show the state of the *Masinga TVC's* affairs.

Principal activities

The principal activities of the entity are

Results

The results of the entity for the year ended June 30 are set out on page

BOARD OF GOVERNORS

The members of the Board who served during the year are shown on page IV-V. During the year NO Board retired/ resigned.

Auditors

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

By Order of the Board

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

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 board members to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* for that year/period. The board members are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The board members are also responsible for safeguarding the assets of the *entity*.

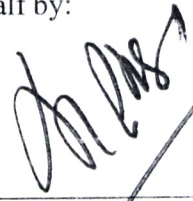
The board members are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *entity*; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

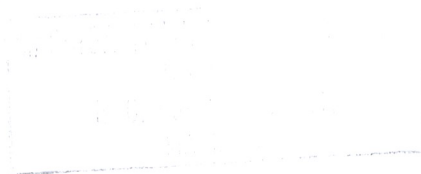
The board members accept responsibility for the *Masinga Technical and Vocational College's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*the State Corporations Act, and the TVET Act*). The board members are of the opinion that the *Masinga TVC's* financial statements give a true and fair view of the state of *College's* transactions during the financial year ended June 30, 2019 and of the *Masinga TVC's* financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

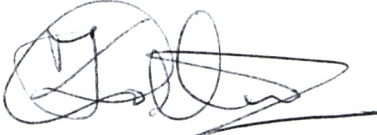
Nothing has come to the attention of the board members to indicate that the *entity* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The *Masinga TVC's* financial statements were approved by the Board on 20/04/21 and signed on its behalf by:

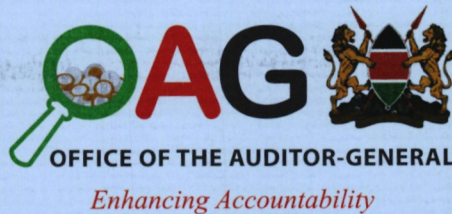

21/04/2021
B.O.G Chairman-Masinga TVC




Principal-Masinga TVC

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON MASINGA TECHNICAL AND VOCATIONAL TRAINING COLLEGE FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Masinga Technical and Vocational Training College set out on Pages 1 to 20, which comprise of the statement of financial position as at 30 June, 2019, and statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Masinga Technical and Vocational Training College as at 30 June, 2019 and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with Technical and Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Errors and Non-Compliance in Presentation of the Financial Statements

Review of the financial statements presented for audit revealed the following errors and missing information:

- i. The annual report and financial statements did not include review of the college's performance for the year, Corporate Governance statement, detailed functions of the Board of Governors, progress on follow-up of auditor's recommendations, details of projects implemented during the year, and inter-entity transfers from other government entities.
- ii. The financial statements were not signed by finance officer while the chairman's statement at pages x to xi do not have the chairperson's signature.
- iii. Pages ii, xv and 1 of the financial statements do not have the title or header.

- iv. All notes indicated in the statements from 4 to 15, do not correspond to the actual numbering of explanatory notes of the financial statements.

The financial statements, therefore, do not comply with the International Public Sector Accounting Standard (IPSAS) No.1 on presentation and disclosure requirements, contrary to the reporting guidelines prescribed by the Public Sector Accounting Standards Board (PSASB).

2. Unconfirmed Opening Balances

The statement of financial position reflects comparative year total assets and total liabilities balance of Kshs.3,717,796 and Kshs.3,704,796 as at 30 June, 2018. However, the financial statements for the year ended 30 June, 2018 have not been submitted for audit contrary to the requirements of Section 68(2)(k) of the Public Finance Management Act, 2012 which requires an Accounting Officer to prepare annual financial statements for each financial year within three months after the end of the financial year.

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

3. Inaccurate General Expenses

The statement of financial performance reflects a balance of Kshs.829,688 in respect of general expenses. However, recasting of figures under Note 10 to the financial statements resulted in an understatement of Kshs.30, while the comparative balance of Kshs.1,413,168 was understated by Kshs.2,000.

Management has not provided explanations or reconciled the variances.

Consequently, the accuracy and completeness of general expenses of Kshs.829,688 reflected in financial statements could not be confirmed.

4. Cash and Cash Equivalents

The statement of financial position reflects a comparative 2017/2018 balance of Kshs.335,244 under cash and cash equivalents while Note 11 to the financial statements reflects a corresponding figure of Kshs.340,244 resulting to an unexplained and unreconciled variance of Kshs.5,000.

Consequently, the accuracy and completeness of cash and cash equivalents as at 30 June, 2019 could not be confirmed

5. Inaccuracies in Statement of Cash Flows

The statement of cash flows for 2018/2019 financial year reflects a negative balance of Kshs.195,030 in respect of brought forward cash and cash equivalents at the beginning of the year which however differs with an amount of Kshs.140,362 shown under comparative 2017/2018 financial year resulting to an un-reconciled variance of Kshs.335,392. Further, the statement reflects a figure of Kshs.1,110,744 described as increase in receivables which was not supported by explanatory note.

Consequently, the accuracy and completeness of the statement of cash flows for the year ended 30 June, 2019 could not be confirmed.

6. Variances Between the Statement of Financial Performance and Statement of Comparison of Budget and Actual Amounts

Several variances were noted between the expenditure figures for various account items reflected in the statement of financial performance and the corresponding figures in the statement of comparison of budget and actual amounts as shown in the table below:

Account Item	Figure in the Statement of Financial Performance Kshs.	Figure in the Statement of Comparison of Budget and Actual Amounts Kshs.	Variance Kshs.
Rendering of Services-Fees from Students	4,801,860	3,238,220	1,563,640
Employees Costs	3,061,677	2,850,041	211,636
Repairs and Maintenance	96,500	0	96,500
General Expenses	829,688	1,110,678	(280,990)
Net Surplus for the year	1,306,075	31,501	1,274,574

Management has not provided explanations or reconciled the variances.

Consequently, the accuracy of the balances reflected in statement of financial performance and statement of comparison of budget and actual amounts could not be confirmed.

7. Revenue from Exchange Transactions

The statement of financial performance reflects revenue from rendering of services-fees from students balance of Kshs.4,801,860 which differs with ledger balance of Kshs.4,238,220. The resultant variance of Kshs.563,640 has not been explained or reconciled. Further, detailed analysis of the revenue per student was not provided for audit review.

In the circumstance, the accuracy and completeness of revenue from rendering of services of Kshs.4,801,860 for the year ended 30 June, 2019 could not be confirmed.

8. Unsupported Expenditure

The statement of financial performance reflects expenditure of Kshs.96,500, Kshs.829,688 and Kshs.246,000 in respect of repairs and maintenance, general expenses and allowances to the members of the Board of Governors respectively totaling to Kshs.1,172,188. However, no relevant supporting documentations including payment vouchers and expenditure schedules were provided for audit review.

Consequently, the accuracy and completeness of expenditure totaling Kshs.1,172,188 could not be confirmed.

9. Undisclosed Property, Plant and Equipment

The statement of financial position reflects nil balance in respect of non-current assets as at 30 June, 2019. However, a review of the College's list of assets revealed parcels of land, buildings, laboratory equipment, machinery, furniture and fittings that were not valued and included in these financial statements.

Consequently, the financial statements do not reflect true and correct assets balance of the College as at 30 June, 2019.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Ethnic Diversity in Employment

Review of the payroll and the human resources bio data revealed that out of the workforce of twenty-six (26) employees, eighteen (18) or 69% were from one dominant ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 that provides that no public establishment shall have more than one third of its staff from the same ethnic community.

Consequently, the College Management was in breach of the law.

2. Irregular Remuneration of Board of Governors

The statement of financial performance reflects allowances to members of Board of Governors totalling to Kshs.246,000. However, the expenditure was not supported by

approved rates and schedules for payments to the Board members' contrary to the provisions of Section 17 of the second schedule of the Technical and Vocational Education and Training Act, 2013. Further, Board meeting minutes were not signed and attendance register as evidence of meetings held was not maintained.

In the circumstance, the validity and regularity of the expenditure of Kshs.246,000 in respect of payment to Board of Governors during the year under review could not be confirmed.

3. Irregular Engagement of Employees

The Institute had twenty-four (24) employees as at 30 June, 2019 engaged on contract terms of service by the Board of Governors. However, there were no written contracts and letters of appointment stipulating the terms of engagement, contrary to the provisions of Section 9(1) and 1(1)(2) of the Employment Act, 2007 which requires a written contract of service which state particulars of employment which may be given in installments and shall be given not later than two months after the beginning of the employment.

Further, the College recruited thirteen (13) officers during the year under review. However notice of vacancies or advertisements, list of applicants, interview score sheets and other reports were not provided for audit review. As a result, it has not been possible to confirm whether the recruitment was open and transparent as required by 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, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Approved Staff Establishment

During the year under review, the College did not have in place an approved staff establishment and scheme of service. The College may therefore face challenges in

undertaking human resource functions including recruitment, training, promotions and remuneration of its staff.

2. Lack of Procurement Unit

During the year under review, the College operated without an independent procurement unit to assist in preparation of procurement documents, giving professional opinion on procurement process and provide guidance on general adherence to procurement laws. Procurement of goods and services was done without use of tender documents including quotations, tender registers, tender opening/ evaluation reports and notification of award.

As a result, the College lacked structured and systematic way to facilitate procurement and disposal of assets.

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

Contrary to Regulation 165(5) of the Public Finance Management (National Government) Regulations, 2015, the College did not have a risk management policy, Disaster Recovery and Business Continuity Plan and Risk and Fraud Management Policy in place order to improve on effective and efficient management of public resources. Further, the law requires an Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and internal control that builds robust business operations.

In the absence of a Disaster Recovery and Business Continuity Plan, the College lacks a blue print for identifying, preventing and mitigating against disasters and ensuring that its operations are not interrupted.

4. Lack of an Internal Audit Function

During the year under review, the College operated without Internal audit function. This is contrary to Section 73(1)(a) of the Public Finance Management Act, 2012 which provides that every National Government entity shall have appropriate arrangements in place for conducting internal audit according to the guidelines of the Public Sector Accounting Standards Board.

As a result, the Institute lacks internal structures, which could provide advice and assurance to the Management regarding effectiveness of the Institute's internal controls governance and risk management.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual

Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 January, 2022

IV. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	6	1,000,000	2,000,000
		1,000,000	2,000,000
Revenue from exchange transactions			
Rendering of services- Fees from students	7	4,801,860.00	5,341,230
		4,801,860.00	5,341,230
Total revenue		5,801,860.00	7,341,230
Expenses			
Use of goods and services	8	261,920	183,950
Employee costs	9	3,061,677	1,361,556
Allowances to the members Board of Governors	10	246,000	454,250
Repairs and maintenance	11	96,500	1,817,310
General expenses	12	829,688	1,413,168
Total expenses		4,495,785.00	5,630,234.00
Other gains/(losses)			
Total other gains/(losses)		-	-
Net Surplus for the year		1,306,075	1,710,996

The notes set out on pages 1 to 21 form an integral part of the Annual Financial Statements.

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21/04/2021

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE
2019

V. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	Notes	2018-2019 Kshs	2017-2018 Kshs
Assets			
Current assets			
Cash and cash equivalents	13	31,501	-335,244
Receivables from exchange transactions	14	5,363,695	4,058,040
Total Current Assets			3,717,796
Non-current assets			
Total assets		5,395,196	3,717,796
Liabilities			
Current liabilities			
Refundable deposits from customers	15	84,000	52,800
Total Current Liabilities		84,000	52,800
Non-current liabilities			
Total liabilities		84,000	52,800
Reserves		-	-
Accumulated surplus		3,310,196	2,004,118
Capital Fund		2,001,000	2,001,000
Total net assets and liabilities		5,395,196.00	3,704,796

The Financial Statements set out on pages 1 to 25 were signed on behalf of the Institute Council/ Board of Governors by:

Chairman of Board of Governors

Date: 21/07/2019

Finance Officer

ICPAK No

Date

Principal

Date: 20.07.21

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

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

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
At July 1, 2017	0	0	0	0	0
Revaluation gain	0	-	-	-	-
Total comprehensive income	-	-	2,004,118	-	2,004,118
Capital/Development grants received during the year	-	-	-	2,001,000	2,001,000
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	0	0	-
At June 30, 2018	0	0	2,004,118	2,001,000	4,005,118
At July 1, 2018			2,004,118	2,001,000	4,005,118
Revaluation gain			-	-	
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	0	0	1,306,075	-	1,306,075
Capital/Development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-
At June 30, 2019	0	0	3,310,196	2,001,000	5,311,193


2/10/2021

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

		2018-2019	2017-2018
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	6	1,000,000.00	2,000,000
Rendering of services- Fees from students	7	4,801,860.00	4,058,040
Total Receipts		5,801,860.00	6,058,040
Payments			
Use of goods and services	8	261,920	183,950
Employee costs	9	3,061,677	1,361,556
Remuneration of Allowances for Board of Governors	10	246,000	454,250
Repairs and maintenance	11	96,500	1,817,310
General Expenses	12	829,688	3,630,470
Increase in receivables reconciliation		1,110,744.00	-
Total Payments		4,495,785.00	5,630,234
Net cash flows from operating activities		195,331.00	427,806
Cash flows from investing activities			
Net cash flows used in investing activities		0	0)
Cash flows from financing activities			
Increase in deposits		31,200	52,800
Net cash flows used in financing activities		31,200	52800
Net increase/(decrease) in cash and cash equivalents		226,531	480,606
Cash and cash equivalents at 1 JULY 2018		-195,030	-340,244
Cash and cash equivalents at 30 JUNE 2019		31,501	140,362

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21/04/2021

**MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs
Revenue										
Transfers from other Govt entities	1,000,000.00		0		1,000,000		1,000,000.00		0	
Rendering of services- Fees from students	36,549,680.00		0		36,549,680.00		3,238,220.00		33,311,460	
Total income	37,549,680.00		0		37,549,680.00		4,238,220.00		33,311,460	
Expenses										
Compensation of employees	2,390,000.00		-		2,390,000.00		2,850,041.00		-460,041.00	
Remuneration of directors	500,000.00		0		500,000.00		246,000		254,000.00	
General expenses	34,659,680.00		-		34,659,680.00		1,110,678		33,549,002.00	
Total expenditure	37,549,680.00		0		37,549,680.00		3,865,675		33,684,005.00	
Surplus for the period			-		0		31,501.00		0	

NOTES

The College was expecting a lot of students leading high budget that was never realized hence bringing about the variance.


21/04/2021

IX. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

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

Masinga Technical and Vocational College had not adapted the published standards since the standards are not applicable to the entity

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Masinga Technical and Vocational College had not adapted any new standard that is relevant to the financial statements of the College.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

- Significance to the Financial Statements

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

ii) Revenue from exchange transactions

Rendering of services

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

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

- Significance to the Financial Statements

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

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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.

- Significance to the Financial Statements

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

- Significance to the Financial Statements

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

b) Budget information

The original budget for FY 2018/2019 was approved by the Council or Board on **30TH June 2018**. No revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

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

c) Taxes

Current income tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (continued)

Sales tax/ Value Added Tax

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

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

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

- Significance to the Financial Statements

Masinga Technical and Vocation College has does not deal with commodities that attracts Value Added Tax hence not significant in the financial statements.

d) Investment property

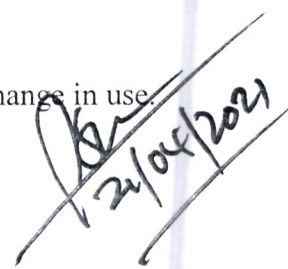
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance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

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

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MASINGA TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE
2019

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.

- Significance to the Financial Statements

Masinga Technical and Vocational College have property, plant and Equipment but had not included them in the financial statements due lack of their costs since most of them were donated when the College was starting.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

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

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

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

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

g) Intangible assets

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

h) Research and development costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

i) Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE
2019

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

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measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

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

- Significance to the Financial Statements

Masinga Technical and Vocational College does not have a reserve

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

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n) Foreign currency transactions

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

- Significance to the Financial Statements

Masinga Technical and Vocational College does not transact in foreign currency hence did not affect the financial statements

o) Borrowing costs

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

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

- Significance to the Financial Statements

Masinga Technical and Vocational College did not incur any borrowing cost hence not significant on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

- Significance to the Financial Statements

The Masinga Technical and Vocational College's related parties include The Board of Governors, Principal and the Accountant as highlighted on page v.

q) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE
2019

– 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.

- Significance to the Financial Statements

Masinga Technical and Vocational College did not have Service concession arrangements during the financial year under review.

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

Masinga Technical and Vocational College had not yet revalued the assets and yet to make provisions for the year under review. The management will commit on revaluations of the assets because at the moment the College does not have any document of ownership or costs since most of the assets were donated/delivered by the ministry.

The management is yet to make any provision in relation to bad debts nor obsolete stock.

4. TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2018-2019 KShs	2017-2018 KShs
Unconditional grants		
Operational grant	1,000,000	2,000,000
Total	1,000,000	2,000,000
Conditional grants		
Total government grants and subsidies	1,000,000	2,000,000

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE
2019

5. RENDERING OF SERVICES

Description	2018-2019 KShs	2017-2018 KShs
Tuition fees	938,745	1025960
Activity fees	1949355	2226955
Examination fees	511580	575340
Library fees	82000	88000
Facilities and materials	1254680	1336975
Registration fees	65500	88000
Total revenue from the rendering of services	4,801,860.00	5341230

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. USE OF GOODS AND SERVICES

Description	2018-2019 KShs	2017-2018 KShs
Exam fees expenses	261920	183950
Total good and services	261920	183950

7. EMPLOYEE COSTS

Description	2018-2019 KShs	2017-2018 KShs
Salaries and wages	3,061,677	1,215,536
Overtime payments	7,300	4500
Employee costs	3,068,977	1361556

8. REMUNERATION ALLOWANCES FOR BOARD OF GOVERNORS

Description	2018-2019 KShs	2017-2018 KShs
Allowances to members of the Board of Governors	246,000	454,250
Total director emoluments	246,000	454,250

9. REPAIRS AND MAINTENANCE

Description	2018-2019 KShs	2017-2018 KShs
Property	96,500	262,310
Other	0	1,555,000
Total repairs and maintenance	96,500	1,817,310

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE
2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. GENERAL EXPENSES

Description	2018-2019 KShs	2017-2018 KShs
Advertising	125,000	204,600
Conferences and delegations	237,246	427,150
Consumables	42,520	124,740
Electricity	100,000	305,000
Fuel and oil	0	85,000
Printing and stationery	104,278	0
Hire charges	6,000	1,230
Telecommunication	0	13,000
Training and Travelling expenses	79,400	196,849
Other	135,214	57,599
Total general expenses	829,688	1,413,168

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. CASH AND CASH EQUIVALENTS

Description	2018-2019 KShs	2017-2018 KShs
Current account	31,501	-340,244
Total cash and cash equivalents	31,501	-340,244

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

Financial institution	Account number	2018-2019 KShs	2017-2018 KShs
a) Current account			
Kenya Commercial bank	1223175537	5,000	5,000
Equity Bank,	0390275609102	26,501	-80,000
Sub- total		31,501	-75,000
cash in hand		0	-265,244
Sub- total		31,501	-340,240
Grand total		31,501	-340,240

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE
2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Student debtors	5,363,695	4,058,040
Total current receivables	5,363,695	4058040
Non-current receivables		
Refundable deposits		
Total		
Current portion transferred to current receivables	0	0
Total non-current receivables	0	0
Total receivables	5,363,695	4,058,040

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2018-2019	2017-2018
	KShs	KShs
Consumer deposits	0	0
Caution money	84000	52800
Total deposits	84000	52800

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. 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.

MASINGA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE
2019

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2018				
Receivables from exchange transactions	4048040			
Bank balances	-340244			
Total	3717796			
At 30 June 2019				
Receivables from exchange transactions	5,363,695			
Bank balances	31501			
Total	5,342,697			

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