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REPORT

OF

THE AUDITOR-GENERAL

ON

**FAYYA TECHNICAL AND
VOCATIONAL COLLEGE**

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

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 14 JUN 2023	DAY: WEDNESDAY A.M.
TABLED BY:	Hon. Nzambi Ngũgũ Deputy Minority Party Whip
CLERK-AT THE-TABLE:	A. Shibuska



MINISTRY OF EDUCATION

State Department of Vocational and Technical Training



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MOTTO: ASPIRING FOR EXCELLENCE



FAYYA TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30TH JUNE 2022

Fayya Technical and Vocational college
Annual Report and Financial Statements for the year ended 30th June 2022

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I. Key College Information and Management

(a) Background information

Fayya Technical and Vocational College is a government owned Technical Training Institution established under TVET Act in 2019. Fayya Technical and Vocational College is a new Public Institution located in Bura North Sub- County. The Institute is situated along Hola - Garissa road off town. It is among the 1st phase of sixty (60) colleges established in the Country.

The college was initially mentored by TUM latter transferred to Coast Institute of Technology late 2018.

The College sits on a 20 Ha which is a range land which also makes it suitable for agriculture. The Institute has an allotment Letter, Beacons are in place.

It is a centre of excellence in Hospitality 1, majoring in Textile Industry, equipments installed and tested.

Registration number TVETA/PUBLIC/TVC/0044/2021 and LICENCETVETA /PUBLIC/0044/2021 A1

(b) Principal Activities

The principal activity is to offer technical and business courses geared towards increasing technical and business skills to Kenyan Youths.

(c) Key Management

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

- Board of governors
- Principal
- Finance officer

(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	- Wilfred Mwashimba Mwalugha
2.	Deputy principal	- James Kariuki Kuria
3	Head of Finance	-Ambia Asli Ahmed

(e) Fiduciary Oversight Arrangements

- Working committee

Key College Information and Management (Continued)

(f) College Headquarters

P.O. Box 19-70104
Hola/ Garissa Road
BURA, KENYA

(g) College Contacts

Telephone: 0722697656
Email: fayyatvc@gmail.com

(h) College Bankers

Kenya commercial bank
Hola – branch
P.O. Box 100 - 70101
Hola, Kenya.
Account no: 1290552282





(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, Kenya

II. The Council/Board of Governors

No.	Member/ Director	Details
1.	 Dr. Abbas Gobu Godana Member - Chairperson	Dr. Abbas Gobu Godana was born on 14 th December 1969. Bachelor of Medicine and Surgery. Email: godanaabbas@gmail.com Mobile no. 0721398950.
2.	 Mr. Edward Mathew Yesse - Member	Mr. Edward Mathew Yesse. Born in 1957. Done B.A Public Administration – Finance In Charge of Finance Management Mobile no: 0722647327.
3.	 Mr. Jackson Kiilu Muasya- Member	Mr. Jackson Kiilu Muasya. Born on 6 th January 1954. Done Technology In-Charge of Leadership and Management Email; muasyajackson@yahoo.com . Mobile no. :0727242603
4.	 Mr. Wilfred Mwashimba Mwalugha – Principal/ Secretary Bog	Mr. Wilfred Mwashimba Mwalugha. Born on 15 th June, 1964. He has diploma in technical Education, Building & Civil engineering. Email: mwashirwillfred@gmail.com Mobile no :0722697656

<p>5.</p>	 <p>Dr. Eunice Kezia Matuki- Member</p>	<p>Dr. Eunice Kezia Matuki. Born on 8th January 1973. Bachelor Deg in Pharmacy. In – Charge of Technology Email: euniakm@gmail.com Mobile no : 0722400369</p>
<p>6.</p>	 <p>Mr. Abdulsamad Dube - Member</p>	<p>Mr. Abdulsamad Dube. Born 1992. Done BSC Civil Engineering In- charge of Engineering Email: abdulsamaddube@gmail.com Mobile no 0705617858:</p>
<p>7.</p>	 <p>Mr. Slavian Nyambu - Member</p>	<p>Mr. Slavian Nyambu born in 1972. . Done BSC Mathematics Computer Science In –Charge of ICT Email: nyambuslavian@yahoo.com Mobile no : 0723907965</p>

III. Management Team

No.	Member/ Director	Details
1.	 <p>Principal: Wilfred Mwashimba Mwalugha</p>	<p>Accounting officer /Head of the institution. Mr. Wilfred Mwashimba Mwalugha. Born on 15th June 1964. He has diploma in technical Education, Building & Civil engineering. Email: mwashiwillfred@gmail.com Mobile no : 0722697656</p>
2.	 <p>Finance Officer: Ambia Asli Ahmed</p>	<p>Miss Ambia Asli Ahmed she was born on 21th April 1998. She has Diploma in Accountancy and she is a Certified Public Accountancy (CPA 2). Finance Officer</p>

IV. Chairman's Statement

On behalf of the Board of governors of Fayya technical and vocational college, I want to thank my fellow board members for the support and the management for corporation during this financial year of 2021/2022. This being our first year of operations since commissioning in 2021 by His Excellency the Deputy president of Kenya now the President of Kenya. I also want to thank the government of Kenya through the ministry of Education and the state department of TVETA for the financial support through grants and NGCDF for allowing a smooth operation in the institution. Finally, the employees both BOG and government employed for their support and hard work in achieving set goals for this financial year.

This financial year we have gone through a lot of challenges ranging from underfunding to low students turn out, as per the projections in the budget, some of the items in the budget were not absorbed accordingly for example capitation was never disbursed despite a budget for that.

Going forward to the next financial of 2022/2023 we intend to come up with other sources of income like putting more resources on marketing and introducing short courses like computer packages as a source of income. During this financial year one board member Mr. Alwy Ahmed Badawy resigned and joined politics.

The financial statements prepared by Fayya Technical and vocational college were prepared in accordance with international accounting standards and international financial reporting standards, I.A.S and I.F.R.S respectively using accrual concept. However, depreciation for machines and equipments was not provided for since we could not ascertain their original cost because they were supplied by the government of Kenya and China without giving prices or values. I therefore confirm the statements give a true and fair view of the state of the college.



Dr. Abbas Godana Gobu

BOG CHAIRMAN

V. Report of the Principal

The development of Fayya Technical and Vocational College Strategic Plan 2021-2026 is informed by the many reforms that are taking place in the TVET sub-sector and the Governments priority programmes. The government of Kenya recognizes the key role played by TVET institutions in wealth creation and the building of human resource required for the development of a knowledge economy that will transform country into a highly industrialized nation with high quality of life by 2030. The realization of the national development priorities and especially the Kenya's Vision 2030 and the Government's Big Four Agenda remains critical to Fayya Technical and Vocational College development plan. The college also appreciates the importance of a strategic plan that addresses critical issues in the college and draws a clear roadmap for implementation of the institute's development programmes in line with national priorities.

This plan underscores how Fayya technical and vocational college is going to enhance the execution of its core mandate through innovative leadership with keen focus on access, quality and relevance to the current and future market demands and also prepare itself for future expansion. With the TVET Act and other relevant legislations, FAYYA TVC should be more prepared to play a more active role towards the realization the Kenya's vision 2030 and other National priority programmes.

Fayya technical and vocational college is shall ensure efficient and effective mobilization and utilization of available resources. We appreciate the support from all our stakeholders and development partners towards realizing our mandate. Fayya technical and vocational college shall promote goal oriented management values of integrity, professionalism and accountability in order to realize full implementation of this plan.

Lastly, I extend my sincerely appreciation to the teams involved in the formulation and development of this strategic plan, the BOG, staff and other stakeholders for their dedication and commitment to the process. I take special recognition to the strategic planning consultant that guided the strategic Plan development team.



Mr Wilfred Mwalugha

PRINCIPAL/SECRETARY BOG

VI. Statement of Performance against Predetermined Objectives

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

Fayya Technical and Vocational College has 4 strategic pillars and objectives within its Strategic Plan for the FY2021-2026. These strategic pillars are as follows:

Strategic Pillar		Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	Human Resource Development	To improve human resource capacity	Number of additional BOG staff engaged.	Employ more BOG staff	Additional BOG staff employed.
Pillar 2:	ICT	To fully integrate ICT in the Institute.	Number of ICT equipment purchased	Purchase additional ICT equipment for the Institute	ICT equipment purchased
Pillar 3:	Gender and youth development	To develop responsible youth to contribute to national development	Number and type of information provided	Provision of information	Information on drugs provided
Pillar 4:	Education and training	New and modern methods of Training enhanced	Number of new techniques introduced	New and modern methods of Training enhanced	Modern Training techniques in place

VII. Corporate Governance Statement

Fayya Technical and Vocational College, is committed to the values and principles of good corporate governance as an integral part of corporate culture and guides the manner in which its Governors, management, staff and students conduct the business of the organisation. As a public-sector organization dedicated to providing quality service to its stake holders, the Institution decisions are guided by the core tenets prescribed in the public Officers Ethics Act, The leadership and Integrity Act, The Authorities Code of Conduct, corporate Governance Guidelines Board and Board Committee Charters. The Institution endeavours to develop, strengthen and sustain the trust that the Government, employees, students and public has placed in it. The board is committed to regularly evaluate national and international emerging standards in responsible, transparent and efficient management with a view of enhancing corporate governance at the Institution and consistently deliver on its statutory mandate *and member performance, conflict of interest, board remuneration, ethics and conduct as well as governance audit.*)

Role of the Board of Governors

The primary function of the Board of Governors ‘(The Board) is to provide effective strategic leadership and direction to enhance the long-term achievement of Fayya Technical and Vocational College strategic plan. The strategic plan overall objective is to enhance the achievement of the institute’s objectives on priority basis and in line with the policies of the Ministry of Education (MOE), the Vision 2030 and the big 4 agenda of the government.

The Board Size, Composition and Independence

The Board consists of 7 Governors. The Board composition draws a good mix of skills, experience and proficiencies in various fields. The Governors’ biographies are shown on pages’ iv to vi.



Mr. Wilfred Mwashimba Mwalugha
Principal/Secretary BOG

Date: 30th June, 2022

VIII. Management Discussion and Analysis

Fayya Technical and Vocational College has continued to position itself as the leading technical training institution in the region. In line with the Institute growth aspirations, the strategic plan (2021-2026) The strategic plan has to be reviewed on the basis of the vision 2030 and other strategic priorities of the government as outlined in the constitution of Kenya 2010. Our commitment to service delivery, efficiency and leadership.

The Institute's core values of uprightness and honesty, transparency and accountability, integrity, respect for change, prudent environmental management, professionalism, respect for cultural diversity, provision of equal opportunities for all and respect for humanity have played a great role in realizing the Institute's dream of impacting skills for self-reliance.

The college planned for and embarked on infrastructure development in order to increase access to technical education. This included improvement of other facilities aimed at accommodating the increasing student's enrolment.

Fayya Technical and Vocational College continues to face pressure on existing resources due to inadequate learning infrastructure exacerbated by the increasing student enrolment. The teachers and non-teaching staff to student ratio remain low. Budgetary constraints have contributed to stalled projects.

During the year under review, the Institute has introduced several new initiatives and measures to make its services more efficient and accessible. I take this opportunity to thank our stakeholders for their continued support and partnership in the realization of our mandate.

Corporate Social Responsibility / Community Engagements

In line with its mission and values, Fayya Technical and Vocational College is sensitive to the impact of our activities on our students, employees, partners and other stakeholders, as well as on the community and its environment.

Fayya technical and vocational college is committed to the maintenance of principled standards, respect and accountability across all its activities; these include and not limited to the following;

- Treating employees with fairness and respect, support staff development through allowing its staff to attend trainings and workshops, volunteering in community and county, and national government activities

Fayya technical and vocational college shall continue to collaborate with all stakeholders on issues that benefit the development of the country, growth of industries as well as giving back to the society. Fayya Technical and Vocational College therefore shall continue to play its crucial role towards attainment of vision 2030 and the "Big Four Agenda" as spelt out clearly in the Government priorities areas under the social, political and economic pillars.

IX. Report of the Council/Board of Governors

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

Principal activities

The principal activities of Fayya technical and vocational College is to offer technical and business courses geared towards increasing technical and business skills to Kenyan Youths.

Results

The results of Fayya technical and vocational college for the year ended June 30 are set out on page 1 to 38.

Council/Board of Governors

The members of the Board /Council who served during the year are shown on page iv to vi. During the year 2021/2022 one member resigned and a replacement was never done to date.

Auditors

The Auditor General is responsible for the statutory audit of Fayya technical and vocational college in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the *Fayya Vocational and Technical College* for the year ended June 30, 2022, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Secretary of the Board/Council

Bura-Tana

Date: 28th September, 2022

X. Statement of Board of Governors/ Council's 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 Fayya technical and vocational 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 Fayya technical and vocational college for that year/period. The Council members are also required to ensure that Fayya technical and vocational 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 Fayya technical and vocational college.

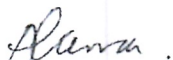
The Council members are responsible for the preparation and presentation of Fayya technical and vocational college's financial statements, which gives a true and fair view of the state of affairs of the *college* for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility 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 *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 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 Fayya 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 council members are of the opinion that Fayya technical and vocational college's financial statements give a true and fair view of the state of *college's* transactions during the financial year ended June 30, 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 Fayya technical and vocational college, which have been relied upon in the preparation of the *college's* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

Fayya technical and vocational College's financial statements were approved by the Board on 30th September, 2022 and signed on its behalf by:



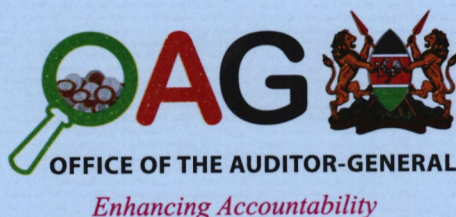
Name: Dr. Abbas Godana Gobu
Chairperson of the Board/Council



Name: Mr Wilfred M. Mwalugha.
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 FAYYA TECHNICAL AND VOCATIONAL COLLEGE FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Fayya Technical and Vocational College set out on pages 1 to 24, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Fayya Technical and Vocational College as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act, 2013.

Basis for Adverse Opinion

1. Variances Between the Trial Balance and Financial Statements

Analysis of the trial balance and the balances presented in the financial statements revealed the following variances:

Component	Amount as Per Financial Statements (Kshs.)	Amount as Per Trial Balance (Kshs.)	Variance (Kshs.)
Current Portion of Receivables from Exchange Transactions	865,560	722,080	143,480
Trade and Other Payables from Exchange Transactions	160,982	164,982	(4,000)
Income from Services Rendered	1,015,560	150,000	865,560

In the circumstances, the accuracy of balances reflected in the financial statements could not be confirmed.

2. Variance Between Reported Employee Costs and Payroll Amount

The statement of financial performance and as reflected in Note 9 to financial statements reflects employee costs of Kshs.878,750. However, the payroll provided reflected total compensation of employees of amounting to Kshs.596,000 during the year, resulting to an unreconciled variance of Kshs.282,750.

In the circumstances, the accuracy and completeness of employee costs of Kshs.878,750 could not be confirmed.

3. Inaccuracies in Cash and Bank Balances

The statement of cash flows reflects cash and cash equivalents of Kshs.143,480. However, the statement of financial position reflects cash and bank balance of Kshs.57 resulting to unreconciled variance of Kshs.143,423.

In the circumstances the accuracy of cash and bank cash equivalents balance of Kshs.57 reported in the statement of financial position could not be confirmed.

4. Unsupported Expenses

The statement of financial performance and the statement of financial position includes four (4) account balances as indicated below which were not supported by respective ledgers and other relevant documents.

	Component	Amount (Kshs.)
1	Repairs and Maintenance	35,000
2	Tax Paid	24,000
3	Long-term Receivables from Exchange Transactions	21,070
4	Trade and Other Payables from Exchange Transactions	160,982
	Total	241,052

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

5. Unsupported Valuation of Assets and Incomplete Asset Register

The statement of financial position and as disclosed in Note 16 to the financial statements reflects property, plant and equipment balance of Kshs.53,128,647. The balance was in respect of College buildings. However, Management did not provide the basis for computation of the balance or a valuation report to support the balance. Further, the College had assets donated by the Governments of China and Kenya whose values were not disclosed in the financial statements. The assets were also not included in the asset register.

In addition, key information including identification or serial numbers, acquisition date, description of assets, location, class, cost of acquisition, accumulated depreciation, net book value and assets tag identification codes were not included in the asset register.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.53,128,647 reflected in the statement of financial position could not be confirmed.

6. Unsupported Land Size and Ownership

The statement of financial position reflects property, plant and equipment balance of Kshs.53,128,647 as disclosed in Note 16 to the financial statements. However, the balance did not include value of 20 acres of land on which the College occupies. According to the information provided during the audit, the land was donated by the Community. The agreement between the College and the representatives of the Community indicated that the Community donated ten (10) acres of land. Further, the allotment letter indicated land size of twenty (20) acres. Management did not provide an explanation for the source of the additional ten (10) acres. The title deed for the land was also not provided for audit.

In the circumstances, the size and ownership status of the land occupied by the College could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budget and Budgetary Control

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Kshs.4,821,000 and Kshs.2,015,560 respectively, resulting to an underfunding of Kshs.2,805,440 or 58% of the budget. Similarly, the College spent Kshs.2,656,127 against an expenditure budget of Kshs.4,821,000, resulting in an under absorption of Kshs.2,164,873 or 45% of the budget.

The underfunding may have resulted in non-implementation of the planned programmes.

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 Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Failure to Deduct Statutory Deductions

During the year under audit, Management did not deduct from employees' salaries applicable deduction for the National Social Security Fund and National Hospital Insurance Fund. This was contrary to Section 27(1) of the National Social Security Fund Act, 2013 which states that, if any contributions for which a contributing employer is required to pay to the Fund is not paid within one month after the end of the month in which the last day of the contribution period to which it falls, a sum equal to five per cent

of the amount of that contribution shall be added to the contribution for each month or part of a month that the amount due remains unpaid.

Further, Section 16(1) of the National Hospital Insurance Fund Act, 2012 states that a person liable to pay a standard contribution under Section 15 shall pay such contribution through monthly deductions from his salary or other remuneration and the employer of such person shall be liable to deduct and to pay the contribution to the Board on behalf of and to the exclusion of that person.

In the circumstance, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Report on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Internal Audit Department and Audit Committee

During the year under review, the College did not have an audit committee and an internal audit department to support the accounting officers with regard to their responsibilities for issues of risk control, governance and associated assurance.

In the circumstances, the College may have been exposed to weak risk management, governance processes and internal controls.

2. Lack of Approved Staff Establishment

During the year under audit, the College Management did not maintain an approved staff establishment that indicates the optimal number of staff for each category, the number in post and the variance.

In the circumstances, it was not possible to confirm whether the Management was operating within optimal levels of staff .

3. Lack of Risk Management Policy

The College did not have a Risk Management Policy and Management did not perform formal risk assessments during the year. This was contrary to Regulation, 165(1)(b) of the Public Finance Management (National Government) Regulations, 2015 that provides that the Accounting Officer shall ensure that the national government entity develops system of risk management and internal control that builds robust business operations.

In the circumstances, existence of effective risk management system 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 the Board of Governors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the College or to cease operations.

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

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

The Board of Governors is responsible for overseeing the College's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 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 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 controls components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts which 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 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 which may cast significant doubt on the College's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the College to cease to continue to sustain its services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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

17 May, 2023

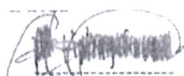
XII. Statement of Financial Performance for the year ended 30 June 2022

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Revenue from Non-Exchange transactions			
Transfers from other National Government entities	6	1,000,000	0.00
		1,000,000	0.00
Revenue from Exchange transactions			
Rendering of services- fees from students	7	1,015,560	0.00
Revenue from Exchange transactions		1,015,560	0.00
Total Revenue		2,015,560	0.00
Expenses			
Use of goods and services	8	219,730	0.00
Employee costs	9	878,750	0.00
Board /Council Expenses	10	136,000	0.00
Depreciation and amortization expense	11	1,362,647	0.00
Repairs and maintenance	12	35,000	0.00
Tax paid	13	24,000	0.00
Total Expenses		2,656,127	0.00
Net deficit for the year		(640,567)	0.00

The Financial Statements were signed by:



Chairman of Council/Board



Finance Officer



Principal

Date: 15th April, 2023


Date: 15th April, 2023

Date: 15th April, 2023

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

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	14	57	0.00
Current portion of receivables from exchange transactions	15 a	865,560	0.00
		865,617	0.00
Non-Current Assets			
Long term receivables from exchange transactions	15 b	21,070	0.00
Property, plant, and equipment	16	53,128,647	0.00
		53,149,717	0.00
Total Assets		54,015,334	0.00
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	18	160,982	0.00
Refundable deposits from customers	19	4,000	0.00
		164,982	0.00
Total Liabilities		164,982	0.00
Capital Fund		53,850,352	0.00
Total Net Assets and Liabilities		54,015,334	0.00

The Financial Statements signed by:


Chairman of Council/Board


Finance Officer


Principal

Date: 15th April, 2023

Date: 15th April, 2023

Date: 15th April, 2023

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

Description	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2021	0.00	0.00	0.00
Capital/development grants received during the year		54,490,919	54,490,919
Total comprehensive income	(640,567)		(640,567)
At June 30, 2022	(640,567)	54,490,919	53,850,352

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

Description		2021-2022	2020-2021
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other government entities/govt. Grants	6	1,000,000	0.00
Rendering of services- fees from students	7	150,000	0.00
Total Receipts		1,150,000	0.00
Payments			
Employee costs	9	878,750	0.00
Use of goods and services	8	219,730	0.00
Repairs and maintenance	12	35,000	0.00
Remuneration of directors	10	136,000	0.00
Tax paid	13	24,000	0.00
Total Payments		1,293,480	0.00
Net Cash Flows from operating activities		(143,480)	0.00
Cash and Cash equivalents at 30 JUNE		(143,480)	0.00


Chairman of Council/Board


Finance Officer


Principal

Date: 15th April, 2023

Date: 15th April, 2023

Date: 15th April, 2023

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

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

Description	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		Utilization Difference	
	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs	2021-2022	%
Revenue												
Transfers from other govt entities and govt grants	2,000,000.00		-		2,000,000.00		1,000,000		1,000,000			50%
Rendering of services- fees from students	1,321,000.00		-		1,321,000.00		1,015,560		305,440			23%
Other income	1,500,000.00		-		1,500,000.00		0		1,500,000			100%
Gains on disposal, rental income and agency fees	-		-		-		-		0			
Total Income	4,821,000.00		-		4,821,000.00		2,015,560.00		2,805,440.00			58%
Expenses												
Compensation of employees	1,400,000.00		-		1,400,000.00		878,750		521,250			37%
Use of goods and services	2,321,000.00		-		2,321,000.00		219,730		2,101,270			91%
Repair maintenance and Improvements	200,000.00		-		200,000.00		35,000		165,000			83%
Depreciation	400,000.00		-		400,000.00		1,362,647		-962,647			-241%
Remuneration of directors	500,000.00		-		500,000.00		136,000		364,000			73%
Tax	-		-		-		24,000		-24,000			
Total Expenditure	4,821,000.00		-		4,821,000.00		2,656,127.00		2,164,873.00			45%
Surplus For the Period							-640,567		640,567			

(Budget notes)

The difference on budget and actual comes because of underfunding from the government through the ministry of education and low turnout of students as budgeted for.

XVII. Notes to the Financial Statements

1. General Information

Fayya Technical and Vocational College is established by and derives its authority and accountability from TVET Act No 29 of 2013. The college is wholly owned by the Government of Kenya and is domiciled in Kenya. The college’s principal activity is provision of technical and business training.

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.

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.

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:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: 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 a College’s future cash flows.

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

Standard	Effective date and impact:
	<p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between a College's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting College 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> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the College; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the College's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.

Fayya Technical and Vocational College

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

Standard	Effective date and impact:
	<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>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p><i>Applicable 1st 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 a College.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

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

Standard	Effective date and impact:
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</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

Fayya Technical and Vocational 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 College 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.

Summary of Significant Accounting Policies (Continued)

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 College.

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 college's right to receive payments is established.

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 of governors in 2021. Subsequent revisions or additional appropriations were not made to the approved 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

Summary of Significant Accounting Policies (Continued)

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 college 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.

f) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the college. Assets held under a finance lease are capitalized

Summary of Significant Accounting Policies (Continued)

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 College 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 College 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 College. 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 College expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the College 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.

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 College 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 College 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

Fayya technical and vocational College assesses at each reporting date whether there is objective evidence that a financial asset or a college of financial assets is impaired. A financial asset or an college 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 college of financial assets that can be reliably estimated.

- The debtors or college 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. Fayya technical and vocational College determines the classification of its financial liabilities at initial recognition.

Fayya Technical and Vocational College

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

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

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 College.

k) Provisions

Provisions are recognized when the College 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 College 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 College 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 College 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 College 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.

4 Summary of Significant Accounting Policies (Continued)

l) Nature and purpose of reserves

The College creates and maintains reserves in terms of specific requirements. There was no reserves maintained during the financial year and specific policies were yet to be put in place regarding the same.

m) Changes in accounting policies and estimates

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

q) Related parties

The College 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 College, 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 College 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 College 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 College 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.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of Fayya technical and vocational College'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. Fayya technical and vocational College 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 Fayya technical and vocational College. 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 Fayya technical and vocational College
- 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.

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

Notes to the Financial Statements (Continued)

6. Transfers from other National Government entities

Description	2021-2022	2020-2021
	Kshs	Kshs
Unconditional Grants		
Operational Grant	1,000,000	0.00
Total Government Grants and Subsidies	1,000,000	0.00

(a) Transfers from other Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of Comprehensive Income Kshs	Total grant income during the year	2020-2021
		Kshs	Kshs
State department of Technical Education.	1,000,000	1,000,000	0.00
Total	1,000,000	1,000,000	0.00

7. Rendering of Services

Description	2021-2022	2020-2021
	Kshs	Kshs
Tuition Fees	1,015,560	0.00
Total Revenue from The Rendering Of Services	1,015,560	0.00

This is the approximated revenue from student's fees for the financial year 2021/2022.

8. Use of Goods And Services

Description	2021-2022	2020-2021
	Kshs	Kshs
Admin costs	42,630	0.00
Water	8,220	0.00
Advertising	13,000	0.00
Knec-fees	19,000	0.00
Katti and Tveta/KUCCPS	106,800	0.00
Printing and stationery	21,080	0.00
Telephone expenses (Airtime)	9,000	0.00
Total good and services	219,730	0.00

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9. Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries and wages	596,000	0.00
Travel, motor car, accommodation, subsistence and other allowances	282,750	0.00
Employee Costs	878,750	0.00

10. Board/Council Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Bog allowances	136,000	0.00
Total	136,000	0.00

11. Depreciation and Amortization expense

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, plant and equipment	1,362,272	0.00
Total depreciation and amortization	1,362,272	0.00

12. Repairs and Maintenance

Description	2021-2022	2020-2021
	Kshs	Kshs
Property(electrical and plumbing works)	35,000	0.00
Total Repairs and Maintenance	35,000	0.00

13. Tax Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Tax paid from directors allowance	24,000	0.00
Total Tax Costs	24,000	0.00

14. Cash and Cash Equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Account	57	0.00
Others (student debtors)	865,560	0.00

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

Total Cash and Cash Equivalents	865,617	0.00
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(a). Detailed Analysis of Cash and Cash equivalents

		2021-2022	2020-2021
Financial Institution	Account number	Kshs	Kshs
a) Current Account			
Kenya Commercial Bank	1290552282	57	0.00
Grand Total		57	0.00

15. Receivables from Exchange transactions

(a) Current Receivables from Exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Student Debtors	865,560	0.00
Total Current Receivables	865,560	0.00

(b) Long- term Receivables from Exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Non-Current Receivables		
Advance Payments	21,070	0.00
Total Receivables	21,070	0.00

16. Property, Plant and Equipment

	Land and Buildings	Total
Cost	Kshs	Kshs
As at 1 st July 2021	54,490,919	54,490,919
As at 30 June 2022	54,490,919	54,490,919
Depreciation	(1,362,272)	1,362,272
Net Book Values		
At 30 th June 2022	53,128,647	53,128,647

Depreciation on land and building has been calculated per annum at 2.5% of the total value of land and building indicated above. The government supplied furniture, computers and equipment without indicating the values of the same.

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

17 (a) Valuation

As per National Treasury guidelines, Land and buildings were identified and valued as per the National Liabilities and Management Policy and guidelines (Issued June 2020). These amounts were adopted in the financial statements on 2022.

(b) Property, Plant and Equipment at Cost

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

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Buildings	54,490,919	1,362,272	53,128,647
Total	54,490,919	1,362,272	53,128,647

18. Trade and Other Payables from Exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Other Payables (claim)	160,982	0.00
Total Trade and Other Payables	160,982	0.00

19. Refundable Deposits from Customers/Students

Description	2021-2022	2020-2021
	Kshs	Kshs
Other refundable deposits (student)	4,000	0.00
Total Deposits	4,000	0.00

Retirement benefit Asset/ Liability

Fayya technical and vocational college does not yet operate a defined benefit scheme for all full-time employees.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 has never been carried out as at 30 June 2022 by any actuarial Valuers on this basis the present value of the defined benefit obligation and the related current service cost and past service cost were not measured using the Projected Unit Credit Method.

20. Financial Risk Management

Fayya technical and vocational college's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The college'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 college does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

(i) Credit risk

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

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

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 Fayya technical and vocational college has significant concentration of credit risk on amounts due from 2022

The board of directors sets Fayya technical and vocational college credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

Notes to the Financial Statements (Continued)

(ii) Liquidity risk management

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

22. Related Party Balances

Nature of related party relationships

Fayya technical and vocational colleges and other parties related to the college include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

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

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

23. Events After The Reporting Period

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

24. Ultimate And Holding Entity

Fayya technical and vocational college is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

25. Currency

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

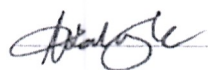
Fayya Technical and Vocational College
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Appendix 1: Implementation Status of Auditor-General Recommendations

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)

No previous year recommendation to report on



Name: Mr. Wilfred Mwashimba Mwalugha
Accounting Officer
(Principal)
Date: 30th June, 2022

