



Enhancing Accountability

THE NATIONAL ASSEMBLY	
DATE: 09 AUG 2023	DAY: WED
TABLED BY: Hon Owen Baya MP Deputy Leader, majority	
CLERK-AT-THE-TABLE: Ahmed Kadhe	

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REPORT

OF

THE AUDITOR-GENERAL

ON

**OBANGE VOCATIONAL TRAINING
CENTRE**

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

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

24 MAY 2023

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OBANGE VOCATIONAL TRAINING CENTRE

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

STATE OF TEXAS
COUNTY OF [illegible]

[illegible]

[illegible]



OBANGE VOCATIONAL TRAINING CENTRE
Annual Report and Financial Statements for the year ended 30th June 2022

OBANGE VOCATIONAL TRAINING CENTRE
Annual Report and Financial Statements for the year ended 30th June 2022

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Obange Vocational Training Centre

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I. Key Entity Information and Management

(a) Background information

Obange VTC was incorporated/ established under the TVET Act/ 2013 Act (in 2015). The entity is domiciled in Kenya and has no branches. The institute is under the county government of Kisumu in the department of Education, ICT and Human resources development, this is under the directorate of Vocational Education and Training.

Obange Vocational Training Centre is located in West Nyakach Location, Lower Kadianga sub-location of West Nyakach Ward, Nyakach Sub County of Kisumu County. The Vocational Training Centre is located along Kendu Bay-Homabay Road, approximately Eight kilometers away from Kong'ou market from Kisumu towards Homabay.

The VTC is surrounded by Rota market, Obange secondary school, Obange primary school, Obange Catholic Church and Sango Rota dispensary from a distant far.

The institution is built in a 0.17 hectares plot that was donated by the community to the Catholic Church for purposes of constructing a VTC.

It was started in 1970 under the management of the Catholic Church to help train trainees who had just finished primary education or those pupils who did not proceed to secondary school. That time, the training Centre was called Sango Village Polytechnic which was later changed to be called Obange Youth Polytechnic.

It did well for a few years when was still under the management of the Catholic Church, which later left it to be managed by community. The training Centre would then face a closure due to unavoidable circumstances for quite some time and would later is revived by the ministry of youth affairs and sports in the year 2012.

With the new constitution 2010, Youth Polytechnics were devolved and there was rebranding again that brought about the name Obange Vocational Training Centre

The Vocational Training Centre is currently under the County Government of Kisumu, Directorate of Vocational Education & Training. The centre registered by TVETA under TVET Act, 2013 section 20(1) with registration certificate No TVETA/PUBLIC/VTC/0014/2015

Courses offered

1. ICT
2. Building Technology/Masonry
3. Electrical and Electronics Technology
4. Fashion Design and Garment Making
5. Plumbing technology
6. Hair dressing and beauty therapy

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Key Entity Information and Management (Continued)

7. Metal processing technology
8. Motor Vehicle technology
9. Food and beverage technology

The institution introduced food and beverage Technology department in the past financial year due to too much demand by trainees and community.

(b) Principal Activities

- Adequate and relevant skills training
- Skills development

Vision

To provide innovative technical skills and practices that highly impact leading engagement of our trainees in current edge technology

Mission

To promote trainees' success, prepare skilled workforce and build tomorrow's leaders by providing access to quality technical education.

Objectives

- Achieve and maintain high level of quality training
- Ensure compliance with the Technical and Vocational Education and Training Act, 2013, and other relevant statutory and safety requirements.

(c) Key Management

- Board of Governors
- County Directorate
- Centre Management

(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.	CECM	Mr. John Awiti
2.	Chief Officer	Mrs. Peninah Onyango
3	Director	Mrs. Paschalia Ouma
4	Centre Manager	Ms. Neddy E. Abonyo
5	BOG chairman	Mr. Meshack Ochieng Oyieko

(e) Fiduciary Oversight Arrangements

- Audit and risk committee activities
- Finance and operations committee activities
- Academic committee activities
- Development partner oversight activities
- Other oversight activities)

Key Entity Information and Management (Continued)

(f) Entity Headquarters

P.O. Box 61-40111
PAP ONDITI
KENYA

(g) Entity Contacts

Telephone: (254) 0727 832 346
E-mail: obangevtc@gmail.com

(h) Entity Bankers

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

Other Commercial Banks

Kenya Commercial Bank Limited
Kisumu Branch
P.O. Box 17-40101
Kisumu- Kenya.

(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

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II. The Council/Board of Governors

No.	Member/ Director	Details
1.	Mr. Meshack Ochieng Oyieko- BOG Chairman	Mr. Meshack Ochieng Oyieko was appointed the Chairperson of the Board of Governors in February 2020. He is an electrician by profession and has vast knowledge in telecommunication systems and ICT systems.
2.	Eng. Nelson Okoth Ogonji	A mechanical Engineer, he represents Engineering in the Board and also a member of the finance infrastructure and administration sub committee
3.	Mr. George Ouma Osiro	Represent finance and also chairperson of the finance infrastructure and administration sub committee
4.	Mrs. Rose Were Ougo	Primary school teacher, representing technology and also chairperson of the Education, research and training sub committee
5.	Mr. Peter Onyango Oranga	Representing leadership and management. A member of the of the finance infrastructure and administration subcommittee.
6.	Ms. Josephine A. Sirega	Representing ICT in the Board, Member of Education, research and training sub committee
7.	Mr. Benjamin Okito	Member representing Industry. He is a businessman and a member of the education, research, and training subcommittee.
8.	Mrs. Paschalia Ouma	Director VET
9.	Mr. Rawlings Angira	Sub-County Administrator
10.	Ms. Neddy E. Abonyo	secretary to the Board of Governors- has a Diploma in ICT and Education management. Currently pursuing bachelor's Science in Public Management

III. Management Team

No.	Member/ Director	Details
1.	ELEZABETH NEDDY ABONYO	Overall, in charge of the centre
2.	SOLOMON OTIENO SIREGA	In charge of training and development
3.	HEADS OF DEPARTMENT	In charge of respective departments

IV. Chairman's Statement

We the BOG of Obange vocational training Centre are delighted and thankful for entrusting us with the authority to serve the institution. Over the past year we have seen a very steady progress in our institution ranging from infrastructure improvements to higher trainee enrolment therefore leading to many trainees sitting for government trade test.

We are deriving our strength to progress on a three-year action plan. Key to the success of our action plan is knowing the objective of our VTC, understanding where we are and fast moving to where we want to be in future. We are all aware that the future of our youth today lies on hands on skills. Our action plan is based on three pillars: Infrastructure, Finance and Marketing with which if properly addressed then we stand many chances of producing youths with the best technical skills.

On infrastructure, Our VTC is in a small chunk of land of 0.17 hectares, our manager is currently working on finding title deed for the small piece, meanwhile we members have started engaging the surrounding landowners with the intentions of buying additional land for the institution. Obange VTC is an only institution in the west Nyakach ward, thus serving four locations that are far wide a part. Our institution now attracts students from far and wide. In this regard we have put a temporary hostel for male trainees and converted a classroom for female trainees to use as dormitory as we wait to solve the land inadequacy issue then construct proper dormitories and modern workshops.

In the financial year 2021/2022 we were privileged to get training for our instructors and the chairperson of board on safe guarding and child protection issues through our partner KUAP. The same organization also took a section of the board, our manager and deputy on a differentiated and inclusive education training. These trainings have brought great positive impact on how we handle individual trainees and how to conduct ourselves as This partner gave our institution **Ksh. 100,000** a donation to buy machines and tools for 3 departments.

On finances, one of our key roles is to mobilize resources for the institution. First, we appreciate the National government, county Government of Kisumu and CDF- Nyakach constituency for always funding us. The institution over the years has been funded by the national government and the County government of Kisumu. However, the challenge is late disbursements of the funds paralyzing implementation of planned activities. We are now encouraging parents/guardians of these trainees to execute their parental obligation by paying fee. Over the year, we have seen a very slight improvement in the fee payment by parents and we hope it grows with time. We as the BOG of Obange, planned to have a funds drive to aid some of our planned activities before end of financial year 2021/2022 but this did not happen as we had so many activities going on. Therefore, we have planned to have this done in the next financial year.

In the FY 2021/2022 our institution went on a public road show and a skills exhibition held at our institution with various stakeholders invited. Through this sensitization we managed to convince trainees from the immediate villages who have had a very negative perception about the school.

With our vision, mission, and core values in mind, we are committed to providing quality and relevant skills to our trainees in line with our country's Vision 2030 development blueprint and the global Sustainable Development Goals (SDGs). To achieve this, it is important for us to identify strategic areas upon which to direct our efforts and resources.

However much we try to improve the quality of training in our institution, we are still faced with some very severe challenges that need to be addressed as soon as possible. One such problem is the failure of

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county government to employ instructors in our institution. We only have one instructor employed by the county

Report of the Chairman Continued

and dubs as the Centre manager, this against 9 courses offered at the VTC. We urge the county to work speedily and employ instructors in our institutions enough for all trades in the institution. Many parents and guardians believe that the government has put a lot of funding in our TVET institutions following what is said to them by their local leaders, this brings the challenge of poor fee payment by parent, we therefore request the County government to increase the capitation per child to help us in running these VTCs. On this note, we also urge the County to put little more focus on upcoming VTCs like Obange with proper and equal distribution of tools and equipment, should there be. The Government should conduct a lot of routine visits to our institutions to help know and understand them better.

As BOG, we are aware of our responsibility especially the role of mobilizing resources for the VTC, we play our part to find every necessary way to bring resources to the institution. We are aware that there are certain development partners who come direct to government offices, our kind request is that you help us get links to them. We are glad this has happened before.

We appreciate the county governments effort to organise a one-day workshop for BOG chairpersons in the just concluded financial year. We therefore urge the county government of Kisumu to initiate more of these workshops and also to extend them to entire members of these boards.

I take this opportunity to thank all stakeholders who are actively involved in the development of Obange VTC. These include the BOG, manager, instructors, National government and County Government of Kisumu, Nyakach Constituency, our sponsors, area leaders, and members of the community, non-teaching staff and trainees of Obange VTC among others. I am personally humbled by the diverse contributions of all those involved both individually and collectively and believe that together we shall make our Vocational Training Centre a better place for generations to come.



Meshack O. Oyieko

Chairperson

V. Report of the Principal

I feel honoured to present the financial statement for the year ended 2021/2022 on behalf of the BOG, staff, and trainees of Obange Vocational Training Centre. In the past year we have encountered massive improvements which includes increased trainee enrolment to infrastructure. Obange VTC is providing relevant technical skills in 9 trade areas along with other five general subjects. The general subjects include

- Entrepreneurship skills
- Communication skills
- ICT general education
- Life skills education
- Technical drawing

With this general education our trainees can rely on self to make a living.

Apart from the improvements noticed in the past year, it is also important to note that;

- There are technological evolvments that make trends change daily, the VTC focuses on rebranding and putting provisions for the emerging trends.
- Trainees must get adequate, relevant skills training
- We enhance motivation and welfare of staff, trainees and other stakeholders.

Enrolment

Though slowly recovering from the pandemic and being affected by the government's initiative of 100% transition to secondary school, our VTC still managed to increase enrolment from the previous 104 trainees to 137. We still project that it will further go up in the coming FY 2022/2023.

Examination

During the past year our trainees were trained and evaluated both internally and externally. Our instructors use right pedagogy to equip trainees with adequate and relevant skills that would place them well in the competitive market of skills in this regard, 36 trainees from our institution sat for government trade test in 2021/2022 financial year. During the past financial year, 25 Of our trainees graduated in the grand county graduation held in March 2022.

Funding

Our main funders are the national Government and county Government of Kisumu. We also appreciate the effort of Nyakach constituency development fund board for consistently standing with us in provision

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of bursary for our needy trainees. In the financial year 2021/2022, we received a total of Ksh. **4,559,066** collectively from the national government, county government of Kisumu, parent funding, Nyakach constituency development fund constituency development fund. Though we received this in the financial

Report of the Principal Continued

year 2021/2022, a part of it was meant for the financial year 2020/2021. The disbursements were as follows.

- Ksh. **1,365,000** County grant meant for 2020/2021
- Ksh. **682,500** national government grant meant for 2020/2021
- Ksh. **765,000** County Grant for 2021/2022
- Ksh. **765,000** county grant for 2021/2022
- Ksh. **480,000** Nyakach constituency CDF
- Ksh. **120,566** parent funding
- Ksh. **381,000** donations from NGO

Our infrastructure

The institution is built in a 0.17 hectares plot that was donated by the community to the Catholic Church for purposes of constructing a VTC. It has the following.

- i. Two buildings each containing two classrooms. (CDF)
- ii. A double room: one room used as office of the manager and instructor's room.
- iii. Two pit latrines each with two doors (CGK)
- iv. Temporary shade for Masonry (SVTCG 2018/2019)
- v. Temporary kitchen
- vi. A gated a barbed wired fence.
- vii. Twin workshop (CGK/National Government grant FY 2020/2021 & 2021/2022)

During the year 2021/2022 we completed construction of a twin workshop which was initiated in the financial year 2020/2021. The workshop is already in use hosting fashion design and hairdressing departments. The idea behind this construction was to use funds meant for instructional materials and combination of other vote heads as authorised by the national government during the pandemic.

Co-curricular activities

In the past year, we participated in sports activities from zonal and proceeded to county sports with netball, volley ball boys and football girls. It was a good experience after the long suspension of games due to the pandemic. We also participated in the graduation ceremony that took place at the county level. Our institution in collaboration with a non-governmental organization called KUAP organized a trade fair at the institution in the last financial year, this increased our enrolment in the financial year. In the past financial year, our institution partook two road shows intended to help increase enrolment.

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Trainees Welfare

Our trainees are admitted in the VTC and given admission numbers according to their arrival. They are given an orientation and showed around the institution. The trainees read and sign rules and regulations

Report of the Principal Continued

which are kept in a file in the office of the deputy. The trainees elect their leadership by voting and secret balloting where the staff become their election officials.

Staff establishment

Obange VTC has only one instructor employed by the county government. The instructor also dubs as the manager of the institution. We have 8 instructors, 1 security guard and a cook. During the financial year, we introduced food processing department and bought a few tools, equipment and consumables for it. We have shortages of instructors as follows:

NO.	Course	Deficit
1.	Building Technology	1
2.	Fashion Design & Garment Making	1
3.	Plumbing technology	2
4.	ICT	1
5.	Electrical Technology	1
6.	Motor Vehicle Technology	1
7.	Metal Processing Technology	1
8.	Hair dressing and beauty therapy	2
9.	Food and beverages Technology	1

Challenges

Our institution is built in a lake region, therefore fishing is the major economic activity in the region. Most of our trainees

The centre experienced low trainee enrolment 2020/2021 which was occasioned by the Covid 19 pandemic. This made some trainees who were ready to sit for exams dropout as reopening dates and exam dates, were most of the time postponed.

The institution depends entirely on government funding, 2020/2021 Kisumu county grant did not arrive and that incapacitated our operations.

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Our institution is in an area that is normally affected by floods, this affects us in many ways.

Report of the Principal Continued

- i. Floors of buildings are normally damaged.
- ii. Pit latrines normally collapse or are easily full
- iii. Our trees are damaged
- iv. It affects our students because they normally must move away from this area to look for safer places to stay.

Obange VTC has had a steady increase in enrolment since 2018; we have a small piece of land measuring 0.17 hectares. The land is already overcrowded as our trainees have increased in number and some even residing in the compound.

The institution also lacks modern workshops with state-of-the-art equipment. We have only two small workshops whose floors are damaged by foods day in day out. We are currently constructing a twin workshop but with a lot of financial constrains.

I take this opportunity to thank all our stake holders for their unwavering support in helping us to achieve our great mission of skills development


.....

Neddy E. Abonyo
Centre Manager

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VI. Statement of Performance against Predetermined Objectives

Obange VTC derived its strength to achieve a slight improvement in the financial year 2021/2022 from a formed 3-year Action plan of the financial year 2020/2021 which had the following three strategies

- Pillar 1: Infrastructure
- Pillar 2: Finance
- Pillar 3: Marketing

Obange VTC develops its annual work plans based on the above 3 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Obange VTC achieved its performance targets set for the FY 2021/2022 period for its strategic objective pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Activities	Key Performance Indicators	Achievements
Infrastructure	Land	- Find title deed for the current land Engage Landowners with intentions of buying land.	Title deed	Processes still underway
	Boarding Facility	Construct a boarding facility for trainees	A temporary boarding facility started	Female temporary male and female dormitory structures constructed
	Workshop	Construct new workshops	Twin workshop constructed	Construction of a twin workshop
Finance	Resource mobilization	Fund's drive Grants from national	Availability of funded activities	Activities not yet

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		Government Grants from County Fee payment Partnerships		
Marketing	Engaging media houses and road publicity	Road show	Increased enrolment	Increase in enrolment Partners from non- governmental organization

VII. Corporate Governance Statement

Appointment of Board of Governors members

The current BOG members were appointed in accordance with First Schedule Section 28(1)(a) and the Second Schedule section 1 & 2 of TVET Act No 29 of 2013 on 24th February 2020

Membership of the Board of Governors is as follows:

- a) a chairperson.
- b) a representative of the minister/CECM in the department responsible for technical and vocational training.
- c) a representative of the county Governor; and

Six other persons appointed based on their knowledge and experience in—

- 1) Leadership and management.
- 2) Financial management.
- 3) Technology.
- 4) Industry.
- 5) Engineering.
- 6) Information communication technology.

Responsibility of the Board of Governors

The board is responsible for.

- 1) The mission and vision of the Centre.
- 2) Promoting the aims and objectives of the centre
- 3) Setting strategic directions for the Centre.
- 4) Monitoring performance against strategic objectives

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- 5) Extending links and communication between the Centre and the wider community.
- 6) Fundraising and resource mobilization.

Remuneration of the Board of Governors members

The BOG members are paid a sitting allowance for every meeting attended. The sitting allowance paid to the members is disclosed in the financial statements.

The Board of Governors meetings

The meetings of the full board are held at least once every quarter in a calendar year. In order to facilitate the smooth running of its affairs, the BOG establishes such committees with the membership and with such terms of reference as it may deem fit. During the financial year 2021/2022 two full board and one subcommittee meetings were held.

The following committees were in place during the 2021/2022 financial year.

- 1) Education research and training
- 2) Finance, infrastructure and Administration

Finance, infrastructure and Administration committee is responsible for the following:

- i. Making recommendations to the BOG on annual budgets in the light of the overall plan, the annual operating budgets and other relevant information;
- ii. Giving advice to the BOG on the needs of the Centre as established by its plans
- iii. Reviewing the Center's financial strategy for approval by the BOG;
- iv. Dealing with strategic issues concerning financial risk management and advising the BOG appropriately
- v. Reviewing the Center's annual financial statements and reporting to the BOG

Education research and training committee is responsible for the following

- i. Staff and trainee welfare
- ii. Benchmarking

VIII. Management Discussion and Analysis

Obange VTC exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on 3 pillars: infrastructure, financing the institution and marketing our institution each year to see improved enrolment and to produce more graduates each year. To achieve this, we majored on the, following social corporate responsibilities

IX. Environmental And Sustainability Reporting Statement

Obange Vocational Training Centre exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a highlight of strategies and activities that promote the organisation's strategic objective.

Sustainability strategy and profile

Our sustainable strategy lies much on partnerships and marketing of our institution to meet our objective of quality relevant technical skills for youths.

Employee welfare

(Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

Market place practices-

The organisation should outline its efforts to:

- a) Responsible competition practice.
Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors.
- b) Responsible Supply chain and supplier relations- explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.
- c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices.
- d) Product stewardship- outline efforts to safeguard consumer rights and interests.

(The statement may also include how the organisation promotes education, sports, healthcare, labour relations, staff training and development, water and sanitation initiatives)

Corporate Social Responsibility / Community Engagements

Obange VTC engages the community members as casual labourers. In the year 2021/2022, the institution helped dig trenches and drainages in the community that were very helpful when the rains came. We have also actively participated in cleaning of Rota market. Our instructors and trainees participated in the repair of the Kong'ou Sango Rota road in constructing gabions.

We also offer computer packages lessons to the community which in turn generates income to the institution.

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X. Report of the Council/Board of Governors

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

Principal activities

The principal activities of the entity are training and skills development

Results

The results of the entity for the year ended June 30 are set out on page 1-34

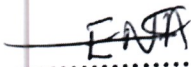
Council/Board of Governors

The members of the Board /Council who served during the year are shown on page iv.

Auditors

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

By Order of the Board



.....
Secretary of the Board/Council

Kisumu

Date:

**Obange Vocational Training Centre
Annual Report and Financial Statements for the year ended 30th June 2022**

XI. 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 that Obange Vocational Training Centre, which give a true and fair view of the state of affairs of the Obange Vocational Training Centre at the end of the financial year/period and the operating results of the Obange Vocational Training Centre for that year/period. The Council members are also required to ensure that the Obange Vocational Training Centre keeps proper accounting records which disclose with reasonable accuracy the financial position of the Obange VTC. The council members are also responsible for safeguarding the assets of the Obange Vocational Training Centre.


The Council members are responsible for the preparation and presentation of the Obange Vocational Training Centre's financial statements, which give a true and fair view of the state of affairs of the obange VTC for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 Obange Vocational Training Centre, (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.


The Council members accept responsibility for the Obange's Vocational Training Centre 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 section 14 of the State Corporations Act, and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013. The council members are of the opinion that the Obange Vocational Training Centre's financial statements give a true and fair view of the state of Obange Vocational Training Centre's transactions during the financial year ended June 30, 2022, and of the Obange Vocational Training Centre's financial position as at that date. The Council members further confirm the completeness of the accounting records maintained for the Obange Vocational Training Centre, which have been relied upon in the preparation of the Obange Vocational Training Centre's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council members to indicate that the Obange Vocational Training Centre will not remain a going concern for at least the next twelve months from the date of this statement

Approval of the financial statements

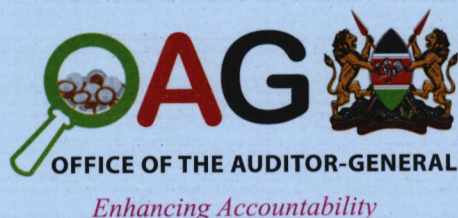
The Obange Vocational Training Centre's financial statements were approved by the Board on 22/10/2022 and signed on its behalf by:


.....
Name MESHAELE NYIRAKU
Chairperson of the Board/Council


.....
Name ELIZABETH NEDY ABONYO
Accounting Officer/Principal

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 OBANGE VOCATIONAL TRAINING CENTRE FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Obange Vocational Training Centre set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and

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

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

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The financial statements reflect opening balances from 2020/2021 financial year which was not supported with audited financial statements for the year ended 30 June, 2021. Further, the statement of financial performance and as disclosed in Note 11 to the financial statements reflects use of goods and services expenditure amount of Kshs.2,986,968 while the statement of comparison of budget and actual amounts reflects an expenditure of Kshs.2,989,668 resulting to an unexplained and unreconciled variance of Kshs.2,700.

In addition, the statement of comparison of budget and actual amounts reflects total expenditure performance difference amount of Kshs.4,565,312 which differs with the recomputed amount of Kshs.4,412,712 by an unexplained and unreconciled variance of Kshs.152,600.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Unsupported Expenditure on Instructional Materials

The statement of financial performance reflects an amount of Kshs.2,986,968 in respect of use of goods and services, as disclosed in Note 11 to the financial statements. The amount includes an amount of Kshs.1,950,665 in respect of instructional materials which further includes payments totalling to Kshs.1,616,220 which were made to different suppliers. However, these payments did not have supporting documents such as user requisitions, goods received notes, inspection and acceptance reports and the respective stores records showing how the goods were taken on charge.

In the circumstances, the accuracy and completeness of the expenditure amounting to Kshs.1,950,665 incurred on instructional materials could not be confirmed.

3. Unsupported Board Expenses

The statement of financial performance reflects an amount of Kshs.113,500 incurred on Board/Council expenses for the year under review. Review of records provided revealed that there was no attendance register for the Board containing the signed attendance sheets for Board members provided for audit review. Further, there was no evidence that

Board members were being notified of such meetings at least fourteen (14) days before a meeting is held as prescribed by Section 11(2) of the Technical and Vocational Education and Training Act, 2013.

In addition, the Board minutes were not duly signed by the leadership of the Board, the Chairperson and Secretary to the Board, and there was no indication of the minutes' confirmation as the true deliberations in the subsequent meetings.

In the circumstances, the accuracy and completeness of the expenditure amounting to Kshs.113,500 incurred on Board expenses could not be confirmed.

4. Unsupported Repairs and Maintenance

The statement of financial performance and as disclosed in Note 14 to the financial statements reflects expenditure amounting to Kshs.961,820 in respect of repairs and maintenance. However, the expenditure includes an amount of Kshs.460,750 incurred on repairs of the roofs and doors of two classrooms which was not supported with requisite documents such as bills of quantities, local purchase/service order, quotations, tender evaluation minutes, and letters of award and acceptance.

In the circumstances, the accuracy and completeness of the expenditure amounting to Kshs.961,820 incurred on repairs and maintenance could not be confirmed.

5. Unsupported Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 15 to the financial statements reflects a balance of Kshs.7,620 in relation to cash and cash equivalents. The balance comprised of Kshs.3,155 and Kshs.1,765 held in two bank accounts and Kshs.2,700 in respect of cash at hand. However, the cash book balances of the two bank accounts were not certified by a Board of Survey Committee duly appointed by the Accounting Officer as required.

Further, Management did not provide any evidence to support the cash balance of Kshs.2,700 such as the cash book and Board of Survey report.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Ksh.7,620 could not be confirmed.

6. Non-Disclosure of Inventory in the Financial Statements

The statement of financial position did not include the value of inventories while no duly signed stock sheets were provided for audit. Further, no quarterly and annual stock taking was done by the Centre.

In addition, electrical, building materials and other consumables in the stores were not valued and reported in the financial statements.

In the circumstances, the accuracy, completeness and valuation of the Centre's inventories balance could not be confirmed.

7. Unsupported Property, Plant and Equipment

Management did not disclose any balance in respect of property, plant and equipment despite the fact that the Centre has buildings, office furniture, computers, and sewing

machines in their classrooms, and the land in the financial statements. Further, the Centre does not have a finance policy and procedures manual to guide it on the rates of depreciation and amortization of the property, plant and equipment it owns.

In addition, the Centre did not prepare a fixed asset register to track all the assets.

In the circumstances, the accuracy and completeness of the statement of financial position could not be confirmed, and Management.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.9,896,500 and Kshs.4,559,066 respectively resulting to an under-funding of Kshs.5,337,434 or 53% of the budget. Similarly, the Centre spent Kshs.4,687,788 against an approved budget of Kshs.9,100,500 resulting to an under-expenditure of Kshs.4,412,712 or 48% of the budget.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with the Public Sector Reporting Template

Review of the financial statements revealed that the report of the Council/ Board of Governors is not signed by the Board Secretary. Further, the report indicates that 'XYZ

Certified Public Accountants were nominated by the Auditor-General' whereas it is the Auditor-General who audits the Centre. In addition, the financial statements reflect 'xxx' in the notes to the financial statements instead of the relevant information respectively.

In the circumstances, the financial statements have not been prepared in accordance with the recommended reporting template and guidelines issued by the Public Sector Accounting Standards Board.

2. Failure to Prepare and Submit Financial Statements for Audit

Review of records and information revealed that the Centre started operations in 2015 under the Ministry of Education and Technology but Management has never prepared and submitted financial statements for audit. This contravened Regulation 101(4) of the Public Finance Management(National Government) Regulations, 2015 which states that "an Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury."

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Internal Audit Function and Audit Committee

During the year ended 30 June, 2022, the Centre operated without an Internal Audit Unit and an Audit Committee contrary to Section 73(1)(a) of the Public Finance Management Act, 2012 which states that "every National Government entity shall ensure that it complies with this Act and—has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board." and sub-section (5) which states that "every National Government public entity shall establish an internal

auditing committee whose composition and functions are to be prescribed by the regulations”.

In the circumstances, risks and weaknesses existing in the systems of internal controls could not be confirmed.

2. Lack of a Risk Management and ICT Policy

During the year under audit, Management did not develop a Risk Management Policy and an Information Communication Technology (ICT) Policy. This is contrary to Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer of a National Government entity to develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal controls that builds robust business operations.

In the circumstances, the Management lacks a mechanism to help in detection and mitigation of any possible risks on its systems.

3. Lack of Human Resource Policy, Scheme of Service and Staff Establishment

During the year under review, the Centre did not have a human resource department or formulate a human resource policy, scheme of service and staff establishment, to guide on administrative and personnel matters. This is contrary to Human Resources Policies and Procedures Manual for the Public Service, 2016 which bestows the Public Service Commission and Management with roles and functions which include setting and overseeing the overall human resources strategy, terms of service of employees and approval of significant policies of the organizational structure of the Centre.

In the circumstances, it was not possible to confirm whether the total staff in employment of the Centre was the optimal number required for effective operations.

4. Inadequate Staffing

Review of records revealed that the Centre has not been put under the mentorship program. Further, the Centre has only nine (9) member of staff who are the instructors of the various courses while key personnel are lacking in other departments. For instance, the Centre does not have a qualified accountant responsible for the preparing the financial statements and maintaining proper books of accounts.

In the circumstances, the inadequacy of critical staff may lead to low enrolment of students which may lead the Centre not achieve its objectives.

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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Centre's ability 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 Centre 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 is responsible for overseeing the Centre'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 controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

I communicate with 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 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

29 June, 2023




**Obange Vocational Training Centre
Annual Report and Financial Statements for the year ended 30th June 2022**

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

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Revenue from Non-Exchange transactions			
Transfers from other National Government entities	6	2,212,500.00	1,822,500
Grants from donors and development partners	7	381,000.00	-
Transfers from other levels of government-CGK	8	1,365,000.00	-
		3,958,500.00	1,822,500
Revenue from Exchange transactions			
Rendering of services- fees from students	9	120,566.00	186,000
Other income-CDF-	10	480,000.00	310,000
		600,566.00	496,000
Total Revenue		4,559,066.00	2,318,500
Expenses			
Use of goods and services	11	2,986,968.00	1,666,745
Employee costs	12	625,500.00	318,750
Board /Council Expenses	13	113,500.00	81,000
Repairs and maintenance	14	961,820.00	400,950
		4,687,788.00	2,467,445
Other Gains/(Losses)		(128,722)	(148,945)
Gain on sale of assets		0	0
Total Other Gains/(Losses)		0	0)
Net surplus for the year		(128,722)	(148,945)
Attributable to:			
Surplus/(deficit) attributable to minority interest		0	0
Surplus attributable to owners of the controlling entity		0	0
		(128,722))	(148,945))

The notes set out on pages 6 to 29 form an integral part of the Annual Financial Statements.

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




		
.....
Chairman of Council/Board	Finance Officer	Principal
	ICPAK No 20139	
Date 19/05/2023	Date 19/05/23	Date 19/05/2023

**Obange Vocational Training Centre
Annual Report and Financial Statements for the year ended 30th June 2022**

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

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	15	7,620.00	136,342
		7,620.00	136,342
Non-Current Assets			
Long term receivables from exchange transactions		0.00	0.0
Property, plant, and equipment		0.00	0
		0	0
Total Assets		7,620.00	136,342
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions		0	0
		0	0
Non-Current Liabilities			
Finance lease obligation		0	0
		0	0
Total Liabilities		0	0
Net Assets		7,620.00	136,342
Reserves		0	0
Accumulated Surplus		7,620.00	136,342
Capital Fund		0	0
Total Net Assets and Liabilities		7,620.00	136,342

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

		
.....
Chairman of Council/Board	Finance Officer	Principal
Date 19/05/2023	ICPAK No 20139 Date 18/05/23	Date 19/05/2023

Obange Vocational Training Centre
Annual Report and Financial Statements for the year ended 30th June 2022

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

Description	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
At July 1, 2020	0.00	0.00	285,287	0.00	285,287
Revaluation gain	0	-	-	-	0.00
Fair value adjustment on quoted investments	-	0.00	-	-	0.00
Total comprehensive income	-	-	(148,945)	-	(148,945)
Capital/development grants received during the year	-	-	-	0.00	0.00
Transfer of depreciation/amortisation from capital fund to Retained earnings	-	-	0.00	(0.00)	-
At June 30, 2021	0.00	0.00	136,342	0.00	136,342
At July 1, 2021	0.00	0.00	136,342	0.00	136,342
Revaluation gain	0.00	-	-	-	0.00
Fair value adjustment on quoted investments	-	0.00	-	-	0.00
Total comprehensive income	-	-	(128,722)	-	(128,722)
Capital/development grants received during the year	-	-	-	0.00	0.00
Transfer of depreciation/amortisation from capital fund to Retained earnings	-	-	0.00	(0.00)	-
At June 30, 2022	0.00	0.00	7,620	0.00	7,620

**Obange Vocational Training Centre
Annual Report and Financial Statements for the year ended 30th June 2022**

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

Description		2021-2022	2020-2021
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from National government entities/govt. Grants	6	2,212,500.00	1,822,500
Transfer from county government	8	1,365,000.00	0
Transfer from development partners	7	381,000.00	0
Rendering services fee from students(Lunch program)	9	120,566.00	186,000
Other income- Nyakach CDF	10	480,000.00	310,000
Total Receipts		4,559,066.00	2,318,500
Payments			
Compensation of employees	12	625,500.00	318,750
Use of goods and services	11	2,986,968.00	1,666,745
Repair, Maintenance & Improvements	14	961,820.00	400,950
Board/Council Expenses	13	113,500.00	81,000
Total Payments		4,687,788.00	2,467,445.
Net Cash Flows from operating activities	16	(128,722)	(148,945)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		0	0
Net cash flows used in investing activities		0	0
Cash flows from financing activities			
Proceeds From Borrowing		0	0
Net cash flows used in financing activities		0	0
Net Increase/(Decrease) in Cash and Cash equivalents		(128,722)	(148,945)
Cash and Cash equivalents at 1 JULY	15	136,342.00	285,287
Cash and Cash equivalents at 30 JUNE	15	7,620.00	136,342

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


.....

Chairman of Council/Board

Date

19/05/2023


.....

Finance Officer

ICPAK No 20139
Date 18/05/23


.....

Principal

Date

19/05/2023

**Obange Vocational Training Centre
Annual Report and Financial Statements for the year ended 30th June 2022**

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

Description	Original budget 2021-2022	Adjustments 2021-2022	Final Budget 2021-2022	Actual on comparable basis 2021-2022	Performance difference 2021-2022	Utilization Difference 2021-2022
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Transfers from National govt entities and govt grants	3,225,000.00	0.00	3,225,000.00	2,212,500.00	(1,012,500.00)	31.39%
Rendering of services- fees from students	3,446,500.00	0.00	3,446,500.00	120,566.00	(3,325,934.00)	96.50%
Transfer from Kisumu county government grant	3,225,000.00	0.00	3,225,000.00	1,365,000.00	(1,860,000.00)	57.67%
Transfer from Development Partners	0.00	0.00	0.00	381,000.00	381,000.00	100%
Other Incomes- CDF Nyakach	0.00	0.00	0.00	480,000.00	480,000.00	100%
Total Income	9,896,500.00	0.00	9,896,500.00	4,559,066.00	(5,337,434.00)	53.93%
Expenses						
Compensation of employees	1,720,000.00	0.00	1,720,000.00	625,500.00	1,094,500.00	36.36%
Use of goods and services	5,962,000.00	0.00	5,962,000.00	2,989,668.00	2,972,332.00	49.85%
Repair, Maintenance & improvement	1,139,000.00	0.00	1,139,000.00	961,820.00	177,180.00	15.55%
Board/ Council expense	279,500.00	0.00	279,500.00	113,500.00	166,000.00	59.57%
Total Expenditure	9,100,500.00	0.00	9,100,500.00	4,690,488.00	4,565,312.00	50.16%
Surplus For the Period	796,000.00	0.00	796,000.00	(131,422.00)	(927,422.00)	116.51%

(Budget notes)

1. The revenue actually received by the institution went down as compared to the budget amount because the capitation per trainee was reduced at the time of disbursement.
2. We also received funds from development donors and cdf that were not budgeted for resulting to 100% variance
3. The actual expenditures went down as compared to the budgeted expenditures because the institution did not receive the revenue as budgeted

XVIII. Notes to the Financial Statements

1. General Information

Obange Vocational Training Centre entity is established by and derives its authority and accountability from Tvet Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is 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 Obange Vocational Training Centre's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx.

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

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

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

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

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

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

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

**Obange Vocational Training Centre
Annual Report and Financial Statements for the year ended 30th June 2022**

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

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Standard	Effective date and impact:
	<p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <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 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><i>State the impact of the standard to the Entity if relevant</i></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 cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>

iii. Early adoption of standards

(The entity) did not early-adopt any new or amended standards in year 2022.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Dividends

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

4 Summary of Significant Accounting Policies (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2021/2022 was approved by the Council or Board on **17/12/2022**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Obange VTC upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations on the FY 2021/2022 budget following the Council/ Board's approval.

The Obange VTC'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 entity is exempt from paying taxes as per schedule xxx of the xxx Act.

Sales tax/ Value Added Tax

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

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

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

Notes to the Financial Statements (Continued)

d) Investment property

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

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

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

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

e) Property, plant and equipment

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

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

j) Inventories

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

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

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

Inventories (Continued)

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

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

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

k) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

l) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. (*Entity to state the reserves maintained and appropriate policies adopted*).

m) Changes in accounting policies and estimates

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

n) Employee benefits

Retirement benefit plans

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

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

o) Foreign currency transactions

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

p) Borrowing costs

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

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

q) Related parties

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

r) Service concession arrangements

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

s) Cash and cash equivalents

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

t) Comparative figures

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

u) Subsequent events

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

Notes to the Financial Statements (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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

(Include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

**Obange Vocational Training Centre
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Notes to the Financial Statements (Continued)

6. Transfers from other National Government entities

Description	2021-2022	2020-2021
	Kshs	Kshs
Unconditional Grants		
Capitation Grants	2,212,500.00	1,822,500
Operational Grant	0.00	0.00
Other Grants	0.00	0.00
	2,212,500.00	1,822,500
Total Government Grants and Subsidies	2,212,500.00	1,822,500

(a) Transfers from other Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year	2020-2021
			Kshs	Kshs	Kshs
xx State Department	2,212,500.00	0	0	2,212,500.00	1,822,500.00
XX Ministry	0	0	0	0	0
Total	2,212,500.00	0	0	2,212,500.00	1,822,500.00

7. Grants from Donors and Development Partners

Description	2021-2022	2020-2021
	Kshs	Kshs
Donations from KUAP – Leave no girl behind.	381,000.00	0
Total Grants from Development Partners	381,000.00	0

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Notes to the Financial Statements (Continued)

8. Transfers from Other Levels of Government

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfer from County government of Kisumu	1,365,000.00	-
Total Transfers	1,365,000.00	-

9. Rendering of Services- Boarding equipment fees from students

Description	2021-2022	2020-2021
	Kshs	Kshs
Boarding equipment & stores students fee	120,566.00	192,000
Total Revenue from The Rendering Of Services	120,566.00	192,000

These is revenue collected from trainees for boarding expenses

10. Other Income

Description	2021-2022	2020-2021
	Kshs	Kshs
Nyakach Constituency CDF bursary	480,000	310,000
Total other income	480,000	310,000

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Notes To The Financial Statements (Continued)

11. Use Of Goods And Services

Description	2021-2022	2020-2021
	Kshs	Kshs
Instructional Materials	1,950,665.00	1,277,945
Baby porridge	5,000.00	
Boarding equipment and stores	114,800.00	
Water & Water	50,700	151,749
Local Transport & Travel	129,100.00	
Telephone & Postage expenses	5,300	-
Internet expenses	4,500	-
Co- Curricular Activities	225,605.00	121,500
Skills Competition	86,000.00	115,425
Examination expenses	402,000.00	-
Bank charges	13,298.00	126
Total good and services	2,986,968	1,666,745

12. Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries and wages	625,500.00	318,750
Employee Costs	625,500.00	318,750

13. Board/Council Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Board Allowances	83,000.00	81,000
Other Board/Council Expenses	30,500.00	-
Total	113,500.00	81,000

Notes to the Financial Statements (Continued)

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14. Repairs and Maintenance

Description	2021-2022	2020-2021
	Kshs	Kshs
Property	711,750.00	400,950
Equipment and machinery	85,000.00	0.00
Computers and accessories	165,070.00	0.00
Total Repairs and Maintenance	961,820.00	400,950

15. Cash and Cash Equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Accounts	7,620	136,342
Total Cash and Cash Equivalents	7,620	136,342

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

Financial Institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
a) Current Account			
Kenya Commercial Bank	1233819364	3,155	87,966
Kenya Commercial Bank	1137064706	0.00	8,021
Kenya Commercial Bank	1234251124	1,765	40,355
Sub- Total		4,920	136,342
Cash at Hand			
Cash		2,700	0
Sub-Total		2,700	0
Grand Total		7,620	136,342

Notes to the Financial Statements (Continued)

16. Cash generated from operations

	2021-2022	2020-2021
Surplus for the year before tax	Kshs	Kshs
Adjusted for:	(128,722)	(148,945)
Depreciation	0	0
Non-Cash grants received	0.00	0.00
Working Capital Adjustments	0.00	0.00
Increase in Inventory		
Increase in Receivables	0.00	0.00
Net Cash Flow from Operating Activities	(128,722)	(148,945)

Notes to the Financial Statements (Continued)

17. 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.

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

Obange Vocational Training Centre
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Notes to the Financial Statements (Continued)

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

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

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	136,342	0	0	0
Total	136,322	0	0	0
At 30 June 2022				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	4,920	0	0	0
Total	4,920	0	0	0

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

(i) Credit risk (continued)

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

The entity has significant concentration of credit risk on amounts due from xxxx

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

(ii) Liquidity risk management

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

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Notes to the Financial Statements (Continued)

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade Payables	0	0	0	0
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred Income	0	0	0	0
Employee Benefit Obligation	0	0	0	0
Total	0	0	0	0
At 30 June 2022				
Trade Payables	0	0	0	0
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred Income	0	0	0	0
Employee Benefit Obligation	0	0	0	0
Total	0	0	0	0

44. Financial Risk Management (Continued)

(iii) Market risk

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

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

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

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

Notes to the Financial Statements (Continued)

a) Interest rate risk

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

Management of interest rate risk

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

44 Financial Risk Management (Continued)

(iii) Market risk (Continued)

b) Interest rate risk(continued)

Sensitivity analysis

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

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

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Notes To The Financial Statements (Continued)

iv)Capital Risk Management

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Revaluation Reserve	0	0
Retained Earnings	7,620	136,342
Capital Reserve	0	0
Total Funds	0	xxx
Total Borrowings	xxx	xxx
Less: Cash and Bank Balances	(7,620)	(136,342)
Net Debt/(Excess Cash and Cash Equivalents)	7,620	136,342
Gearing	100%	100%

18. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

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

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Notes to the Financial Statements (Continued)

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Transactions with Related Parties		
B) Purchases from related parties		
Purchases of electricity from kplc	12,000	0
Purchase of water from govt service providers	0	0
Total	12,000	0
a) Grants /Transfers from the Government		
Grants from National Govt	2,212,500	1,822,500
Grants from County Government	1,365,000	0x
Total	3,577,500	1,822,500
b) Expenses incurred on behalf of related parties		
Payments of Salaries and Wages for 0 Employees	0	0
Payments for Goods and Services for 0	0	0
Total		
c) Key Management Compensation		
Board/Council Expenses	113,500	0
Compensation to Key Management	0	0
Total	113,500	0

19. Events After The Reporting Period

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

20. Ultimate And Holding Entity

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

21. Currency

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

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

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

Name
Accounting Officer
(Enter title of Head of entity)
Date

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Appendix II: Projects Implemented by (The Entity)

Projects

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

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Appendix III- Inter-Entity Confirmation Letter

[Insert your Letterhead]

Obange Vocational Training Centre
P.O. Box 61-40111
PAP ONDITI
KENYA

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below. Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by *[Insert name of beneficiary Entity]* as at 30th June 2022

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)	Amount Received by [Beneficiary Entity] (KShs) as at 30 th June 2021 (E)	Differences (KShs) (F)=(D-E)
	12/11/2021	682,500	0	0	682,500	570,000	112,500
	07/01/2022	765,000	0	0	765,000	570,000	195,000
	28/03/2022	765,000	0	0	765,000	682,500	82,500
Total		<u>2,212,500</u>	0	0	<u>2,212,500</u>	1,822,500	390,000

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

Head of Accountants department of beneficiary Entity:

Name Sign Date

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Appendix IV: Reporting of Climate Relevant Expenditures

Name of the Organization
 Telephone Number
 Email Address
 Name of CEO/MD/Head

Name and contact details of contact person (in case of any clarifications)

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

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Appendix V: Disaster Expenditure Reporting Template

Date:						
Entity						
Period to which this report refers (FY)		Year		Quarter		
Name of Reporting Officer						
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

