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**OFFICE OF THE AUDITOR-GENERAL**

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THE NATIONAL ASSEMBLY  
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DATE: 23 FEB 2022

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WED

**REPORT**

TABLED

BY:

HON. JIMMY ANGWENYI, MP

CLERK-AT  
THE-TABLE:

Perpetual Karana.

**OF**

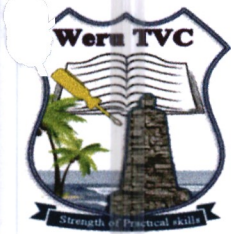
**THE AUDITOR-GENERAL**

**ON**

**WERU TECHNICAL  
TRAINING INSTITUTE**

**FOR THE EIGHTEEN (18) MONTHS PERIOD  
ENDED 30 JUNE, 2019**





**MINISTRY OF EDUCATION**

**State Department of Technical and Vocational Training**

**Weru Technical and Vocational College**

P.O. BOX 5227- 80200, Malindi; Tel:0714 742246, 0738 750418

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**WERU TECHNICAL AND VOCATIONAL COLLEGE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 JUNE 2019**

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

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**KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

Weru Technical and Vocational College is a government owned Technical Training Institution located in Baolala location, Jilore ward, Malindi constituency, Kilifi County. It is duly registered by the Technical And Vocational Education And Training Authority(TVETA) under registration number TVEA/PUBLIC/RC/0024/2016. The institution offers Technical and Business courses with a goal to increase access to technical and business training to youths in Kenya. The construction of the college was funded by the Government of Kenya assisted by Malindi constituency Development Fund (CDF) which contributed KSh 10million and donated 10-acre piece of land where the college is premised.

**(b) Principal Activities**

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

**(c) Key Management**

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

- Board of council members
- Principal
- Accounting officer
- Procurement officer

**(d) Fiduciary Management**

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

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Principal	Ruth F. Epeni
2.	Head of Finance	Sebastian Charo Chembe
3.	Head of Procurement	Haroun Haro Deche

**KEY ENTITY INFORMATION AND MANAGEMENT (Continued)**

**(e) Entity Headquarters**

P.o. Box 5227 code 80200  
Salagate road,  
Malindi, Kenya.

**(f) Entity Contacts**

Telephone: 0714742246,0738750418  
Email:werutvc@gmail.com  
Website:www.werutvc.ac.ke

**(g) Entity Bankers**

Kenya commercial bank  
Malindi – branch  
P.O. Box 9-80200  
Malindi, Kenya.  
Account no: 1217145907.

**(h) Independent Auditors**

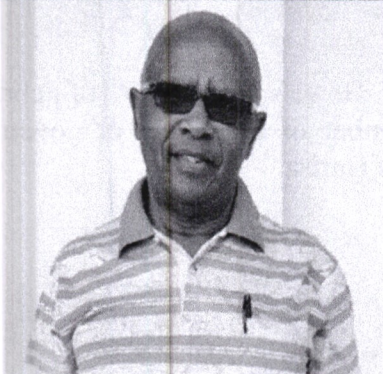


Auditor General  
Office of Auditor General  
Anniversary Towers, Institute Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**(i) Principal Legal Adviser**

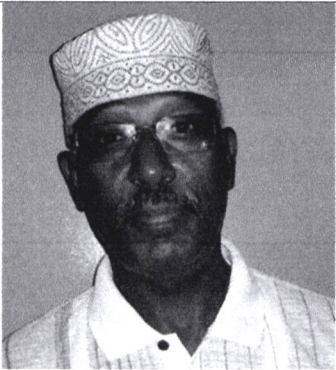

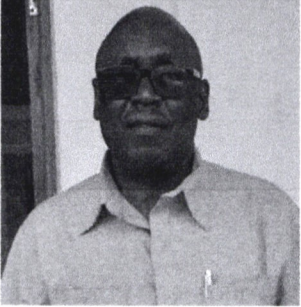
The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

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

**THE COUNCIL/BOARD OF GOVERNORS**

 <p><b>Chairman:</b> <b>Mr. Duncan N. Mwanjila</b></p>	<p>Mr. Duncan N. Mwanjila was born on 3<sup>rd</sup> November 1949. He is currently the chairman of the board of governors. He has MSc Agronomy PLPF University – Moscow Russia.          He worked as the project manager, Tana Delta Irrigation project {TDIP} under TARDA until 2004, and as a consultant until 2011.</p>
 <p><b>Member:</b> <b>Mr Dzumbe Saro Mae</b></p>	<p>Mr. Dzumbe Saro Mae was born on 14<sup>th</sup> February 1981. He is a member of the board of governors. He has holds a Bed (Technology Education) and MICA sales champion Equity bank Kenya.</p>
 <p><b>Member:</b> <b>Mr. Dennis O. Omenda.</b></p>	<p>Mr. Dennis O. Omenda is a member of the board of governors. He holds an Executive Master of Business Administration. He is the Principal at Kenya power lightening Company Limited (KPLC) Training school.</p>

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



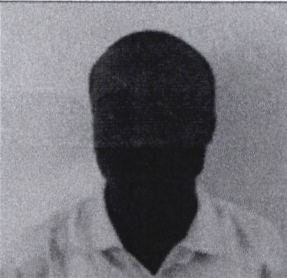
	<p>Mr. Athuman Seif. He was born on 28<sup>th</sup> of February 1957. He is a member of the board of governors. Programs manager Garisa.</p>
<p><b>Member:</b> <b>Mr. Athuman Seif</b></p>	
	<p>Ms. Ruth F. Epeni she was born on 20<sup>th</sup> June 1962. She has a bachelor degree in hotel and tourism management .currently she is the secretary of board of management</p>
<p><b>Secretary:</b> <b>Ms. Ruth F. Epeni</b></p>	
	<p>Mr. C. Mwanyoha Ndegwa. He was born on 10<sup>th</sup> of August 1960. He is the county Director of Education DTVET.</p>
<p><b>Member:</b> <b>Mr. C. Mwanyoha Ndegwa</b></p>	

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

 <p><b>Member:</b> <b>Ms. Elma Tatu Changawa</b></p>	<p>Ms. Elma Tatu Changawa. He was born on 26<sup>th</sup> of August 1977. She is a member of the boad of governors. She is a ICT manager kilifi county government.</p>
 <p><b>Member:</b> <b>Ms. Nancy Saumu Pite</b></p>	<p>MS. Nancy Saumu PITE is a member of the board. She was born on 7<sup>th</sup> 0f JULY 1983. She is a member of board of governors. Bsc. Forestry facilitator at Gatsbya Africa.</p>
 <p><b>Member:</b> <b>Ms. Philister Kathunu Kahindi</b></p>	<p>Ms. Philister Kathumu Kahindi is a member of the board. She was born on 12<sup>th</sup> of February 1985. She is a member of the board of governors. Bachelor of Commerce (Accounting option) chief internal auditor –county government of kilifi.  P.O.BOX 519-80108-KILIFI.  0728166542.</p>

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

**MANAGEMENT TEAM**

	<p>Ms. Ruth F. Epeni she was born on 20<sup>th</sup> June 1962. She has has a bachelor degree in hotel and tourism management .currently she is the secretary of board of management</p>
<p><b>Secretary:</b>  <b>Ms. Ruth F. Epeni</b></p>	
	<p>He was born on 8<sup>th</sup> July 1994. He has Diploma in Accountancy and he is a Certified Public Accountancy (CPA 2). Finance Officer</p>
<p><b>Finance Officer:</b>  <b>Mr Sebastian C. Chembe</b></p>	
	<p>He was born on 28<sup>th</sup> October 1995. He has Bachelor's degree in Purchasing and Supplies Management. He is a student member of Kenya Institute of Supplies Management(KISM). Procurement Officer</p>
<p><b>Procurement officer:</b>  <b>Mr Haroun Haro Deche</b></p>	

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

**CHAIRMAN'S STATEMENT**

Weru Technical and vocational training college is well placed to provide adequate and relevant knowledge and skills to the trainees which will enable them to contribute towards the attainment of our country vision 2030 strategic objectives and supporting the drive in realising the objectives of the National Government Big Four agenda. In furtherance of our mandate therefore, we have committed ourselves to consistently and regularly review, improve and consolidate academic programs in several ways that will ensure their competitiveness in terms of quality and relevance.

The sources of funding to the technical at the end of this period i.e. 30th June 2019, was internally generated revenue {Appropriations-In-Aid} from fees of KSh 6,370,927 recurrent grants of Ksh. 500,000, HELB Ksh. 1,561,500 and student's capitation where Ksh322,5000 was remitted during the quarter. Included in the A-I-A is the expected capitation of KSh 15000 per student from the national Treasury per two quarters translating to a proportionate amount cited below to cover up to the period. The college realized an aggregate income of KSh 8,432,427 in revenue during the period ended 30th June 2019. The recurrent expenditure totalled KSh 8,366,247, The college closed the year with a surplus of Ksh 35,460.00.

The surplus is attributed to the accumulated accrual of the expected treasury student capitation for the quarter three and quarter four. Under the capitation development exchequer allocations, the college did not receive any funding for budgeted physical and infrastructure development during the period. The college requires a lot of support from the National Government and other stakeholders in terms of funding, material support and other contributions.

We shall continue to appeal for such support for several years to come. On behalf of the college, I take this opportunity to thank the national government for its support. I also appreciate the management team all staff and our students for their cooperation during this period. I wish to register my gratitude to them all.

I look forward to their continued support in the new financial year and the subsequent periods ahead.

Mr. Duncan. N. Mwanjila

  
BOG chairman :...

.....

.....

Date : ~~12-09-2019~~ 27-02-2020

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

**REPORT OF THE PRINCIPAL**

**VISION:** to be a centre of excellence in education and technical training in Kenya and beyond

**MISSION:** to providing quality training in technical, vocational and entrepreneurship skills for sustainable development

**MOTTO:** strength for practical skills

Weu Technical and Vocational College P.O. BOX 5227-80200, MALINDI.

**STAFF ESTABLISHMENT**

S/No	PF/No	Name	Sex M/F	Date of Birth	Nationality	Terms of services	Date of first appointment	Job group	Date appointed to current grade	Qualification	Designation	Duties assigned	Training subjects	Hrs. per wk	Sign
<b>DEPARTMENT NAME: BILDING</b>															
1.	PSC	Biha Nawire Osundwa	F	19/05/1994	Kenyan	P&P	20/08/2019	L	20/08/2019	Degree- Building & Civil Engineering	Trainer	Training	Building	32	
2.	PSC	Mogoo Andrew Moirore	M	28/01/1980	Kenyan	P&P	20/08/2019	L	20/08/2019	Degree- Building & Civil Engineering	Trainer	Training	Building	30	
3.	PSC	Murigi Erick Waiharo	M	18/12/1990	Kenyan	P&P	20/08/2019	L	20/08/2019	Degree-Land Survey	Trainer	Training	Site Survey	30	
4.	WTVC/BOG/	Phanuel Menza Iha	M	24/10/1971	Kenyan	BOG	N/A	N/A	N/A	Craft Cert	Technician	Assistance in training	WTVC/BOG/	21	
<b>Department Name: Hospitality</b>															
1.	1988133908	Florence Ruth Epeni	F	20/06/62	Kenyan	P&p	1/5/1988	P	10/7/2017	Degree	Principal	Managing the Institution	Food Production	5	
2.	PSC	Alphonse Kahindi	M	26/06/91	Kenyan	P&P	20/08/2019	K	20/08/2019	Dip- F & B	Trainer	Training	Food production & Services	32	
3.	WTVC/BOG/	Frida Ngoo	F	02/08/89	Kenyan	BOG	N/A	N/A	N/A	Dip- F & B	Trainer	Training	Food production & Services	18	
<b>Department Name: AUTOMOTIVE ENGINEERING</b>															
1.	WTVC/BOG/	Gregory Otieno Mboya	M	09/07/1993	Kenyan	BOG	N/A	N/A	N/A	Bed. Tech (Automotive)	Trainer	Training	Auto. Engineering	36	
2.	PSC	Benedict Nzioko Kyego	M	24/05/1983	Kenyan	P&P	20/08/2019	K	20/08/2019	Dip. Auto. In Engineering	Trainer	Training	Auto. Engineering	30	
<b>Department Name: Business</b>															
1.	WTVC/BOG/	Jonathan Kalama	M	03/10/76	Kenyan	BOG	N/A	N/A	N/A	B. community Dev.	Trainer	Training	Social Work	20	
2.	WTVC/BOG/	Audrey Chiru Mundu	F	10/05/76	Kenyan	BOG	N/A	N/A	N/A	B.com	Trainer	Training	Supply Management	22	
3.	WTVC/BOG/	Haroun Haro Deche	M	28/10/1995	Kenyan	BOG	N/A	N/A	N/A	B. Procurement	Trainer	Training	Procurement	20	
4.	WTVC/BOG/	Hilda Mwangunga	F	29/05/90	Kenyan	BOG	N/A	N/A	N/A	Dip. Business Mgmt	Trainer	Training	Business Management	18	
5.	WTVC/BOG/	Edmund Kahindi	M	13/11/1983	Kenyan	BOG	N/A	N/A	N/A	Dip. Comm. Dev	Trainer	Training	Community Dev.	34	
<b>Department Name: ICT</b>															
1.	PSC	Neville Barasa Juma	M	17/09/84	Kenyan	P&P	20/08/2019	L	20/08/2019	BSc ICT &Comp Studies	Trainer	Training	ICT	24	
2.	PSC	Caroline Mureithi Karimi	F	03/03/85	Kenyan	P&P	20/08/2019	L	20/08/2019	BSc ICT	Trainer	Training	ICT	30	

**INSTITUTION MANAGER: RUTH EPENI**

**SIGNATURE:** \_\_\_\_\_

**OFFICIAL RUBBER STAMP**

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

**CORPORATE GOVERNANCE STATEMENT**

The college is being managed by board of governs in accordance with the TVET ACT 2013 (NO 29 OF 2013). The appointment is in accordance with section 28(3) and the second schedule parts 1 (2)(d) of the TVET ACT. The appointed for a period of 3 years with effect 7 August 2017.

The college is required to prepare financial statement which gives a true and fair view of the state of affairs of the college as at the end of financial year and of its surplus or deficit for the year. The college is required to ensure that proper accounting records that disclose with reasonable accuracy, at any time the financial position of the college are maintained.

The members are responsible for safeguarding the assets of the college. The members accept responsibility for annual financial statements which have been prepared using appropriate accounting polices supported by reasonable and prudent judgment and estimates in conformity with international financial reporting standards.

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

The members thank the staff for their dedication and hard work for the years.

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

**MANAGEMENT DISCUSSION AND ANALYSIS**

Section A.

Weru technical and vocational college operational and financial performance.

The technical realized A.I.A income of KSh. 8,432,427. Treasury student's capitation was KSh. 3,225,000 in the period ended 30th June 2019. During the period recurrent expenditure stood at KSh. 8,336,247 therefore the college closed the period with a surplus of ksh. 35,460. The surplus is attributed to the expected funding of student's capitation from the national treasury which has been accrued. However, the college has experiencing challenges on late remittance of student's capitation by the national treasury. This has impacted negatively on the general operations of the college and has impeded the college mandate to meet its obligations on time

Section B.

Weru technical and vocational college compliance with statutory requirements.

The college has complied with all statutory requirements which include prompt remittance of NSSF, NHIF and PAYE.

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

**REPORT OF THE BOARD OF GOVERNORS**

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

**Principal activities**

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

**Results**

The results of the entity for the year ended June 30, 2019 are set out on pages 1 to 21

**BOARD OF GOVERNORS**

The members of the Board who served during the year are shown on page iv, v and vi.

**Auditors**

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

By Order of the Board



**Ms. Ruth F. Epeni**

Principal

WERU TECHNICAL & VOCATIONAL COLLEGE  
**PRINCIPAL**  
P.O. Box 5227-80200, MALINDI

Date...

27/2/2020

**STATEMENT OF BOARD OF GOVERNOR MEMBERS' 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 - (entities should quote the applicable legislation under which they are regulated)*) require the council members to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* for that year/period. The council members are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The council members are also responsible for safeguarding the assets of the *entity*.

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

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


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

**Approval of the financial statements**

The *entity's* financial statements were approved by the Board on 27/02/20 2019 and signed on its behalf by:

  
Council Member

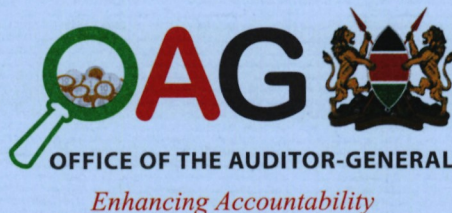
  
Council Member

  
Council Member

WERU TECHNICAL & VOCATIONAL COLLEGE  
**CHAIRMAN, BOG**  
P. O. BOX 5227 - 80200, MALINDI

WERU TECHNICAL & VOCATIONAL COLLEGE  
**PRINCIPAL**  
P. O. Box 5227 - 80200, MALINDI

# REPUBLIC OF KENYA



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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 WERU TECHNICAL TRAINING INSTITUTE FOR THE EIGHTEEN (18) MONTHS PERIOD ENDED 30 JUNE, 2019**

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### REPORT ON THE FINANCIAL STATEMENTS

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Weru Technical Training Institute set out on pages 1 to 21, which comprise the statement of financial position as at 30 June, 2019, 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 eighteen (18) month period 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.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### **Basis for Disclaimer of Opinion**

##### **1.0 Errors in the Financial Statements**

##### **1.1 Presentation of Financial Statements**

The financial statements for the eighteen (18) months period ended 30 June, 2019 contained the following presentation anomalies:

- i. The table of contents indicates Corporate Governance statement is at page ix while it is at page x.
- ii. The Institute is referred to as Weru Technical and Vocational College instead of Weru Technical Training Institute as per its registration certificate.
- iii. The headers indicate 'annual report and financial statements for the year ended 30 June, 2019' instead of 'for the eighteen (18) months period ended 30 June, 2019'.
- iv. The headers on pages 2,3,5,6,7,8,9,10,11,12,13,14,15,16,17,18,19,20 and 21 refer to 'annual report and financial statements as at 30 June, 2019' instead of 'for the eighteen (18) months period ended 30 June, 2019'.

- v. The statement of financial performance for the eighteen (18) months period ended 30 June, 2019 has an extra column for year 2018/2019 whose purpose has not been explained by the Management.
- vi. The Council or the Board of Governors is omitted from the table of contents.
- vii. The statement of financial position as at 30 June, 2019 reflects refundable deposits from students as detailed in Note 15 to the financial statements while the same note under disclosure notes is for trade and other payables from exchange transactions.
- viii. The statement of financial position as at 30 June, 2019 reflects payments received in advance as detailed in Note 16 to the financial statements while Note 16 under disclosure notes is refundable deposits from customers or students.
- ix. Report of the Principal on page ix is not signed.
- x. The statement of financial performance, statement of financial position, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts are indicated 'for the year ended' instead of 'for the eighteen (18) months period ended'.
- xi. The statement of comparison of budget and actual amounts does not have columns for adjustments, final budget and for amounts of performance difference.

Consequently, the financial statements for the eighteen (18) months period ended 30 June, 2019 are not prepared in accordance with requirements of International Public Sector Accounting Standard 1 as prescribed and published by the Public Sector Accounting Standards Board.

## **1.2 Inaccuracies of the Financial Statements**

The financial statements for the eighteen (18) months period ended 30 June, 2019 had the following inaccuracies:

- i. The statement of comparison of budget and actual amounts for the eighteen (18) months period ended 30 June, 2019 reflects total actual expenditure of Kshs.13,068,777 while the re-casted total expenditure is Kshs.13,488,668, thus resulting to unexplained nor reconciled variance of Kshs.419,891.
- ii. The statement of comparison of budget and actual amounts for the eighteen (18) months period ended 30 June, 2019 reflects total budgeted expenditure of Kshs.13,228,000 while the re-casted total expenditure is Kshs.12,328,000, thus resulting to unexplained nor reconciled variance of Kshs.900,000.
- iii. The statement of comparison of budget and actual amounts for the eighteen (18) months period ended 30 June, 2019 reflects total actual income of Kshs.11,921,107 while the re-casted total income is Kshs.11,521,107, thus resulting to unexplained nor reconciled variance of Kshs.400,000.
- iv. The statement of changes in net assets for the eighteen (18) months period ended 30 June, 2019 reflects additions to capital fund of Kshs.55,952,330 while the re-casted figure is Kshs.58,000,000, thus resulting to a variance of Kshs.2,047,670 which has not been explained nor reconciled.

- v. The statement of changes in net assets for the eighteen (18) months period ended 30 June, 2019 reflects nil deficit while the re-casted total is Kshs.2,047,670, thus resulting to unreconciled nor explained variance of Kshs.2,047,670.
- vi. The statement of cash flows for the eighteen (18) months period ended 30 June, 2019 reflects increase in students deposits of Kshs.663,850 but the disclosure Note 16 reflects refundable deposits from customers/students of Kshs.61,000, thus resulting to unreconciled nor explained variance of Kshs.602,850.
- vii. The statement of cash flows for the eighteen (18) months period ended 30 June, 2019 reflects net cash flows from operating activities of Kshs.35,460 while the re-casted total is Kshs.66,180, thus resulting to unreconciled nor explained variance of Kshs.30,720.
- viii. The statement of financial position as at 30 June, 2019 reflects total assets of Kshs.56,585,460 and total liabilities and capital and reserves of Kshs.56,616,180, thus resulting to unreconciled nor explained variance of Kshs.30,720.
- ix. The statement of financial performance for the eighteen (18) months period ended 30 June, 2019 reflects total expenses of Kshs.13,068,777 while the re-casted figure is Kshs.12,738,668, thus resulting to unreconciled nor explained variance of Kshs.330,109.
- x. The statement of financial performance for the eighteen (18) month period ended 30 June, 2019 reflects total revenue from exchange transactions of Kshs.11,021,107 while the re-casted figure is Kshs.8,521,107, thus resulting to unreconciled nor explained variance of Kshs.2,500,000.
- xi. The statement of financial performance for the eighteen (18) months period ended 30 June, 2019 reflect general expenses of Kshs.4,263,184 as disclosed in Note 12 to the financial statements. However, the re-casted figure is Kshs.3,963,194, thus resulting to unreconciled nor explained variance of Kshs.299,990.
- xii. The statement of comparison of budget and actual amounts indicates incorrect performance differences as detailed below:

Item	Performance Difference Disclosed in the Statement (%)	Recomputed Performance Difference (%)
<b>Revenue</b>		
Rendering of Services	20	4
Other Income	87	86
Total Income	55	33
<b>Expenses</b>		
Employee Costs	11	49
Security Services	11	17
Remuneration of Directors	19	88
General Expenses	65	39

Consequently, the accuracy and completeness of the financial statements for the eighteen (18) months period ended 30 June, 2019 could not be confirmed.

### 1.3 Variances Between Financial Statements and Supporting Schedules

The financial statements availed for audit review for the eighteen (18) months period ended 30 June, 2019 were at variance with the supporting schedules to the tune of Kshs.3,283,967 as summarized below:

No	Item	Note	Financial statement figure (Kshs.)	Supporting schedule figure (Kshs.)	Variance (Kshs.)
	<b>Payments</b>				
	Tuition Fees	7	6,066,767	5,835,980	230,787
	Activity Fees	7	268,860	143,860	125,000
	Personal Emoluments	7	598,010	331,640	266,370
	Medical & Insurance	7	94,280	53,030	41,250
	Registration Fee	7	44,280	57,680	(13,400)
	RMI	7	140,780	40,780	100,000
	Student ID	8	120,000	88,600	31,400
	Registration Fees	8	43,800	57,680	(13,880)
	EWC	8	74,000	38,640	35,360
	Ltt	8	100,000	54,190	45,810
	Examination Fees	8	939,330	973,200	(33,870)
	Salaries and Wages	9	3,802,232	2,844,632	957,600
	Remuneration of Directors	10	2,005,452	955,452	1,050,000
	KATTI	12	254,964	224,964	30,000
	Electricity	12	174,629	154,000	20,629
	Insurance	12	182,819	-	182,819
	Exam Fee	12	985,000	881,480	103,520
	Printing and Stationery	12	842,489	578,425	264,064
	Internet	12	50,000	53,700	(3,700)
	Bank Charges	12	4,138	-	4,138
	<b>Total Payments</b>		<b>16,791,830</b>	<b>13,367,933</b>	<b>3,423,897</b>
	<b>Liabilities</b>				
	Payments Received in Advance	15	602,850	742,780	(139,930)
	<b>Total</b>		<b>17,394,680</b>	<b>14,110,713</b>	<b>3,283,967</b>

In the circumstances, the accuracy and completeness of the financial statements for the eighteen (18) months period ended 30 June, 2019 could not be confirmed.

### 2.0 Sustainability of Services

The statement of financial performance for the eighteen (18) months period ended 30 June, 2019 reflects a net loss of Kshs.2,047,670. In addition, the statement of financial position as at 30 June, 2019 reflects total current liabilities of Kshs.663,850 which exceeds the total current assets balance of Kshs.35,460, resulting to a negative working capital of Kshs.628,390, an indication that the Institute may be experiencing financial difficulties in settling financial obligations as and when they may fall due.

The institution's financial statements have therefore been prepared on the going-concern basis which assumes continued financial support from the Government and creditors.

### **3.0 Property, Plant and Equipment**

#### **3.1 Additions of Assets**

The statement of financial position as at 30 June, 2019 reflects property, plant and equipment balance of Kshs.56,550,000 as disclosed in Note 14 to the financial statements. This amount is in respect to land and buildings. However, no records were availed to support the value of land and buildings. In addition, the handing over report for these assets from Kenya National Coast Polytechnic was not availed for audit review.

Further, records availed for audit review indicated that the Institute received high value automotive training equipment, computers and computer accessories, furniture and fittings of undetermined value from the State Department of Technical and Vocational Training. However, these assets have been omitted from the financial statements.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.56,550,000 as at 30 June, 2019 could not be confirmed.

#### **3.2 Separation of Land and Buildings in the Assets Movement Schedule**

The disclosure Note 14 to the financial statements for eighteen (18) months period ended 30 June, 2019 reflects land and buildings of Kshs.56,550,000. However, the individual values of land and buildings have not been disclosed separately, contrary to the template prescribed by the Public Sector Accounting Standards Board which has separate columns for land and buildings. Further, the additions figure of Kshs.58,000,000 was depreciated by Kshs.1,459,000, thus resulting to a net book value of Kshs.56,550,000. It is not clear whether the depreciation was charged on buildings only and not on land whose value normally appreciates.

In the circumstances, the accuracy and completeness of land and buildings balance of Kshs.56,550,000 as at 30 June, 2019 could not be confirmed.

#### **3.3 Depreciation of Assets**

Note 11 to the financial statements for the eighteen (18) months period ended 30 June, 2019 reflects Kshs.1,450,000 in respect of depreciation and amortization expenses. However, the rate used has not been disclosed under summary of significant accounting policies section nor policy manual availed to ascertain the calculations. Further, the rate applied has not been disclosed in the movement schedule in Note 14 to the financial statements.

Consequently, the accuracy and completeness of the depreciation on land and buildings balance of Kshs.56,550,000 as at 30 June, 2019 could not be confirmed.

### **4.0 Provision for Audit Fees**

The financial statements for the eighteen (18) months period ended 30 June, 2019 do not have a provision for audit fees of Kshs.500,000, contrary to Section 41(1)(c) of the Public Audit Act, 2016, which requires the auditee to pay audit fees charged at the rates prescribed by the Auditor-General.

Consequently, the Management was in breach of the Law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Weru Technical Training Institute 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 disclaimer of 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**

According to the statement of comparison of budget and actual amounts, the Institution had an approved budget of Kshs.17,095,000 but realised actual receipts amounting to Kshs.11,521,107 while actual expenditure totalled to Kshs.13,488,668 resulting to an over expenditure of Kshs.1,967,561 or 17% of the realised receipts.

The Institute overspent on three (3) budget lines, contrary to Regulation 53 (1) of the Public Finance Management (National Government) Regulations, 2015 which requires an accounting officer of an entity not to authorize payment out of funds earmarked for specific activities for purposes other than those activities.

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

### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

### **Basis of Conclusion**

#### **Lack of a Finance and Accounting Policy Manual**

During the period under review, the Institute had not developed Finance and Accounting Manual to guide Management in processing financial transactions. This is contrary to Section 68 (2)(e) of Public Finance Management Act, 2012 which states that 'an Accounting Officer for a National Government entity is accountable to the National Assembly for ensuring that all applicable accounting and financial controls, systems, standards, laws and procedures are followed when procuring or disposing of goods, adequate arrangements are made for their custody, safeguarding and maintenance'.

Consequently, the 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

### **Basis of Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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**

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

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

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity 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**

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of Weru Technical Training Institute 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.

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**14 January, 2022**

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

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

	Notes	2018/2019	For the 18 months ending 30 <sup>th</sup> June 2019.
<b>Revenue from non-exchange transactions</b>			
Transfers from the National Government	6	500,000	3,000,000
<b>Total Revenue rom non-exchange transactions</b>		<b>500,000</b>	<b>3,000,000</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Fees from students	7	6,024,347	7,212,977
Other Income	8	1,244,230	1,308,130
<b>Total Revenue from exchange transactions</b>		<b>7,268,577</b>	<b>11,021,107</b>
<b>Total revenue</b>		<b>7,768,577</b>	<b>11,021,107</b>
<b>Expenses</b>			
Employee costs	9	3,667,502	5,020,032
Remuneration of directors	10	955,452	2,005,452
Depreciation and amortization expense	11	1,450,000	1,450,000
General expenses	12	3,850,000	4,263,184
<b>Total expenses</b>		<b>9,816,247</b>	<b>13,068,777</b>
<b>Net Surplus for the year</b>		<b>(2,047,670)</b>	<b>(2,047,670)</b>

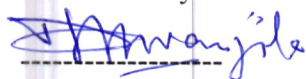
The notes set out on pages 1 to 21 form an integral part of the Annual Financial Statements.

**WERU TECHNICAL AND VOCATIONAL COLLEGE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**AS AT 30 JUNE 2019**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Notes	For the 18 <sup>th</sup> months ending 30 <sup>th</sup> June 2019.
		Kshs
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	13	35,460
<b>Total Current Assets</b>		<b>35,460</b>
<b>Non-current assets</b>		
Property, plant and equipment	14	56,550,000
<b>Total Non-current Assets</b>		<b>56,550,000</b>
<b>Total assets</b>		<b>56,585,460</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Refundable deposits from students	15	61,000
Payments received in advance	16	602,850
<b>Total Current Liabilities</b>		<b>663,850</b>
<b>Non-current liabilities</b>		
<b>Total liabilities</b>		<b>663,850</b>
<b>Capital and Reserves</b>		
<b>Reserves</b>		
Accumulated surplus	22	(2,047,670)
Capital Fund		58,000,000
<b>Total Capital and Reserves</b>		<b>55,952,330</b>
<b>Total Liabilities and Capital &amp; Reserves</b>		<b>56,616,180</b>

The Financial Statements set out on pages 1 to 23 were signed on behalf of the Institute Board of Governors by:




**Chairman of Board of Governors**

Date: 27/2/2020



**Finance Officer**

Date: 27/2/2020



**Principal**

Date: 27/2/2020

WERU TECHNICAL & VOCATIONAL COLLEGE  
**CHAIRMAN, BOG**  
 P. O. BOX 5227 - 80200, MALINDI

WERU TECHNICAL & VOCATIONAL COLLEGE  
**PRINCIPAL**  
 P. O. Box 5227 - 80200, MALINDI

**WERU TECHNICAL AND VOCATIONAL COLLEGE**  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
AS AT 30 JUNE 2019

**STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2019**

	<b>Retained earnings</b>	<b>Capital fund</b>	<b>Total</b>
<b>Balance at July 1, 2018</b>	-	-	-
Capital Fund		58,000,000	55,952,330
Total comprehensive income	(2,047,670)	-	-
<b>Balance c/d as at June 30, 2019</b>	<b>(2,047,670)</b>	<b>58,000,000</b>	<b>55,952,330</b>

**WERU TECHNICAL AND VOCATIONAL COLLEGE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
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**STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2018/2019 Kshs
<b>Surplus for the year before tax</b>		<b>(2,047,670)</b>
<b>Adjusted for:</b>		
Depreciation	14	1,450,000
Increase in students deposits	16	663,850
<b>Net cash flow from operating activities</b>		<b>35,460</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant, equipment and intangible assets	14	(58,000,000)
<b>Net cash flows used in investing activities</b>		<b>(58,000,000)</b>
<b>Cash flows from financing activities</b>		
Capital Fund		58,000,000
<b>Net cash flows used in financing activities</b>		<b>58,000,000</b>
<b>Net increase in cash and cash equivalents</b>		<b>35,460</b>
Cash and cash equivalents at 1 July 2018		-
<b>Cash and cash equivalents at 30 June 2019</b>	13	<b>35,460</b>

**WERU TECHNICAL AND VOCATIONAL COLLEGE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**AS AT 30 JUNE 2019**

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

	Original budget	For the 18 months ending 30 <sup>th</sup> June 2019	Performance difference
	2018-2019		2018-2019
Revenue	KSh	KSh	KSh
Transfers from other Govt entities Govt grants	00.00	3,000,000	100%
Rendering of services- Fees from students	7,500,000	7,212,977	-20%
Other Income	9,595,000	1,308,130	-87%
<b>Total Income</b>	<b>17,095,000</b>	<b>11,921,107</b>	<b>-55%</b>
Expenses			
Employee costs	3,360,000	5,020,032	-11%
Security services	900,000	750,000	-11%
Remuneration of directors	1,068,000	2,005,452	-19%
General expenses	7,000,000	4,263,184	65%
Depreciation	00	1,450,000	100%
<b>Total expenditure</b>	<b>13,228,000</b>	<b>13,068,777</b>	<b>74%</b>
<b>Surplus for the period</b>	<b>3,867,000</b>	<b>-2047670</b>	<b>0</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

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

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

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

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

**3. ADOPTION OF NEW AND REVISED STANDARDS**

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

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

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

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b>                      The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.                      IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b>                      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> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ol>

**iii. Early adoption of standards**

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

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

**Transfers from other government entities**

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

**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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**a) Revenue recognition (Continued)**

**ii) Revenue from exchange transactions (continued)**

**Rental income**

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

**b) Budget information**

The original budget for FY 2018/2019 was approved by the Council or Board in 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

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

**c) Taxes**

***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.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) 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.

**d) 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial instruments (Continued)**

*Financial assets (Continued)*

*Impairment of financial assets*

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

*Impairment of financial assets (Continued)*

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

*Financial liabilities*

*Initial recognition and measurement*

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

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

*Loans and borrowing*

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

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

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**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Inventories (Continued)**

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

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

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

**i) 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.

**j) Nature and purpose of reserves**

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

**k) 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.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**l) Related parties**

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

**m) 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 imp rests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**n) Comparative figures**

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

**o) Subsequent events**

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

**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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:

**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION  
 UNCERTAINTY**

- 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.

**6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

Description	For the 18 <sup>th</sup> months ending 30 <sup>th</sup> June 2019 KShs
<b>Unconditional grants</b>	
Operational grant	<b>3,000,000</b>

**6b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES**

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
			KShs	KShs
State Department of Education	3,000,000	-	-	3,000,000
<b>Total</b>	<b>3,000,000</b>	<b>-</b>	<b>-</b>	<b>3,000,000</b>

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**7 RENDERING OF SERVICES**

Description	For the 18 <sup>th</sup> month ending 30 <sup>th</sup> June 2019
	KShs
Tuition fees	6,066,767
Activity fees	268,860
Personal emoluments fees	598,010
Medical and insurance	94,280
Registration fees	44,280
Rmi	140,780
<b>Total rendering of services</b>	<b>7,212,977</b>

**8 OTHER INCOME**

Description	For the 18 <sup>th</sup> months ending 30 <sup>th</sup> June 2019.
	KShs
Mic	31,000
Student id	120,000
Registration fees	43,800
Ewc	74,000
Ltt	100,000
Examinations fees	939,330
<b>Total other income</b>	<b>1,308,130</b>

**9 EMPLOYEE COSTS**

	For the 18 <sup>th</sup> month ending 30 <sup>th</sup> June 2019.
	KShs
Salaries and wages	3,802,232
Travel ,motorcar ,accommodation ,subsistence and other allowances	1,217,800
<b>Employee costs</b>	<b>5,020,032</b>

**10 REMUNERATION OF DIRECTORS**

Description	For the 18 <sup>th</sup> months ending 30 <sup>th</sup> June 2019.
	KShs
Directors emoluments	2,005,452
<b>Total director emoluments</b>	<b>2,005,452</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11 DEPRECIATION AND AMORTIZATION EXPENSE**

Description	For the 18 <sup>th</sup> months ending 30 <sup>th</sup>
	KShs
Property, plant and equipment	1,450,000
<b>Total depreciation and amortization</b>	<b>1,450,000</b>

**12 GENERAL EXPENSES**

Description	For the 18 <sup>th</sup> months ending 30 <sup>th</sup> 2019
	KShs
Rmi	40,600
Katti	254,964
Electricity/water	174,629
Fuel and oil	51,180
Insurance	182,819
Airtime	44,100
Exam fee	985,000
Activity fee	550,005
Water	33,270
Printing and stationery	842,489
Internet	50,000
Student council allowances	00
Security service	750,000
Bank charges	4,138
<b>Total general expenses</b>	<b>4,263,184</b>

**13 CASH AND CASH EQUIVALENTS**

Description	2018-2019
	KShs
Current account	35,460
<b>Total cash and cash equivalents</b>	<b>35,460</b>

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

		2018-2019
Financial institution	Account number	KShs
a) Current account		
Kenya Commercial bank	1217145907	35,460
<b>Sub- total</b>		<b>35,460</b>

**14 PROPERTY, PLANT AND EQUIPMENT**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers	Plant and equipment	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs
At 30 <sup>th</sup> June 2018	-	-	-	-	-	-
Additions	58,000,000	-	-	-	-	58,000,000
Disposals	-	-	-	-	-	-
At 30 <sup>th</sup> June 2019	58,000,000	-	-	-	-	58,000,000
Depreciation	1,450,000	-	-	-	-	1,450,000
Disposals	0	-	-	-	-	0
Net book values	56,550,000	-	-	-	-	56,550,000
At 30 <sup>th</sup> June 2019	56,550,000	-	-	-	-	56,550,000

**Note:**

The Institution received assets from the ministry of education in the year 2018/2019. However, the values of the assets were not indicated in the handing over report.

The assets received were as follows:

- 1) Student chairs 80 pieces
- 2) Staff desks 20 pieces
- 3) Staff chairs 16 pieces
- 4) Automotive equipment and tools
- 5) Computers 20 pieces
- 6) Laptops 3 pieces
- 7) Projector with screen 2 pieces
- 8) Board room tables 1 piece
- 9) Boardroom chairs 10 pieces
- 10) Principal executive seat 1 piece
- 11) Filing cabinet 1 piece
- 12) Principal office desk 1 piece
- 13) Computer table 1 piece
- 14) Fireproof compact table 1 piece
- 15) Bookshelf 1 piece

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**15. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS.**

	2018-2019
Description	KShs
Fees paid in Advance	602,850
<b>Total Trade and Other Payable</b>	<b>602,850</b>

**16. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS**

	2018-2019
Description	KShs
Caution Money	61,000
<b>Total Deposits</b>	<b>61,000</b>

**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 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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2019</b>				
Bank balances	35,460	35,460	-	-
<b>Total</b>	<b>35,460</b>	<b>35,460</b>	<b>-</b>	<b>-</b>

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.

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.

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
<b>At 30 June 2019</b>				
Trade payables	-	602,850	-	602,850
Students caution money	-	61,000	-	61,000
<b>Total</b>	<b>-</b>	<b>663,850</b>	<b>-</b>	<b>663,850</b>

## 17. FINANCIAL RISK MANAGEMENT (Continued)

### (iii) Market risk

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 board of directors.

## 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 *entity*, holding 100% of the *entity'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;

	For the 18 <sup>th</sup> months ending 30 <sup>th</sup> June 2019. Kshs
<b>Transactions with related parties</b>	
<b>a) Grants from the Government</b>	
Grants from National Govt	3,000,000
<b>Total</b>	<b>3,000,000</b>
<b>b) Key management compensation</b>	
Directors' emoluments	2,317,437
<b>Total</b>	<b>5,317,437</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**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 education. Its ultimate parent is the Government of Kenya.

**21. Currency**

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

22 . The accumulated surplus amounting to (ksh 2,047,670) was due to student's prepayments and the depreciation of the building which was not budgeted in this financial year.