REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

THARAKA TECHNICAL AND VOCATIONAL COLLEGE

FOR THE YEAR ENDED 30 JUNE, 2022

THARAKA TECHNICAL AND VOCATIONAL COLLEGE

AMENDED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE 2022

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Table of Contents

I. Key College Information and Management

(a) Background information

Tharaka technical and vocational college was incorporated/ established under the TVET Act on 2013. The entity is domiciled in Kenya. The institute is under the Ministry of Education. It has two departments; Mechanical Engineering, Electrical Engineering, Building and Civil Engineering, Agriculture, Business, Liberal, cosmetology and Information Communication Technology.

(b) Principal Activities

The principal activity is to enable skills acquisition through training

Vision

To be a national centre of excellence in provision of technical vocation education and training.

Mission

To develop competent technical human resource for innovation and development.

(c) Key Management

The College's day-to-day management is under the following key organs:
Board of Governors.
Fiduciary 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.	Principal	**Ms Latichia Mutiiria**
2.	Head of Finance	**Mr. Nicholas Mutegi**
3.	Head of Procurement	**Ms. Brenda Komen**

(e) Fiduciary Oversight Arrangements

- **Finance and operations committee activities**

No.	Name	
1.	Eng. Julius Giti	Chairperson
2.	Mr. Benson Mutiiria	Member
3.	Ms. Sheila Kiganka	Member
4.	Ms. Purity Githinji	Member

Audit and Risk Committee

No.	Name	
1.	Ms. Lucy Karema	Chairperson
2.	Ms. Evangline Kagwiria	Member
3.	Ms. Pauline Njagi	Member

Key College Information and Management (Continued)

(f) College Headquarters

P.O. Box 51-60216
Marimanti-Gatunga Road

MARIMANTI, KENYA

(g) College Contacts

Telephone: (254)742951657
E-mail: tharakatechnical@gmail.com
Website: www.tharakatechnical.ac.ke

(h) College Bankers

1. Equity Bank
   Meru Makutano Branch
   P.O. Box 75104-00200
   Meru, Kenya

2. Trans Nation Sacco LTD
   P.O Box 15- 60400
   Chuka, Kenya.

(i) Independent Auditors

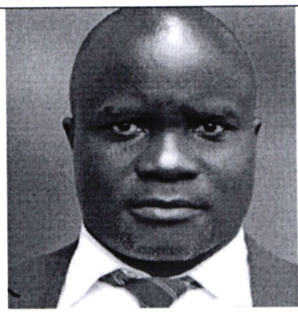
Auditor-General
Office of Auditor General
Anniversary Towers, Institute Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

II. The Board of Governors

No.	Member/ Director	Details
1.	 Chairman	Mr. Daniel Muriungi Mugao I.D 8075346 was born 1966. He holds Master's Degree in business administration Egerton university, bachelor of commerce from University of Nairobi. He works as a general manager (country sales) Britam general insurance company- Nairobi
2.	 Member	Mr. Benson Mutiiria Kanuanku I. D No. 3462436 was born in 1951 Tharaka Nthi county. He holds Degree in education from university of Nairobi. He was principal of Nyeri T.T institute until august 2006
3.	 Member	Ms. Lucy Karema Mutiiria I.D 27411812 was born in 1990 in Tharaka Nithi county. She has Degree in commerce from university of Nairobi. Works at Trans nation sacco as assistant branch manager.
4.	 Member	Ms. Pauline W. Njagi in 1973 in Embu county. She is a holder of Master's degree of business administration from USIU, bachelor of science in agricultural economics from Egerton university. Currently working as investment and industrialization at Embu county.

5.	 Member	Ms. Purity Nyawira Githinji was born in 1989. She holds bachelor of computer technology from JKUAT IN 2011. She is currently working as Managing director at Tredds Garden.
6.	 Member	Ms. Evangeline kagwiria Stephen ID 13353287 was born on 1974. She holds master of information science in university of south Africa, degree of information science and degree in libray and information science university of south Africa, diploma in library and information science in Kenya polytechnic
7.	 Member	Mr. Julius Kijiru Giti ID 20753836 was born on 1978 in Tharaka Nithi county. He is currently pursuing masters in construction engineering and management, he holds bachelor of science in civil engineering at University of Nairobi and he currently working at Tharaka Nithi county
8.	Member	Ms. Sheila Kiganka ID 28228940. Born in Tharaka Nithi county. She holds master degree International Studies from University of Nairobi. Degree in Economics and Finance, Kenyatta University.
9.	 Principal	Mrs. Latichia Mutiiria ID No. 8951386. Was born in 1963. She is a holder of Bachelor's degree in Education (Home Economics) from Kenyatta University

III. Management Team

No.	Member/ Director	Details
1.	 Principal	Mrs. Latichia Mutiiria ID No. 8951386. Was born in 1963. She is a holder of Bachelor's degree in Education (Home Economics) from Kenyatta University
2.	 Finance Officer	Mr. Nicholas Mutegi was born 1986 in Tharaka Nthi county. He is CPA K and has a degree in commerce finance option

IV. Chairman's Statement

Tharaka technical and vocational college has a board of eight members whose main work is oversight and to give guidance on the implementation of the strategic plan. This plan guides infrastructure developments from year to year and enables the institution to focus on the core mandate of quality training. The Board works closely with the administration headed by the principal in this annual "visioning" process. In the year under review, the Board envisioned to carry out various developmental activities among them, completion of workshops, start of the automotive garage, finishing of automotive garage and fencing of the land.

Capitation from the government for the fourth quarter was not realised during the year under review. This shortfall led to some envisioned programs and projects not realized in full. The college continues to suffer shortage of physical facilities like workshops, tuition rooms and laboratories. Workshop equipment and tools are also inadequate.

Going forward, the board will continue to put resources together in order to provide the much needed environment to offer quality skills training I continue to urge the government to disburse capitation and development grants in good time to enable to college acquire the much needed training requirements to enable it meet its mandate.

The college will continue to collaborate with the county government and other stakeholders for synergy and resource mobilisation.

DANIEL MUGAO

V. Report of the Principal

At the close of the year under review, the college had a current human resource combination of 59 workers in different cadres, 22 employed by the public service while the rest were employed by the board

In the year under review the following key activities were carried out;

- Phase III fencing of the compound
- Construction of the student centre and kitchen
- 1 printer
- Prepare 10 whiteboard stands
- Make hand washes, disinfectants, soaps and detergents
- Purchase hair and beauty training equipment
- Purchase of 20 staff chairs and 10 tables
- Purchase masonry training tools and materials

The college has embraced the competence based education and training (CBET) and is putting systems in place to commence the following CBET programmes

1. Automotive engineering level 6
2. Welding and fabrication level 3
3. Masonry level 4

Challenges

The College is in semi-arid place where it hasn't rained well for long, and majority of students are from within that's why students balances rose from Kshs 3,450,280 in 2020/21 to Kshs 8,433,833 in 2021/22. This shortfall led to some envisioned programs and projects not realized.

Way forward

The following activities require to be carried out to improve on service delivery

- Construct a shed for automotive engineering and a shed for masonry training
- Install glazing on the automotive workshops to protect the equipment from dust and rain as recommended by the suppliers.
- Create Entries for vehicles for repair
- Prepare sports fields for the trainees sporting activities.
- develop a master plan to guide future development
- develop an elaborate marketing plan to increase college visibility
- Equip electrical workshop

PRINCIPAL

LATICHIA MUTHURIA.. ....

Name Sign

VI. Statement of Performance against Predetermined Objectives

The Economic Pillar: Moving the Economy up the Value Chain.
Six sectors have been identified to deliver the 10 per cent economic growth rate per annum envisaged under the economic pillar. These are tourism; agriculture; manufacturing; wholesale and retail trade; Business Process Outsourcing (BPO); and financial services. The essential goal for each sector is set out below.

1. ***Tourism:*** Kenya aims to be one of the top ten long-haul tourist destinations in the world, offering a high-end, diverse, and distinctive visitor experience.
2. ***Agriculture:***Kenya aims to promote an innovative, commercially-oriented, and modern agricultural sector.
3. ***Wholesale and retail trade:***The wholesale and retail trade will move towards raising earnings by giving Kenya's large informal sector opportunities to transform into a part of the formal sector that is efficient, multi-tiered, diversified in product range and innovative.
4. ***Manufacturing:*** Kenya aims to have a robust, diversified, and competitive manufacturing sector driven partly by value-added agro-processing.
5. ***Business Process Outsourcing (BPO):*** Kenya aims to become the top off-shoring destination in Africa. BPO will, therefore, become the sector of choice for employment among youth and young professionals.
6. ***Financial Services*:** Kenya aims to create a vibrant and globally competitive financial sector promoting high-levels of savings and financing for Kenya's investment needs. Kenya also intends to become a regional financial services center.

The Social Pillar: Investing in the People of Kenya.
Kenya's journey towards prosperity also involves the building of a just and cohesive society in eight key social sectors, namely: education and training; health; water and sanitation; environment; housing and urbanization; as well as gender, youth and vulnerable groups. It also makes special provisions for Kenyans with various disabilities and previously marginalized communities. The essential goal for each sector is set out below:

1. ***Education and Training*:** Kenya will provide globally competitive and quality education, training and research, for her development. The country aims to be a regional center of research and development in new technologies.
2. ***Health*:** To improve the overall livelihoods of Kenyans, the country aims to provide an efficient, integrated, high quality and affordable health care system.
3. ***Water and Sanitation*:** Kenya is a water-scarce country. The economic and social developments anticipated by Vision 2030 will require more high quality water supplies than at present.
4. ***The Environment*:** Kenya aims to be a nation with a clean, secure and sustainable environment by 2030.
5. ***Housing and Urbanization*:** Given current demographic trends, Kenya will be a predominantly urban country by 2030. The country must, therefore, plan for high quality

urban livelihoods for most of her people by that date. The 2030 Vision for housing and urbanization is "an adequately and decently-housed nation in a sustainable environment".

6. ***Gender, Youth and Vulnerable groups***: The 2030 Vision for gender, youth and vulnerable groups is gender equity in power and resource distribution, improved livelihoods for all vulnerable groups, and a responsible, globally competitive and prosperous youth.

The Political Pillar: Moving to the Future as one Nation

The transformation of the country's political governance system under Vision 2030 will take place across six strategic areas, as follows:

1. ***Rule of Law***: Under rule of law, the 2030 Vision is "adherence to the rule of law as applicable to a modern market-based economy in a human rights-respecting state". Specific strategies will involve:
   (i) aligning the national policy and legal framework with the needs of a market-based economy, human rights, and gender equity commitments;
   (ii) increasing access and quality of services available to the public and reducing barriers to service availability and access to justice;
   (iii) streamlining the functional capability (including professionalization) of legal and judicial institutions to enhance their inter-agency cooperation; and
   (iv) Inculcating a culture of compliance with laws, cultivating civility and decent human behaviour between Kenyans and outsiders.

2. **Electoral and political processes:**The 2030 Vision seeks to cultivate "genuinely competitive and issue-based politics". Specific strategies will involve:
   (i) introducing laws and regulations covering political parties;
   (ii) enhancing the legal and regulatory framework covering the electoral process; and
   (iii) Conducting civic education programmes to widen knowledge and participation among citizens, leading to an informed and active citizenry.

3. **Democracy and Public Participation:**The 2030 Vision aims to create "a people-centered and politically-engaged open society". Specific targets will involve:
   (i) pursuing reforms necessary to devolve power and to move budgetary resources and responsibility to local governance institutions;
   (ii) encouraging formal and informal civic education and action programmes; and
   (iii) Promoting open engagement between government and civil society, as well as the free flow of information (for example. through better and continuous engagement with the media).

4. **Transparency and Accountability:** Vision 2030 aims to create "transparent, accountable, ethical and results-oriented government institutions". Specific strategies will involve: (i) strengthening the legal framework for reducing corruption and enhancing ethics and integrity; (ii) promoting results-based management within the public service; (iii) encouraging public access to information and data; (iv) introducing civilian oversight around the key legal, justice and security institutions; and (v) strengthening Parliament's legislative oversight capacity.

5. **Public administration and Service Delivery.** The 2030 vision is "policy-driven and service-focused Government institutions". Specific strategies will involve (i) strengthening rules and processes around the policy cycle; (ii) deepening the use of citizen and service charters as accountability tools; (iii) strengthening economic governance for better macroeconomic management; and (iv) inculcating a performance culture in the public service.

Security, Peace-Building and Conflict Management: Vision 2030 aims to provide "security to all persons and property throughout the Republic". Specific strategies will involve: (i) promoting public-private cooperation and civilian/community involvement for improved safety and security; (ii) deepening policy, legal and institutional reform for improved enforcement of law and order; (iii) promoting processes for national and inter-community dialogue in order to build harmony among ethnic, racial and other interest groups; (iv) promoting peace building and reconciliation to improve conflict management and ensure sustained peace within the country; and (v) inculcating a culture of respect for the sanctity of human life that does not result to the use of violence as an instrument of resolving personal and community disputes. This should start with the family,

VII. Corporate Governance Statement

Appointment, removal and the principal role of the board of governors is as stipulated in the TVET Act 2013 and further elaborated in ''Mwongozo'' state corporations governance structure and outlined in the act as follows;

Function of the Board of Governors:

The functions of the Board set out under section 28 (1) of the TVET Act 2013 shall include;
(a) Overseeing the conduct of education and training in the institutions in accordance with the provisions of this Act and any other written law;
(b) Promoting and maintaining standards, quality and relevance in education and training in the institutions in accordance with this Act and any other written law;
(c) Administering and managing the property of the institutions;
(d) Developing and implementing the institutions' strategic plan;
(e) Preparing annual estimates of revenue and expenditure for the institution and incurring expenditure on behalf of the institutions;
(f) Receiving, on behalf of the institution, fees, grants, subscriptions, donations, bequests or other moneys and to make disbursement to the institution or other bodies or persons;
(g) determining the fees payable and prescribing conditions under which fees may be remitted in part or in whole in accordance with the guidelines developed under the provisions of the Act;
(h) Mobilizing resources for the institutions;
(i) Developing and reviewing programmes for training and to make representations thereon to the Board;
(j) Regulating the admission and exclusion of students from the institutions, subject to a qualifications framework and the provisions of this Act;
(k) Approving collaboration or association with other institutions and industries in and outside Kenya subject to prior approval by the Board;
(1) Recruiting and appointing trainers from among qualified professionals and practising trades persons in relevant sectors of industry;

(m)determining suitable terms and conditions of service for support staff, trainers and instructors and remunerating the staff of the institutions, in consultation with the Authority;
(n) Making regulations governing organization, conduct and discipline of the staff and students;
(o) Preparing comprehensive annual reports on all areas of their mandate, including education and training services and submit the same to the Board;
(p) Providing for the welfare of the students and staff of the institutions;
(q) Encouraging, nurturing and promoting democratic culture, dialogue and tolerance in the institution and
(r) Discharging all other functions conferred upon it by this Act or any other written law

Composition of the Board

The board of governors is constituted of 8 members appointed by the cabinet secretary in the Ministry of education with the chairperson and six others as independent members while one represents the principal secretary ministry of education department of technical and vocational training and the other represents the county governor while the principal is the secretary to the board

Meetings held in the year under review were

i) 15th Oct 2021
ii) 28th January 2022
iii) 8th April 2022

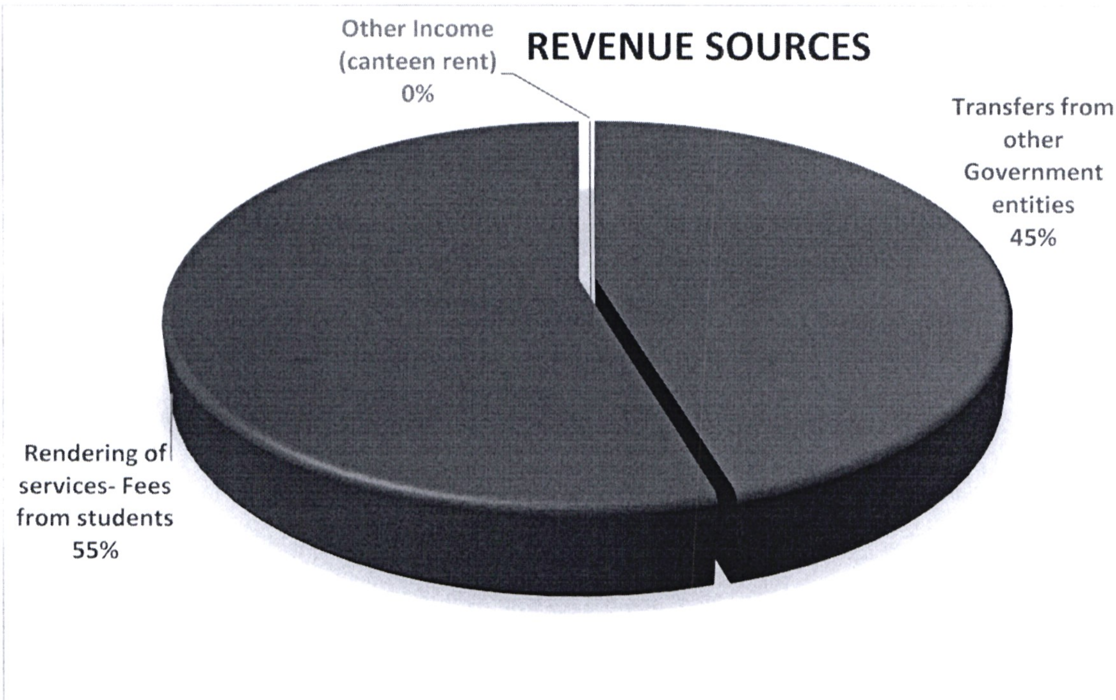
VIII. Management Discussion and Analysis

Tharaka Technical and Vocational College is a newly built training college which had few activities over this year. Its main activity is giving skills through training.

The college had no key project on 2021/22 financial year because it was not funded by the government and the number of students we had could not raise the required funds.
The major risk the college is facing is financing, college being situated on semi-arid place where the place receives little rains, locals here do not have any source of raising fees thus operating on fees balances.

The college have over the year deducted and submitted to relevant authorities all statutory deductions from its employees and suppliers who qualify for these deductions.

Revenue
The College's revenue during period under review was Kshs 17,053,196 from the following revenue sources.



Income from rendering of services was due to due to increase in aggressive recruitment drive of students through advertising.

Expenditure

The College budgeted to spend Kshs.58,485,486 during the period. However, due to revenue collection

IX. Environmental And Sustainability Reporting Statement

Tharaka Technical and Vocational College exists to develop competent technical human resource for innovation and development. The College has and is continuously developing strategies that will ensure that it becomes a national centre of excellence in provision of technical vocation education and training

1. Sustainability strategy and profile -

Tharaka Technical Training Institute in its endeavour to develop competent technical human resource for innovation and development has continued to comply with the Ministry of

Education guidelines and policies. To ensure its continued operation the College is contentiously engaging and sanitizing the community on TVET courses. The College is also working with other government bodies such as Constituency Development Fund (CDF), Higher Education Loans Board (HELB), leaders, churches, community so as to support students through payment of school fees to student who are willing to join the College.

2. Environmental performance

The College is committed in ensuring that it preserves the environment and carries its activities so as to have little impact on environment destruction. The College is committed to

a) Complying with all applicable environmental laws and regulations
b) Train staff and student on environmental conservation and preservations
c) Planting trees as part of restoring green environment
d) Creating measure that will ensure reduction of pollution to the environment

In our effort preserve the environment we have planted over 300 trees within the compound and has employed a staff to take care of them. In future we intend to plant more trees within the compound and within the local community.

3. Employee welfare

The College is committed to continue with the improvement of staff. To ensure retention of competent staff, the College has invested in training of staff in order to build their capacity and competency. Further, the College also ensures that hiring of staff is done in transparent and competitive manner. In this financial year we have had staff going for trainings as a result of lockdown due the existence of Covid-19 disease.

During hiring we ensure adherence to gender and ethnicity. Currently the College is working closely with the government to ensure that salary structure is developed so that staff are appraised and rewarded according to skills, competency and work done.

4. Market place practices-

College has embarked on marketing the courses offered to the public. We market our courses responsibly without reference to our competitions and do not engage in unfair competition. We believe in fair competition. The College does not engage in politics. However, we welcome all leaders to our College.

We endeavour to conduct our activities ensuring that our suppliers are competitively sourced. We invite and discuss with our suppliers the process of prequalification and procurement process. By doing so we are open to criticism and this has helped us be open and transparent. We also ensure stick to commitments made to our suppliers by ensuring timely payments of their dues.

5. Community Engagements-

The College believes in giving to the community. During the period the College trained and issued certificates on computer packages to students from secondary schools around us but the programme was greatly affected by the lockdown. In the year 2020/2021 Tharaka Technical and Vocational College has involved itself on environment conversation by planting over 300 trees within the compound.

X. Report of the Board of Governors

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

Principal activities

The principal activity of the College is training.

Results

The results of the College for the year ended June 30 are set out on page 1 of this report.

Board of Governors

The members of the Board who served during the year are shown on page v.

Auditors

The Auditor General is responsible for the statutory audit of the College in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for period ended June 30, 2021.

By Order of the Board

....
Secretary of the Board

Date:

Chairperson of the Board Accounting Officer/Principal

XII. Report of the Independent Auditor on Tharaka Technical and Vocational College

XI. Statement of Board of Governors Responsibilities

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

The Board members are responsible for the preparation and presentation of the College's financial statements, which give a true and fair view of the state of affairs of the College for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the College, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the College, (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board members accept responsibility for the College's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act, and the TVET Act) – entities should quote applicable legislation as indicated under). The Board members are of the opinion that the College's financial statements give a true and fair view of the state of College's transactions during the financial year ended June 30, 2022, and of the College's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the College, which have been relied upon in the preparation of the College's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The College's financial statements were approved by the Board on 24/8/2023 and signed on its behalf by:

Name: Daniel Mugao

REPUBLIC OF KENYA

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

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

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

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tharaka Technical and Vocational College set out on pages 1 to 29, 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 Tharaka Technical and Vocational College as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act, 2013.

Basis for Qualified Opinion

1. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.84,266,365 as disclosed in Note 19 to the financial statements. This balance includes Kshs.25,000,000 in respect to land. However, the valuation report indicating how the value was determined and ownership documents were not provided for audit. Further, as previously reported, the College is in possession of two (2) motor vehicles. However, the logbooks, evidence of official delivery and the cost were not provided for audit as review of the fixed asset register revealed that the vehicles were not recorded and lacked information that includes serial numbers of items, depreciated values and net book values.

In addition, physical verification carried out in March, 2023 revealed that the assets were not tagged for ease of identification and movement contrary to Regulation 139(1)(b) of the Public Finance Management (National Government) Regulations, 2015 which require that the Accounting Officer of a National Government entity shall take full responsibility and ensure that proper control systems exist for assets and that movement and conditions of assets can be tracked.

In the circumstances, the accuracy, ownership and completeness of the property, plant and equipment balance of Kshs.84,266,365 could not be confirmed. Further, Management is in breach of the law.

2. Inaccuracies in the Statement of Changes in Net Assets

The statement of changes in net assets and as disclosed in Note 21 to the financial statements reflects accumulated surplus balance of Kshs.20,428,700 which includes surpluses for financial years 2018/2019 to 2021/2022. However, review of the audited financial statements for the year 2019/2020 reveals a surplus of Kshs.7,840,320 while Note 21 on prior year adjustment reflects a balance of Kshs.5,835,724 resulting to an

unreconciled variance of Kshs.2,004,596. Further, the surplus of Kshs.15,149,890 was not included in the opening balances although the same was included in the totals.
In the circumstances, the accuracy and completeness of the accumulated surplus balance of Kshs.20,428,700 could not be confirmed.

3. Unsupported Balances

3.1 Unconfirmed Balances of Reserves

The statement of financial position reflects Kshs.20,428,700 and Kshs.76,160,000 relating to accumulated surplus and capital fund respectively. However, the balances were not supported with the respective workings and schedules.

In the circumstances, the accuracy and completeness of the accumulated surplus balance of Kshs.20,428,700 and capital fund of Kshs.76,160,000 could not be confirmed.

3.2 Lack of Provision on Current Receivables from Exchange Transactions

The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs.6,967,092 as disclosed in Note 17 to the financial statements. However, no provision for bad debts has been made.

In the circumstances, the accuracy and completeness of the current receivables from exchange transactions balance of Kshs.6,967,092 could not be confirmed.

4. Unsupported Revenue from Exchange Transactions

The statement of financial performance reflects an amount of Kshs.27,907,320 in respect to rendering of services - fees from students as disclosed in Note 7 to the financial statements. This amount includes revenue of Kshs.7,266,650 from the National Youth Service. However, the amount was not supported by details of student beneficiaries, their admission numbers and the purpose for which the amount was received.

In the circumstances, the accuracy and completeness of the revenue from exchange transactions of Kshs.27,907,320 could not be confirmed.

5. Unsupported Expenditure on Repairs and Maintenance

The statement of financial performance reflects repairs and maintenance amount of Kshs.2,221,384 as disclosed in Note 15 to the financial statements. This amount includes Kshs.181,200 paid to casual workers. However, the authority to hire casuals specifying the approved number and cadres of casual staff to be engaged was not provided for audit. Further, the payments were not supported with muster roll to confirm attendance.

In the circumstances, the accuracy, regularity and value for money for the expenditure of Kshs.181,200 could not be confirmed.

6. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects a balance of Kshs.26,768,244 relating to rendering of services - fees from students. However, the statement of financial performance reflects an amount of Kshs.27,907,320 resulting to an unexplained and unreconciled variance of Kshs.1,139,076.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final revenue budget and actual on comparable basis of Kshs.37,284,300 and Kshs.42,976,174 respectively, resulting to an underperformance of Kshs.5,691,874 or 15% of the budget. Similarly, the College spent Kshs.35,378,887 against an approved budget of Kshs.37,284,300 resulting to an under-absorption of Kshs.1,905,413 or 5% of the budget.

The underperformance and under-absorption may have negatively impacted on service delivery to the public.

2. Unresolved Prior Year Matters

Prior year audit issues remained unresolved as at 30 June, 2022. The Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow-up of auditors' recommendations section of the financial statements as required by the Public Sector Accounting Standards Board reporting template.

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. Board of Governors

1.1 Irregular Payment of Board Allowances

The statement of financial performance reflects board expenses of Kshs.866,600 as disclosed in Note 14 to the financial statements. However, the Management did not provide approval by the Cabinet Secretary for the allowances paid contrary to Sub-Section 17 of the Second Schedule of Technical and Vocational Education and Training Act, 2013.

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

1.2 Irregular Appointment of Board of Governors

The statement of financial performance reflects board expenses of Kshs.866,600 as disclosed in Note 14 to the financial statements. However, it was noted that all the seven (7) members of the Board of Governors were appointed by the Cabinet Secretary for Education on the same date of 30 December, 2020 contrary to Sub-Section 7(2) of the Second Schedule of the Technical and Vocational Education and Training Act, 2013 which states that in appointing and reappointing members of the Boards of Governors, the Cabinet Secretary shall stagger the commencement dates of some members to maintain a proportion of new membership that ensures continuity in the affairs of the Boards of Governors.

In the circumstances, the regularity and value for money for the expenditure of Kshs.866,600 could not be confirmed.

2. Non-Compliance with Law on Ethnic Composition

Review of records revealed that, out of the forty-four (44) employees of the College, twenty-six (26) representing 59% of the total employees were from one ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Commission Act, 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter 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

Lack of Internal Audit

As reported in the previous year, the College did not have an Internal Audit Department to carry out internal audit functions. This is contrary to Section 73(1)(a) of the Public Finance Management Act, 2012 which stipulates that every National Government entity shall ensure that it has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.

In the circumstances, the existence of effective internal controls could not be confirmed.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the College to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 May, 2023

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

Description	Notes	2021-2022 Kshs	2020-2021 Kshs
Revenue from Non-Exchange transactions			
Transfers from other National Government entities	6	12,712,500	11,220,000
Revenue from Exchange transactions		**12,712,500**	**11,220,000**
Rendering of services- fees from students			
Sale of goods	7	27,907,320	23,132,580
Rental revenue from facilities and equipment	8	3,000	
Examination	9	33,000	15,000
Production	10	3,401,430	
Revenue from Exchange transactions	11	58,000	330,000
Total Revenue		**31,402,750**	**23,477,580**
Expenses		**44,115,250**	**34,697,580**
Use of goods and services			
Employee costs	12	22,054,333	12,569,204
Board Expenses	13	8,683,928	4,274,335
Repairs and maintenance	14	866,600	449,730
Depreciation and amortization expense	15	2,221,384	1,597,103
Projects & Assets	19	3,321,557	2,754,048
Total Expenses	20	-	8,065,072
Other Gains/(Losses)		**37,147,802**	**29,709,492**
Total Other Gains/(Losses)			
Net surplus for the year		**6,967,448**	**4,988,088**

The Financial Statements set out on pages 1 to 60 were signed by:

Chairman of Board

Date 24/4/2023

Finance Officer

ICPAK No 56485

Date 24/4/2023

Principal

Date 24/4/2023

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

Description	Note	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2020				**30,337,329**	**76,160,000**	**106,497,329**
Revaluation gain						
Fair value adjustment on quoted investments						
Transfer of depreciation/amortisation from capital fund to Retained earnings		-	-			
At June 30, 2021				**30,337,329**	**76,160,000**	**106,497,329**
At July 1, 2021				**30,337,329**	**76,160,000**	**106,497,329**
Adjustment to correct prior year Retained Earnings	**21**			**(30,337,329)**		**(30,337,329)**
Prior year Retained Earnings corrected	**21**			**13,461,252**	**76,160,000**	**89,621,252**
2021/2022 Retain Earnings				6,967,448		6,967,448
Fair value adjustment on quoted investments						
Total comprehensive income						
Capital/development grants received during the year						
Transfer of depreciation/amortisation from capital fund to Retained earnings						
At June 30, 2022				**20,428,700**	**76,160,000**	**96,588,700**

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

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other government entities/govt. Grants	6	12,712,500	11,220,000
Public contributions and donations		-	
Rendering of services- Actual fees from students	22	21,343,127	23,123,580
Sale of goods	8	3,000	
Rental revenue from facilities and equipment	9	33,000	15,000
Examination	10	3,401,430	
Production	11	58,000	330,000
Total Receipts		**37,551,057**	**34,688,580**
Payments			
Use of goods and services	12	22,054,333	12,569,204
Compensation of employees	13	8,683,928	4,274,335
BOG	14	866,600	449,730
Repair maintenance and improvement	15	2,221,384	1,597,103
Total Payments		**33,826,245**	**26,955,444**
Net Cash Flows from operating activities		**3,724,812**	**7,733,136**
Cash flows from investing activities			2,121,245
Purchase of property, plant, equipment and intangible assets		1,552,642	30,500
Net cash flows used in investing activities		**2,172,170**	**9,884,881**
Net cash flows used in financing activities			
Net Increase/(Decrease) in Cash and Cash equivalents		2,172,170	-
Cash and Cash equivalents at 1 JULY	17	3,872,475	13,629,577
Cash and Cash equivalents at 30 JUNE	17	**6,044,645**	**3,872,475**

The Financial Statements set out on pages 1 to 60 were signed by:

Chairman of Board	**Finance Officer**	**Principal**
	ICPAK No 26445	
Date 24/4/2023	**Date** 24/4/2023	**Date** 24/4/2023

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

Description	Original budget	Adjustments	Final budget	Actual	Performance difference	Utilization Difference
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Transfers from other govt entities and govt grants	19,500,000	1,800,000	17,700,000	12,712,500	4,987,500	39.23303835
Public contributions and donations	0	0	0	0	0	
Rendering of services- fees from students	41,908,500	22,672,200	19,236,300	26,768,244	-7,531,944	-28.13760962
Sale of goods	0	0		3000	-3,000	-100
Production	330000	0	330000	58000	272,000	
Examination	0	0		3,401,430	-3,401,430	
Gains on disposal, rental income and agency fees	18,000	0	18,000	33,000	-15,000	-45.45454545
Total Income	**61,756,500**	24,472,200	**37,284,300**	**42,976,174**	-5,691,874	-13.24425483
Expenses		0			0	
Compensation of employees	8,723,280	390,000	8,333,280	8,683,928	-350,648	-4.037896215
Use of goods and services	23,669,910	-741,515	24,411,425	22,054,333	2,357,092	10.68765943
Repair Maintenance & Improvement	3,729,630	1,639,686	2,089,944	2,221,384	-131,440	-5.917031904
Remuneration of directors	800,000	-42,200	842,200	866,600	-24,400	-2.8156012
Projects	24,833,680.00	23,226,229	1,607,451.00	1,552,642	54,809	3.530047493
Total Expenditure	**61,756,500**	24,472,200	**37,284,300**	**35,378,887**	1,905,413	5.385734718
Surplus For the Period				**7,597,287**		

XVIII. Notes to the Financial Statements

1. General Information

The College is established by and derives its authority and accountability from TVET 2015 Act. The College is wholly owned by the Government of Kenya and is domiciled in Kenya. The College'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 College's accounting policies.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the TVET Act, *(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:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2023:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an College's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • 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 College's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social	**Applicable: 1st January 2023** The objective of this Standard is to improve the relevance, faithful

Standard	Effective date and impact:
Benefits	representativeness and comparability of the information that a reporting College provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the College; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the College's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2023:** 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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.
Other improvements to IPSAS	***Applicable 1st January 2023*** • *IPSAS 22 Disclosure of Financial Information about the General Government Sector.* Amendments to refer to the latest System of National Accounts (SNA 2008). • *IPSAS 39: Employee Benefits* Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • **IPSAS 29: Financial instruments: Recognition and Measurement**

Standard	Effective date and impact:
	Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	***Applicable 1st January 2025*** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an College. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: 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.

iii. Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Dividends

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

4 Summary of Significant Accounting Policies (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2021/2022 was approved by the Board or Board on ***08/07/2021*** Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the College upon receiving the respective approvals in order to conclude the final budget. The College's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

c) Taxes

Current income tax

The College is exempt from paying 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.

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

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

e) Property, plant and equipment

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

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 College. 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 College also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

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

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

g) Intangible assets

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

h) Research and development costs

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

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

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

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

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 College determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

4 Summary of Significant Accounting Policies (Continued)

i) Financial instruments

Financial assets

Impairment of financial assets

- The debtors or an College 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 College 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

Inventories

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

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

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

k) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates

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

n) Employee benefits

Retirement benefit plans

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

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

o) Foreign currency transactions

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

p) Borrowing costs

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

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

q) Related parties

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

r) Service concession arrangements

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

s) Cash and cash equivalents

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

t) Comparative figures

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

u) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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

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

Notes to the Financial Statements (Continued)

6. Transfers from other National Government entities

Description	2021-2022	2020-2021
	Kshs	Kshs
Unconditional Grants		
Capitation Grants	12,712,500	11,220,000
Total Government Grants and Subsidies	**12,712,500**	**11,220,000**

7. Rendering of Services

Description	2021-2022	2020-2021
	Kshs	Kshs
Tuition Fees	11,298,300	14,835,340
Activity Fees	1,578,000	862,200
Industrial Attachment Fees	1,585,000	1,155,770
Boarding Fees	4,185,000	
Facilities And Materials	9,050,620	4,586,610
students welfare	210,400	
Total Revenue from The Rendering Of Services	**27,907,320**	**23,132,580**

8. Sale of Goods

Description	2021-2022	2020-2021
	Kshs	Kshs
Sale of green grams (Ndengu)	3,000	0

9. Rental revenue from facilities and equipment

Description	2021-2022	2020-2021
	Kshs	Kshs
Hire of Compound	18,000	
Canteen Rental	15,000	15,000
Total	**33,000**	**15,000**

10. Examination

Description	2021-2022	2020-2021
	Kshs	Kshs
Examination Fees	3,401,430	0

11. Production

Description	2021-2022	2020-2021
	Kshs	Kshs
Computer packages	58,000	330,000

12. Use Of Goods And Services

Description	2021-2022	2020-2021
	Kshs	Kshs
Teaching and learning materials	4,341,811	1,865,645
Industrial attachment costs	413,696	238,068
Electricity	304,610	165,630
Water	170,950	149,162
Security	359,765	391,653
Subscriptions	-	110,000
Marketing	311,490	178,297
Examination fees	3,401,340	1,692,750
Production	142,540	
Staff meetings, trainings and meals	4,880,291	4,847,991
NYS	4,092,650	1,580,166
Fuel and oil	992,856	570,740
Medical	21,040	
Printing and stationery	682,187	298,494
Epivot	84,345	141,183
Postage	7,725	7,725
Kitchen	622,250	
Activity	580,022	46,163
Students caution money	1,000	500
Students welfare	253,186	
Covid 19	-	42,537
Internet & Airtime expenses	364,179	242,500
HELB	26,400	
Total good and services	**22,054,333**	**12,569,204**

13. Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries and wages	8,231,528.00	4,274,335
Employee related costs - contributions to pensions and medical aids	294,000.00	
Social contributions	158,400.00	
Employee Costs	**8,683,928.00**	**4,274,335**

14. Board Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Directors Allowances	866,600	449,730
Total	**866,600**	**449,730**

15. Repairs and Maintenance

Description	2021-2022	2020-2021
	Kshs	Kshs
Property Painting	448,956	-
Fencing	787,178	1,440,923
Administration repairs	152,100	-
Vehicles	103,280	126,480
Workshop	58,130	
Compound Work and tree planting	94,170	
Electricity Repair	28,820	
Computers and accessories	48,750	29,700
Total Repairs and Maintenance	**2,221,384**	**1,597,103**

16. Cash and Cash Equivalents

Description	2021-2022 Kshs	2020-2021 Kshs
a) **Current Account**		
Equity Bank 1040262403552	5,753,556	3,546,939.00
Trans Nation Sacco 68260900029001	290,988	282,028.00
Sub- Total	**6,044,544**	**3,828,967.00**
Cash in Hand	101	43,508.00
Sub- Total		**43,508.00**
Grand Total	**6,044,645**	**3,872,475**

Notes to the Financial Statements (Continued)

17. Current Receivables from Exchange transactions

Description	2021-2022 Kshs	2020-2021 Kshs
Current Receivables		
Student Debtors	6,967,092	3,450,280
Total Current Receivables	6,967,092	3,450,280

18. Trade payables from Exchange transactions

Description	2021-2022 Kshs	2020-2021 Kshs
Non-Current Receivables		
Refundable Deposits		250,000
Advance Payments	689,402	2,534,350
Total Receivables	**689,402**	**2,784,350**

Notes to the Financial Statements (Continued)

19. Property, Plant and Equipment

Cost	Land	Buildings 2.5%	Furniture & fittings 12.5%	Computers 30%	Other Assets 30%	Plant and equipment	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1July 2020	25,000,000	54,729,269	576,875	703,150				81,009,294
Additions		3,846,554	920,588	725,040	2,572,890			8,065,072
Disposals								
Transfers/adjustments								
At 30th June 2021	25,000,000	58,575,823	1,497,463	1,428,190	2,572,890	-	-	89,074,366
Additions		486,174	992,468	74,000				1,552,642
Disposals								
Transfer/adjustments								
At 30th June 2022	25,000,000	59,061,997	2,489,931	1,502,190	2,572,890	-	-	90,627,008
Depreciation and impairment								
At 30th June 2021		1,464,396	374,366	428,457	771,867			3,039,086
At 30th June 2022		1,476,550	622,483	450,657	771,867	-	-	3,321,557
Total		2,940,946	996,849	879,114	1,543,734	-		6,360,643
Net book values								
At 30th June 2022	25,000,000	56,121,051	1,493,082	-	1,029,156	-	-	84,266,365
At 30th June 2021	25,000,000	54,426,061	989,972	353,383	1,801,023			82,570,439
[Include brief description of WIP as a footer]								

Notes to the Financial Statements (Continued)

20. PROJECTS AND ASSEST

Description	2021-2022	2020-2021
	KShs	KShs
Lecture chairs		355,000
Workshop& kitchen construction materials	486,174	3,133,554
IMS		2,305,000
CCTV		267,890
Computers		725,040
Cabros		713,000
NYS room & Deckers		565,588
Fixtures & fittings	992,468	
Printer	74,000	
Total contracted services	**1,552,642**	**8,065,072**

Valuation

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

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

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	**25,000,000**	0	25,000,000
Buildings	59,061,997	2,940,946	56,121,051
Plant And Machinery	2,572,890	1,543,734	1,029,156
Motor Vehicles including Motorcycles			
Computers and Related Equipment	1,502,190	879,114	0
Office Equipment, Furniture, And Fittings	2,489,931	996,849	1,493,082
Total	**90,627,008**	**6,360,643**	**84,266,365**

Notes to the Financial Statements (Continued)

21. Accumulated surplus
Prior year adjustments

Description	2021-2022
	Kshs
At 30/6/2019	2,637,440
As At 30/6/2020	5,835,724
As at 30/6/2021	4,988,088
As at 30/6/2022	6,967,448
Total	**20,428,700**

22. Rendering of service. Actual received

Description	2021-2022	2020-2021
	Kshs	Kshs
Tuition Fees	6,004,688	14,835,340
Activity Fees	7,791,789	862,200
Industrial Attachment Fees	1,566,250	1,155,770
Boarding Fees	210,400	
Facilities And Materials	4,185,000	4,586,610
students welfare	1,585,000	
Total Revenue from The Rendering Of Services	**21,343,127**	**23,132,580**

23. Financial Risk Management

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

(i) Credit risk

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

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

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 College's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

44. Financial Risk Management (Continued)

(i) Credit risk (continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.
The 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 College's directors, who have built an appropriate liquidity risk management framework for the management of the College's short, medium and long-term funding and liquidity management requirements. The College manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

44. Financial Risk Management (Continued)

(iii) Market risk

The College has put in place an internal audit function to assist it in assessing the risk faced by the College on an on-going 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 College'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 College'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 College's exposure to market risks or the manner in which it manages and measures the risk.

a) Interest rate risk

Interest rate risk is the risk that the College'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 College 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.

24. Events After The Reporting Period

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

25. Ultimate And Holding College

The College is a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

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

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 College 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.

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Name
Principal LATICHIA MUTURIA

Date 24/4/2023