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**REPORT**

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**OF**

**THE AUDITOR-GENERAL**

**ON**

**SABATIA TECHNICAL AND  
VOCATIONAL COLLEGE**

**FOR THE EIGHTEEN (18) MONTHS PERIOD  
ENDED 30 JUNE, 2020**



1997



# **SABATIA TECHNICAL AND VOCATIONAL COLLEGE**

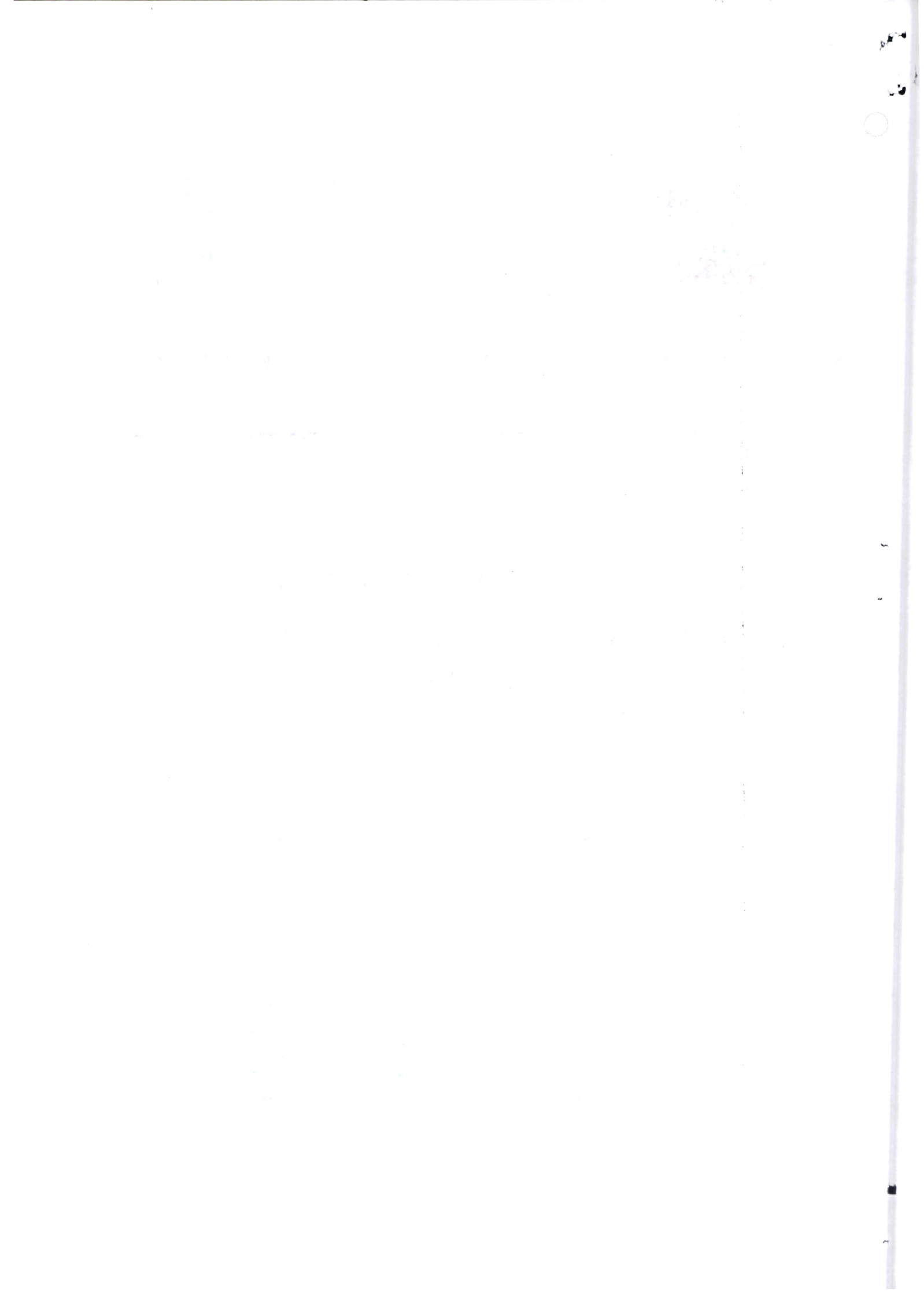
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## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE 2020**

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





**SABATIA TECHNICAL AND VOCATIONAL COLLEGE (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE 2020**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

Sabatia Technical and Vocational College is a public TVET institution registered under the TVET Act of 2013. The College is domiciled in Kenya and currently does not operate any other outside campus. The college operates under ambit of its parent Ministry of Education, State Department for Vocational and Technical Training. It is one of the 70 most recently constructed Technical Training Institutions in Kenya. It's mandate and operational legal framework is derived from the TVET Act of 2013. The college's mandate includes provision of technical and vocational education and training leading to awards below the level of a degree. Its construction was completed in 2017 and the first Principal posted in December of the same year. The Institution was officially inaugurated in January 2019. By 20<sup>th</sup> March, 2020 when all learning institutions were closed as a containment measure against the spread of the Covid 19 pandemic, the college had a total on campus enrolment of 482 trainees.

The College currently operates under four main departments namely, Business Studies, Electrical and Electronics Engineering, Computer Studies and Hospitality and Institutional Management.

The college stands on a five (5) acre piece of land. Transfer of the land title deed in the name of the college is ongoing. The college is located in Sabatia Constituency, Sabatia Sub-county of Vihiga County. The institution was constructed on land annexed from Lotego Primary School and Lotego Vocational Training Center. The institution is equipped with state-of-the-art training equipment for Electrical and electronics engineering. In addition, the college was also earmarked as a center of excellence in training of computer studies/ICT courses. The Institution has partnered with the local community to ensure students get meals and are accommodated in decent hostels.

**b) Principal Activities**

The principal activity/mission of the college is to provide high quality technical, vocational, entrepreneurship training, research and innovation in partnership with the stakeholders in order to produce globally competitive graduates. The college envisions to be the best in the western region and eventually in the country.

**c) Key Management**

Sabatia technical and vocational college is managed by the following key organs: •

**Board of Governors**

The main role of the Board is to provide policy direction and oversight over management.

To effectively discharge its mandate the Board has formed three committees which are;

- i. Finance, Infrastructure and Development
- ii. HR, Education and Research
- iii. Audit, Risk Management and Compliance

• **Accounting Officer/Principal**

The Principal is responsible for the day-to-day management of the college operations. He is assisted by the following senior management staff;

- i. Deputy Principal
- ii. Registrar
- iii. Dean of Students
- iv. Heads of Department

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**d) Fiduciary management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 were as follows;

No.	Designation	Name
1.	Principal	CPA Gilbert G Mwavali
2.	Deputy Principal	Mark Joseph Maritim
3.	Registrar (Ag)	Philip Jumba
4.	Dean of Students (Ag)	Simon Mulemi
5.	Finance Officer (Ag)	CPA Hesborn Ehaji

**e) Fiduciary Oversight Arrangements**

In its oversight responsibilities, the board has constituted three board committees which are charged with the duty of over sighting specific activities. These are as follows:

**i. The Finance, Infrastructure and Development Committee**

This committee is charged with the responsibility of over sighting the following key activities;

- **Planning and Budgeting** – overseeing project planning and budget making processes
- **Implementation** – Overseeing the implementation of projects and the budget
- **Strategic Planning** – Overseeing the development, review and implementation of the strategic planning process.
- **Financial management** – overseeing the general management of finances to ensure their prudent use. In particular, considering and approving financial proposals, Quarterly reports, annual financial statements and other financial reports.

**ii. The Human Resource, Education and Research Committee**

This committee is charged with the responsibility of over sighting the following key activities;

- **Human Resource Management** – Development and review of policy documents, staff recruitment process, staff welfare, staff training and development and staff discipline
- **Education** – Development and review of policy documents, implementation of training programmes, implementation of the curricula, evaluation of trainee progress, trainee enrolment, welfare and discipline
- **Research** – Development and review of the Research Policy, planning and implementation of research activities.

**iii. The Audit, Risk Management and compliance Committee**

This committee is charged with the responsibility of over sighting the following key activities;

- **Audit function** – Development and review of the Internal audit policy, internal audit planning and execution, reviewing internal audit reports and action plans. Implementation of internal audit reports and external audit recommendations.
- **Risk Management** – Development and review of Risk Management Policy and plans, implementation of risk management plans.
- **Compliance** – Considering compliance audit reports and plans, ensuring compliance to all relevant laws and regulations, corporate social responsibility programmes.

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

**a) Entity Head Quarters**

Sabatia Technical and Vocational College  
P.O Box, 29-503011 **Wodanga, Kenya.**  
**Off- Kapsabet/Chavakali Road**  
**Sabatia Constituency, Vihiga County, Kenya.**

**b) Entity Contacts**

Telephone : (254)0207851474  
E-mail : [sabatiatvc@gmail.com](mailto:sabatiatvc@gmail.com)  
Website : [www.sabatiatvc.ac.ke](http://www.sabatiatvc.ac.ke)

**c) Entity Bankers**

1. Absa Bank, Kenya, Kakamega Branch
2. M-Pesa Paybill

**d) Independent Auditors**




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

**e) Principal Legal Adviser**

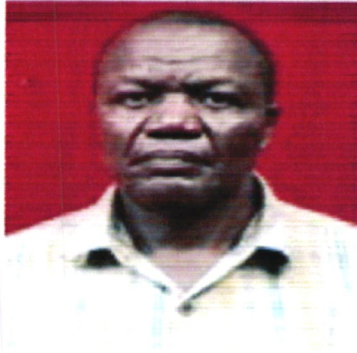


The Attorney General  
State Law Office  
Harambee Avenue P.O.  
Box 40112  
City Square 00200  
Nairobi, Kenya

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**2. BOARD OF GOVERNORS**

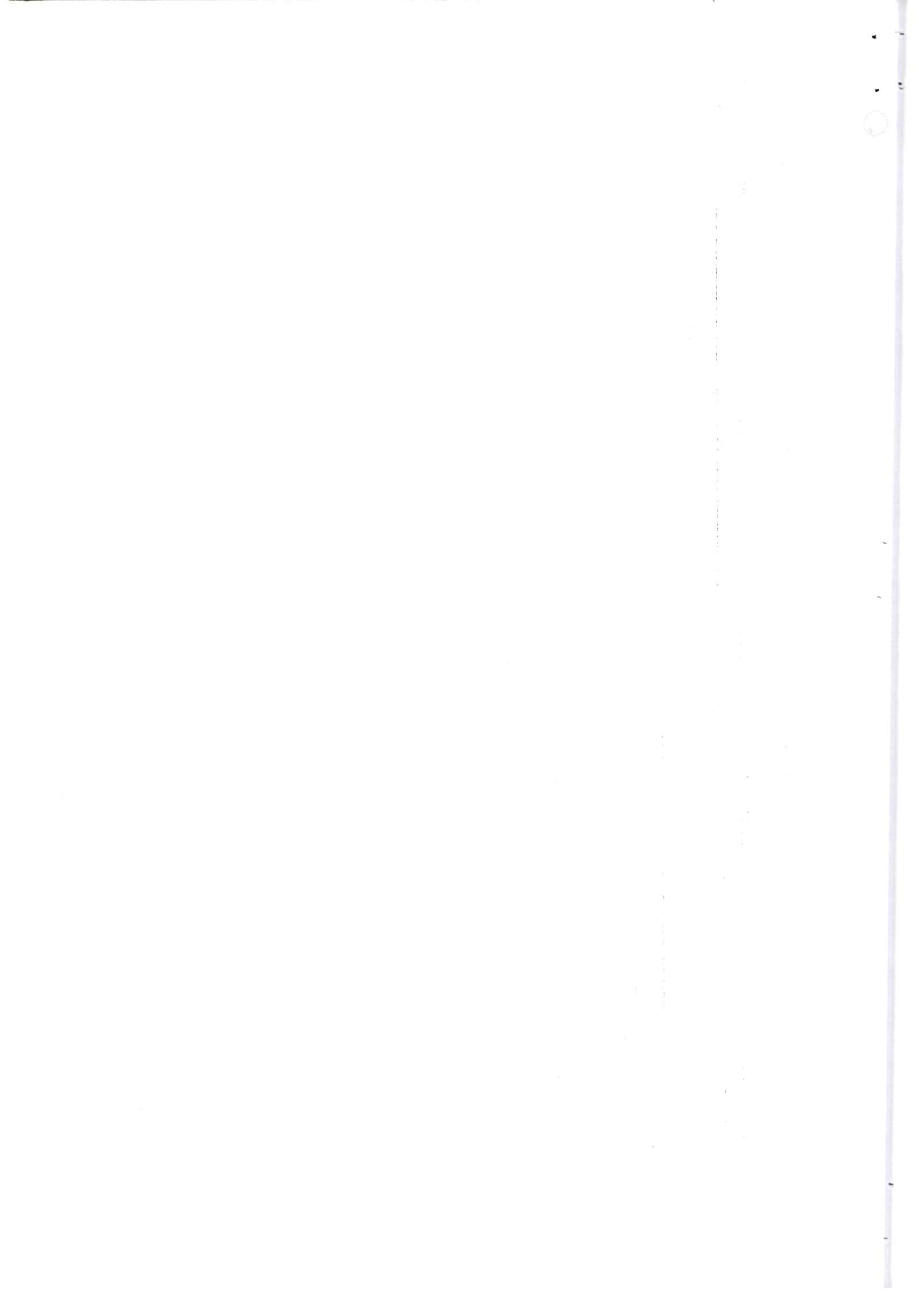
S.NO	NAME	DESCRIPTION
1	 CPA Gilbert Gilari Mwavali Principal/Secretary to The Board	<p>He holds Masters in Business Administration from Moi University, a BCOM {Finance} from KCA University and is currently pursuing a Msc {Finance} at KCA University. He is a Member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has over 26 years teaching/training experience in various TVET Institutions serving in various administrative positions. He was Posted to Sabatia Technical and Vocational College as Principal in September 2019.</p>
2	 Eng. Geoffrey Katiedzo Aligula, Board Chairman	<p>He was born in 9/2/1973, he is a Mechanical Engineer from multimedia university –Melaka Campus, Malaysia. He is an Associate Member, Institute of Mechanical Engineers- AMIMechE (UK) (2015-2019). He has a number of publications to his name among them “driving quality in product development in a Malaysia optoelectronic firm, international journal of lean six-sigma” an expert in forensic examination of fatigue cracks on welded steel-plates. He is currently employed as an owner/product and quality development manager at WEMA Technology, Nairobi.</p>
3	 Mr. Bebora George Baker Board Member	<p>George brings in over 30 years of medical laboratory medicine and management, with 11 years as a Laboratory Lead And Technical Advisor in AMREF Health Africa HIV/TB/MALARIA/NCDS program, being responsible for providing leadership in strengthening integrated rationale for laboratory networking. He has a master of science – parasitology/epidemiology (DBI/University of Copenhagen – Denmark. He has a publication titled “hypodermic needle incinerator” (HNI) as a best practice tool in preventing occupational infection exposures in resource limited health care setting” to his name.</p>

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<p>4</p>	 <p>Arch. Dixty Manase Obingo. Board Member</p>	<p>Arch. Dixty is an architect by profession. He is a holder of architecture (B.Arch.) from the University of Nairobi. He is currently the Director of Public Works in Busia County. He was transferred to Busia County at the inception of devolution as CWO from Mombasa, and is currently involved in working on a variety of exciting projects at Alupe University College</p>
<p>5</p>	 <p>Mrs. Florence Nancy Lihanda Board Member</p>	<p>Madam Florence is an educationist and holds a Bachelor of Education (Hons) from University of Nairobi. She is a Holder of CES award – Outstanding Education award- from CES Canada; for inspiring leadership in education. Currently she is the Secretary to the Education Commission of Friends Church in Kenya (FCK). She is also the Administrative Secretary, Kakamega Yearly Meeting (YM) of Friends' Church (Quakers). She has wide experience in teaching, seminar organization, administration and management of educational institutions and organization of social welfare groups programs and their activities.</p>
<p>6</p>	 <p>Mr. Enos Oyaya Board Member</p>	<p>He is an educationist having graduated from University of Nairobi with a B.Ed. Honors Degree in geography and history. He has worked as an Inspector of Schools/Quality Assurance and Standards Officer at district and national level, as an Assistant Inspector of Schools, Chief Inspector of Schools, Director of Quality Assurance and Standards and as Ag. Education Secretary. He has several Honors and awards to his name having been presented with the Order of Grand Warrior (OGW) a state commendation awarded to him by His Excellency, The president, Hon Mwai Kibaki for excellent work as Quality Assurance and Standards Officer for 18 years by then and as refined author of text books.</p>



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7	 <b>Mrs. Zainabu Mohamed</b> <b>Board Member</b>	<p>She is a holder of a BA. Degree in Business Management from Moi University and Master's Degree in Philosophy Entrepreneurship. She has over 20 years work and leadership experience at the Central Bank of Kenya.</p>
8	 <b>Mrs. Rhoda Miso</b> <b>Board Member</b>	<p>She is a Holder of Bachelor of Business Administration from the University of East Africa, Baraton. She has worked in several positions including being a manager at Ndanma distributors, business development officer at Kenya Women finance trust limited – Eldoret. She is currently working as an entrepreneur in Eldoret town.</p>
9	 <b>Mr. Charles Avedi</b> <b>Board Member</b>	<p>He is a holder BSc in Information Technology from JKUAT and is currently pursuing MSc in Information Technology at JKUAT. He has vast experience in Information Technology acquired in various organizations. He is currently The Director, Vocational Education and Training, Vihiga County Government. He is the representative of the Governor, Vihiga County on the Board.</p>
10	 <b>Mr. Jackson Andai</b> <b>Board Member</b>	<p>Jackson Andai, MBA Kenyatta University. Has served in the TVET Sector for over 30 years both as a trainer and Technical Officer at the Ministry of Education. He is currently serving as the County Director, TVET, Kakamega and Vihiga Counties.</p>



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**3. MANAGEMENT TEAM**

<p>1.</p>	 <p>CPA Gilbert Mwavali Holds an MBA (Finance), BCom (Finance), Dip in Tech. Educ (Bus. Studies/Accounting) Member of ICPAK</p>	<p><b>The Principal and Secretary to the Board of Governors</b> He is the Accounting Officer. He is in charge of the day-to-day management of the College</p>
<p>2.</p>	 <p>Mr. Joseph Mark Maritim Holds a Msc in Disaster Management and Humanitarian Assistance.</p>	<p><b>Deputy Principal</b> Deputizes the Principal. In charge of curriculum implementation, trainee discipline, staff supervision and stores management.</p>

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<p>3.</p>	 <p>Mr. Phillip Jumba. Holds a Bsc in Computer Science</p>	<p><b>Registrar (Ag)</b> In charge of trainee admissions, marketing, trainee records, assessments and library management</p>
<p>4.</p>	 <p>Mr. Simon Mulemi Holds a Diploma in Business Management</p>	<p><b>Dean of Students (Ag)</b> In charge of trainee welfare, Guidance and Counseling, accommodation, clubs and societies, Sports and trainee governance.</p>
<p>5.</p>	 <p>CPA Hesborn Ehaji ICPAK NO.11369 Holds an MBA from Maseno University and a BCOM from Catholic University</p>	<p><b>Finance Officer (Ag)</b> In Charge of the Finance function</p>

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**4. CHAIRMAN'S STATEMENT**

The Financial year ended 30<sup>th</sup> June, 2020 has been an exciting year but also full of challenges. During the year, there was significant improvement in revenue mobilisation. The year also saw a significant increase in enrolment, from 156 at the beginning of the year to 482 as at 20<sup>th</sup> March, 2020 when all learning institutions were closed as a containment measure against the spread of the Covid 19 pandemic.

The college also saw its first ever KNEC National Examination candidates sit for their exams in November 2019 with its second batch begin to sit for their exams in March only for the exams to be halted mid-way. The board has been very active in its oversight activities hence effectively giving policy direction to management.

Increasing enrolment came with its challenge of overstretching facilities and the available scarce resources.

The college being relatively new has a major task ahead of ensuring that there is rapid development of infrastructure and acquisition of training equipment and resources in order to match the rapid increase in enrolment and as well as maintain and improve on the quality of training provided.

The board is completely focused on effectively overseeing management and as well as provide the policy direction and support necessary to ensure that the challenges are addressed and growth in all respects realized.

One other key area of focus by the board is to provide the necessary support and guidance to management towards stepping up innovations and research activities possibly resulting in the generation of new ideas that can be developed into income generating units and as well as impact on the economic wellbeing of the community and the society at large. This is especially intended to focus on the full utilisation of the available equipment and resources in line with the pronounced government policy.

Signed:



Eng. Geoffrey K. Aligula  
Chairman, Board of Governors

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**5. REPORT OF THE PRINCIPAL**

I reported to the College in September 2019, towards the end of the first quarter of the 2019/2020 financial year. We have realised significant improvement in performance during the period, especially in respect to student enrolment and expansion of available training programmes. Trainee population grew from 156 at the beginning of the year to 482 as at 20<sup>th</sup> March, 2020 when all learning institutions were closed as a containment measure against the spread of the Covid 19 pandemic. This increase was as a result of enhanced marketing of the college, and collaborative partnership with the administration that saw increased awareness of the government TVET policy that greatly supports and encourages the youth to join TVET institutions in order to acquire the highly needed technical in the national development agenda and year but also full of challenges. During the year, there was significant improvement in revenue mobilisation mainly from fees as a result of increased trainee population.

The college also saw its first ever KNEC National Examination candidates sit for their exams in November 2019 with its second batch begin to sit for their exams in March only for the exams to be halted mid-way. This were both in technical and business courses. We are in final stages of developing a strategic plan and other policy documents that will guide the development of the college as we head into the future. The board has been very active in its oversight activities hence effectively giving policy direction and support to management.

The year also had its share of challenges mainly because it's a relatively new college that is yet to develop most of the necessary basic infrastructure and facilities. Increasing enrolment has led to overstretching of the facilities and the available scarce resources making the inadequacy even more acute. We however believe we are equal to the task and that we will in due course address the issues conclusively and place the college to a definite growth trajectory as envisioned in our strategic vision.

The college being relatively new has a major task ahead of ensuring that there is rapid development of infrastructure and acquisition of training equipment and resources in order to match the rapid increase in enrolment and as well as maintain and improve on the quality of training provided. To achieve this, we intend to collaborate closely with the government and other development partners.

The board is completely focused on effective resource mobilisation and their prudent utilisation in strict compliance with the legal regulations and ministerial directives and guidelines. With effective board oversight and policy direction and support, we believe we will address challenges and will realize the envisioned growth in all respects.

One other key area of focus by the board and management is towards stepping up innovations and research activities that would possibly result in the generation of new ideas that can be developed into income generating units and as well as impact on the economic wellbeing of the community and the society at large. This is especially intended to focus on the full utilisation of the available equipment and resources in line with the pronounced government policy.

Signed:



CPA Gilbert G. Mwavali  
PRINCIPAL/SECRETARY-BOG

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**6. REVIEW OF SABATIA TECHNICAL AND VOCATIONAL COLLEGE'S PERFORMANCE FOR EIGHTEEN MONTHS ENDED 30<sup>TH</sup> JUNE 2020**

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

**NOTE: THE COLLEGE HAD NOT DEVELOPED A STRATEGIC PLAN BY THE FY 2019/2020. THE COLLEGE DID NOT ALSO SIGN A PERFORMANCE CONTRACT**

**7. CORPORATE GOVERNANCE STATEMENT**

**a) Board Meetings, Attendance and Remuneration**

During the FY 2019/2020, the board held a total of seven meetings which were all very well attended by members as shown below;

S/No	Date of Meeting	Nature of Board Meeting	Attendance	Remuneration (Ksh)
1.	11/09/2019	Executive Committee	5	55,000
2.	02/10/2019	Full Board Committee	8	85,000
3.	08/10/2019	Full Board Committee	8	85,000
4.	13/12/2019	Full Board Committee	8	85,000
5.	10/02/2020	Full Board Committee	8	85,000
6.	22/05/2020	Full Board Committee	6	67,500
	<b>Total</b>			462,500

**Note:** The Board comprises of a total of 10 members (the Principal inclusive) with 5 forming a quorum.

**b) Board Charter, Succession Plan, Induction and Training**

The board charter is being finalised. Board members have all been inducted

Succession is guided by the TVET Act which guides that members to the board should be appointed in a manner that guarantees continuity.

**c) Appointment and removal of board members**

The process of appointment and removal of board members is provided for in the TVET Act.

**Appointment** – On expiry of the term of office, the secretary to the board in consultation with the County Director, TVET would constitute a Nomination Panel which would recommend at least 3 members for each position to the Cabinet Secretary responsible for TVET who will then appoint one.

**Removal** – Grounds for removal are provided for in the TVET Act of 2013

**Note:** There were no new appointments or removal of any member during the eighteen months period ended 30<sup>th</sup> June 2020

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**d) Roles and Functions of the Board**

The roles of the Board are as outlined in article 29 of the TVET Act of 2013 and includes among others; to

- i. Provide policy direction to management
- ii. Develop and implement the strategic plan
- iii. Consider and approve the budget
- iv. Consider and approve the financial statements and reports
- v. Oversee the human resource management
- vi. Oversee staff and student discipline
- vii. Help mobilise resources for the institution

**8. MANAGEMENT DISCUSSION AND ANALYSIS**

During the eighteen months period ended 30<sup>th</sup> June, 2020, there was improved operational and financial performance mainly as a result of increasing enrolment of trainees. This increase, from 156 as at the start of the year to 482 as at 30<sup>th</sup> June 2020 (representing about 210% increase) was mainly attributed to the government's deliberate policy to revamp and focus on the TVET sector, its capitation policy and also through HELB funding. We also marketed the college through collaboration with the local leadership. This led to improved financial revenue though also with increased expenditure on operations. Currently, the college did not implement nor did it have any major ongoing development projects or investment decisions being implemented as at the end of the year. It also did not have any investments. The college is fully compliant and up to date with all the relevant statutory and other obligations. This includes, KRA, NSSF and NHIF. The major risk facing the college is interruption of its operations and projected growth due to the Covid 19 pandemic.

**9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Sabatia Technical and Vocational College exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on 4 pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

**1. Sustainability strategy and profile**

As a College, we are focused on sustainable growth in all respects. We have put in place an innovative marketing strategy that is intended to ensure sustainable growth in enrolment. We have also put in place a monitoring and evaluation mechanism that assures of quality training in all our programmes. We are also fully aware of the current overwhelming political support and goodwill towards the TVET sub sector as a key national development pillar.

**2. Environmental performance**

**As a college, we are determined to contribute towards achieving the national goal of 10% forest cover by protecting our trees. We are also focused on responsible waste management practices.**

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**3. Employee welfare**

As a college we are determined to fully comply with the national policy on gender ratio of not more than two thirds gender majority. We have 15 male and 10 female employees, a ratio of two thirds. We also take any opportunity available to improve skills and competencies of our staff through training and workshops. We have also taken measures to ensure workplace safety in all our workshops tuition rooms and offices

**4. Market place practices-**

- a) Our marketing policy and strategy focuses on creating awareness towards the opportunities available in the TVET sector. We also focus on value options in our college. We are committed to fair competition and respect for our competitors
- b) We are committed to fair business practices in our supply chain processes and to honouring our promises to our business partners.
- c) Our training programmes are strictly organised in accordance to the recommended syllabi. We also hold regular forums with our trainees who are our main customers to address their concerns. We also have other customer engagement mechanism as a way of assuring that their rights are upheld

**5. Community Engagements-**

Currently, our main engagement with the community is creating awareness on the training opportunities available in the TVET sub sector, employment options and the government support available.

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**10. REPORT OF THE BOARD OF GOVERNORS**

The Board members submit their report together with the audited financial statements for the eighteen months period ended June 30, 2020 which show the state of Sabatia TVC affairs.

**Principal activities**

The principal activities of the entity are to provide quality technical and vocational training in order to produce competitive graduates for the job market

**Results**

The results of the entity for the eighteen months period ended 30<sup>th</sup> June 2020 are set out on page 1 to 31

**BOARD OF GOVERNORS**

The members of the Board who served during the year are shown on page vi to x.  
During the eighteen months period ended 30<sup>th</sup> June 2020 no director retired/ resigned and there were no new appointments

**Auditors**

The Auditor General is responsible for the statutory audit of Sabatia Technical and Vocational College in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of Sabatia Technical and Vocational College for the eighteen months period ended 30<sup>th</sup> June 2020.



**By Order of the Board**

**SABATIA TECHNICAL AND VOCATIONAL COLLEGE (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTHS PERIOD ENDED 30TH JUNE 2020**

**11. STATEMENT OF BOARD OF GOVERNORS MEMBERS' 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 Sabatia Technical and Vocational College, which give a true and fair view of the state of affairs of the College at the end of the financial year/period and the operating results of 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 eighteen months period ended 30<sup>th</sup> June 2020. 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.

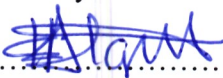
The board members accept responsibility for the College's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the TVET Act. 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 eighteen months period ended 30<sup>th</sup> June 2020, 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.


The board further notes that the financial statements and reports for the eighteen months period ended 30<sup>th</sup> June 2020 were prepared using the **Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)**.

Nothing has come to the attention of the council 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 22<sup>nd</sup> August, 2020 and signed on its behalf by:

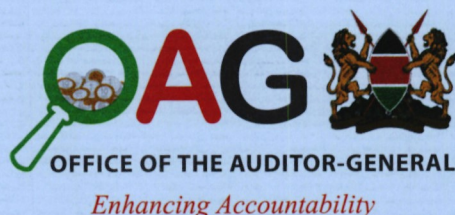
  
.....  
Chairperson of the Board

  
.....  
Accounting Officer/Principal

**SABATIA TECHNICAL AND VOCATIONAL COLLEGE (TVET)  
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**12. REPORT OF THE INDEPENDENT AUDITORS ON SABATIA TECHNICAL AND  
VOCATIONAL COLLEGE**

# REPUBLIC OF KENYA



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HEADQUARTERS  
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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON SABATIA TECHNICAL AND VOCATIONAL COLLEGE FOR THE EIGHTEEN (18) MONTHS PERIOD ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Sabatia Technical and Vocational College set out on pages 1 to 27, which comprise the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the eighteen (18) months period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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 Sabatia Technical and Vocational College as at 30 June, 2020 and of its financial performance and its cash flows for the eighteen (18) months period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Technical and Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### 1.0 Statement of Cash Flows

The statement of cash flows indicates cash and cash equivalents balance of Kshs.30,729 as at 1 January, 2019 as. However, this figure has not been supported with documentary evidence to confirm its accuracy. In addition, the statement shows use of goods and services of Kshs.3,200,333 which does not agree with the Kshs.7,165,220 in the statement of financial performance resulting to unreconciled variance of Kshs.3,964,887.

Consequently, the accuracy of the cash flow statement for the period ended 30 June, 2020 could not be confirmed.

## **2.0 Capital Fund**

The statement of financial position as at 30 June, 2020 reflects capital fund as Kshs.59,208,321. However, the composition or supporting documentation of this amount has not been explained or supported.

Consequently, the accuracy and completeness of the capital fund of Kshs.59,208,321 could not be confirmed.

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

The following anomalies were observed:

- i. The statement of financial position as at 30 June, 2020 reflects property, plant and equipment as Kshs.58,364,451. As indicated in Note 16 to the financial statements the cost as at 1 January, 2019 of land and buildings, furniture and fittings and computers was Kshs.57,669,270, Kshs.1,182,495 and Kshs.779,100 respectively. However, the source and composition of these figures has not been provided or disclosed.
- ii. Further, the College is situated on 5 acres of land while the title to the land has not been provided for audit review to confirm the size and ownership status. Its value could also not be ascertained.
- iii. The College also received various assets from the parent Ministry for use in electrical training courses. However, these assets were not included in the fixed assets register and therefore, their value could not be ascertained.

Consequently, the accuracy and completeness of the property, plant and equipment balance of Kshs.58,364,451 could not be confirmed.

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

### 1.0 Budgetary Control and Performance

#### 1.1 Revenue Analysis

The statement of comparison of budget and actual amounts reflects total budgeted revenues of Kshs.31,072,000 and actual revenues of Kshs.19,369,124 (62%) resulting to a budget shortfall of Kshs.11,702,876 as analyzed below;

Revenue Component	Budget Kshs.	Actual Kshs.	Under Kshs.	Over Kshs.	Utilization %
Transfers from other Government Entities	8,000,000	3,632,500	4,367,500		55%
Rendering of Services-Fees from Students	23,048,000	15,676,624	7,371,376		32%
Sale of Goods	24,000	0	24,000		100%
Other Income	0	60,000		60,000	
<b>Total</b>	<b>31,072,000</b>	<b>19,369,124</b>	<b>11,762,876</b>	<b>60,000</b>	

The National Government did not transfer Kshs.4,367,500 it appropriated for the institution. There was also a shortfall in fee collections by Kshs.7,371,376 mainly due to the closure of learning institutions in March, 2020.

Due to the reduced revenue realized, the College was not able to fund critical activities such as expansion of lecture theatres, hiring of trainers and building of workshops.

#### 1.2 Expenditure Analysis

The statement of comparison of budget and actual amounts reflects total budgeted expenditure of Kshs.26,230,202 and actual expenditure of Kshs.14,547,351. This resulted to under-performance of Kshs.11,782,851 or about 42% as a result of the closure of the College due to Covid pandemic and also due to the lower revenues.

Repairs and maintenance expenses amounting to Kshs.102,710 were not budgeted for as indicated above which contravenes regulation 52(2) of the Public Finance Management National Government regulations 2015 that requires expenditure commitment be based only on allocations and allotments from approved budgets.

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

### Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter 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 believe that public resources have been not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **Late Submission of Financial Statements**

The financial statements for the period ended 30 June, 2020 were initially submitted and received by the office of the Auditor-General on 21 October, 2020. This was contrary to section 164(4) of the Public Finance Management Act 2012 which requires that within three months after the end of each financial year the accounting officer shall submit the entity's financial statements to the Auditor-General.

Consequently, the Management was therefore 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 procedures performed, except for the matters described in the Conclusion on Effectiveness of Internal Controls section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **1.0 Risk Management Framework**

The College did not insure its assets during the period contrary to Public Finance Management National Government Regulation 139 of 2015 that requires an accounting officer of a national government entity to take full responsibility and ensure proper control for assets in their control. It did not also have the mandatory work injury benefit cover for its employees as required by Section 7 of the Work Injury Benefits Act 2007.

Consequently, the College was at risk of loss in case of any insurable events occurring.

### **2.0 Human Resource Policies and Procedures**

The Human Resource Policies and Procedures Manual for Public Service of May, 2016 Part II requires that each public entity to prepare human resource plans to support its achievement of strategic goals and objectives. However, the College has not established appropriate Human Resource Policies and Procedures to govern the recruitment process of the employees of the institution, guide in the management of the

employees through remuneration, training and skill retention as well as in the administration of leave and salary advance to employees. In addition, the Institution has not yet established a code of ethics within which the employees are to operate.

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

### **Responsibilities of Management and those Charged with Governance**

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

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but

is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

exists related to events or conditions that may cast significant doubt on the College's ability to 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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**

**04 February, 2022**

**SABATIA TECHNICAL AND VOCATIONAL COLLEGE (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE, 2020**

**13. STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE EIGHTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE, 2020**

	Notes	2019/2020
		Kshs
<b>Revenue from non-exchange transactions</b>		
Transfers from the National Government – grants/ gifts in kind	6	3,632,500
<b>Total Revenue from non-exchange transactions</b>		<b>3,632,500</b>
<b>Revenue from exchange transactions</b>		
Rendering of services- Fees from students	7	15,676,624
Other income	8	60,000
<b>Revenue from exchange transactions</b>		<b>15,736,624</b>
<b>Total revenue</b>		<b>19,369,124</b>
<b>Expenses</b>		
Use of goods and services	9	7,165,220
Employee costs	10	5,104,007
Remuneration of directors	11	462,500
Depreciation and amortization expense	16	1,712,914
Repairs and maintenance	12	102,710
<b>Total expenses</b>		<b>14,547,351</b>
Net Surplus for the year		<b>4,821,773</b>

The notes set out on pages 6 to 31 form an integral part of the Annual Financial Statements.

**SABATIA TECHNICAL AND VOCATIONAL COLLEGE (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE, 2020**

**STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2020**

	Notes	2019/2020
		Kshs
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	13	5,242,512
Receivables from exchange transactions	14	4,710,291
Receivables from non-exchange transactions	15	577,500
<b>Total Current Assets</b>		<b>10,530,303</b>
<b>Non-current assets</b>		
Property, plant and equipment	16	58,364,451
<b>Total Non-current Assets</b>		<b>58,364,451</b>
<b>Total assets</b>		<b>68,894,754</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables from exchange transactions	17	4,864,660
<b>Total Current Liabilities</b>		<b>4,864,660</b>
<b>Non-current liabilities</b>		-
<b>Total liabilities</b>		<b>4,864,660</b>
Accumulated surplus		4,821,773
Capital Fund		59,208,321
<b>Total Capital and Reserves</b>		<b>64,030,094</b>
<b>Total Liabilities and Capital &amp; Reserves</b>		<b>68,894,754</b>

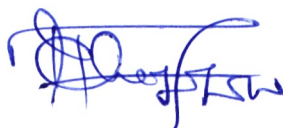
The Financial Statements set out on pages 1 to 5 were signed on behalf of the College Board of Governors by:

Geoffrey K. Aligula  
**Chairman of Board of Governors**



Date: 30/08/2020

CPA Hesborn Ehaji  
**Finance Officer**  
ICPAK No. 11369



Date: 30/08/2020

Gilbert G. Mwavali  
**Principal**



Date.: 30/08/2020

**SABATIA TECHNICAL AND VOCATIONAL COLLEGE (TVET)  
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FOR THE EIGHTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE, 2020**

**1. STATEMENT OF CHANGES IN NET ASSET  
FOR THE EIGHTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE, 2020**

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>Balance b/f as at January 1, 2019</b>	-	-	-	59,208,321	59,208,321
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	4,821,773	-	4,821,773
Capital/Development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings <b>At June 30, 2020</b>	-	-	4,821,773	59,208,321	64,030,094

**SABATIA TECHNICAL AND VOCATIONAL COLLEGE (TVET)  
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FOR THE EIGHTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE, 2020**

**2. STATEMENT OF CASHFLOWS  
FOR THE EIGHTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE, 2020**

		2019/2020
	Note	Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from other Government entities/Govt. grants	6	3,055,000
Rendering of services- Fees from students	7	10,966,333
Other income, rentals and agency fees	8	60,000
<b>Total Receipts</b>		<b>14,081,333</b>
<b>Payments</b>		
Compensation of employees	10	5,104,007
Use of goods and services	9	3,200,333
Remuneration of directors	11	462,500
Repairs and maintenance	13	102,710
<b>Total Payments</b>		<b>8,869,550</b>
<b>Net cashflows from operating activities</b>		<b>5,211,783</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,211,783</b>
Cash and cash equivalents at 1 January 2019		30,729
<b>Cash and cash equivalents at 30 June 2020</b>	14	<b>5,242,512</b>

**SABATIA TECHNICAL AND VOCATIONAL COLLEGE (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE, 2020**

**3. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE EIGHTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE, 2020**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Revenue</b>					
Transfers from other Govt entities Govt grants	8,000,000		8,000,000	3,632,500	4,367,500
Public contributions and donations	0		0	0	0
Rendering of services- Fees from students	23,048,000		23,048,000	15,676,624	7,371,376
Sale of goods	24,000		24,000	0	24,000
Finance Income	0		0	0	0
Consultancy Income	0		0	0	0
Other income	0		0	60,000	(60,000)
Gains on disposal, rental income and agency fees	0		0	0	0
<b>Total income</b>	<b>31,072,000</b>	<b>0</b>	<b>31,072,000</b>	<b>19,369,124</b>	<b>11,702,876</b>
<b>Expenses</b>					
Employee costs	4,626,746		4,626,746	5,104,007	(477,261)
Use of Goods and services	20,203,456		20,203,456	7,165,220	13,038,236
Finance costs	0		0	0	0
Remuneration of directors	1,400,000		1,400,000	462,500	937,500
Depreciation and amortization expense	0		0	1,712,914	(1,712,914)
Repairs and maintenance	0		0	102,710	(102,710)
<b>Total expenditure</b>	<b>26,230,202</b>	<b>0</b>	<b>26,230,202</b>	<b>14,547,351</b>	<b>11,682,851</b>
<b>Surplus for the period</b>	<b>4,841,798</b>	<b>0</b>	<b>4,841,798</b>	<b>4,821,773</b>	<b>20,025</b>

**SABATIA TECHNICAL AND VOCATIONAL COLLEGE (TVET)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE, 2020**

**4. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Sabatia TVC is established by and derives its authority and accountability from The TVET Act of 2013. The college is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activities of the college are provide quality technical and vocational training in order to produce competitive graduates for the job market

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

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

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

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

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

**i. Relevant new standards and amendments to published standards effective for the eighteen months period ended 30<sup>th</sup> June, 2020**

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

**SABATIA TECHNICAL AND VOCATIONAL COLLEGE (TVET)  
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FOR THE EIGHTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE, 2020**

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

**3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)**

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

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

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<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
<p><b>Standard</b></p>	<p><b>Effective date and impact:</b></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2022:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> <li>d) 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.</li> </ul>

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<p>Other Improvements to IPSAS</p>	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>
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**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

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

**Transfers from other government entities**

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

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

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

**ii) Revenue from exchange transactions**

**Rendering of services**

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

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

**Sale of goods**

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

**Interest income**

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

**Dividends**

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

**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 2019/2020 was approved by the Board on **05/02/2019**. There were no subsequent revisions or additional appropriations made to the approved budget.

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

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

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

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 3 of these financial statements.

**c) Taxes**

***Current income tax***

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

***Sales tax/ Value Added Tax***

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

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

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

**d) Investment property**

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

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

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

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

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

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

**e) Property, plant and equipment**

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

**f) Leases**

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

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

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

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity.

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

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

Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**g) Intangible assets**

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

**h) Research and development costs**

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

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

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

**i) Financial instruments**

***Financial assets***

***Initial recognition and measurement***

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

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

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

***Loans and receivables***

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

***Held-to-maturity***

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

**i) Financial instruments (Continued)**

***Financial assets (Continued)***

***Impairment of financial assets (Continued)***

***Impairment of financial assets***

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

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments

The probability that debtors will enter bankruptcy or other financial reorganization

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

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

- Observable data indicates a measurable decrease in estimated future cash flows  
(e.g. changes in arrears or economic conditions that correlate with defaults)

***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

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

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

**i) Inventories**

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

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

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

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

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

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

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

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

**i) Provisions**

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

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

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

***Contingent liabilities***

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

***Contingent assets***

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

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

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

**k) Nature and purpose of reserves**

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

**l) Changes in accounting policies and estimates**

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

**m) Employee benefits**

**Retirement benefit plans**

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

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

**n) Foreign currency transactions**

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

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

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

**o) Borrowing costs**

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

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

**p) Related parties**

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

**q) Service concession arrangements**

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

**r) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

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

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

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**s) Comparative figures**

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

**t) Subsequent events**

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

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

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

**Estimates and assumptions**

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

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**Useful lives and residual values**

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

The condition of the asset based on the assessment of experts employed by the Entity

- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 16.

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

**6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

Description	2019-2020 KShs
<b>Unconditional grants</b>	
Operational grant	1,000,000
Other grants	2,055,000
Accrued grants	577,500
<b>Total government grants and subsidies</b>	<b>3,632,500</b>

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

**7 RENDERING OF SERVICES**

Description	2019-2020
	KShs
Tuition fees	12,426,124
Activity fees	1,160,450
Examination fees	439,500
Library fees	188,000
Facilities and materials	1,362,050
Registration fees	100,500
<b>Total revenue from the rendering of services</b>	<b>15,676,624</b>

Note: These refers mainly to those expenses incurred in the provision of training services.

**8 OTHER INCOME**

Description	2019-2020
	KShs
Services concession income	60,000
<b>Total other income</b>	<b>60,000</b>

**9 USE OF GOODS AND SERVICES**

Description	2019-2020
	KShs
Electricity	107,350.00
Water	20,000.00
Advertising	112,000.00
Consumables	1,964,735
Insurance	51,500
Licenses and permits	202,500.00
Postage	27,050
Printing and stationery	794,292.00
Telecommunication	173,069
General expenses	0
Other (TSE & activity)	3,712,724.00
<b>Total goods and services</b>	<b>7,165,220</b>

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

**10 EMPLOYEE COSTS**

	2019-2020
	KShs
Salaries and wages	4,019,848.00
Travel, motorcar, accommodation, subsistence and other allowances	1,084,159
<b>Employee costs</b>	<b>5,104,007</b>

**11 REMUNERATION OF DIRECTORS**

Description	2019-2020
	KShs
Chairman's Honoraria	90,000.00
Directors emoluments	372,500.00
Other allowances	0
<b>Total director emoluments</b>	<b>462,500</b>

**12 REPAIRS AND MAINTENANCE**

Description	2019-2020
	KShs
Furniture and fittings	21,080
Computers and accessories	67,930
Other	13,700
<b>Total repairs and maintenance</b>	<b>102,710</b>

**13 CASH AND CASH EQUIVALENTS**

Description	2019-2020
	KShs
Current account	
Barclays(Absa)2039624985	5,212,768.15
Others (Cash in Hand)	29,744.00
<b>Total cash and cash equivalents</b>	<b>5,242,512.15</b>

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

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

		2019-2020
Financial institution	Account number	KShs
<b>a) Current account</b>		
Barclays Bank of Kenya		5,212,768.15
<b>Sub- total</b>		5,212,768.15
cash in hand		29,744.00
<b>Grand total</b>		<b>5,242,512.15</b>

**14 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Description	2019-2020
	KShs
<b>Current receivables</b>	
Student debtors	4,710,291
<b>Total current receivables</b>	<b>4,710,291</b>

**15 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Description	2019-2020
	KShs
<b>Current receivables</b>	
Transfers from other govt. entities (unpaid capitation)	577,500
<b>Total current receivables</b>	<b>577,500</b>



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

**17 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Description	2019-2020
	KShs
Trade payables	4,864,660
<b>Total trade and other payables</b>	<b>4,864,660</b>

**18 CASH GENERATED FROM OPERATIONS**

	2019-2020
	KShs
Surplus for the year before tax	
<b>Adjusted for:</b>	<b>5,211,783</b>
Working Capital adjustments	-
<b>Net cash flow from operating activities</b>	<b>5,211,783</b>

**19. FINANCIAL RISK MANAGEMENT**

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

**(i) Credit risk**

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

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

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

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

The entity has no significant concentration of credit risk.

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

**(i) Liquidity risk management**

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

**(iii) Market risk**

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

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

The company'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.

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

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

**a) Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

**a) Interest rate risk**

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

***Management of interest rate risk***

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

***Sensitivity analysis***

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

**(iii) Capital Risk Management**

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern.

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

**20. RELATED PARTY BALANCES**

**Nature of related party relationships**

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

**Government of Kenya**

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

- i. The National Government, Ministry of Education, State Department for Vocational Training
- ii. Key management;
- iii. Board of directors;

**21. EVENTS AFTER THE REPORTING PERIOD**

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

**22. ULTIMATE AND HOLDING ENTITY**

Sabatia TVC is a Technical and Vocational training institution operating under the Ministry of Education, State Department for Vocational Training. Its ultimate parent is the Government of Kenya.

**23. Currency**

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

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**5. APPENDICES**

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR  
RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

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

**Guidance Notes:**

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



Principal

Date..... 30/08/2020 .....

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**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

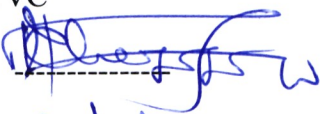
**APPENDIX III: INTER-ENTITY TRANSFERS**

<b>ENTITY NAME:</b>		SABATIA TECHNICAL AND VOCATIONAL COLLEGE		
<b>Break down of Transfers from the State Department of Vocational and Technical Training</b>				
<b>FY 2019/2020</b>				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		18/10/2019	877,500	2019/2020
		31/01/2020	900,000	2018/2019
		31/01/2020	1,000,000	2018/2019
		07/05/2020	277,500	2019/2020
		<b>Total</b>	<b>3,055,000</b>	

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager  
Unit  
Sabatia TVC

Sign

  
30/8/2020  
ICPAK No 11369

Head of Accounting  
Ministry of Education

Sign-----

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**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized				Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	
Ministry of Education	18/10/2019	Capitation	877,500	877,500	-	-	-	877,500
	31/1/2020	Capitation	900,000	900,000	-	-	-	900,000
	31/1/2020	Recurrent	1,000,000	1,000,000	-	-	-	1,000,000
	07/05/2020	Capitation	277,500	277,500	-	-	-	277,500
<b>Total</b>			<b>3,055,000</b>	<b>3,055,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,055,000</b>

