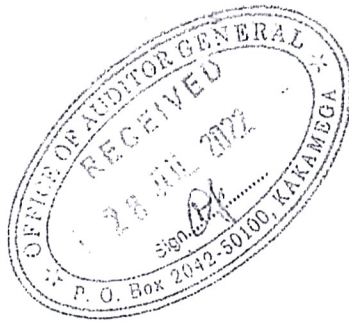




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**MUNGATSI TECHNICAL AND VOCATIONAL COLLEGE**


**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**June 30<sup>th</sup> 2021**

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

 <b>THE NATIONAL ASSEMBLY</b>	
P. O. BOX 100	
DATE: 29 NOV 2022	
TABLED BY:	
CLERK-AT THE-TABLE:	

MUNGATSI TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

June 30<sup>th</sup> 2021

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**June 30<sup>th</sup> 2021**

## **I. KEY ENTITY INFORMATION AND MANAGEMENT**

### **Background information**

The institution was incorporated/ established under the TVET Act on 26<sup>th</sup> April 2021. The entity is domiciled in Kenya and has no branches for now. The institute is under the Ministry of Education. Prior to registration and in pursuit to conform to the provisions of the TVET Act the college was visited by TVET officials in early March 2021 after making an online registration and by filling the relevant forms. The entity is domiciled in Kenya and has no branches in any other place in Kenya. The college is a public entity and domiciled under the Ministry of Education.

### **Principal Activities**

#### **The Institute Vision**

To be a centre of excellence in engineering, research and innovations for sustainable development.

#### **The Institute Mission**

to provide quality skills training in research and innovation for competitive global outreach.

#### **Institutional Motto**

Technical training for sustainable development

#### **The Institute's Philosophy Statement**

To provide a well-trained market oriented workforce that is certified to international standards which contributes to the improved productivity and prosperity of the nation

### **The Institute's Core Values**

Accountability

Customer focus

Equity

Integrity

Public private partnership

The principal activity/mission/ mandate of the entity is to ...

- 1: To develop the priority infrastructure for expansion of technical training programs
- 2: To identify market/industry driven and diverse technical training programs that will lead to raise the inaugural trainee population of 2000 by June 2025
- 3: To offer Quality and Relevant programmes and undertake delivery of technical skills that produce high-end TVET graduates as to achieve vision 2030
- 4: To foster innovations and basic research that will enable enhanced knowledge creation, production and repairs of equipment in our area of training as to meet current and emerging societal needs..
- 5: To adopt and promote innovative and responsive corporate and management systems and structures
- 6: To build and strengthen collaborative networks and partnerships, that, cultivate active industry-based learning, community engagement and national linkages
- 7: To efficiently manage the human, infrastructural and financial resources for optimal sustainability and development of the institution
- 8: To develop and strengthen internal quality assurance that will guarantee continuous improvement of service delivery

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**Key Management**

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

Board of governors  
Accounting officer/ Principal  
Heads of departments

**Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	-Kenneth Mung'aho Agoi
2.	Head of Finance	-James Opiyo
3.	Head of Procurement	-Mercyline Khasungu
4.	Deputy Principal	-Henry Odhiambo Nyongesa
5.	Ag. Registrar	-Samuel Okoth Athiambo
6.	Ag. Dean of students	-Naibei Remmy Sasia

(Include all positions regarded as top management in your organisation).

**Fiduciary Oversight Arrangements**

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

Audit committee activities

Annual audit-where MTVC will conduct atleast one audit during each calendar year

Continuous audit-in lieu of performing annual audit, MTVC may adopt/arrange discrete continuous internal/external audits and such audit will be entrenched in the minutes of the board.

Fiduciary audit committee-it will consist of 3 members where the internal auditor shall be the secretary. The principal is not a member of this committee and a member of any other sub-committee of the BOG shall not be a member.

Development partner oversight activities

Budgeting

Memorandum of understanding drafting

Revision of the budgets

Reporting-narrative and financial verification

Other oversight activities

Third party information

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## II. KEY ENTITY INFORMATION AND MANAGEMENT

**Entity Headquarters**

P.O. Box 238-50409

Nambale

KENYA

**Entity Contacts**

Telephone: (254) 97777684

E-mail: mungatsitvc@gmail.com

**Entity Bankers**

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

Nairobi, Kenya

Kenya Commercial Bank

Busia Branch

**Independent Auditors**

Auditor General

Office of Auditor General

Anniversary Towers, Institute Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112


City Square 00200

Nairobi, Kenya

MUNGATSI TECHNICAL AND VOCATIONAL COLLEGE




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	<p>Curriculum Instruction and Educational Media (CIEM). Professor Violet is a holder of Ph.D (2005) and MPhil degrees (1998) respectively from Moi University, and a Ed degree (1992) from Kenyatta University.  <b>Chairperson-Human Resource Education and Research Sub-Committee: Mungatsi TVC 2021-2023</b></p>
<p>DR. BENEDICT ONDIEK ALALA</p> 	<p><b>Chairman-Finance Sub-Committee: Mungatsi TVC 2021-2023</b>  <b>Moi University</b>                  September 2008-September 2013                  Doctor of Philosophy in Business Management-(Finance Option)  <b>Kenya Institute of Management</b>                  September 2007-September 2008                  Post-graduate Diploma in Purchasing and Supplies Management  <b>Moi University</b>                  December 2005                  MBA (Finance and Banking Option)  <b>Maseno University</b>                  December 2002                  Bachelor of Education Arts (Economics and Accounting)  <b>United Nations Development Programme</b>                  July 2006                  Business skills and Entrepreneurship Development, Enterprise Development Agent in Business advisory Services (BATS)  <b>Ebenezer College, Kerugoya-Kutus</b>                  November 2001                  Certified Public Accounts (CPA) PART 1, Kenya Accounts and Technician Certificate Part 1 and 11                  PART II and III in progress</p>
<p>DR. OSBORNE MABALU</p>	<p>PhD in Alternative Medicines from Indian Academy of Accupressure Science 2017, currently teaching at Maseno University. A member of the Human Resource Sducation and Research Sub-Committee: Mungatsi TVC, 2021-2023.</p>

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<p><b>MR. KENNETH MUNG' AHO AGOI</b></p> 	<p>Date of Birth: 11 11 1967  Principal  Mungatsi Technical and Vocational College  BOG Secretary-Mungatsi TVC 2021  Doctor of Philosophy in Finance  Masinde Muliro University of Science and  Technology; 2018 ongoing</p>
<p><b>ENG. FREDRICK ADEMBA</b></p> 	
<p><b>MR. STEPHEN NGURE GITONGA.</b></p>	<p><b>Year of Birth: 1987</b></p>

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*MUNGATSI TECHNICAL AND VOCATIONAL COLLEGE*

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**MANAGEMENT TEAM**

<p>Kenneth M. Agoi</p> 	<p>Principal Kenneth M. Agoi Trainer in Finance Holder of MBA Finance From Masinde Muliro University of Science and Technology 2017 Holder of Bachelor of Education from Kenyatta University 1991 Pursuing PhD in Financa at Masinde Muliro University of Science and Technology Represents TVET on the Kenya Music Festival executive committee</p>
<p>Henry Odhiambo Nyongesa</p> <p>xvi</p>	<p>Deputy Principal Trainer in Bulding Technology Henry Odhiambo Nyongesa Holder of Higher Diploma in Entrepreneurship, Diploma in Technical Education and Diploma in Building Technology</p>
<p>Samuel Okoth Athiambo</p> 	<p>Ag. Registrar Trainer in Refrigeration and Air conditioning Holder of Bachelor of Technology in Mechanical Engineering-2018 Currently finalizing Masters in sanitation engineering</p>

June 30<sup>th</sup> 2021

### III. CHAIRMAN'S STATEMENT

The BOG was appointed by the Cabinet Secretary for Education in October 2020 as the inaugural board for Mungatsi Technical and Vocational College and inaugurated on the college grounds in December 2020. Our mandate is oversight to ensure focus on objectives set in the strategic plan. The BOG strictly focuses to develop Mungatsi TVC through a strategic plan whose strategic objectives include:-

- 1: To develop the priority infrastructure for expansion of technical training programs
- 2: To identify market/industry driven and diverse technical training programs that will lead to raise the inaugural trainee population of 2000 by June 2025
- 3: To offer Quality and Relevant programmes and undertake delivery of technical skills that produce high-end TVET graduates as to achieve vision 2030
- 4: To foster innovations and basic research that will enable enhanced knowledge creation, production and repairs of equipment in our area of training as to meet current and emerging societal needs..
- 5: To build and strengthen collaborative networks and partnerships, that, cultivate active industry-based learning, community engagement and national linkages
- 6: To efficiently manage the human, infrastructural and financial resources for optimal sustainability and development of the institution.

The college is equipped in Refrigeration and Air Conditioning and I credit the Government of Kenya for the great effort and financial commitment. The board also thanks the member of parliament for Nambale constituency Dr. Bunyasi Sakwa and Nambale CDF for their closeness and support to the baby Mungatsi TVC. A number of proposals have been made to enable the NG-CDF of Nambale to expand the tuition facilities and we are impressed to disclose that their intended support to construct institutional management tuition prefab will go a long way to leveraging MTVC to greater heights of excellence TVET programs.

The college faces challenges in implementation of market driven courses in Hairdressing and Beauty therapy, Construction management, fashion design and garment making, motor vehicle mechanics, agribusiness and electrical engineering. Our humble request to the Kenya government to support and help actualize the dream of the many trainees who are already enrolled in such courses and those who will come in future.

In a nutshell, I see hope in the committed team of the BOG members because it is made up of scholars. It is my wish that God makes us speak more through actions than word.

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The college also received 80 chairs for trainees, office furniture and equipment from the Ministry of Education.

The CDF undertook to fence and secure a gate. The county government of Busia through the water ministry contracted lake Victoria North water services to deepen a borehole which will provide adequate supply of water to the college and the surrounding community.

However, the College is faced with a number of challenges including.

Library text books: Being new we start from scratch hence lack any text books that trainers will require for studies.

1 Lathe machine to support introduction of hands on courses that complement air conditioning machines.

(iv) 9 acre bush part of which has been cleared and WIP to clear

v. Land scaping costs-since the college land was a murram mine for constructing the Mumias-Busia road in 1990s a depression was left which the CDF Nambale are preparing to fill.

iv. Inadequacy of buildings to provide sufficient classrooms for trainees in this era of COVID 19. More room will be needed to provide a stand-alone library, administration block, trainer's quarters and hostels.

v. Lack of Desktop computers to support training of ICT which is cross-cutting in all courses.

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.

MTVC has 6 strategic pillars and objectives within its Strategic Plan for the FY 2019/2020-2023/2024. These strategic pillars are as follows:

Pillar 1: infrastructural development

Pillar 2: training programs

Pillar 3: delivery of technical skills

Pillar 4: Knowledge creation

Pillar 5: Management structures

Pillar 6: allocation of resources

MTVC develops its annual work plans based on the above 8 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The MTVC achieved its performance targets set for the FY 2019/2020 period for its 8 strategic pillars, as indicated in the diagram below:

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: INFRASTRUCTURAL DEVELOPMENT	1: To develop the priority infrastructure for expansion of technical training programs K	Number of courses mounted Student/trainee enrolment BOG minutes Number of trainers hired	BOG nomination BOG inauguration BOG meetings held Advertisements and road shows Hire of support and teaching staff	BOG already inaugurated BOG meetings held and attended in the mentoring institution Support staff hired
Training programs	2: To identify market/industry driven and diverse technical training programs that will lead to raise the inaugural trainee population of 2000 by June 2025	Number of courses mounted Minutes for hiring trainers Sourcing curricular/syllabi	Identification of supplier for designing logo, brochures, receipt books etc Meeting holding to prepare for opening	Ricklink supplier identified Critical documents prepared and printed by supplier Meetings held
Delivery of technical skills	3: To offer Quality and Relevant programmes and undertake delivery of technical skills that produce high-end TVET graduates as to achieve vision 2030	Meetings held	Research about the needs of the industry Set up Quality assurance unit	Meeting minutes available
Knowledge creation	4: To foster innovations and basic research that will enable enhanced knowledge creation, production and repairs of equipment in our area of training as to meet current and emerging societal needs..	2 BOG Meetings	Meetings held	Minutes of Board and Staff meeting minutes
Management structures xxvi	5: To adopt and promote innovative and responsive corporate and management systems and structures	BOG meetings TVETA organized meetings attended Invitation letters to workshops	Attending BOG meetings Attending TVETA and KATTI organized seminars	Organogram in place Letters of invitation available Receipts of registration in place
Collaborations	6: To build and strengthen collaborative	MOUs BOG meetings scheduling	Preparation of MOUs Tree planting	MOU documents in place

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	networks and partnerships, that, cultivate active industry-based learning, community engagement and national linkages	Requests for afforestation programs from Equity bank		1000 seedlings supplied and planted
	xviii			
Management of resources	7: To efficiently manage the human, infrastructural and financial resources for optimal sustainability and development of the institution	Grants from the MOE Minutes for Budget preparation Preparation of strategic plan BOG minute for hiring of key staff in finance	Actual budget preparation  Advertise for the posts of Accountant and procurement officer	Budgets delivered to the MOE Strategic plan available Adopted Prequalification of suppliers from mentor and sister institutions.  Hiring of Ag accountant and
Internal Assurance Quality xix	8: To develop and strengthen internal quality assurance that will guarantee continuous improvement of service delivery	QAS office Appointment of registrar Preparation of academic policy	Setting up QAS office Setting up the organogram	Registrar appointed QAS appointed

June 30<sup>th</sup> 2021

## V. CORPORATE GOVERNANCE STATEMENT

MTVC operates on corporate governance pillars. It involves balancing interests of many stakeholders in the college. Good corporate governance forms a framework for attaining colleges objectives, it encompasses practically every sphere of management from action plans and internal controls to performance measurement and corporate disclosures.

## IV. MANAGEMENT DISCUSSION AND ANALYSIS

The financial statements were analysed by board of governors on 17<sup>th</sup> September 2021. The statements portrayed true and view of the college operations and receipts were true receipts, expenses reflected total expenses incurred during the year. They noted the college has limited sources of income and this limited its operations.

## VII. CORPORATE, SOCIAL RESPONSIBILITY

### STATEMENT/SUSTAINABILITY REPORTING

#### Sustainability strategy and profile -

Mungatsi TVC is a public entity and therefore receives funding from fees paid in by trainees and grants from the government. Therefore, these funds are spent to provide services to present trainees while caring for the future generation. The equipment, tools, lecture rooms etc procured today will serve into the foreseeable future. Resources thus obtained need to be used prudently because resources are scarce. Political environment is shaping up and what was viewed to flow from the central government is now devolved hence much as the government centrally administers capitation and helb funding, the NG-CDF and the county governments are gaining interest in TVET funding. Other partners like the KCB are also patronizing certain programs especially the Ajira program where they engage trainees with NITA courses to help operationalize transfer of technology and skills to the poorest of the poor. To this end, MTVC, while making projections and budgeting strives engage partners to attract funding from the above-mentioned stakeholders under the public private partnership (PPP) norm. to supplement scarce resource funding, MTVC aims to undertake income generating units IGU to create more income for future expansion.

#### Environmental performance

MTVC hinges its environmentalism on the National environmental policy, 2013 of the republics of Kenya. The policy making process draws into the Sessional Paper No. 6 of 1999 entitled Environment and Development. The legislative process gave forth the Environmental Management and Coordination Act (EMCA) No. 8 of 1999 as Kenya's first framework environmental law. Both the Sessional Paper and the Act added to a large number of existing sectoral laws and policies on various facets of the environment such as water, forest and minerals. This has created a diffuse system of environmental laws and policies, some of whose provisions are not in harmony making them ill-suited to aid the pursuit of sustainable development objectives as set out in the Vision 2030. The promulgation of The Constitution of Kenya 2010 and other new developments like climate change marked an important chapter in Kenya's environmental policy development. Hailed as a 'Green' Constitution, it embodies elaborate provisions with considerable implications for sustainable development. These range from environmental principles and implications of Multilateral Environmental Agreements (MEAs) to the right to a clean and healthy environment as enshrined in the Bill of Rights. Chapter V is entirely dedicated to land and environment. It also embodies a host of social and economic rights which are of environmental character such as the right to water, food and shelter, among others.

## MUNGATSI TECHNICAL AND VOCATIONAL COLLEGE

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#### **Internal applicants**

Current employees with a satisfactory employment status may apply for internal job openings. The consents of the employee's manager and the HOD department may be necessary for employees with less than one year of service with the college.

All applicants for a posted vacancy will be considered based on their qualifications and ability to perform the job successfully. Internal candidates who are not selected will be notified by the Principal/HOD department.

#### **Interview process**

The Head of department and the hiring principal will screen applications and resumes prior to scheduling interviews. Initial interviews are generally conducted by the HR subcommittee department and the hiring manager using behavior-based interview questions and a structured interview process. Candidate evaluation forms will be completed after each interview and retained with the application. The principal department will notify applicants who are not selected for positions at the MTVC/college.

#### **Reference checks**

HR subcommittee will conduct professional reference checks and employment verification on the top candidates based on the results of the candidate evaluation forms completed by the interviewers. A minimum of three professional references are required from each candidate.

#### **Job offers**

After a decision has been made to hire a candidate, an offer will be made contingent on the satisfactory completion of required background checks and testing. Background checks will vary depending on the position and may include criminal history, credit history, driving record, drug testing or any other relevant information for the job.

Internal applicants must complete required background checks or tests not previously completed.

Once the HR subcommittee receives satisfactory results from all required background checks and tests, candidates will be provided with a final job offer. If a candidate fails to accept an offer of employment within 7 calendar days, the offer may be rescinded by the college.

#### **The Importance of Meaningful Stakeholder Engagement to Mungatsi TVC**

Mungatsi TVC operates on the premise that 'those groups who can affect or are affected by the achievements of an college's purpose' should be given the opportunity to comment and input into the development of decisions that affect us. We operate in a societal dispensation where if they are not actively sought out, sooner or later they may demand to be consulted.

Situations are envisaged where the college does not actively engage but are forced to do so by the demands of society as a result of a crisis situation. The college is bound to employ crisis- management techniques, and are often forced into a defensive dialogue with stakeholders in case problems arose, leading to a significant and long- lasting loss of reputation. This type of interaction is often antagonistic and damaging of trust.

Aware of the impending scenario, meaningful engagement occurs when college, aware of the changes in the wider society and how they relate to organisational performance, chooses to establish relations with stakeholders as a means to manage the impact of those changes, such as those created as a result of global economic downturn and social misgivings. MTVC will either seek to mitigate risk through the use of stakeholder management, or exploit these new trends to identify and establish new opportunities through the use of meaningful stakeholder engagement; the latter is characterised by a willingness to be open to change.

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**Occupational safety and health at the college**

Mungatsi TVC integrates occupational safety and health (OSH) into the educational system as an essential aspect of the development of risk prevention culture. This allows everybody, trainers and trainees alike, to learn how to live and work in a safe and healthy environment. The educational staff must become aware of the risk factors in their working environment. They must also become acquainted with the legal regulations on safety and health at work in order to prevent accidents at the workplace. An educational institution must be a safe and healthy working environment for all the staff, trainees and other persons involved with it to make it suitable for the teaching and learning process.

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**Market place practices-**

MTVC observes is in business and undertakes to offer superior value to its customers by:

Responsible competition practice-

**Anti-corruption**-The college strives to ensure that the best vetted firms are given a chance to transact business without arm-twisting the supplier or asking for kickbacks. The prices for items are those captured officially in the official contract documents.

**Political involvement**-The College encourages and adheres to non-partisan involvement with politicians always maintaining the rule of law while failing to ascribe to political patronage

**Fair competition and respect for competitors**-During procurement process, the college ensures strict adherence to sound procurement practices and guidelines. The college advertises widely and gives every applicant a chance to win. MTVC does not share supplier information with any third party unless given permission by the particular supplier.

**Maintaining good business practices**-MTVC strives to ensure that its procurement function is aligned with the broad priorities by objectively and legally collaborating with suppliers. The college ensures sound supplier relations, communicates clearly and consistently on the basis of equality and equity. The college strives to use the most appropriate and affordable technology to the suppliers. As much as is practical, the college honours contractual obligations as described by law and if any case the financials are not good, the suppliers are informed early enough.

**Ensuring ethical marketing practices**-MTVC ensures transparency, honesty and credibility of and with the information it gives to customers. The college also ensures that the customer information is kept under key and lock. The college addresses customer complaints promptly and objectively and discourages its staff from giving unverified or exaggerated information so as to unfairly exploit consumer emotions.

**Community Engagements-**

MTVC has partnered with the community by forming a joint water resource management committee that will translate into a community based organization

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**VIII. REPORT OF THE BOARD OF GOVERNORS**

The Council/Board members submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the entity's affairs.

**Principal activities**

The principal activities of the entity are (continue to be) Provide adequate and appropriate skilled Artisans, Craftsmen, Technicians and Technologists at all levels of the economy through practical training and work experience;

Transfer technology continuously through collaborative approach between TVET institutions and the relevant industries;

**Results**

The results of the entity for the year ended June 30 are set out on page ....

**COUNCIL/BOARD OF GOVERNORS**

The members of the Board /Council who served during the year are shown on page v. During the year 2020/2021 no director retired/ resigned and the principal requested the Governor of Busia County to nominate and send to the PS a representative for the county on Mungatsi TVC Board and it is expected that she will be appointed with effect from 2021 October

**Auditors**

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the entity for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

MUNGATSI TECHNICAL AND VOCATIONAL COLLEGE

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**IX. STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITIES**

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

The council members are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

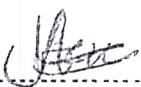
The council members accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012

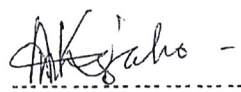
. The council members are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2021, and of the entity's financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

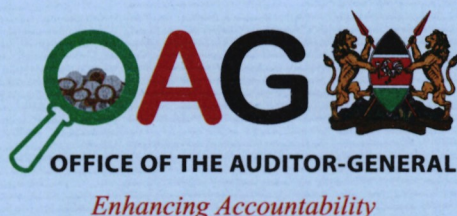
The entity's financial statements were approved by the Board on \_\_\_\_\_ 17<sup>th</sup> September 2021 and signed on its behalf by:

  
.....  
Chairperson of the Board

  
.....  
Accounting officer/Principal

# REPUBLIC OF KENYA

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## REPORT OF THE AUDITOR-GENERAL ON MUNGATSI TECHNICAL AND VOCATIONAL COLLEGE FOR THE YEAR ENDED 30 JUNE, 2021

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Mungatsi Technical and Vocational College set out on pages 1 to 27, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229

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*Report of the Auditor-General on Mungatsi Technical and Vocational College for the year ended 30 June, 2021*

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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mungatsi Technical and Vocational College as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis), and complies with the Public Finance Management Act, 2012, and the Technical and Vocational Education and Training Act, 2013.

## **Basis for Qualified Opinion**

### **1. Inaccuracies in the Financial Statements**

#### **1.1 Property, Plant and Equipment**

The statement of financial position and as disclosed in Note 20 to the financial statements reflects property, plant and equipment balance of Kshs.359,152,025 which includes Kshs.118,383 for additions to assets. However, re-casting of the additions balance gives a total of Kshs.168,383 resulting to an unexplained variance of Kshs.50,000.

#### **1.2 Depreciation and Amortization**

The statement of financial performance and as disclosed in Note 12 of the financial statements reflects an amount of Kshs.19,074,898 for depreciation and amortization. However, the depreciation policy and depreciation rates applied have not been disclosed in the financial statements.

#### **1.3 Employee Costs**

The statement of financial performance reflects an expenditure of Kshs.2,324,735 under employee costs while Note 10 to the financial statements reflects a corresponding amount of Kshs.2,390,146. No reconciliation was provided for the variance of Kshs.65,411.

In the circumstances, the accuracy of the property, plant and equipment balance and employees costs expenditure of Kshs.359,152,025 and Kshs.2,324,735 respectively could not be confirmed.

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Lack of Risk Management Policy Framework**

The College operated without a documented Risk Management Policy framework contrary to the requirements of Treasury Circular No.3/2009 of 23 February, 2009, which requires all Heads of public institutions to develop and implement a risk management framework as a fundamental step towards establishing an accountable and innovative public service.

In the circumstances, it was not possible to confirm the effectiveness of the College's risk management.

#### **2. Lack of Internal Audit Function and Committee**

Review of the overall internal control environment of the College revealed that the College did not have an Internal Audit function and Audit Committee, contrary to Section 73(1) of the Public Finance Management Act, 2012, which requires each National Government entity to establish an Internal Audit Committee, which shall support the Accounting Officers with regard to their responsibilities for issues of risk, control and governance and associated assurance and also to follow up on the implementation of the recommendations of internal and external auditors.

In the circumstances, the effectiveness of the College's internal controls systems and oversight could not be confirmed.

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

### **Responsibilities of Management and the Board of Governors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the College's ability 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 to cease its operations.

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

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

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

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the College's policies and procedures may deteriorate.


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 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 sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**31 August, 2022**

MUNGATSI TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

June 30<sup>th</sup> 2021

X. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the National Government – grants/ gifts in kind	6	2,200,000	
Grants from donors and development partners	6	21,697,120	-
		<b>23,897,120</b>	-
<b>Revenue from exchange transactions</b>			
Rendering of services- Fees from students	7	1,045,790	-
Sale of goods	8	36,000	-
<b>Revenue from exchange transactions</b>		<b>1,082,390</b>	-
<b>Total revenue</b>		<b>24,979,510</b>	-
<b>Expenses</b>			
Use of goods and services	9	1,078,828	-
Employee costs	10	2,324,735	-
Remuneration of directors	11	412,270;	-
Depreciation and amortization expense	12	19,074,898	-
Repairs and maintenance	13	39,880	-
Contracted services	14	270,000	-
Finance costs	15	3,802	-
<b>Total expenses</b>	0	<b>23,204,413</b>	-
<b>Net Surplus for the year</b>	0	<b>1,775,097</b>	-

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**XI. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2021**

	Notes	2020-2021	2019-2020
		KShs	
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	355,747	-
Current portion of receivables from exchange transactions	17	1,757,597	-
Inventories	19	9,745	-
		2,123,089	-
<b>Non-current assets</b>			
Property, plant and equipment	20	359,152,025	-
		359,152,025	-
<b>Total assets</b>		<b>361,275,114</b>	-
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	21	275,000	-
Refundable deposits from customers	22	73,000	-
		348,000	-
<b>Total liabilities</b>		<b>348,000</b>	-
Reserves		1,775,089	-
Capital Fund		359,152,025	-
<b>Total liabilities plus equity</b>		<b>361,275,114</b>	-

The Financial Statements set out on pages 1 to 2 were signed on behalf of the Institute Board of Governors by:

  
Board of Governors

Date: 15.07.2022

  
Finance Officer  
ICPAK No 27909  
JAMES OPIO  
Date: 15.07.2022

  
Principal

Date: 15.07.2022

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XII. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR  
ENDED 30 JUNE 2021

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/ Development Grants/Fund	Total
<b>At July 1, 2020</b>	<b>000</b>	<b>000</b>	<b>000</b>	<b>378,108,540</b>	<b>378,108,540</b>
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	000	(19,074,898)	(19,074,898)
<b>At June 30, 2021</b>	<b>000</b>	<b>000</b>	<b>000</b>	<b>359,033,642</b>	<b>359,033,642</b>

MUNGATSI TECHNICAL AND VOCATIONAL COLLEGE

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June 30<sup>th</sup> 2021

**XIII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2020-2021 Kshs	2019-2020
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other Government entities/Govt. grants		2,200,000	-
Rendering of services- Fees from students		1,045,790	-
Sale of goods		36,600	-
<b>Total Receipts</b>		<b>4,282,390</b>	-
<b>Payments</b>			
Compensation of employees		2,324,735	-
Use of goods and services		1,078,828	-
Finance cost		3,802	-
Other payments		109,130	-
<b>Total Payments</b>		<b>3,516,495</b>	-
<b>Net cash flows from operating activities</b>		<b>765,895</b>	-
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(366,248)	-
increase in non-current receivables		(1,041,850)	-
<b>Net cash flows used in investing activities</b>		<b>(1,408,098)</b>	-
<b>Cash flows from financing activities</b>			
<b>Net cash flows used in financing activities</b>		<b>(000)</b>	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(642,203)</b>	-
Cash and cash equivalents at 1 JULY 2020	26	997,950	-
<b>Cash and cash equivalents at 30 JUNE 2021</b>	<b>26</b>	<b>355,747</b>	-

**June 30<sup>th</sup> 2021**

#### **XIV. NOTES TO THE FINANCIAL STATEMENTS**

##### **GENERAL INFORMATION**

The entity is established by and derives its authority and accountability from TVET Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is governed by TIVET Act.

#### **XV. 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 Notes

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

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

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**June 30<sup>th</sup> 2021**

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

**Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 40: Public Sector Combinations</b>	<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.

MUNGATSI TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

June 30<sup>th</sup> 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ADOPTION OF NEW AND REVISED STANDARDS (Continued)

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

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

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<b>Standard</b>	<b>Effective date and impact:</b>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1st January 2022:</b></p> <p>Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>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>IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p> <p>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>IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</p> <p>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>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>

June 30<sup>th</sup> 2021

## XVII. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Revenue recognition

#### 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

#### 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.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### a) Revenue recognition

#### Revenue from exchange transactions

#### 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.

#### Budget information

The original budget for FY 2020/2021 was approved by the Board on 17<sup>TH</sup> September 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of on the FY 2020/2021 budget following the Board's approval.

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**June 30<sup>th</sup> 2021**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**c) Taxes**

**Sales tax/ Value Added Tax**

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

When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

When receivables and payables are stated with the amount of sales tax included.

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

**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 \_\_\_\_\_ years.

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

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

**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

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**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED**

**June 30<sup>th</sup> 2021**

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.

June 30<sup>th</sup> 2021

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

##### Leases

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

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

##### 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.

##### 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.

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Financial instruments**

##### **Financial assets**

##### **Initial recognition and measurement**

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

##### **Loans and receivables**

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

##### **Held-to-maturity**

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

##### **Impairment of financial assets**

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

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**XVIII. NOTES TO THE FINANCIAL STATEMENTS**

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

**i) Financial instruments**

**Financial assets**

**Impairment of financial assets**

The debtors or a entity of debtors are experiencing significant financial difficulty

Default or delinquency in interest or principal payments

The probability that debtors will enter bankruptcy or other financial reorganization

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

**Financial liabilities**

**Initial recognition and measurement**

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

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

**Loans and borrowing**

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

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

**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

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**i) Inventories**

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

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

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

**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

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **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.

#### **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.

#### **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.

#### **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.

#### **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.

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

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

**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.

**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.

**Cash and cash equivalents**

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

**Comparative figures**

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

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## **XVIII. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

### **Estimates and assumptions**

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

### **Useful lives and residual values**

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

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

### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.  
Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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XX. NOTES TO FINANCIAL STATEMENTS

6. TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2020-2021	2019-2020
	KShs	
<b>Unconditional grants</b>		
Operational grant-ministry	1,000,000	-
Other grants-CDF BURSARY	1,200,000	-
<b>TOTAL</b>	<b>2,200,000</b>	
<b>Conditional grants</b>		
Learning facilities grant	21,697,120	-
<b>Total government grants and subsidies</b>	<b>24,697,120</b>	-

7. RENDERING OF SERVICES

Description	2020-2021	2019-2020
	KShs	
Tuition fees	58,400	-
Activity fees	146,000	-
Library fees	73,000	-
Facilities and materials	549,390	-
Registration fees	219,000	-
<b>Total revenue from the rendering of services</b>	<b>1,045,790</b>	-

8. SALE OF GOODS

Description	2020-2021	2019-2020
	KShs	
Sale of farm produce	36,600	-
<b>Total revenue from the sale of goods</b>	<b>36,600</b>	-

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**9. USE OF GOODS AND SERVICES**

Description	2020-2021	2019-2020
	KShs	
Electricity	28,858	-
Water	17,100	-
Security	270,000	-
Subscriptions	117,725	-
Advertising	65,233	-
Admin fees-students concil	32,850	-
Consumables	78,290	-
Postage	19,815	-
Printing and stationery	94,810	-
Office equipmnt	354,142	-
<b>Total good and services</b>	<b>1,078,828</b>	<b>-</b>

**10 EMPLOYEE COSTS**

	2020-2021	
	KShs	
Salaries and wages	1,587,560	-
Employee related costs - contributions to pensions and medical aids	25,900	-
Travel, motor car, accommodation, subsistence and other allowances	776,686	-
<b>Employee costs</b>	<b>2,390,146</b>	<b>-</b>

**11. REMUNERATION OF DIRECTORS**

Description	2020-2021	
	KShs	
Chairman's Honoraria	61,000	-
Directors emoluments	193,000	-
Other allowances	158,270	-
<b>Total director emoluments</b>	<b>412,270</b>	<b>-</b>

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12. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2020-2021	2019-2020
	KShs	-
Property, plant and equipment	19,074,898	-
<b>Total depreciation and amortization</b>	<b>19,074,898</b>	-

13 REPAIRS AND MAINTENANCE

Description	2020-2021	2019-2020
	KShs	kshs
Furniture and fittings	39,880	-
<b>Total repairs and maintenance</b>	<b>39,880</b>	-

14 FINANCE COSTS

Description	2020-2021	2019-2020
	KShs	kshs
Bank charges	3802	-
<b>Total finance costs</b>	<b>3802</b>	-

15. CONTRACTED SERVICES

Description	2020-2021	2019-2020
	KShs	kshs
Bank charges	270,000	-
<b>Total finance costs</b>	<b>270,000</b>	-

16. CASH AND CASH EQUIVALENTS

Description	2020-2021	2019-2020
	KShs	
Current account	355,747	997,950
<b>Total cash and cash equivalents</b>	<b>355,747</b>	<b>997,950</b>

17. DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

Financial institution	Account number	2020-2021	2019-2020
		KShs	KShs
		<b>355,747</b>	<b>997,950</b>
<b>Current account</b>			
Kenya Commercial bank	1273839846	355,747	997,950
<b>Grand total</b>		<b>997,950</b>	<b>355,747</b>

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18. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	KShs	KShs
<b>Current receivables</b>		
Student debtors	1,757,597	-
<b>Total current receivables</b>	<b>1,757,597</b>	<b>-</b>

19. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	KShs	KShs
<b>Current receivables</b>		
Transfers from other govt. entities	355,747	-
<b>Total current receivables</b>	<b>355,747</b>	<b>-</b>

20. INVENTORIES

Description	2020-2021	2019-2020
	KShs	KShs
Consumable stores	9,745	-
<b>Total inventories at the lower of cost and net realizable value</b>	<b>9,745</b>	<b>-</b>

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20. PROPERTY, PLANT AND EQUIPMENT

Cost	Land and Buildings Shs	Motor Vehicles Shs	Furniture and fittings Shs	Computers Shs	Other Assets (utensils) Shs	Plant and equipment Shs	Capital Work in progress Shs	Total Shs
At 1 July 2020	75,600,000	000	2,362,400	124,000	22,140	300,000,000	-	378,108,540
Additions-	-	50,000	-	-	71,383	47,000	-	118,383
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30 <sup>th</sup> June 2021	75,600,000	50,000	2,362,400	124,000	94,525	300,047,000	-	378,226,923
Depreciation	(3,780,000)	-	(236,240)	(24800)	-	(15,002,350)	-	(19,043,390)
Impairment/a amortization	-	-	-	-	(31,508)	-	-	(31,508)
Net book values	-	-	-	-	-	-	-	-
At 30 <sup>th</sup> June 2021	71,820,000	50,000	2,126,160	99,200	63,017	285,044,650	-	359,152,025

[motor vehicle old engine is a donation used for training hence no depreciation is charged, Land and building is depreciated at the rate of 5%, furniture and fittings 10%, computers 20%, utensils amortised over use life of 3years, plant and equipment rate of 5%]  
The value of plant and equipment was derived]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021 KShs	2019-2020 KShs
Trade payables	275,000	-
Total trade and other payables	275,000	-

22. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2020-2021 KShs	2019-2020 KShs
Caution money	73,000	-
Total deposits	73,000	-

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**23. 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. The entity capital structure comprises of the following funds:

	2019-2020 Kshs	2020-2021 Kshs
Retained earnings	1,775,097	-
Capital reserve	359,152,025	-
<b>Total funds</b>	<b>360,927,122</b>	-
Less: cash and bank balances	(355,747)	-
Net debt/(excess cash and cash equivalents)	360,571,375	-

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APPENDIX : 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	Others - must be specific	
Ministry of Education	25 <sup>th</sup> 11, 2020	Recurrent	500,000	500,000	000	000	000	000	500,000
Ministry of Education	21 <sup>st</sup> 04, 2021	RECURRENT	500,000	500,000	000	000	000	000	500,000
<b>Total</b>			<b>1,000,000</b>	<b>1,000,000</b>	<b>000</b>	<b>000</b>	<b>000</b>	<b>000</b>	<b>1,000,000</b>