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The leader, majority party
Miriam Njoro

THE AUDITOR-GENERAL

ON

**SABATIA TECHNICAL AND
VOCATIONAL COLLEGE**

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



SABATIA TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

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

Sabatia Technical and Vocational College
Annual Report and Financial Statements for The Year Ended 30th June 2022

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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 the Ministry of Education, State Department for Vocational and Technical Training. It is one of the 70 group of recently constructed Technical Training Institutions in Kenya. Its 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 college had a total on campus enrolment of 1,095 trainees as at 30th June 2022.

The College currently operates under five main departments namely, Business Studies, Engineering, Computer Studies/ICT, Applied and Medical Sciences and Institutional Management. The college stands on a five (5) acre piece of land. The process of transferring title is ongoing. It's 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 (Academics)
- ii. Registrar
- iii. Dean of Students
- iv. Heads of Departments

d) Fiduciary management

The key management personnel who held office during the quarter ended 30th June 2021 were as follows;

No.	Designation	Name
1.	Principal	CPA Gilbert G Mwavali
3.	Deputy Principal	Ms Irene Musumba
4.	Registrar (Ag)	Philip Jumba
5.	Dean of Students (Ag)	Simon Mulemi
6.	Finance Officer (Ag)	CPA Hesborn Ehaji
7.	Accountant	Millford Afandi
8.	Procurement Officer	Joan Aluvisia

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 and 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

Key Entity Information and Management (Continued)

f) Entity Head Quarters

Sabatia Technical and Vocational College
P.O Box, 29-50311 **Wodanga, Kenya.**
Off- Kapsabet/Chavakali Road
Sabatia Constituency, Vihiga County,

g) Entity Contacts

Telephone : (254)0702666802
E-mail : sabatiatvc@gmail.com
Website : www.sabatiatvc.ac.ke

h) Entity Bankers

1. Absa Bank, Kenya, Kakamega Branch
2. Safaricom PLC, M-PesaPaybill

i) Independent Auditors

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




j) Principal Legal Adviser

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

II. Board Governors

S.N	NAME	DESCRIPTION
1	 Alfred M. Lulu- Board Chairman	<p>He holds a Master of Architecture (M. Arch), University of Nairobi and a Bachelor of Arts BA (Architectural Studies), University of Nairobi. He is a registered member of The Architectural Association of Kenya, MAAK(A). Has attended various management training workshops at Kenya Institute of Administration and Irish Management Institute, Dublin, Ireland Has worked with Ministry of public works and National Irrigation Board, Kenya. He is a partner, Lulu Associates Consulting Architects.</p>
2	 Mr. Joseph Sunguti County Director of TVET	<p>He holds a Master of Education degree (Distance Learning) of UoN. Bachelor of Education degree of UoN (Business & Geography) Has attended the Certificate in Strategic Leadership Development Programme. Has vast experience as a Teacher Trainer and also as a Technical Trainer. He is a Curriculum Developer and Policy implementer</p>
3	 Ms. Jayne Munyao Board Member	<p>She holds A Msc. in Haematology and Blood Transfusion, Kisii University, Bachelor of Science in Medical Laboratory Sciences from Mount Kenya University, Higher Diploma in Medical Laboratory Sciences (Haematology / Blood Transfusion Science) Kenya Medical Training College – Nairobi and a Diploma in Medical Laboratory Sciences from Kenya Medical Training College – Nyeri. She has vast working experience in the medical field; she has worked at Alupe Sub District Hospital, Kakamega Provincial General Hospital and St. Elizabeth Mukumu Hospital. She is a Private Practitioner and a part time Lecturer. She is a member of KMLTTB (Kenya Medical Laboratory Technicians and Technologists Board)</p>



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4	 <p>Mr. Rodgers Owiti Board Member</p>	<p>He holds a Master of Science in Telecommunication Engineering, JKUAT- Project ongoing, Master of Business Administration, University of Nairobi - Ongoing, Bachelor of Science in Telecommunication &IT, Kenyatta University.</p> <p>He is currently working as an Engineer- Premium Support: Safaricom PLC. Has previously worked with Access Kenya Limited, Essar Telecom Kenya Limited, Foundation Institute of Africa, E -world Communications Network, Galaxy Fiscal Solutions, Nairobi. He is a Cisco Certified Network Professional and certified ethical hacker.</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>Mr. Samuel Menyenya Board Member</p>	<p>Holds a Bachelor of science in horticulture from JKUAT. Has an advanced Certificate in Agricultural Project Management from Kothari Agricultural Management Centre (India). He is currently the factory Unit Manager (KTDA). He has previously worked as a field service manager (KTDA), Production Assistant (KTDA), Assistant Estate Manager (Eastern Produce (K) LTD.</p>




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	<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 Ndama distributors, business development officer at Kenya Women Finance Trust Limited – Eldoret. She is currently working as an entrepreneur in Eldoret town.</p>
<p>Mrs. Rhoda Miso Board Member</p>	
	<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>
<p>Mr Charles Avedi - Board Member</p>	
	<p>He holds Masters in Business Administration from Moi University, a BCOM {Finance} from KCA University and is currently pursuing a MBA {Finance} at Mount Kenya 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>
<p>CPA Gilbert Gilari Mwavali Principal/Secretary to The Board</p>	

III. Management Team

<p>1.</p>	 <p>CPA Gilbert Mwavali Holds an MBA (Finance), BCom (Finance), Dip in Tech. Educ (Bus. Studies/ Accounting). He is a Member of ICPAK</p>	<p>The Principal and Secretary to the Board of Governors He is the Accounting Officer. He is in charge of the day to-day management of the College</p>
<p>2.</p>	 <p>Ms. Irene Musumba Mukwana. Holds a Med. In Economics and Management of Education</p>	<p>Deputy Principal Deputizes the Principal. In charge of curriculum implementation, trainee discipline and Library management</p>

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

IV. Chairman's Statement

The Financial year ended 30th June, 2022 has been an exciting year but also full of challenges. During the year, there was significant improvement in revenue mobilization. The year also saw a significant increase in enrolment, from 776 at the beginning of the year to 1,095 as at 30th June, 2022. During the year, the college slowly started to recover from the effects of the Covid 19 pandemic.

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 over sighting 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 utilization of the available equipment and resources in line with the pronounced government policy.

Signed:



Arch. Alfred Lulu
Chairman, Board of Governors

V. Report of the Principal

We have realized significant improvement in performance during the 2021/2022 financial year especially in respect to student enrolment and expansion of available training programmes. Trainee population stood at 1,095 as at 30th June 2022. 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, especially the government fee payment support through capitation that greatly supports and encourages the youth to join TVET institutions in order to acquire the highly needed technical skills in the national development agenda. During the year, there was significant improvement in revenue mobilisation mainly from fees as a result of increased trainee population.

We have developed 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 a 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

VII. Statement of Performance against Predetermined Objectives

The college's performance during the year was generally fair as it struggled to recover from the the effects of Covid 19 pandemic. We were able to significantly achieve our objectives. Our target enrolment for the year was 1,000 trainees, we were however able to enroll 1,095 trainees by the close of the year. Our total revenue fell short of the budgeted revenue by Ksh.13, 446,168 we were however able to control our expenditure to within our collected revenue. The college was able to manage its operations according to the budget objectives.

Sabatia TVC has 9 strategic issues and objectives within current Strategic Plan for the FY 2021- FY 2026. These strategic pillars are as follows:

Issue 1: Access and Equity

Issue 2: Quality and Relevance

Issue 3: ICT Integration into Management, Education, Training, Research and Innovation

Issue 4: Science, Technology and Innovation, Development of capacities

Issue 5: Financial and Human Resources

Issue 6: Governance and Management

Sabatia TVC develops its annual work plans based on the above 6 issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. Sabatia TVC achieved its performance targets set for the FY 2021/22 period for its 6 strategic pillars, as indicated in the diagram below:

Strategic Pillar		Objective	Key Performance Indicators	Activities	Achievements
Issue 1	Access and Equity	Increase access and enhance equity in education and training	Increased Enrolment	Attend public open forums Sensitization visits to secondary schools	Increased enrolment from
Issue 2	Quality and Relevance	Improve quality and relevance of education and training	Enhanced capacity of trainers Enhanced Collaboration with industry on training	Facilitate trainees to attend workshops and training that enhances their capacity Strengthen trainee industrial attachment	Enhanced trainers' competency Enhanced quality and relevance of training

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Issue 3	ICT Integration into Management, Education, Training, Research and Innovation	Integrate ICT into management, education and training	Enhance use of ERP in management Enhance Internet access for management and training	Enhance capacity of management staff in the use of ERP Increase internet bandwidth	Enhanced use of ICT in management Education, Training, Research and Innovation
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Issue 4	Science, Technology and Innovation, Development of capacities	Enhance development capacities for ST&I	Enhanced capacity of trainers in ST&I Framework for ST&I developed	Facilitate trainers to attend ST&I capacity building workshops and training Develop a Framework for ST&I	Enhanced trainers' capacity in ST&I Framework for ST&I Developed
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Issue 5	Financial and Human Resources	To enhance the Institution's financial and human resources	Enhanced financial resources Enhanced human resource capacities	Lobby the ministry and other funding agencies to increase budgetary allocations Broaden AIA framework Build human resource capacities through training and development	Enhanced financial resources Enhanced human resource capacities
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Issue 6	Governance and Management	Strengthen good governance and effective management	Improved delivery of services to clients	Develop and implement good governance and management policies and practices	Improved the governance and management of the college
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VII. Corporate Governance Statement

a) Board Meetings, Attendance and Remuneration

During the FY 2021/2022, the board held a total of ten meetings which were all very well attended by members as shown below;

S/No	Date of Meeting	Nature of Board Meeting	Attendance	Chairman (Ksh)	Directors (Ksh)	Total (Ksh)
1.	10/07/2021	Finance, Infrastructure and Development Committee	3	19,000	24,000	43,000
2.	16/07/2021	HR, Education and Research Committee	4	0	52,000	52,000
3.	23/07/2021	Audit, Risk and Compliance Committee	2	0	22,000	22,000
4.	27/07/2021	Full Board Committee	6	19,000	64,000	83,000
5.	13/08/2021	Full Board Committee	8	16,000	81,000	97,000
6.	28//09/2021	Full Board Committee	7	19,000	70,000	89,000

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7.	05/10/2021	Full Board Committee	8	19,000	81,000	100,000
8.	07/04/2022	Full Board Committee (Inauguration)	7	19,000	74,000	93,000
9.	27/5/2022	Full Board Committee	8	23,000	99,000	122,000
10.	16/06/2022	HR, Education and Research Committee	3	0	46,000	46,000
	Total			134,000	613,000	747,000

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 was being finalized. Board members had 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: The initial board expired on 5th October 2021. The current board was inaugurated on 7th April 2022.

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

VIII. Management Discussion and Analysis

The entity's operational and financial performance

Sabatia TVC's performance generally improved during the year in all respects. We received capitation for three quarters from the government during this Financial Year (2021/2022) and we believe that we will receive the remaining Quarter IV capitation in due course. Trainee enrolment stood 1,095 as at the end of this year. We realized total revenue of Ksh. 31,005,940 during the quarter. This performance is set to improve as we move into the future considering that enrolment is expected to also increase. The cash position of the college remained relatively stable.

As we strive to ensure that we maintain prudent financial management, we expected to continue with a healthy cash flow position. Our main challenges remain increasing pressure on the available resources and facilities and inadequate finances. However, the positive government support towards TVET through capitation support and HELB loan and bursary funding, provision of training staff and equipment and public awareness provides a great opportunity for the growth of the college in all facets.

IX. Environmental and Sustainability Reporting Statement

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

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.

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.

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 12 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

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 organized 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

Corporate Social Responsibility / 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.

X. Report of the Board of Governors

The Board members submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of 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 year ended June 30th June 2022 are set out on page 22 to 25

Board of Governors

The members of the Board who served during the year are shown on page vi to x.

There was a change in the composition of the Board during the year 2021/2022. The initial Board's term expired on 5th October 2021 and a new Board inaugurated 7th April 2022.

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 year ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



.....
Secretary of the Board

Date: 24/04/2023

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

The board members accept responsibility for the College's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the 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 year ended June 30, 2022, and of the College's financial position as at that date. The board members further confirm the completeness of the accounting records maintained for the College, which have been relied upon in the preparation of the College's financial statements as well as the adequacy of the systems of internal financial control.


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

Approval of the financial statements

The College's financial statements were approved by the Board on 15/07/2022 and signed on its behalf by:



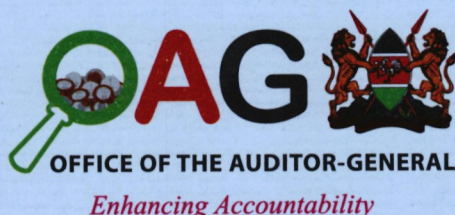
Chairperson of the Board



Accounting Officer/Principal

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Sabatia Technical and Vocational College set out on Pages 1 to 45, which comprise the statement of financial

position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Anomalies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.59,183,223 as disclosed in Note 18(a) to the financial statements. However, audit of this balance revealed the following anomalies:

- i. The balance of Kshs.59,183,223 differs with Kshs.61,324,723 shown in the supporting Note 18(a) to the financial statements, resulting in an unexplained or unreconciled variance of Kshs.2,141,500.
- ii. A detailed assets register and the various assets ledgers in support of the balance of Kshs.59,183,223 were not provided for audit.
- iii. The balance of Kshs.59,183,223 includes additions amount of Kshs.5,328,200 in respect of the various classes of assets, whose supporting valuation report, title deeds and details of the acquisition cost were not provided for audit.
- iv. The balance of Kshs.59,183,223 also includes land balance of Kshs.56,715,730 whose ownership documents were not provided for audit.
- v. Ownership documents for a parcel of land measuring five (5) acres on which the College is located were not provided for audit.
- vi. 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 confirmed.
- vii. Evidence of assets count, valuation, tagging and if the assets had been insured accordingly were not provided for audit.

In the circumstances, the ownership, accuracy and completeness of the property, plant and equipment balance of Kshs.59,183,223 could not be confirmed.

2. Inaccurate Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalent balance of Kshs.3,465,739 as at 30 June, 2022. However, the bank reconciliation statement for the month of June, 2022 reflected balance as per the bank of Kshs.6,498,698 which differed with bank certificate balance of Kshs.6,488,488, resulting to a variance of Kshs.10,250. Further, the reconciliation statement reflected cash book balance of Kshs.3,457,997 while the closing balance in the cash book was Kshs.3,377,079, resulting in unreconciled difference of Kshs.80,918. The reconciliation statement also reflected unrepresented cheques amounting to Kshs.1,942,258 which included stale cheques of Kshs.58,936 which had not been cancelled and reversed in the cash book.

In addition, the Mpesa pay bill balance of Kshs.63,500 was not supported since the Mpesa statement provided for audit had a Nil balance as at 30 June, 2022.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.3,465,739 could not be confirmed.

3. Long Outstanding Student Debtors

The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs.18,190,523 which, as disclosed in Note 16 to the financial statements, relates to student debtors. The balance indicates an increase from the balance of Kshs.10,733,776 reported in the financial year 2020/2021 by Kshs.7,456,747 or 69% whose explanation was not provided. Further, the aging analysis for student debtors revealed that a balance of Kshs.6,938,100 had been outstanding for more than one year.

In the circumstances, the accuracy and recoverability of the debtors could not be confirmed.

4. Inaccuracies in the Financial Statements

The statement of financial performance reflects rendering of services - fees from students balance of Kshs.21,418,307 which, as disclosed in Note 7 to the financial statements, includes Kshs.2,399,200 in respect of amount transferred to developments projects. However, the latter amount is not reflected in the statement of changes in net assets.

Further, the statement of financial performance reflects use of goods and services amount of Kshs.16,840,280 which differs with statement of cash flows' amount of Kshs.14,673,790, resulting in an unreconciled variance of Kshs.2,166,490.

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

5. Unsupported Capital Fund

The statement of financial position reflects capital fund balance of Kshs.57,060,507 which had an opening capital fund balance of the same amount. However, and as previously reported, the composition of the balance or the supporting documentation were not

provided for audit. Further, the depreciation charge for the year amounting to Kshs.2,147,814 was transferred from the capital fund to revenue reserves even though the amount did not entirely relate to assets transferred from the Government.

In the circumstances, the accuracy and completeness of the capital fund balance of Kshs.57,060,507 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

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements. However, the Management had not resolved the issues and did not give reasons for the delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregularity in Appointment of Directors

The College appointed seven Board Members who received their appointment letters without a gazette notice, contrary to Section 1.1(11) of the Mwongozo Code of Governance for state corporations which require each Board Member to be formally appointed to the Board through a gazette notice and there after an appointment letter.

In the circumstances, Management was in breach of law.

2. Preparation and Approval of an Unbalanced Budget

The statement of comparison of budget and actual amounts reflects receipts budget of Kshs.31,482,000 and expenditure budget of Kshs.30,166,790, resulting in a budget surplus of Kshs.1,315,210 which indicates that the College's budget was unbalanced. This was contrary to Regulation 33 of the Public Finance Management (National Government Regulations, 2015, which stipulates that unless provided otherwise in the Act, these Regulations or any other guidelines developed in furtherance of the Act or these Regulations, the following guidelines shall be observed at all times during budget formulation and approval— (c) budget shall be balanced; and (e) total budget revenue shall cover total budget expenditure.

In the circumstances, Management was in breach of 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 Article 229(6) of the Constitution, 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. Weaknesses in the Internal Audit Unit

During review of the function of the Internal Audit unit, Management did not provide for audit internal audit reports, Audit Committee minutes, approved internal audit work plan and risk register for the College.

In the circumstances, the effectiveness of internal controls, risk management and governance could not be confirmed.

2. Lack of a Staff Establishment

The statement of financial performance reflects employee costs balance of Kshs.7,730,983, being costs of twenty-seven (27) contractual employees. However, the Management did not provide for audit an approved staff establishment showing the cadres and those in post.

In the circumstances, the College may have operated without an optimal staff level, which may have adversely affected the its operations.

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

Responsibilities of Management and Board of Governors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

06 July, 2023

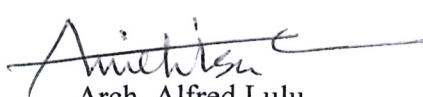
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XIII. Statement of Financial Performance for the year ended 30th June 2022

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Revenue from Non-Exchange transactions			
Transfers from other National Government entities	6	16,110,000	13,272,500
		16,110,000	13,272,500
Revenue from Exchange transactions			
Rendering of services- fees from students	7	21,418,307	6,306,311
Sale of goods	8	229,073	143,021
Other income	9	639,580	708,000
Revenue from Exchange transactions		22,286,960	7,157,332
		38,396,960	20,429,932
Expenses			
Use of goods and services	10	16,840,280	6,804,499
Employee costs	11	7,730,983	4,891,744
Board /Council Expenses	12	747,000	542,000
Depréciation and amortization expense	13	2,454,114	2,147,814
Repairs and maintenance	14	2,521,221	922,966
Total Expenses		30,293,598	15,309,023
Net surplus for the year		8,103,362	5,120,809

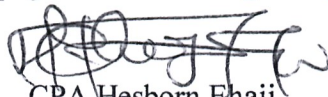
The notes set out on pages 6 to 29 form an integral part of the Annual Financial Statements.

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



Arch. Alfred Lulu
Chairman of Board

Date: ...24/04/2023.....



CPA Hesborn Ehaji
Finance Officer
ICPAK No. 11369

Date: ..24/04/2023.....



Gilbert G. Mwavali
Principal

Date: ...24/04/2023.....

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

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	15	3,465,739	5,588,900
Current portion of receivables from exchange transactions	16	18,190,523	10,733,776
Receivables from non-exchange transactions		0	0
Inventories	17	621,584	838,219
		22,277,846	17,160,895
Non-Current Assets			
Property, plant, and equipment	18(a)	59,183,223	60,447,407
Intangible assets	18(b)	2,141,500	1,097,430
Non-Current Assets		61,324,723	61,544,837
Total Assets		83,602,569	78,705,732
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	19	6,348,304	9,554,829
Total Liabilities		6,348,304	9,554,829
Net Assets			
Reserves			
Accumulated Surplus		20,193,758	12,090,396
Capital Fund		57,060,507	57,060,507
Total		77,254,265	
Total Net Assets and Liabilities		83,602,569	78,705,732

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



Arch. Alfred Lulu
Chairman of Board

Date: ...24/04/2023.....



CPA Hesborn Ehaji
Finance Officer
ICPAK No. 11369

Date: ...24/04/2023.....



Gilbert G. Mwavali
Principal

Date: ...24/04/2023.....

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

Description	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
At July 1, 2020					
Revaluation gain		-	4,821,773	59,208,321	64,030,094
Fair value adjustment on quoted investments	-		-		
Total comprehensive income	-	-	5,120,809	-	5,120,809
Capital/development grants received during the year	-	-	-		
Transfer of depreciation/amortisation from capital fund to Retained earnings	-	-	2,147,814	(2,147,814)	
At June 30, 2021			12,090,396	57,060,507	69,150,903
At July 1, 2021			12,090,396	57,060,507	69,150,903
Revaluation gain		-	-		
Fair value adjustment on quoted investments	-		-		
Total comprehensive income		-	8,103,362	-	8,103,362
Capital/development grants received during the year		-	-		
Transfer of depreciation/amortisation from capital fund to Retained earnings		-	-		
At June 30, 2022			20,193,758	57,060,507	77,254,265

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

Description	Note	2021-2022 Kshs	2020-2021 Kshs
Cash flows from operating activities			
Receipts			
Transfers from other government entities/govt. Grants		16,110,000	13,272,500
Rendering of services- fees from students		8,505,502	4,650,776
Sale of goods		229,073	143,021
Other income		717,580	769,500
Total Receipts		25,562,155	18,835,797
Payments			
Compensation of employees		7,730,983	4,891,744
Use of goods and services		14,673,790	6,804,499
Other payments		3,268,221	1,464,966
Total Payments		25,672,994	13,161,209
Net Cash Flows from operating activities		110,839	5,674,588
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(2,234,000)	(5,328,200)
Net cash flows used in investing activities		(2,234,000)	(5,328,200)
Cash flows from financing activities			346,388
Net Increase/(Decrease) in Cash and Cash equivalents		(2,123,161)	346,388
Cash and Cash equivalents at 1 JULY		5,588,900	5,242,512
Cash and Cash equivalents at 30 JUNE		3,465,739	5,588,900

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



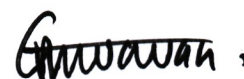
Arch. Alfred Lulu
Chairman of Board

Date: ...24/04/2023.....



CPA Hesborn Ehaji
Finance Officer
ICPAK No. 11369

Date: ...24/04/2023.....



Gilbert G. Mwavali
Principal

Date: ...24/04/2023.....

Sabatia Technical And Vocational College
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XVII. Statement of Comparison of Budget & Actual amounts for the year ended 30 June 2022

Description	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		Utilization Difference	
	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs	2021-2022	%
Revenue												
Transfers from other govt entities and govt grants	0		0		0		16,110,000		(16,110,000)		100%	
Rendering of services- fees from students	31,452,000		0		31,452,000		17,973,427		13,478,573		57%	
Sale of goods	0		-		0		229,073		229,073		100%	
Examination	0		-		0		3,366,880		3,366,880		100%	
Other income	30,000		-		30,000		717,580		736,635		100%	
Total Income	31,482,000		0		31,482,000		38,396,960		6,722,942		100%	
Expenses												
Compensation of employees	7,526,000		-		7,526,000		7,730,983		(204,983)		103%	
Use of goods and services	19,674,760		(2,000,000)		17,674,760		16,840,280		834,480		95%	
Remuneration of directors	1,760,000				1,760,000		747,000		1,013,000		42%	
Depreciation and Amortization Expense	0				0		2,454,114		(2,295,587)		100%	
Repair and Maintenance	1,206,030		2,000,000		3,206,030		2,521,221		684,809		79%	
Total Expenditure	30,166,790				30,166,790		30,293,598		(126,808)			
Surplus For the Period	1,315,210				1,315,210		8,103,362		(6,788,152)			

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 to 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 judgment in the process of applying the college's accounting policies. There are no areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements.

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

The financial statements have been prepared in accordance with the PFM Act 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

1. Adoption of New and Revised Standards

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

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

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to

Standard	Effective date and impact:
	<p>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"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (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>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.

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Standard	Effective date and impact:
	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p>

Standard	Effective date and impact:
Discontinued Operations	Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

i. Early adoption of standards

The college did not early – adopt any new or amended standards in year 2022.

4 Summary of Significant Accounting Policies

a) Revenue recognition

ii. 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 realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

i) 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 2021/2022 was approved by the Board on 19/12/2020 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.

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.

4 Summary of Significant Accounting Policies (Continued)

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.

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.

Notes to the Financial Statements (Continued)

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

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

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

h) Research and development costs

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

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

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

Summary of Significant Accounting Policies (Continued)

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

Summary of Significant Accounting Policies (Continued)

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.

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.

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.

Summary of Significant Accounting Policies (Continued)

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

k) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates

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

4 Summary of Significant Accounting Policies (Continued)

n) Employee benefits

Retirement benefit plans

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

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

o) Foreign currency transactions

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

p) Borrowing costs

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

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

q) Related parties

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

r) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements.

Notes to the Financial Statements (Continued)

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

s) Cash and cash equivalents

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

t) Comparative figures

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

u) Subsequent events

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

5. Significant judgments and Sources of Estimation Uncertainty

The preparation of the 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.

Notes to the Financial Statements (Continued)

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.

1. General Information

Sabatia Technical and Vocational College 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 to provide high quality technical, vocational, entrepreneurship training, research and innovation

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 college.

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 throughout the year presented.

3. **Adoption of New and Revised Standards**

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

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

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p>

Standard	Effective date and impact:
	<p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>d) 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>e) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>f) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement

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

v. Early adoption of standards

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

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

4. 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

Notes to the Financial Statements (Continued)

a) Revenue recognition (Continued)

Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Dividends

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

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2021/2022 was approved by the County Director, TVET. 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 did not record any additional appropriations on the FY 2021/2022 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. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

c) Taxes

Current income tax

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

Sales tax/ Value Added Tax

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

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

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

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.

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of xxx years.

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

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

e) Property, plant and equipment

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

f) Leases

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

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

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

g) Intangible assets

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

h) Research and development costs

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

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset

4 Summary of Significant Accounting Policies (Continued)

- 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.

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of

4 Summary of Significant Accounting Policies (Continued)

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:

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

j) Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method

4 Summary of Significant Accounting Policies (Continued)

- 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

Inventories (Continued)

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

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

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

k) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an

4 Summary of Significant Accounting Policies (Continued)

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.

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates

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

n) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into

a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

o) Foreign currency transactions

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

p) Borrowing costs

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

4 Summary of Significant Accounting Policies (Continued)

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.

q) Related parties

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

r) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any

assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

s) Cash and cash equivalents

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

t) Comparative figures

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

u) Subsequent events

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

Notes to the Financial Statements (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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

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

Notes to the Financial Statements (Continued)

6. Transfers from other National Government entities

Description	2021-2022	2020-2021
	Kshs	Kshs
Unconditional Grants		
Capitation Grants		
(Q1-2021/2022)	5,152,500	2,782,500
(Q2-2021/2022)	5,152,500	2,782,500
(Q3-2021/2022)	5,805,000	3,052,500
(Q4-2021/2022 ACCRUED)		4,155,000
Operational Grant		500,000
Total Government Grants and Subsidies	16,110,000	13,272,500

7. Rendering of Services

Description	2021-2022	2020-2021
	Kshs	Kshs
Tuition fees	11,977,573	6,062,855,
Activity fees	2,223,674	1,295,897
Examination fees	3,366,880	674,140
Library fees	957,077	552,771
Application fees	78,000	61,500
Personal Emoluments	6,644,745	3,474,827
EWC	1,934,680	1,091,753
LT&T	2,722,554	1,524,864
R M I	2,793,100	1,582,655
Administration costs	1,105,607	642,224
Student council	364,617	218,114
ICT Levy	960,600	549,314
Development	2,399,200	1,347,897
Total Revenue	37,528,307	19,078,811
Less Capitation	(16,110,000)	(12,772,500)
Total revenue from the rendering of services	21,418,307	6,306,311

Notes to the Financial Statements (Continued)

8. Sale of Goods

Description	2021-2022	2020-2021
	Kshs	Kshs
Sale of Soap	0	6,420
Cafeteria PAYE	229,073	136,601
Total Revenue from Sale of Goods	229,073	143,021

9. Other Income

Description	2021-2022	2020-2021
	Kshs	Kshs
Accommodation Fees	638,580	708,000
Income from sale of tender	1,000	0
Total other income	639,580	708,000

10. Use of Goods and Services

Description	2021-2022	2020-2021
	Kshs	Kshs
Teaching and learning materials	5,375,909	743,853
Electricity	191,600	40,825
Water	11,000	309,660
Examination fees	2,063,690	497,080
Catering, conferences, and delegations	140,973	50,945
Accommodation	558,500	123,000
Insurance	0	2,933
Licenses and permits	0	1,200
Postage	7,890	0
Printing and stationery	94,612	41,110
Internet expenses	618,419	380,331
Consumable/Administrative costs	6,092,317	4,354,041.99
Activity	1,532,845	259,520
Student Council	152,525	0
Total good and services	16,840,280	6,804,499

Notes to the Financial Statements (Continued)

11. Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries and wages	5,515,733	3,194,244
Travel and subsistence	2,215,250	1,697,500
Employee Costs	7,730,983	4,891,744

12. Board/Council Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Chairman's Honoraria	134,000	80,000
Directors Emoluments	613,000	462,000
Total	747,000	542,000

13. Depreciation and Amortization expense

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, plant and equipment	2,338,363.56	2,090,064
Intangible assets	115,750	57,750
Total depreciation and amortization	2,454,114	2,147,814

14. Repairs and Maintenance

Description	2021-2022	2020-2021
	Kshs	Kshs
Property	2,095,521	716,666
Furniture and fittings	315,000	32,700
Computers and accessories	50,700	23,600
Hand washing Facilities	60,000	150,000
Total Repairs and Maintenance	2,521,221	922,966

15. Cash and Cash Equivalent

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Account	3,457,997	5,517,596.15
Cash in hand	7,742	71,304
Total Cash and Cash Equivalent	3,465,739	5,588,900

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

Notes To The Financial Statements (Continued)

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

		2021-2022	2020-2021
Financial Institution	Account number	Kshs	Kshs
a) Current Account			
Absa Bank	2039624985	3,457,997	5,517,596
Sub- Total		3,457,997	5,517,596
Cash in Hand		7,742	71,304
Sub- Total		7,742	71,304
Grand Total		3,465,739	5,588,900

16. Receivables from Exchange transactions

Current Receivables from Exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Student Debtors	18,190,523	10,733,776
Total Current Receivables	18,190,523	10,733,776

17. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Consumable stores	204,840	115,000
Maintenance stores	22,000	78,245
Electrical stores	305,781	593,274
Cleaning Materials stores	74,170	15,300
Catering stores	14,793	36,400
Total Inventories at lower of Cost and Net Realizable Value	621,584	838,219

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Notes to the Financial Statements (Continued)

18. Property, Plant and Equipment

	Land and Buildings	Furniture and fittings	Computers	Other Assets (Intangible Assets)	Plant and equipment	Capital Work in progress	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2021	60,280,328	2,401,995	904,100	1,155,000	664,142	0	65,405,565
Additions	0	0	335,000	1,160,000	739,000	0	2,234,000
At 30th June 2022	60,280,328	2,401,995	1,239,100	2,315,000	1,403,142	0	67,639,565
Depreciation And Impairment							
At 1 July 2021	2,358,992	806,198	504,960	57,750	132,828	0	3,860,728
Depreciation	1,205,607	480,399	371,730	115,750	280,628	0	2,454,114
At 30th June 2022	3,564,598	1,286,597	876,690	173,500	413,456	0	6,314,842
Net Book Values							
At 30 th June 2022	56,715,730	1,115,398	362,410	2,141,500	989,685	0	61,324,723
At 30th June 2022	56,715,730	1,115,398	362,410	2,141,500	989,685	0	61,324,723
Depreciation rates (straight line)	2%	20%	30%	5%	20%		

[Include Brief Description Of WIP As A Footer]

Notes to the Financial Statements (Continued)

Valuation

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

18 (a) Property, Plant and Equipment at Cost

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

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	0	0	0
Buildings	60,280,328	3,564,598	56,715,730
Plant And Machinery	1,403,142	413,457	989,685
Computers and Related Equipment	1,239,100	876,690	362,410
Furniture And Fittings	2,401,995	1,286,597	1,115,398
Total	65,324,565	6,141,342	59,183,223

18 (b) Intangible Assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At beginning of the year	1,155,000	00
Additions	1,160,000	1,155,000
At end of the year	2,315,000	1,155,000
Amortization and impairment		
At beginning of the year	57,570	57,750
Amortization	115,930	0
At end of the year	173,500	57,750
NBV	2,141,500	1,097,250

Notes to the Financial Statements (Continued)

19. Trade and Other Payables from Exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade payables	2,166,490	3,723,125
Fees paid in advance	3,665,226	5,532,316
Third-Party Payments	516,588	299,388
Total Trade and Other Payables	6,348,304	9,554,829

Financial Risk Management

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

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

(i) Credit risk

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

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

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

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

Notes to the Financial Statements (Continued)

20. Financial Risk Management (Continued)

(i) Credit risk (continued)

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

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

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

(ii) Liquidity risk management

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

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 minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

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

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

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

Notes to the Financial Statements (Continued)

Description At 30 June 2021	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs	Kshs
Receivables from exchange transactions	18,190,523	0	0		0
Receivables from non-exchange transactions	0	0	0		0
Bank balances	3,394,497	0	0		0
Total	21,585,020	0	0		0
At 30 June 2022	21,585,020	0	0		0

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 recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from xxxx
The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(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.

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

Notes to the Financial Statements (Continued)

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade Payables	0	0	1,767,900	1,767,900
Provisions	0	0	0	0
Total	0	0	1,767,900	1,767,900
At 30 June 2022				
Trade Payables	0	398,590	0	398,590
Provisions	0	0	0	0
Total	0	398,590	1,767,900	2,166,490

(ii) 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 optimizing 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.

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.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The entity manages foreign exchange risk from future commercial transactions and recognized assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

a) Foreign currency risk (Continued)

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.

b) 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 endeavored to bank with institutions that offer favorable 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.

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

(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. The entity capital structure comprises of the following funds:

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Description	2021-2022 Kshs	2020-2021 Kshs
Revaluation Reserve	0	0
Retained Earnings	20,352,285	12,090,396
Capital Reserve	57,060,507	57,060,507
Total Funds	77,412,792	69,150,903
Total Borrowings	0	0
Less: Cash and Bank Balances	3,465,739	5,242,512
Net Debt/(Excess Cash and Cash Equivalents)	(3,465,739)	5,242,512
Gearing	4%	8%

24. 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 longterm lenders of the entity, both domestic and external. Other related parties include:

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

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

Description	2021-2022 Kshs	2020-2021 Kshs
Transactions with Related Parties		
Sales to related parties	0	0
Total	0	0
B)Purchases from related parties		
a) Purchases of electricity from kplc	191,600	40,825

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b) Purchase of water from Govt service providers	11,000	309,660
Total	202,600	350,485
Grants /Transfers from the Government		
c) Grants from National Govt	16,110,000	13,272,500
Total	16,110,000	13,272,500
Expenses incurred on behalf of related parties	0	
Total	0	
Key Management Compensation		
d) Directors' emoluments	747,000	542,000
Total	747,000	542,000

Segment Information

(Where an organization operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segments)

25. Events After The Reporting Period

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

26. Ultimate And Holding Entity

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

27. Currency

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

XIX. Appendices

Appendix 1: Implementation Status of Auditor-General Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. 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	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

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



Name: Gilbert G. Mwavali
Principal/Accounting Officer

Date: 24/04/2023

Sabatia Technical And Vocational College
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Appendix II- Inter-Entity Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary Entity]

[Insert Address]

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

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 th June 2022		Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30th June 2022				Amount Received by beneficiary Entity] (KShs) as at 30 th June 2021(E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Reference Number	Date Disbursed						
022IPO3213220278	18/11/2021	5,152,500	0	0	5,152,500	5,152,500	0
Moe, State DEPT, Vocational NTE	03/03/2022	5,152,500	0	0	5,152,500	5,152,500	0
Moe, State DEPT, Vocational NTE	02/06/2022	5,805,000	0	0	5,805,000	5,805,000	0
Total		16,110,000			16,110,000	16,110,000	

In confirm that the amounts shown above are correct as of the date indicated.
Head of Accountants department of beneficiary Entity:

Name *[Signature]* Sign Date *24/4/23*