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THE NATIONAL ASSEMBLY

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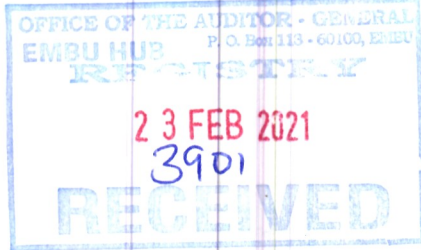
**THE AUDITOR-GENERAL**

**ON**

**THARAKA TECHNICAL AND  
VOCATIONAL COLLEGE**

**FOR THE FIFTEEN MONTHS  
PERIOD ENDED 30 JUNE, 2019**





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**THARAKA TECHNICAL AND VOCATIONAL COLLEGE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR FIFTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE 2019**

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

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

Tharaka technical and vocational college was incorporated/ established under the TVET Act on 2013. The entity is domiciled in Kenya. The institute is under the Ministry of Education. It has two departments i.e Technical and business

**(b) Principal Activities**

The principal activity is to enable skills acquisition through training

**Vision**

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

**Mission**

To develop competent technical human resource for innovation and development.

**(c) Key Management**

Tharaka technical and vocational college *day-to-day* management is under the following key organs:

- Board of council members
- Accounting officer( Principal)
- Management

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 20XX and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	Mr. Elias Nyaga
2.	Deputy principal	Mr. Wilfred Kimathi Kamunde
3.	Head of Finance	Mr. Nicholas Mutegi

**(e) Fiduciary Oversight Arrangements**

**EXECUTIVE COMMITTEE**

1. Mr. Daniel Mugao
2. Mr. Elias Nyaga
3. Mr. Benson Mutiria
4. Ms. Purity Githinji

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

**FINANCE AND INFRASTRUCTURE COMMITTEE**

1. Ms. Lucy Karema.....chairperson
2. Mr. Benjamin Gitonga.....vice chairperson
3. Ms. Pauline Njagi.....Member
4. Mr. Eliud Kibuchi.....Member
5. Mr. Elias Nyaga.....Secretary

**(f) College Headquarters**

Tharaka technical and vocational college  
P.O. Box 51-60216  
Marimanti-Gatunga Road  
MARIMANTI, KENYA

**(g) College Contacts**

Telephone: (254)746951657  
E-mail: tharakatechnical@gmail.com  
Website: www.tharakatechnical.ac.ke

**(h) College Bankers**

1. Equity Bank  
Meru Makutano Branch  
P.O. Box 75104-00200  
Meru, Kenya
2. Trans Nation Sacco LTD  
P.O Box 15- 60400  
Chuka, Kenya.

**(i) Independent Auditors**






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

**(j) Principal Legal Adviser**




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

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**2. BOARD OF GOVERNORS**




<p>1.</p>  <p>Principal</p>	<p>Mr. Elias Nyaga Nelson was born in 1961 in Embu county. He holds Master degree of science in construction project management from JKUAT, Bachelor of philosophy in construction management from University of Nairobi, Higher Diploma in Building economics from Kenya polytechnic, Diploma in Building Engineering from KTTC and Diploma in Technical Education from KTTC</p>
<p>2.</p>  <p>Chairman</p>	<p>Mr. Daniel Muriungi Mugao I.D 8075346 was born 1966. He holds Master's Degree in business administration Egerton university, bachelor of commerce from University of Nairobi. He works as a general manager (country sales) Britam general insurance company- Nairobi</p>
<p>3.</p>  <p>Member</p>	<p>Mr. Benson Mutiiria Kanuanku I. D No. 3462436 was born in 1951 Tharaka Nthi county. He holds Degree in education from university of Nairobi. He was principal of Nyeri T.T institute until august 2006</p>
<p>4.</p>  <p>Member</p>	<p>Ms. Lucy Karema Mutiiria I.D 27411812 was born in 1990 in Tharaka Nithi county. She has Degree in commerce from university of Nairobi. Works at Trans nation sacco as assistant branch manager.</p>
<p>5.</p>  <p>Member</p>	<p>Ms. Pauline W. Njagi in 1973 in Embu county. She is a holder of Master's degree of business administration from USIU, bachelor of science in agricultural economics from Egerton university. Currently working as investment and industrialization at Embu county.</p>

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<p>6.</p>  <p>Member</p>	<p>Ms. Purity Nyawira Githinji was born in 1989. She holds bachelor of computer technology from JKUAT IN 2011. She is currently working as Managing director at Tredds Garden.</p>
<p>7.</p>  <p>Member</p>	<p>Mr. Eliud Mwenda Kibichu was born in 1975. He is a holder of masters of science degree in civil engineering JKUAT, Bachelor of science degree in civil engineering JKUAT.</p>
<p>8.</p>  <p>Member</p>	<p>Mr. Benjamin Gitonga Mutugi was born in 1972 in Tharaka Nithi county. He holds masters degree in business administration executive from Moi university. Higher diploma in business administration Mombasa polytechnic. He is currently the managing director of tropical crops &amp; commodities ltd.</p>

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**3. MANAGEMENT TEAM**

<p>1. </p> <p>Mr. Elias Nyaga</p>	<p>He is the school principal and the accounting officer</p>
<p>2. </p> <p>Deputy Principal</p>	<p>Mr. Wilfred Kimathi Kamunde was born in 1968 in Tharaka Nithi county. He holds bachelor in agriculture and human ecology extension. He was a trainer at Jeremiah Nyaga technical institute for 21 years until July 2019 when he join Tharaka TVC</p>
<p>3. </p> <p>Finance officer</p>	<p>Mr. Nicholas Mutegi was born 1986 in Tharaka Nthi county. He is CPA K and has a degree in commerce finance option</p>

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**4. CHAIRMAN'S STATEMENT**

Tharaka technical and vocational college operates under a board of governors and has mapped out a strategic vision in the form of a Strategic Plan. This plan guides development from year to year. The Board works closely with the administration headed by the principal in this annual "visioning" process. In the year under review, the Board approved the annual budget of Kenya shillings thirty three million three hundred thirty nine thousand five hundred twenty only (33,339,520). However by the close of the financial year, only Kenya shillings thirteen million one hundred eighty nine thousand two hundred ninety one only (13,189,291) was realized. This was due to failure of national youth service to pay fees for the trainees it has sponsored, failure to collect all fees owed by trainees due to lack of adequate rainfall among others factors. Capitation from the government was disbursed late leading to unutilized funds in the year under review

This shortfall led to some envisioned programs and projects not realized. The college continues to suffer shortage of physical facilities like workshops, tuition rooms and laboratories. Workshop equipment and tools are also inadequate

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

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



**BOG CHAIRMAN**

DANIEL MUGAO

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**5. REPORT OF THE PRINCIPAL**

At the close of the year under review, the college had a current human resource combination of 32 workers in different cadres, seven employed by the public service while the rest were employed by the board

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

- Sporting field was graded
- purchase of 10 computers and 1 Epson printer
- Purchase additional Library books
- Purchase hair and beauty training equipment
- Purchase masonry training tools and materials
- The population of trainees grew to 410
- Purchase of Automotive training vehicle
- County women representative visited the college and gave a 10,000 litre water storage tank, 2 steamers,
- The deputy president visited the college on 13-7-2019
- 5 additional trainers were shortlisted and interviewed for employment by public service.
- A Deputy principal was posted to the college and reported for duty on 27<sup>th</sup> June 2019
- Two trainers attended a one-week training in Nairobi on Ajira digital sponsored by the ministry of education and the ministry of ICT to come and roll it out at the college
- All trainers attended a one-week training at the college on competency based training and assessment facilitated by TVET-CDACC
- 5 trainees and two trainers represented the college in TVET fair held in Murang'a February 2019
- 20 trainees and two trainers represented the college in KATTI regional athletics competitions held in Kigari teacher's college April 2019

In the year under review the following furniture was received from the ministry through Meru National Polytech

1. 1 boardroom table
2. 10 boardroom chairs
3. 1 principal's desk
4. 1 principals chair
5. 1 filing cabinet
6. 1 computer table
7. 1 fireproof compact safe
8. 1 book shelve
9. 6 visitor's chairs
10. 10 staffroom writing tables
11. 10 chairs
12. 10 teacher's desks with drawers
13. 80 classrooms student's chairs

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

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

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3. Masonry level 4

**Challenges**

The Board approved the annual budget of Kenya shillings thirty three million three hundred thirty nine thousand five hundred twenty only (33,339,520). However by the close of the financial year, only Kenya shillings thirteen million one hundred eighty nine thousand two hundred ninety one only (13,189,291) was realized.

This shortfall led to some envisioned programs and projects not realized

**Way forward**

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

- Construct a shed for automotive engineering and a shed for masonry training
- Install glazing on the automotive workshops to protect the equipment from dust and rain as recommended by the suppliers.
- Create Entries for vehicles for repair
- Prepare sports fields for the trainees sporting activities
- Levelling and beautification of the main college entrance including Cabro paving at the frontage
- Fence and the remaining part requires to be fenced to avoid encroachment.
- develop a master plan to guide future development
- develop an elaborate marketing plan to increase college visibility
- Equip electrical workshop

PRINCIPAL

Elias Nyaga



.....  
Name

.....  
Sign

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**6. REVIEW OF THARAKA TECHNICAL AND VOCATIONAL COLLEGE'S  
PERFORMANCE FOR FY 2019/2020**

**The Economic Pillar: Moving the Economy up the Value Chain.**

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

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

**The Social Pillar: Investing in the People of Kenya.**

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

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

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

**The Political Pillar: Moving to the Future as one Nation**

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

1. **Rule of Law:** Under rule of law, the 2030 Vision is “adherence to the rule of law as applicable to a modern market-based economy in a human rights-respecting state”. Specific strategies will involve:
  - (i) aligning the national policy and legal framework with the needs of a market-based economy, human rights, and gender equity commitments;
  - (ii) increasing access and quality of services available to the public and reducing barriers to service availability and access to justice;
  - (iii) streamlining the functional capability (including professionalization) of legal and judicial institutions to enhance their inter-agency cooperation; and
  - (iv) Inculcating a culture of compliance with laws, cultivating civility and decent human behaviour between Kenyans and outsiders.
2. **Electoral and political processes:**The 2030 Vision seeks to cultivate “genuinely competitive and issue-based politics”. Specific strategies will involve:
  - (i) introducing laws and regulations covering political parties;
  - (ii) enhancing the legal and regulatory framework covering the electoral process; and
  - (iii) Conducting civic education programmes to widen knowledge and participation among citizens, leading to an informed and active citizenry.
3. **Democracy and Public Participation:**The 2030 Vision aims to create “a people-centered and politically-engaged open society”. Specific targets will involve:
  - (i) pursuing reforms necessary to devolve power and to move budgetary resources and responsibility to local governance institutions;
  - (ii) encouraging formal and informal civic education and action programmes; and
  - (iii) Promoting open engagement between government and civil society, as well as the free flow of information (for example, through better and continuous engagement with the media).
4. **Transparency and Accountability:** Vision 2030 aims to create “transparent, accountable, ethical and results-oriented government institutions”. Specific strategies will involve: (i) strengthening the legal framework for reducing corruption and enhancing ethics and integrity; (ii) promoting results-based management within the public service; (iii) encouraging public access to information and data; (iv) introducing civilian oversight around the key legal, justice and security institutions; and (v) strengthening Parliament's legislative oversight capacity.
5. **Public administration and Service Delivery.** The 2030 vision is “policy-driven and service-focused Government institutions”. Specific strategies will involve (i) strengthening rules and processes around the policy cycle; (ii) deepening the use of citizen and service charters as accountability tools; (iii) strengthening

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economic governance for better macroeconomic management; and (iv) inculcating a performance culture in the public service.

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

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**7. CORPORATE GOVERNANCE STATEMENT**

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

**Function of the Board of Governors’**

The functions of the Board set out under section 28 (1) shall include

- (a) Overseeing the conduct of education and training in the institutions in accordance with the provisions of this Act and any other written law;
- (b) Promoting and maintaining standards, quality and relevance in education and training in the institutions in accordance with this Act and any other written law;
- (c) Administering and managing the property of the institutions;
- (d) Developing and implementing the institutions' strategic plan;
- (e) Preparing annual estimates of revenue and expenditure for the institution and incurring expenditure on behalf of the institutions;
- (f) Receiving, on behalf of the institution, fees, grants, subscriptions, donations, bequests or other moneys and to make disbursement to the institution or other bodies or persons;
- (g) determining the fees payable and prescribing conditions under which fees may be remitted in part or in whole in accordance with the guidelines developed under the provisions of the Act;
- (h) Mobilizing resources for the institutions;
- (i) Developing and reviewing programmes for training and to make representations thereon to the Board;
- (j) Regulating the admission and exclusion of students from the institutions, subject to a qualifications framework and the provisions of this Act;
- (k) Approving collaboration or association with other institutions and industries in and outside Kenya subject to prior approval by the Board;
- (l) Recruiting and appointing trainers from among qualified professionals and practising trades persons in relevant sectors of industry;
- (m) determining suitable terms and conditions of service for support staff, trainers and instructors and remunerating the staff of the institutions, in consultation with the Authority;
- (n) Making regulations governing organization, conduct and discipline of the staff and students;
- (o) Preparing comprehensive annual reports on all areas of their mandate, including education and training services and submit the same to the Board;
- (p) Providing for the welfare of the students and staff of the institutions;
- (q) Encouraging, nurturing and promoting democratic culture, dialogue and tolerance in the institution and
- (r) Discharging all other functions conferred upon it by this Act or any other written law

**Composition of the Board**

The board of governors is constituted of 9 members appointed by the cabinet secretary in the Ministry of education with the chairperson and six others as independent members while one represents the principal secretary ministry of education department of technical and vocational training and the other represents the county governor while the principal is the secretary to the board

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**Meetings**

In the year under review board meeting were held as indicated below;

24 august 2018	attendance 7
11 <sup>th</sup> January 2019	attendance 8
5 <sup>th</sup> may 2019	attendance 8

Three special committee meetings were held on  
27<sup>th</sup> July 2018, 3<sup>rd</sup> November 2018 and 29<sup>th</sup> April 2019

A joint induction was conducted between 2<sup>nd</sup> to 5<sup>th</sup> may 2019 organised by the ministry of education department of technical and vocational training where all the board members were in attendance.

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**8. MANAGEMENT DISCUSSION AND ANALYSIS**

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

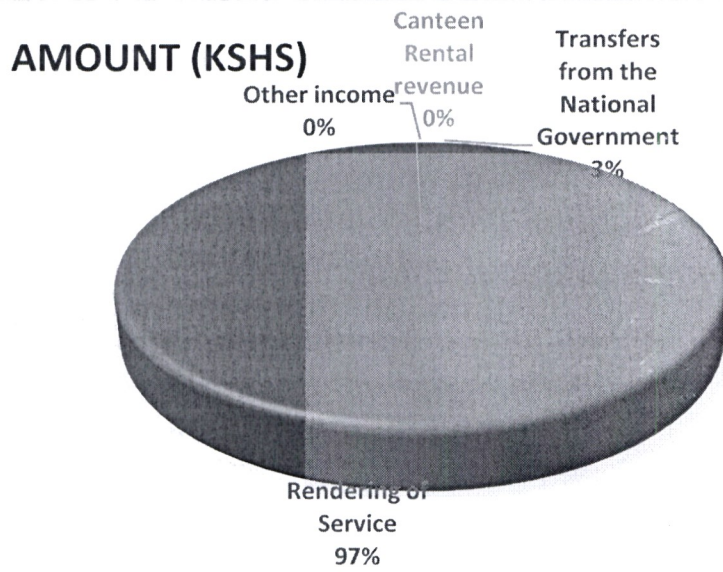
The college had no key project on 2018/2019 financial year because it was not funded by the government and the number of students were few thus no much funds were available.

The major risk the college is facing is financing, college being situated on semi-arid place where the place received little rains for the last two years now, locals here do not have many sources of raising their fees thus operate on fees balances.

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

**Revenue**

The College’s revenue during period under review was Kshs.18,590,965 from the following revenue sources



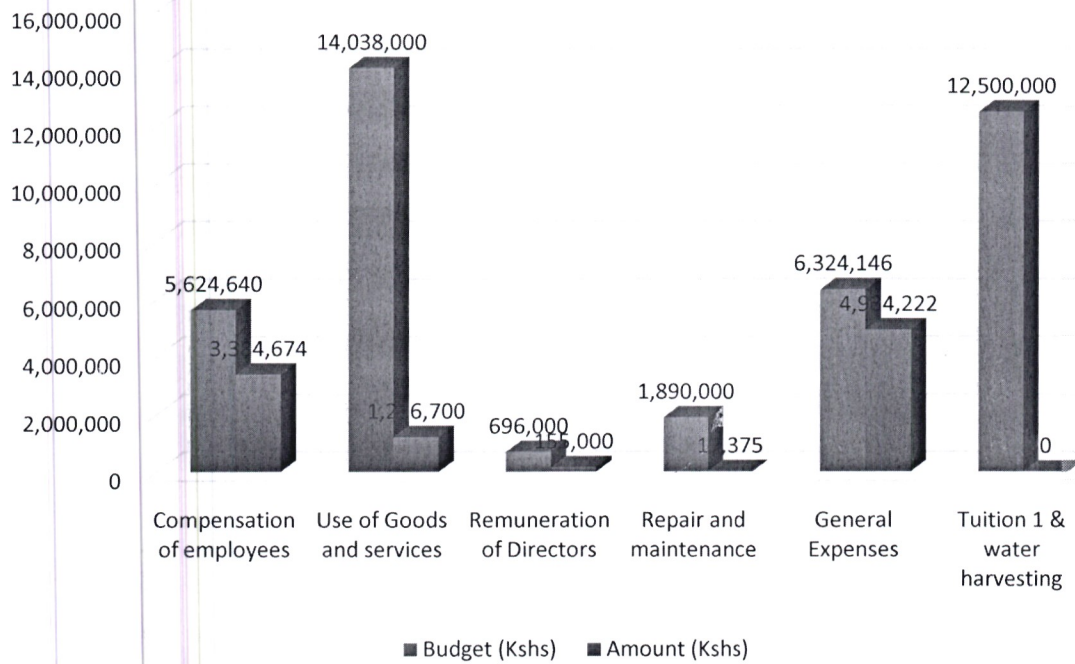
Income from rendering of services was due to due to increase in aggressive recruitment drive of students through advertising.

**Expenditure**

The College budgeted to spend Kshs.41,072,786 during the period. However, due to revenue collection challenges only Kshs.9,707,971 was spent. The low expenditure was hugely attributed to failure to start construction of tuition block phase 1 and water harvesting projects and on use of goods and services. These were as follows;

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**Budget Vs Expenditure**



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

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

**1. Sustainability strategy and profile -**

Tharaka Technical Training Institute in its endeavour to develop competent technical human resource for innovation and development has continued to comply with the Ministry of Education guidelines and policies. To ensure its continued operation the College is contentiously engaging and sanitizing the community on TVET courses. The College is also working with other government bodies such as Constituency Development Fund (CDF), Higher Education Loans Board (HELB), leaders, churches, community so as to support students through payment of school fees to student who are willing to join the College.

**2. Environmental performance**

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

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

In our effort preserve the environment we have planted over 200 trees within the compound and has employed a staff to take care of them. In future we intend to plant more trees within the compound and within the local community.

**3. Employee welfare**

The College is committed to continues improvement of staff. To ensure retention of competent staff the College has invested in training of staff in order to build their capacity and competency. Further, the College also ensures that hiring of staff is done in transparent and competitive manner.

During hiring we ensure adherence to gender and ethnicity. Currently the College is working closely with the government to ensure that salary structure is developed so that staff are appraised and rewarded according to skills, competency and work done. The College is in the process of developing the policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

**4. Market place practices-**

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

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

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**5. Community Engagements-**

The College believes in giving to the community. During the period the College trained issued certificate on computer packages to students from Tharaka boys' thus promoting technology among secondary students.

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE  
A REPORT AND FINANCIAL STATEMENTS  
FOR THE FIFTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE 2019**

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

The Board members submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Tharaka technical and vocation college affairs.

**Principal activities**

The principal activity is to enable skills acquisition through training

**Results**

The results of the College for the year ended June 30 are set out on page 1 to 5 of this report and financial statements

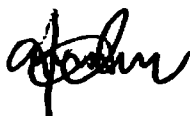
**BOARD OF GOVERNORS**

The members of the Board who served during the year are shown on page v and vi. During the year no director retired/ resigned

**Auditors**

The Auditor General is responsible for the statutory audit of Tharaka Technical and Vocational College in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Secretary to the Board

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE  
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FOR THE FIFTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE 2019**

**11. STATEMENT OF BOARD OF GOVERNORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and schedule 2 of the Technical and Vocational Education and Training Act, 2013 -require the board of governors to prepare financial statements in respect of Tharaka 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 and the operating results of the College for that period. The board of governor are also required to ensure that Tharaka Technical and Vocational College keeps proper accounting records which disclose with reasonable accuracy the financial position of the College. The BOG are also responsible for safeguarding the assets of the College.

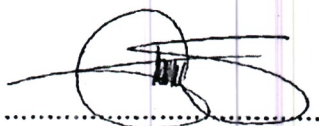
The board members are responsible for the preparation and presentation of Tharaka Technical and Vocational College financial statements, which give a true and fair view of the state of affairs of the College as at the end of the financial period ended June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 Tharaka Technical and Vocational College 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 Technical and Vocational Education and Training Act, 2013. The council members are of the opinion that Tharaka Technical and Vocational College financial statements give a true and fair view of the state of the College's transactions during the financial period ended June 30, 2019, and of the College's financial position as at that date. The council members further confirm the completeness of the accounting records maintained for Tharaka Technical and Vocational 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 BOG to indicate that Tharaka Technical and Vocational 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 28<sup>th</sup> September 2019 and signed on its behalf by:



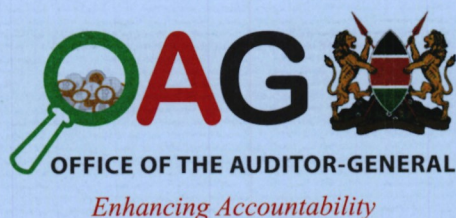
Chairman of the Board



The Principal

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
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HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON THARAKA TECHNICAL AND VOCATIONAL COLLEGE FOR THE FIFTEEN MONTHS PERIOD ENDED 30 JUNE, 2019

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### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of Tharaka Technical and Vocational College set out on Pages 1 to 39, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the fifteen months period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Tharaka Technical and Vocational College as at 30 June 2019, and of its financial performance and its cash flows for the fifteen months period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Technical and Vocational Education and Training Act, 2013.

#### Basis for Adverse Opinion

##### 1.0 Inaccuracies in the Financial Statements

A review of the financial statements for the fifteen months period under review reflects amount of Kshs.21,726,526 in respect to seven (7) items. However, the respective ledgers and supporting schedules reflects an amount of Kshs.25,340,209 on the same items resulting to unexplained and unreconciled variances as shown below;

Components	Note	Financial Statement (Kshs)	Ledgers and Supporting Schedules (Kshs)	Variance (Kshs)
Rendering of Services- Fees from Students	Note 10	18,007,785	16,596,750	1,411,035
Remuneration of Directors	Note 17	155,000	531,000	(376,000)

Employee Costs	Note 16	3,384,674	3,385,470	(796)
Internet Fees	Note 15	179,067	0	179,067
Student Welfare		0	46,960	(46,960)
Examination Expenses		0	450,190	(450,190)
Administrative Expenses		0	4,329,839	(4,329,839)

In the circumstances, the accuracy of the financial statements for the fifteen months period ended 30 June, 2019 could not be ascertained.

## 2.0 Unaccounted for Expenditure

Notes 15 and 19 to the financial statements reflects Kshs.1,216,700 and Kshs.4,934,222 in respect to use of goods and services and general expenses respectively both totalling to Kshs.6,150,922. Included in the Kshs.6,150,922 is Kshs.871,088 and Kshs.2,436,696 in respect to use of goods and services and general expenses respectively both totalling to Kshs.3,307,784 spent during the fifteen months period under review. However, supporting documents including payment vouchers, invoices, procurement documents, imprest warrants local purchase orders and other relevant documents were not provided contrary to Regulations 99(3), 104(1) and 118(3) of the Public Finance Management (National Governments) Regulations, 2015 which stipulates that every entry in the accounts shall be supported by a voucher containing the full details, clear narrations and particulars of the item or items to which it relates and shall be supported by appropriate authority and documentation and the accounting officer shall ensure appropriate mechanism are put in place for safeguarding and tracking them.

In the circumstances, the propriety and value for money for the Kshs.3,307,784 expenditure for the fifteen months period ended 30 June, 2019 could not be ascertained.

## 3.0 Irregularities in Remuneration of Directors

Note 17 to the financial statements reflects Kshs.155,000 in respect to remuneration of directors. However, the respective supporting schedules reflects Kshs.531,000 resulting to unexplained variance of Kshs.376,000. Further, included in the Kshs.531,000 is Kshs.308,000 paid as sitting allowance to Board members for attending capacity building workshop at Mountain Breeze Hotel in Embu from 3 to 5 May, 2019. However, attendance register, work tickets/bus ticket, program of activities and back to office report were not provided for audit review. Therefore, it was not possible to ascertain whether the members attended the workshop.

In addition, included in the Kshs.308,000 is Kshs.30,000 paid to the principal as sitting allowance during the said capacity building workshop contrary to Section 10(1) of the State Corporations Act, 2012 (Revised).

Further, the Board members were paid Kshs.531,000 in respect to allowances during the fifteen months period under review. However, no evidence was provided that the

allowances were approved by the cabinet secretary contrary to Section 17 of the Second schedule of the Technical and Vocational Education and Training Act, 2013.

In the circumstances, the propriety and value for money of the Kshs.308,000 expenditure for the fifteen months period ended 30 June, 2019 could be ascertained.

#### **4.0 Unconfirmed Cash and Cash Equivalents**

Note 24 to the financial statements reflects Kshs.3,136,553 in respect to cash and cash equivalents which includes Kshs.2,668,497 and Kshs.459,446 in respect to balance held in two banks both totalling to Kshs.3,127,943. However, cash books, bank statements and bank reconciliation statements were not provided for audit review.

In addition, Note 24 (a) to the financial statements reflects Kshs.8,610 in respect to cash in hand as at 30 June, 2019 whose cash book and Board of survey report were not provided for audit review.

In the circumstances, the accuracy of the Kshs.3,136,553 in respect to cash and cash equivalents balance as at 30 June, 2019 could not be ascertained.

#### **5.0 Unsupported Receivables from Exchange Transactions**

Note 25 to the financial statements reflects Kshs.6,780,937 in respect to receivables from exchange transactions which relates to student debtors. However, students' details including ledger, name of student, course taken, admission numbers, date paid, amount billed and paid was not provided. Further, ageing analysis showing how long the balances have been outstanding has not been provided for audit review.

In the circumstances, the accuracy, propriety and completeness of the Kshs.6,780,937 as at 30 June, 2019 could not be ascertained.

#### **6.0 Unsupported Trade and Other Payables**

Note 32 to the financial statements reflects Kshs.865,496 in respect to trade and other payables from exchange transactions which relates to fees paid in advance. However, supporting details including ledger, name of student, amount and date paid have not been provided for audit review. Further, ageing analysis showing how long the balances have been outstanding has not been provided for audit review.

In the circumstances, the accuracy, propriety and completeness of the Kshs.865,496 as at 30 June, 2019 could not be ascertained.

#### **7.0 Unsupported Refundable Deposits from Students**

Note 33 to the financial statements reflects Kshs.169,000 in respect to refundable deposits from students which relates to caution money. However, details including ledger, name of student, amount, date paid, course taken and ageing analysis showing how long the balances have been outstanding were not provided. Further, the College

has not opened a separate bank accounts where caution money paid are deposited instead, the funds are deposited in the College's two main bank accounts.

In the circumstances, the accuracy of the Kshs.169,000 for the fifteen months period under review could not be ascertained.

## **8.0 Property, Plant and Equipment**

### **8.1 Incomplete Assets Register**

Note 29 to the financial statements reflects Kshs.74,624,125 in respect to property, plant and equipment. However, review of the fixed assets register provided for audit review revealed that critical information such as location of the assets, description and serial numbers were not indicated in the register. Further, physical verification of the assets revealed that the assets were not tagged for ease of identification and movement contrary Section 139(1)(2) of the Public Finance Management (National Government) Regulations, 2015.

Further, documents availed for audit review revealed that the College owns a motor vehicle said to have been donated by the Ministry of Education which is not included in the asset register and the financial statements and whose details including cost were not provided.

In addition, Note 29 to the financial statements reflects assets with historical cost of Kshs.76,160,000 that were donated to the College by the national government through Meru National Polytechnics. However, valuation report showing the name and qualifications of valuer, date of valuation, valuation method and how the value was arrived at were not provided for audit review.

In the circumstances, the accuracy and validity of the property, plant and equipment balance of Kshs.74,624,125 as at 30 June, 2019 could not be ascertained.

### **8.2 Land Without Ownership Documents**

Note 29 to the financial statements reflects Kshs.74,624,125 in respect to property, plant and equipment which includes Kshs.25,000,000 in respect to land whose details including ownership documents were not provided for audit review.

In the circumstances, the accuracy, value and ownership of Kshs.74,624,125 in respect to land and motor vehicles as at 30 June, 2019 could not be ascertained.

## **9.0 Unsupported Capital Fund**

Note 40 to the financial statements reflects Kshs.76,160,000 in respect to capital fund balance as at 30 June, 2019. However, documents showing the sources and amount of cash and non-cash capital funds given to the College were not provided for audit review.

In the circumstances, the accuracy and propriety of the Kshs.76,160,000 in respect to capital fund as at 30 June, 2019 could not be ascertained.

## **10.0 Unconfirmed Operational Grants**

Note 6 to the financial statements reflects Kshs.500,000 in respect to transfers from national government ministries which relates to operational grants. However, confirmation from the Ministry of Education revealed that Kshs.10,640,000 was transferred to the College in respect to the same item resulting to unexplained variance of Kshs.10,140,000.

In the circumstance, the accuracy and propriety of the Kshs.500,000 transfers from national government ministries for the fifteen months period ended 30 June could not be ascertained.

## **11.0 Presentation of the Financial Statements**

The College's financial statements for the fifteen months' period ended 30 June 2019 provided reflects the following inconsistencies:

- i). Corporate governance statement at page xiv did not contain information on succession plan of the Board members, existence of a Board charter, Board member's appraisal and remuneration of Board members contrary to the Public Sector Accounting Standards Board (PSASB) template issued in June, 2020.
- ii). Inter-entity transfers at page 38 to the financial statements is not signed by the head of accounting unit of the Ministry of Education contrary to Public Sector Accounting Standards Board (PSASB) template issued in June, 2020.

In the circumstances, the College's financial statements are not in conformity with PSASB prescribed format.

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

### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts for the fifteen months period ended 30 June, 2019 reflects a budgeted revenue of Kshs.33,339,520 and actual revenue of Kshs.18,590,965 resulting to a net revenue shortfall of Kshs.14,748,555 or 44% of the budget.

Similarly, the statement of comparison of budget and actual amounts reflects an expenditure budget of Kshs.41,072,786 and actual expenditure of Kshs.9,707,971 resulting to an under expenditure of Kshs.31,364,815 or 76%.

The underspent funds could have been allocated to other deserving areas that would have improved delivery of goods and services to stakeholders.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1.0 Late Submission of the Financial Statements**

The financial statements for the fifteen months period under review were submitted to the Auditor – General on 11 November, 2019, approximately thirty four (34) days after the legal deadline of three (3) months from the end of the fifteen months period contrary to Section 47(1) of the Public Audit Act, 2015 which stipulates that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

In the circumstances, the Management is in breach of the Law.

#### **2.0 Irregular Appointment of the Board of Directors**

Note 17 to the financial statements reflects Kshs.155,000 in respect to remuneration of directors. Documents provided for audit review revealed that the College had eight Board members. However, appointment letters of five (5) out of the eight (8) Board members were not provided for audit verification. Further, the county governor's representative was not included in the Board of governors contrary to Section 2 (c) of the second schedule to the Technical and Vocational Education Act, 2013 which states that the membership of the Board of Governors shall comprise a representative of the County Governor of the County within which the institution is located.

In the circumstances, the Management is in breach of the Law.

#### **3.0 Unapproved Budget**

Documents availed for audit review for the fifteen months period under review revealed that the Board of Governors approved a Kshs.33,339,520 and Kshs.41,072,786 in

respect to revenue and expenditure budget respectively for the fifteen months period on 3 August, 2018. However, documents showing that the budget was submitted to and approved by the Cabinet Secretary in the Ministry of Education was not provided for audit review contrary to Section 22(1) and (2) of the second schedule to the Technical and Vocational Education and Training Act, 2013 which stipulates that a Board of governors of a public institution shall prepare annual estimates of revenue and expenditure for the institution under its charge, in such form and at such times as the Cabinet Secretary may prescribe and the Board of governors may incur expenditure for the purpose of the institution in accordance with estimates approved by the Cabinet Secretary, and any approved expenditure under any head of the estimates may not be exceeded without the prior written approval of the Cabinet Secretary.

In the circumstance, the Management is in breach of the Law.

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

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

### **Conclusion**

As required by Section 7 (1) (a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1.0 Lack of Internal Audit**

Documents availed for audit review revealed that the College did not have an internal audit unit to carry out internal audit functions contrary to Section 73(1) (a) of the Public Finance Management (PFM) Act, 2012 which stipulates that every National Government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the Management is in breach of the Law.

#### **2.0 Lack of Internal Audit Committee**

During the fifteen months' period under review, the College did not have an Audit Committee contrary to Section 73(5) of the Public Finance Management Act, 2012

which states that every national government entity shall establish an internal auditing committee whose composition and functions are to be prescribed by the regulations.

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

### **3.0 Lack of Salary Structure**

Note 16 of the financial statements reflects Kshs.3,384,674 in respect to employee costs. However, approved salary structure and staff establishment were not availed for audit review contrary to Section C.2(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which stipulates that public service salary structure will be based on the grading levels spelt out in the various career progression guidelines.

In the circumstances, the propriety of the Kshs.3,384,674 for the period under review could not be ascertained. In addition, the College is in breach of the manual.

### **4.0 Lack of Risk Management Policy**

Review of the College's Internal controls system revealed that the College did not have approved risk management policy. Further, the Management did not provide for audit review evidence of whether the College has identified, documented, assessed risks and developed controls to respond to the risk identified contrary to Section 165 of the Public Finance Management (National Government) Regulations 2015, which stipulates that the accounting officer shall ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism and system of risk management and internal control that builds robust business operations.

In the absence of risk management policy, it was not possible to determine the effectiveness of any controls implemented to control risks.

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

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

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

In preparing the financial statements, Management is responsible for assessing the College's ability to sustain services, disclosing, as applicable, matters related to

sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to liquidate the College or cease operations.

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

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

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

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion with limited assurance as to 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 in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal

control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to 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 Tharaka Technical and Vocational College to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

14 February, 2022

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE FIFTEEN MONTHS PERIOD  
ENDED 30TH JUNE 2019**

	Notes	2018-2019
		Kshs
<b>Revenue from non-exchange transactions</b>		
Transfers from the National Government – grants/ gifts in kind	6	500,000
Grants from donors and development partners	7	0
Transfers from other levels of government	8	0
Public contributions and donations	9	0
<b>Total Revenue from non-exchange transactions</b>		<b>500,000</b>
<b>Revenue from exchange transactions</b>		
Rendering of services- Fees from students	10	18,007,785
Sale of goods	11	
Rental revenue from facilities and equipment ( canteen)	12	18,000
Finance income - external investments	13	
Other income( Training ICT to Tharaka boys)	14	65,180
<b>Revenue from exchange transactions</b>		<b>18,090,965</b>
<b>Total revenue</b>		<b>18,590,965</b>
<b>Expenses</b>		
Use of goods and services	15	1,216,700
Employee costs	16	3,384,674
Remuneration of directors	17	155,000
Repairs and maintenance	18	17,375
General Expenses	19	4,934,222
Depreciation	29	1,535,875
Grants and subsidies	21	
Finance costs	22	
<b>Total expenses</b>		<b>11,243,846</b>
<b>Other gains/(losses)</b>		<b>-</b>
Gain on sale of assets		
Impairment loss		
<b>Total other gains/(losses)</b>		
<b>Net Surplus for the year</b>		<b>7,347,119</b>

The notes set out on pages 6 to 35 form an integral part of the Annual Financial Statements.

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE**  
**A REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FIFTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE 2019**

**14. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2019**

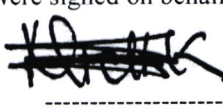
	Notes	Fifteen Months Ended 30 June 2019 Ksh.
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	24	3,136,553
Current portion of receivables from exchange transactions		
Receivables from exchange transactions	25	6,780,937
Inventories	27	0
Investments	28	0
<b>Total Current Assets</b>		<b>9,917,490</b>
<b>Non-current assets</b>		
Property, plant and equipment	29	74,624,125
Investments	28	0
Intangible assets	30	0
Investment property	31	0
Long term receivables from exchange transactions		0
<b>Total Non Current Assets</b>		<b>74,624,125</b>
<b>Total assets</b>		<b>84,541,615</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables from exchange transactions	32	865,496
Refundable deposits from customers	33	169,000
Provisions	34	0
Finance lease obligation	35	0
Current portion of borrowings		0
Deferred income	36	0
Employee benefit obligation	37	0
<b>Total Liabilities</b>		<b>1,034,496</b>
<b>Non-current liabilities</b>		
Non-current employee benefit obligation		0
Non-current provisions	38	0
Borrowings	39	0
Deferred tax liabilities		
<b>Total Non Current Liabilities</b>		<b>0</b>
<b>Total liabilities</b>		<b>1,034,496</b>
<b>Capital and Reserves</b>		
Reserves		
Accumulated surplus		7,347,119
Capital Fund	40	76,160,000
<b>Total Capital and Liabilities</b>		<b>84,541,615</b>

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



Chairman of Board of Governors

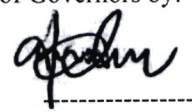
Date.....28/9/2019



Finance Officer

ICPAK No 26445

Date 28/9/2019



Principal

Date.28/9/2019

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15. STATEMENT OF CHANGES IN NET ASSET FOR THE FIFTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE 2019

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
<b>At 1 April, 2018</b>	-	-	-	-	-
Cost/Capitalized	-	-	-	76,160,000	76,160,000
Fair value adjustment on quoted investments	-	-	-	-	-
Depreciation	-	-	-	-	-
Capital/Development grants received during the year	-	-	-	-	-
Surplus (financial statement)	-	-	7,347,119	0	7,347,119
<b>At June 30, 2019</b>	-	-	7,347,119	76,160,000	83,507,119

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**16. STATEMENT OF CASH FLOWS FOR THE FIFTEEN MONTHS PERIOD ENDED 30TH JUNE 2019**

	Note	Fifteen Months Ended 30 June 2019 Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from other Government entities/Govt. grants	6	500,000
Public contributions and donations		
Rendering of services- Fees from students	10	18,007,785
Sale of goods		
Rental revenue from facilities and equipment	12	18,000
Finance income		
Other income( Tharaka boys ICT training)	14	65,180
<b>Total Receipts</b>		<b>18,590,965</b>
<b>Payments</b>		
Compensation of employees	16	3,384,674
Use of goods and services	15	1,216,700
Remuneration of Directors	17	155,000
Repair and maintenance	18	17,375
General expenses	19	4,934,222
<b>Total Payments</b>		<b>9,707,971</b>
<b>Net Surplus</b>		<b>8,882,994</b>
<b>Cash flows from operating activities</b>		
(Increase)/decrease in the receivables	25	(6,780,937)
Increase in payables	32	865,496
Increase in Refundable deposits from customers	33	169,000
<b>Net cash flows from operating activities</b>		<b>(5,746,441)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant, equipment and intangible assets		
Proceeds from sale of property, plant and equipment		
Decrease in non-current receivables		
Increase in investments		
<b>Net cash flows used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Proceeds from borrowings		
Repayment of borrowings		
Increase in deposits		
<b>Net cash flows used in financing activities</b>		
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,136,553</b>
Cash and cash equivalents at 1 JULY 2019		
<b>Cash and cash equivalents at 30 JUNE 2019</b>	24	<b>3,136,553</b>

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**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE FIFTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE 2019**

	Original budget 2018-2019 Kshs	Adjustments 2018-2019 Kshs	Final budget 2018-2019 Kshs	Actual on comparable basis 2018-2019 Kshs	Performance difference 2018-2019 Kshs
<b>Revenue</b>					
Transfers from other Govt entities Govt grants					
Public contributions and donations	-	-	-	500,000	(500,000)
Rendering of services- Fees from students	20,321,520	-	20,321,520	12,609,111	7,712,409
Sale of goods	-	-	-	-	-
Development fund (Govt Fund)	13,000,000	-	13,000,000	-	13,000,000
Other Income(canteen rent)	18,000	-	18,000	15,000	3,000
Computer training of Tharaka Boys Students				65,180	(65,180)
<b>Total income</b>	<b>33,339,520</b>	<b>-</b>	<b>33,339,520</b>	<b>13,189,291</b>	<b>20,150,229</b>
<b>Expenses</b>					
Compensation of employees	5,624,640	-	5,624,640	3,384,674	2,239,966
Use of Goods and services	14,038,000	-	14,038,000	1,216,700	12,821,300
Remuneration of Directors	696,000	-	696,000	155,000	541,000
Repair and maintenance	1,890,000	-	1,890,000	17,375	1,872,625
General Expenses	6,324,146	-	6,324,146	4,934,222	1,389,924
Tuition phase I& water harvesting	12,500,000	-	12,500,000	-	12,500,000
<b>Total expenditure</b>	<b>41,072,786</b>	<b>-</b>	<b>41,072,786</b>	<b>9,707,971</b>	<b>31,364,815</b>
<b>Surplus for the period</b>	<b>(7,733,266)</b>	<b>-</b>	<b>(7,733,266)</b>	<b>3,481,320</b>	<b>(11,214,586)</b>

**Budget Notes**

Difference in total expenditure between statement of financial performance and statement of comparison of budget and actual amounts is due to: Depreciation of Kshs.1,535,875 is non cash and is not included in the statement of comparison of budget and actual amounts

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**18. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Tharaka technical and vocational college is established by and derives its authority and accountability from TVET Act on 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is training

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

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

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

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

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

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

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. This revision had no impact in the presentation of financial statements of Tharaka Technical and Vocational College for the year ended 30 June 2019.

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

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

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

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

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Standard	Effective date and impact:
to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <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>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

**iii. Early adoption of standards**

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

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

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

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

**Rendering of services**

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

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

**Sale of goods**

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

**Interest income**

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

**Dividends**

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

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

**a) Revenue recognition (Continued)**

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

**Rental income**

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

**b) Budget information**

The original budget for FY 2018/2019 was approved by the Council or Board on **28 September 2018**.

The College's budget is prepared on the same basis to the income and expenditure disclosed in the financial statements. Both the budget and the financial statements are prepared on accrual basis.

**c) Taxes**

***Current income tax***

The College is exempt from paying taxes.

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

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

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

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

**d) Investment property**

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition.

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

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

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

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

**e) Property, plant and equipment**

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

**f) Leases**

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

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

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

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

**g) Intangible assets**

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

**h) Research and development costs**

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

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

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

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

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

**i) Financial instruments**

***Financial assets***

***Initial recognition and measurement***

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

***Loans and receivables***

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

***Held-to-maturity***

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

***Impairment of financial assets***

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a

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NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

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

***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

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

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

**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

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

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

**i) Inventories (Continued)**

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

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

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of Tharaka technical and vocational college.

**j) Provisions**

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

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

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

***Contingent liabilities***

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

***Contingent assets***

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

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

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

**i) Nature and purpose of reserves**

The College creates and maintains reserves in terms of specific requirements. The College maintains revaluation reserves and any operational surplus for the year.

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

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

**k) Employee benefits**

**Retirement benefit plans**

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

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

**l) 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.

**m) Borrowing costs**

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

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

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

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

**n) Related parties**

The college 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 college, or vice versa. Members of key management are regarded as related parties and comprise principal and senior managers.

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

**p) 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.

**q) Comparative figures**

There are no comparative figures since the financial statements are being prepared for the first time since the College started operations. The financial statements have been prepared for a period of fifteen months because during the establishment and reorganisation of College it carried out financial transaction for three months before the end of the reporting period.

**r) Subsequent events**

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

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

The preparation of Tharaka technical and vocational college 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,

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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 college. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual values**

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

- The condition of the asset based on the assessment of experts employed by the 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.

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

**6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

Description	Fifteen Months Ended 30 June 2019 KShs
<b>Unconditional grants</b>	
Operational grant	500,000
Other grants	
<b>Conditional grants</b>	
Library grant	
Hostels grant	
Administration block grant	
Laboratory grant	
Learning facilities grant	
Other organizational grants	
<b>Total government grants and subsidies</b>	<b>500,000</b>

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

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	Fifteen Months Ended 30 June 2019 KShs
Ministry Education	500,000				500,000
<b>Total</b>	<b>500,000</b>				<b>500,000</b>

**7 GRANTS FROM DONORS AND DEVELOPMENT PARTNERS**

Description	Fifteen Months Ended 30 June 2019 KShs
JICA- Research grant	
World Bank grants	
Other grants	
<b>Total grants from development partners</b>	

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**Reconciliations of grants from donors and development partners**

Description	Fifteen Months Ended 30 June 2019 KShs
<b>Balance unspent at beginning of year</b>	
Current year receipts	
Conditions met - transferred to revenue	
<b>Conditions to be met - remain liabilities</b>	

**8 TRANSFERS FROM OTHER LEVELS OF GOVERNMENT**

Description	Fifteen Months Ended 30 June 2019 KShs
Transfer from County	
Transfer from University	
Transfer from institute	
<b>Total Transfers</b>	

**9 PUBLIC CONTRIBUTIONS AND DONATIONS**

Description	Fifteen Months Ended 30 June 2019 KShs
Public donations	
Donations from local leadership	
Donations from religious institutions	
Donations from alumni	
Other donations	
<b>Total donations and sponsorships</b>	

**10 RENDERING OF SERVICES**

Description	Fifteen Months Ended 30 June 2019 KShs
Tuition fees	9,077,487
Activity fees	1,014,000
Examination fees	
Library fees	
Facilities and materials	7,916,298
Registration fees	
<b>Total revenue from the rendering of services</b>	<b>18,007,785</b>

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

**11 SALE OF GOODS**

Description	Fifteen Months Ended 30 June 2019
	KShs
<b>Sale of goods</b>	
Sale of books	
Sale of publications	
Sale of farm produce	
Other( include in line with your organisation)	
<b>Total revenue from the sale of goods</b>	

**12 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT**

Description	Fifteen Months Ended 30 June 2019
	KShs
Straight-lined operating lease receipts (canteen)	18,000
Contingent rentals	
<b>Total rentals</b>	<b>18,000</b>

**13 FINANCE INCOME**

Description	Fifteen Months Ended 30 June 2019
	KShs
Cash investments and fixed deposits	
Interest income from Treasury Bills	
Interest income from Treasury Bonds	
Interest from outstanding debtors	
<b>Total finance income</b>	

**14 OTHER INCOME**

Description	Fifteen Months Ended 30 June 2019
	KShs
Insurance recoveries	
Computer training to Tharaka boys students	65,180
Income from sale of tender	
Services concession income	
Skills development levy	
Income from disposal of assets	
<b>Total other income</b>	<b>65,180</b>

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**20 CONTRACTED SERVICES**

Description	Fifteen Months Ended 30 June 2019
	KShs
Actuarialvaluations	
Investmentvaluations	
Propertyvaluations	
<b>Totalcontractedservices</b>	

**21 GRANTS AND SUBSIDIES**

Description	Fifteen Months Ended 30 June 2019
	KShs
Communitydevelopment	
Educationinitiativesandprograms	
Socialdevelopment	
Communitytrust	
Sportingbodies	
<b>Totalgrantsandsubsidies</b>	

**22 FINANCE COSTS**

Description	Fifteen Months Ended 30 June 2019
	KShs
Borrowings(amortizedcost)*	
Financeleases(amortizedcost)	
Unwindingofdiscount	
Interest on Bankoverdrafts	
Interest on loans from commercial banks	
<b>Totalfinancecosts</b>	

**23 GAIN ON SALE OF ASSETS**

Description	Fifteen Months Ended 30 June 2019
	KShs
Property,plantandequipment	
Intangible assets	
Otherassets not capitalised	
<b>Totalgainonsaleofassets</b>	0

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

**24 CASH AND CASH EQUIVALENTS**

Description	Fifteen Months Ended 30 June 2019 KShs
Current account	3,136,553
On - call deposits	
Fixed deposits account	
Staff car loan/ mortgage	
Others(specify)	
<b>Totalcashandcashequivalents</b>	<b>3,136,553</b>

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

Financial institution	Account number	Fifteen Months Ended 30 June 2019 KShs
<b>a) Current account</b>		
Equity Bank	1040262403552	2,668,497
Trans Nation Sacco	68260900029001	459,446
<b>Sub- total</b>		<b>3,127,943</b>
<b>b) Others(specify)</b>		0
Cash in transit		0
cash in hand		8,610
M pesa		0
<b>Sub- total</b>		
<b>Grand total</b>		<b>3,136,553</b>

**25 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Description	Fifteen Months Ended 30 June 2019 KShs
<b>Currentreceivables</b>	
Student debtors	6,780,937
Rent debtors	
Consultancy debtors	
Other exchange debtors	
Less:impairmentallowance	
<b>Totalcurrentreceivables</b>	<b>6,780,937</b>

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

**26 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Description	Fifteen Months Ended 30 June 2019 KShs
<b>Current receivables</b>	
Transfers from other govt. entities	
Undisbursed donor funds	
Other debtors (non-exchange transactions)	
Less: impairment allowance	
<b>Total current receivables</b>	

**27 INVENTORIES**

Description	Fifteen Months Ended 30 June 2019 KShs
Consumable stores	
Maintenance stores	
Cleaning materials stores	
Catering stores	
<b>Total inventories at the lower of cost and net realizable value</b>	

**28 INVESTMENTS**

**d) Shareholding in other entities**

For investments in equity share listed under note 30 (c) above, list down the equity investments under the following categories:

Name of entity where investment is held	No of shares			Nominal value of shares Shs	Fair value of shares Current year Shs	Fair value of shares Prior year Shs
	Direct shareholding %	Indirect shareholding %	Effective shareholding %			
None						

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

**29 PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Plant and equipment	Capital Work in Progress	Total
Cost	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
At 1 July 2018	-	-	-	-	-	-	-	-
Cost/Capitalized	25,000,000	50,000,000		355,000	805,000			76,160,000
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30 June 2019	25,000,000	50,000,000	-	355,000	805,000	-	-	76,160,000
Depreciation and impairment								
At 1 July 2018	-	-	-	-	-	-	-	-
Depreciation	-	1,250,000	-	44,375	241,500	-	-	1,535,875
Impairment	-	-	-	-	-	-	-	-
At 30 June 2019	-	1,250,000	-	44,375	241,500	-	-	1,535,875
Net book values								
At 30 June 2019	25,000,000	48,750,000	-	310,625	563,500	-	-	74,624,125

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

**30 INTANGIBLE ASSETS-SOFTWARE**

Description	Fifteen Months Ended 30 June 2019 KShs
<b>Cost</b>	
<b>At beginning of the year</b>	
Additions	
<b>At end of the year</b>	
Additions-internal development	
<b>At end of the year</b>	
<b>Amortization and impairment</b>	
<b>At beginning of theyear</b>	
Amortization	
<b>At end of the year</b>	
Impairment loss	
<b>At end of the year</b>	
<b>NBV</b>	

**31 INVESTMENT PROPERTY**

Description	Fifteen Months Ended 30 June 2019 KShs
<b>At beginning of the year</b>	
Additions	
Fair value gain	
Depreciation(where investment property is at cost)	
<b>At end of the year</b>	

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

Description	Fifteen Months Ended 30 June 2019 KShs
Tradepayables	
Fees paid in advance	865,496
Employeeadvances	
Third-partypayments	
Otherpayables	
<b>Totaltradeandotherpayables</b>	<b>865,496</b>

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

**33 REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS**

Description	Fifteen Months Ended 30 June 2019	
	KShs	
Consumer deposits		169,000
Caution money		
Other refundable deposits		169,000
<b>Total deposits</b>		

**34 CURRENT PROVISIONS**

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
<b>Balance at the beginning of the year</b>				
Additional Provisions				
Provision utilised				
Change due to discount and time value for money				
Transfers from non-current provisions				
<b>Total provisions</b>				

**35 FINANCE LEASE OBLIGATION**

Description	Minimum lease payments	Future finance charges	Present value of minimum lease payments	2018-2019
			KShs	
Within current year				
Long term portion of lease payments				
<b>Total provisions</b>				

**36 DEFERRED INCOME**

Description	Fifteen Months Ended 30 June 2019	
	KShs	
National government		
International funders		
Public contributions and donations		
<b>Total deferred income</b>		

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

The deferred income movement is as follows:

	National government	International funders/ donors	Public contributions and donations	Total
Balance brought forward				
Additions during the year				
Transfers to Capital fund				
Transfers to income statement				
Other transfers				
Balance carried forward				

**37 EMPLOYEE BENEFIT OBLIGATIONS**

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	Fifteen Months Ended 30 June 2019
	KShs	KShs	KShs	KShs
Current benefit obligation				
Non-current benefit obligation				
<b>Total employee benefits obligation</b>				

	Fifteen Months Ended 30 June 2019
	KShs
Valuation at the beginning of the year	
Changes in valuation during the year	
Valuation at end of the year	

**38 NON-CURRENT PROVISIONS**

Description	Long service leave	Gratuity	Other Provisions	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year				
Additional Provisions				
Provision utilised				
Change due to discount and time value for money				

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Less: Current portion				
<b>Total deferred income</b>				

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

**39 BORROWINGS**

Description	Fifteen Months Ended 30 June 2019 KShs
Balance at beginning of the period	
External borrowings during the year	
Domestic borrowings during the year	
Repayments of external borrowings during the year	
Repayments of domestic borrowings during the year	
Balance at end of the period	

**40 CAPITAL FUND**

	Fifteen Months Ended 30 June 2019 KShs
Land (capitalized)	25,000,000
Buildings (capitalized)	50,000,000
Furniture and fittings (capitalized)	355,000
Computers (capitalized)	805,000
<b>Total</b>	<b>76,160,000</b>

**41 BREAKDOWN OF LONG AND SHORT TERM BORROWINGS**

Description	Fifteen Months Ended 30 June 2019 KShs
Short term borrowings (current portion)	
Long term borrowings	
<b>Total</b>	

**42 SERVICE CONCESSION ARRANGEMENTS**

Description	Fifteen Months Ended 30 June 2019 KShs
Fair value of service concession assets recognized under PPE	
Accumulated depreciation to date	
Net carrying amount	
Service concession liability at beginning of the year	
Service concession revenue recognized	
Service concession liability at end of the year	

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

**43 CASH GENERATED FROM OPERATIONS**

	Fifteen Months Ended 30 June 2019
	KShs
<b>Surplus for the year before tax</b>	
<b>Adjusted for:</b>	
Depreciation	
Non-cash grants received	
Contributed assets	
Impairment	
Gains and losses on disposal of assets	
Contribution to provisions	
Contribution to impairment allowance	
Finance income	
Finance cost	
<b>Working Capital adjustments</b>	
Increase in inventory	
Increase in receivables	
Increase in deferred income	
Increase in payables	
Increase in payments received in advance	
<b>Net cash flow from operating activities</b>	

**44 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

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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:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2019</b>				
Receivables from exchange transactions	6,780,937	6,780,937		
Receivables from non-exchange transactions				
Bank balances	3,136,553	3,136,553		
<b>Total</b>	<b>9,917,490</b>	<b>9,917,490</b>		

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

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

**(ii) Liquidity risk management**

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

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.

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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2019</b>				
Trade payables		865,496		865,496
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
<b>Total</b>		<b>865,496</b>		<b>865,496</b>

**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:

	Fifteen Months Ended 30 June 2019
	Kshs
Revaluation reserve	
Retained earnings	7,347,119
Capital reserve	
<b>Total funds</b>	<b>7,347,119</b>
Total borrowings	
Less: cash and bank balances	3,136,553
Net debt/(excess cash and cash equivalents)	4,210,566
<b>Gearing</b>	<b>57.3%</b>

**45 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.

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**Government of Kenya**

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

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

	Fifteen Months Ended 30 June 2019 Kshs
<b>Transactions with related parties</b>	
<b>a) Sales to related parties</b>	
Sales of goods to	
Sales of services	
<b>Total</b>	
<b>b) Grants from the Government</b>	
Grants from National Govt	500,000
Grants from County Government	
Donations in kind	
<b>Total</b>	<b>500,000</b>
<b>c) Expenses incurred on behalf of related party</b>	
Payments of salaries and wages for employees	
Payments for goods and services	
<b>Total</b>	
<b>d) Key management compensation</b>	
Directors' emoluments	155,000
Compensation to the CEO	
Compensation to key management	348,430
<b>Total</b>	<b>503,420</b>

**46 CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent liabilities	Fifteen Months Ended 30 June 2019 Kshs
Court case against the College	
Bank guarantees in favour of subsidiary	
<b>Total</b>	

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

**47 CAPITAL COMMITMENTS**

<b>Capital commitments</b>	<b>2018- Fifteen Months Ended 30 June 2019</b>
	<b>Kshs</b>
Authorised for	
Authorised and contracted for	
<b>Total</b>	

**48 EVENTS AFTER THE REPORTING PERIOD**

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

**49 ULTIMATE AND HOLDING ENTITY**

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

**50 Currency**

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

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19. APPENDICES**

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

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

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

The Principal



Date.....

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

**Projects**

Projects implemented by the College Funded by development partners

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. No project in this year						
2						

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	No project						
2							
3							

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**APPENDIX III: INTER-ENTITY TRANSFERS**

	<b>ENTITY NAME:</b>			
	<b>Break down of Transfers from the State Department of Education</b>			
	<b>Period of 15 months</b>			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		22/10/2018	500,000	2018/2019
		<b>Total</b>	<b>500,000</b>	

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

Finance officer  
Tharaka TVC



Sign -----

Head of Accounting Unit  
Ministry of Education

Sign-----

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE  
A REPORT AND FINANCIAL STATEMENTS  
FOR THE FIFTEEN MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE 2019**

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

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized				Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	
Meru national polytechnic	22/10/2018	Recurrent	500,000					500,000
<b>Total</b>								