REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NACHU TECHNICAL AND VOCATIONAL COLLEGE

FOR THE YEAR ENDED 30 JUNE, 2022

NACHU TECHNICAL AND VOCATIONAL COLLEGE

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NACHU TECHNICAL AND VOCATIONAL COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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

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(c) Key Management

NTVC day-to-day management is under the following key organs:

I. Board of Governors (BOG)

The responsibilities of the board are:

i. Providing strategic direction
ii. Developing and implementing the College strategic plan
iii. Managing the property of the College
iv. Growing College's enrolment to enhance access.
v. Creating community linkage
vi. Providing / sourcing for resources and support
vii. Adding value to the community and Country.
viii. Enabling the Government achieve its key agenda in its manifesto.
ix. Ensuring quality and relevance in training in line with vision 2030.

II. Principal

Takes overall responsibility in the day today running of the College on behalf of the board of governors by:

a) Implementing the strategic direction approved by the BOG.
b) Managing the property of the College
c) Increasing College's enrolment.
d) Adding value to the community and Country.
e) Ensuring quality and relevance in training in line with vision 2030.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

1. Magdalene Mwachofi : Principal
2. George Mugo: :Deputy Principal
3. David Kimani Njoroge :Registrar
4. Ruth Kamene Mutungi :Head of Department Welding and Fabrication
5. Charles Mwendwa Kiruja :Head of Department Building
6. Sarah Muthoni Kamau :Head of Department ICT
7. Laban Bengo :Head Electrical Department/Industrial Liaison Officer
8. Augustine Anyama :Accountant
9. Joseph Kageni :Head of Examinations and Automotive Department
10. Geoffrey Gichuki :PC Co-ordinator
11. Stephen Ngugi Kimamira :Deputy PC Co-ordinator

II. THE BOARD OF GOVERNORS

1. 

Mr Samuel Kibunja Watene is the Chairman of the Board of Governor.
He was born on 8th October, 1975.
He holds a Master's Degree in Business Administration from University of Cape town, Bachelor of Commerce from University of Nairobi, Certified Public Accountant (CPAK), Certified Change Management Practitioner, Certified KenBlanchard leadership Trainer and a Certified Executive leadership coach. He is an adjunct faculty of Strathmore Business School.
He is a founder trustee of Kikuyu Constituency Education Foundation (KICE).
He is the Managing Director, Altima Africa Ltd and Managing Director Stratostaff East Africa Ltd.

2. 

Ms Magdalene Mwachofi- Principal, Nachu Technical and Vocational College
She has an MSc in Entrepreneurship, Bachelor of Arts and PHDE.
She has been a technical trainer for sixteen years during which she served in various capacities:
-Head department: Research, Partnerships and Networking Development of Eldoret National Polytechnic for six years.
- Secretary of performance Contracting, with two targets of Research and Development and Corruption Prevention at The Eldoret National Polytechnic.
- Extensive experience in organizing research conferences and graduation ceremonies which were international and National events.
-trainer in Accounting, entrepreneurship, business planning and research.
She is a certified lead auditor for ISO 9001-2018 and has been doing audits for ten years.

3. 

Ms. Anne Tepeiya Lantey was born on 14thJuly, 1971. She holds a Master in Psychology and Counselling, Bachelor of Art, Post Graduate Diploma in Business Management and has the following certification; Performances Development Planning, Unilever (Egypt), Strategic Human Resource management (Witwersrand SA), New Labour Laws of Kenya, Competency Based Recruitment (Marcus Evans SA).
She is the General manager Saurus Networks Kenya Ltd and Principal Business consultant ATL Global Business services.

4.

Dr. Stella Nabwile Makokha was born on 27th November, 1963. She holds a PhD in Agricultural Economics, Masters in Agricultural Economics and a BSC Economics.
She is a Consultant and a Researcher and she has published many scientific research papers. In particular, she won a 2-year scholarship from African Women in Agricultural Research and Development (AWARD) for her outstanding work research.
She has worked with the many organisations among them Kenya Agricultural and Livestock Research Organisation.
She is a board member of Africa Biotechnology Stakeholders Forum (ABSF) and Sustainable Agriculture Centre for Research, Extension & Development in Africa (SACRED AFRICA).
She has been Consultant for the following organisation; Africa Harvest Biotech Foundation, Open forum on Agricultural Biotechnology, Kenya (OFAB), Eastern Africa Farmers Federation (EAFF), Ministry of Agriculture, international Livestock Research Institute, German GTZ.

5.

Mr George Njuguna Ngugi, was born on 25^{th} September, 1975. He holds a Bachelor's Degree in Business Administration from Limkokwing University of creative Technology, Malaysia.
He previously worked in the Banking sectors as a Bank Manager, Corporate Relation Manager, Head of Corporate schemes and Head of Retail Banking in Barclays Bank of Kenya, Standard Chartered Bank and National Bank of Kenya.
He is Current the Managing Director Manpower Group Ltd.

6.

Ms Ruth Wanja Wachira was born on 30^{th} December, 1970. She holds a Bachelors of Information Technology from Devry University and a Bachelor of Mathematics and Computer Science from Indiana University.
She is currently the Director, Data Management Business and Consulting Nairobi.
Previously she was the Human Resource System Administrator at Mumias Sugar Company. System Administrator at First Data Corporation, Columbus, OH.
Worked at Bank One Corporation as a check control and later as a computer control specialist in Columbus OH.

7.

Mr Job Ouma Ochola was born in1969. He holds a Bachelor of Science in Civil Engineering. He is a registered Engineer and has worked with the private sector as a Structural Engineer. Among the organisations he has consulted are: Standard Gauge Railway, Construction of Churches, Hotels, Roads, Schools, Office blocks, Apartments, Hospitals and general construction.

8. **Lydia Wambui Kiarie**

Ms Lydia Wambui Kiarie was born on 14^{th} April, 1972. She holds a Master's in Business Administration (Finance) from University of Nairobi, Bachelor of Arts (Economics) from Moi University and certified public accountant. She has worked in various organisations in the following positions: Audit Assistant, Credit Controller, Financial Accountant, Finance Officer, and currently she is the Director Finance, Operations and Logistics at Integrated Logistics Ltd.

9. **Charles Nyota**

He is the Regional County Director, TVET and the representative of Cabinet Secretary, Ministry of Education.

II. MANAGEMENT TEAM

1.

Ms Magdalene Mwachofi- Principal, Nachu Technical and Vocational College

She has an MSc in Entrepreneurship, Bachelor of Arts and PHDE.

She is a certified lead auditor for ISO 9001-2018 and have been doing audits for ten years

She has been a technical trainer for sixteen years during which she served in various capacities:

-Head department: Research, Partnerships and Networking Development of Eldoret National Polytechnic for six years.

- Secretary of performance Contracting, with two targets of Research and Development and Corruption Prevention at The Eldoret National Polytechnic.
- Extensive experience in organizing research conferences and graduation ceremonies which were international and National events.

-trainer in Accounting, entrepreneurship, business planning and research.

2.

George Mugo – Actimg Registrar

He was born on 28th June, 1987.

He holds a Bachelor of Business management (Entrepreneurship option) Mt. Kenya University, Diploma in Automotive Engineering at Kenya Technical Trainers College, Diploma in Technical Education at Kenya Technical Trainers College.

Responsibilities:

He organises Publicity and admission of students.

3.

Ruth Kamene Mutungi-Head of Department Welding and Fabrication

She was born on 18th August 1978

She holds a grade 1 certificate in welder electric from DIT and also she attained instructor training level 1 certificate at Kenya Training and Technical College. She has been a trainer in welding and fabrication since 2003 to date.

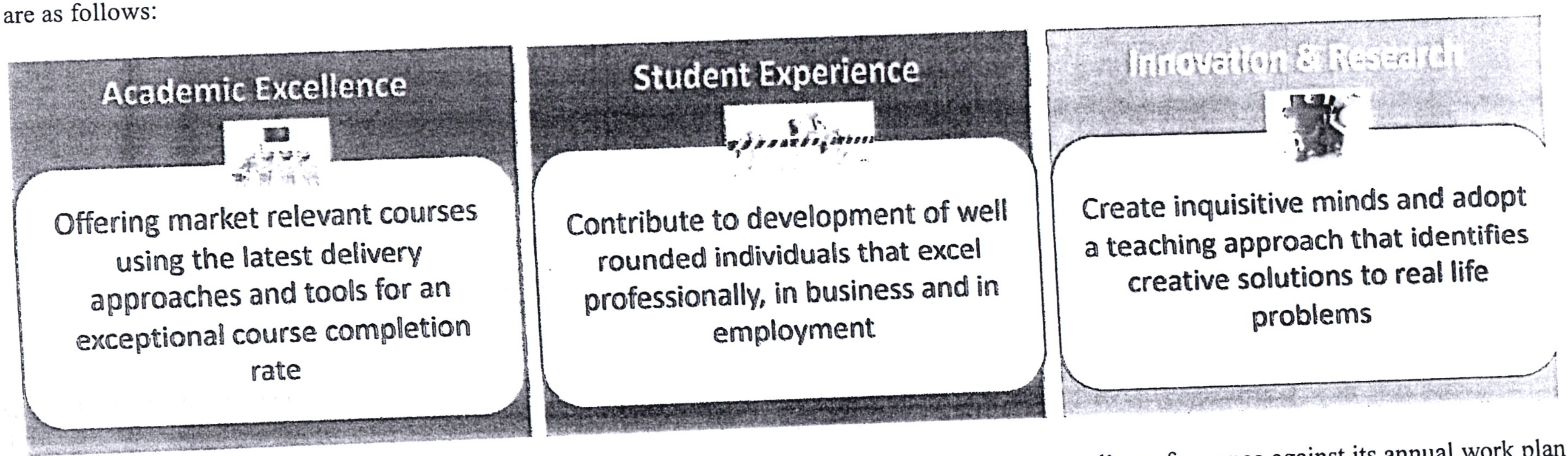
Responsibilities: Co-ordinating and planning the training in W& F. Ensuring that the department has the required tools and equipment for smooth learning he College's short term goals are;

(i) Achieve a student enrolment of atleast 200 students by 30th June 2022.
(ii) To promote access and equity to competency based training.
(iii) To achieve and maintain 90% adherence to approved policies and procedures

Ms.Magdalene Mwachofi
Principal **Sign:** ____________

VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Nachu TVC has established three strategic pillars and objectives within its Strategic Plan for the FY 2020/2021- 2024/2025. These strategic pillars are as follows:



Nachu TVC develops its annual work plans based on the above three pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis.

CORPORATE GOVERNANCE STATEMENT

e Board of Governors of Nachu TVC are responsible for College. The Boards and staff committed themselves to oper corporate governance, guided by the College core values.

ie Role of the Board of Governors

e Board's responsibilities are set out in the TVET Act 2013. Its mandate is to provide strategic leadership and sure implementation of government policies. It ensures that the development of institutional policies are in line th the Government's policy direction. It is in charge of the Human resources management and financial anagement through approval of budgets and procurement plans, fees and income generating activities, sources for nds, use of funds and oversight. It oversights and ensures compliance in curriculum implementation, students' anagement, branding and Innovation.

ie Board brought a great wealth of experience and knowledge from the private sector. The board delegates authority its day-to-day activities to the Management through the Principal.

omposition of the Board of Governance (BOG)

ie BOG comprises nine members including the Principal. Seven of them appointed by the Cabinet Secretary. The her two are representative of County Government and the Cabinet secretary, National Government. The term of the oard is three (3) years from the date of appointment and are eligible for re- appointment.

oard of Governors Meetings

ie Board of Governors schedule of meetings is prepared annually in advance. The board met on 25/06/2022

ommittees of the BOG

ie Board has three main Committees; (i) Finance, Administration and Infrastructure, (ii) Education, Training and esearch and (iii) The Risk and Audit Committee which meet under defined terms of reference set by the Board. his facilitate prompt and thought-out decision-making by the BOG in managing its responsibilities.

oard Accountability

he Board committed itself to sign a performance contract in the subsequent year starting with the year 2020/2021.

raining and Development

he College briefs in building capacities of the Board and management. It is in this regards that the Board has oonsored relevant training and capacity development opportunities whenever applicable and available.

onflict of Interest

he BOG Members are required to make disclosures of any transaction which would constitute a conflict of interest nd therefore they are required to abstain from voting when such matters are being considered.

oard Remuneration

he Board approved the required remuneration, which has been used to remunerate the BOG Members without iscrimination.

thics and Conduct

he BOG Members conducted them self ethically and there was no incidence of unethical behaviour / conducts

Governance Audit

n the year 2021/2022 a Governance Audit was conducted unlike the 2020/2021 that was affected by Covid-19.

g) Section F: The entity's financial probity and serious governance issues

Nachu Technical and Vocational College Board of Governors recognizes the importance of corporate governance and as such it carries out its mandate with honesty, openness and integrity.

The Board is responsible for overseeing the management of the College and provides guidance and direction to attain corporate objectives

X. REPORT OF THE BOARD OF GOVERNORS

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

Principal activities

The principal activities of the Nachu Technical and Vocational College is to provide quality technical and vocational training.

Results

The results of the entity for the year ended June 30 are set out on page 1

BOARD OF GOVERNORS

The members of the Board who served during the year are shown on page 5 and 6. During the year 2021 none of the board members retired/ resigned.

Auditors
The Auditor General is responsible for the statutory audit of Nachu TVC in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or the Auditor General can nominate other auditors to carry out the audit of the Nachu TVC for the year ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITIES

ection 81 of the Public Finance Management Act, 2012 and section 29 of schedule 2 of the Technical and ocational Education and Training Act, 2013 require the board to prepare financial statements in respect f the College, which give a true and fair view of the state of affairs of the College at the end of the financial ear and the operating results of the College for that year. The board is also required to ensure that the ollege keeps proper accounting records which disclose with reasonable accuracy the financial position of he College. The board is also responsible for safeguarding the assets of the College.

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

The board accepts responsibility for the 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 the TVET Act. The board is of the opinion that the College financial statements give a true and fair view of the state of College's transactions during the financial year ended June 30, 2022, and of the College's financial position as at that date. The board further confirm the completeness of the accounting records maintained for the College, which have been relied upon in the preparation of the College's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

Nachu Technical and Vocational College financial statements were approved by the Board on ________________ 2022 and signed on its behalf by:

Name…SAMUEL WATTAT…

Signature……………………

Chair of the Board

Name…Magdalene Murachi…

Signature……………………

Accounting Officer/Principal

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

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

PREAMBLE

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

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

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nachu Technical and Vocational College set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of financial performance reflects transfers from the National Government amount of Kshs.1,500,000 while Note 6 to the financial statements reflects an amount of Kshs.2,422,500 as capitation grants resulting to an unexplained variance of Kshs.922,500. Similarly, the statement reflects rendering of services-fees from students amount of Kshs.4,699,800 while Note 8 to the financial statements reflects an amount of Kshs.4,872,290 resulting to an unexplained variance of Kshs.172,490.

Further, the statement of financial position reflects a balance of Kshs.2,492,122 in respect of current portion of receivables from exchange transactions while Note 17(a) to the financial statements reflects a balance of Kshs.2,396,605 resulting to an unexplained variance of Kshs.95,517. The statement also reflects a balance of Kshs.54,693,886 in respect of property, plant and equipment while Note 19 to the financial statements reflects a balance of Kshs.51,849,323 resulting to an unexplained variance of Kshs.2,844,563. Depreciation amount of Kshs.2,840,937 was also omitted from the statement of financial performance.

In addition, Management did not prepare the statement of changes in net assets for the year ended 30 June, 2022.

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

2. Unsupported Expenditure

The statement of financial performance reflects total expenditure of Kshs.7,679,359 while payment vouchers provided for audit amounted to Kshs.5,144,926 resulting in unsupported expenditure of Kshs.2,534,433. In addition, the payment vouchers were not supported by invoices, Local Purchase Orders (LPOs), S13, inspection and acceptance reports, imprest warrants, up-to-date work tickets, attendance lists and other appropriate authorities and documentation. Further, Management made payments amounting to Kshs.687,099 through petty cash. However, no receipts or records and memorandum cash book were provided to show how the petty cash was utilized.

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

3. Unsupported Cash and Cash Equivalents

The statement of financial position reflects a balance of Kshs.44,005 in respect of cash and cash equivalents as disclosed in Note 16 to the financial statements. However, bank reconciliation statements were not provided for audit. Review of the cash book revealed that it did not have balances for specific cut-off dates.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.44,005 could not be confirmed.

4. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.54,693,886 as disclosed in Note 19 to the financial statements. However, Management did not have a consolidated asset register prepared in a format prescribed by IPSAS 17, reflecting the minimum requirements which include; identification or serial number, acquisition date, description of asset, location, class, cost of acquisition, accumulated depreciation, net book value of assets and assets tagged with identification codes. Further, the asset which included computer and ICT equipment, welding equipment, furniture, office equipment, and automotive equipment were not valued and did not include land and buildings.

In the circumstances, the accuracy and completeness of property plant and equipment balance of Kshs.54,693,886 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.10,506,150 and Kshs.6,098,780 respectively resulting to an under-funding of Kshs.4,407,370 or 42% of the budget Similarly, the College spent Kshs.7,778,386 against an approved budget of Kshs.10,506,150 resulting in an under-expenditure of Kshs.2,727,764 or 26% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Prior year Audit Matters

Several prior year issues were raised in the previous year under the Report on Financial Statements, Report on Lawfulness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance with the Public Sector Reporting Template

Review of the annual reports and financial statements revealed the following areas of noncompliance with the reporting template:

i. Environment and sustainability reporting statement has been omitted in the table of contents and its information not disclosed as required in the financial statements.

ii. Information on fiduciary oversight arrangement has been omitted.

iii. Report of the Board of Governors has not been signed by the Secretary to the Board.

iv. Statement of Board of Governors responsibilities has not disclosed the date when the financial statements were approved.

v. The number of board meetings and their respective dates has not been disclosed under corporate governance.

vi. Under the operational and financial performance, Management has not disclosed the revenue collection for each quarter and ratio of current to development expenditure using diagrams including pie charts or graphs.

vii. Information on corporate social responsibility/sustainability reports has been omitted.

viii. Disclosure on performance for the financial year including the strategic pillars, the objectives, key performance indicators, activities for each pillar and the achievements has not been made.

ix. The financial year in Note 19 to the financial statements in respect of property, plant and equipment is indicated as 30 June, 2021 instead of 30 June, 2022.

In the circumstances, the annual report and financial statements do not comply with the reporting format prescribed by the Public Sector Accounting Standards Board.

2. Irregular Issuance of Imprest

Review of payment records revealed that an imprest register was not maintained for the purposes of managing imprests and the application of imprest was not done through the imprest warrant. This is contrary to Regulation 91(2) of the Public Finance Management (National Government) Regulations, 2015 which states that the officer authorized to hold and operate an imprest shall make formal application for the imprest through an imprest warrant. Further, no evidence of travel including work tickets, receipts, memos, in support of the payments made for travelling and accommodation were provided for audit.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of a Risk Management and ICT Policy

During the year under review, the College did not have a Risk Management Policy. This is contrary to Regulation 165(1) of the Public Finance Management(National Government) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and internal controls that builds robust business operations.

In the circumstances, the Management lacks a mechanism to help in detection and mitigation of any possible risks on its systems.

2. Lack of an Internal Audit Function

During the year under review, the College did not have an Internal Audit Function to perform risk assessment and evaluate operational effectiveness through in-depth reviews of Management operations and internal controls in the college. This is contrary to Regulation 160(1) of the Public Finance Management (National Government)

Regulations, 2015 which provides that an internal auditor shall review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in National Government entities.

In the circumstances, it was not possible to confirm effectiveness of the College's internal controls during the year under review.

3. Inadequate Staffing

Review of records revealed that the College was authorized to have twenty-five (25) trainers in seven (7) departments. However, review of the actual position revealed that the College had thirteen (13) trainers in place resulting to understaffing of twelve (12).

In the circumstances, the inadequacy of critical staff may lead to low enrolment of students which may lead the College not achieve its objectives.

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

Responsibilities of Management and the Board of Governors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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

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

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

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

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

04 July, 2023

II. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2021-2022	2020-2021 Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	6	1,500,000	1,500,000
Public contributions and donations	7	18,000	29,992
		1,518,000	**1,529,992**
Revenue from exchange transactions			
Rendering of services- Fees from students	8	4,699,800	3,341,940
Other income-Tender Income	9	-	64,000
Revenue from exchange transactions		**4,699,800**	**3,405,940**
Total revenue		**6,217,800**	**4,935,932**
Expenses			
Use of goods and services	10	4,344,421	1,922,008
Employee costs	11	2,458,112	1,529,389
Remuneration of directors	12	711,056	243,270
Depreciation and amortization expense	13	-	2,841,390
Repairs and maintenance	14	129,894	71,155
Finance costs	15	35,876	11,935
Total expenses		**7,679,359**	**6,619,147**
Net Surplus /Deficit for the year		**(1461559**	**(1,683,215)**

II. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

	Notes	2021-2022 Kshs	2020-2021 Kshs
Assets			
Current assets			
Cash and cash equivalents	16	44,005	1,800,113
Current portion of receivables from exchange transactions	17a	2,492,122	2,459,737
Receivables from non-exchange transactions	18	50,000	24,630
		2,586,127	**4,284,480**
Non-current assets			
Property, plant and equipment	19	54,693,886	51,852,495
Long term receivables from exchange transactions	17b	3,000	3,000
			51,855,495
		57,283,013	**56,139,975**
Total assets			
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	20	590,996	101,268
Refundable deposits from customers	21	345,500	67,500
Current portion of borrowings	22	-	680,000
Payments received in advance		-	217,016
		936,496	**1,065,784**
Accumulated surplus		4,649,469	3,377,143
Capital Fund		51,697,048	51,697,048
Total Capital and Reserves		**53,062,954**	**55,074,191**
Total net assets and liabilities		**57,283,013**	**56,139,975**

The Financial Statements set out has been signed on behalf of the Institute Board of Governors by:

SAMUEL WATENE	Augustine Anyama	Magdalene Mwachofi
Chair of the Board	**Finance Officer**	**Principal**
Date 30/09/2022	Date 30/9/2022	Date 30/9/2022

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021-2022 Kshs	2020-2021 Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants		1,500,000	1,500,000
Public contributions and donations		18,000	29,992
Rendering of services- Fees from students		4,580,780	3,341,940
Other income-Value of Donation		-	64,000
Total Receipts		**6,098,780**	**4,935,932**
Payments			
Compensation of employees		2,458,112	1,529,389
Finance cost		35,876	11,935
Rent Paid		54,440	
Other payments		-	2,236,433
Total Payments		**2,548,428**	**3,777,757**
Net cash flows from operating activities			**1,158,175**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	(29,000)
Increase/Decrease in non-current receivables		730,837	(219,738)
Increase/Decrease in Trade payables		338,190	(90,197)
Net cash flows used in investing activities		**1,069,077**	**(338,935)**
Cash flows from financing activities			
Proceeds from borrowings		-	1,000,000
Repayment of borrowings		-	(500,000)
Increase in deposits		-	-
Net cash flows used in financing activities		-	**500,000**
Net increase/(decrease) in cash and cash equivalents		**1,256,902**	**1,319,240**
Cash and cash equivalents at 1 JULY	16		480,873
Cash and cash equivalents at 30 JUNE	16	**44,005**	**1,800,113**

I. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

	Original Annual Budget	Adjustments	Final Annual Budget	Actual Cumulative to Date	% of Utilization
	A	b	C-ab	d	e-d/c%
ue	Ksh	Ksh	Ksh	Ksh	Ksh
ering of Services	11,8428,200	(2,915,050)	8,933,150	4.580,780	51.2
rnment Grants	-	1,500,000	1,500,000	1,500,000	100
tion	40,000	(20000)	38,000	18,000	47.4
: Courses	40,000	(30,000)	10,000	-	100
ning Generating Activities	100,000	(75,000)	25,000	-	100
Income	12,028,200	(1,522,050)	10,506,150	6,098,780	58
nses					
pensation of Employees	3,000,000	(585,905)	2,414,095	2,458,112	101.8
of Goods and Services	8,138,200	(697,510)	7,440,690	4,573,342	61.5
nce Cost	50,000	(18,135)	31,865	35,876	113
uneration of Directors	840,000	220,500	619,500	711,056	115
al Expenditure	**12,028,200**	**1,522,050**	**10,506,150**	**7,778,386**	**74**
plus for the Period	-	-	-	**(1,679,606**	

II. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Nachu Technical and Vocational College is established by and derives its authority and accountability from the TVET Act 2013. The College is wholly owned by the Government of Kenya and is domiciled in Kenya. The College's principal activity is to provide quality technical and vocational training.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis
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 TVET Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS

i. **Relevant new standards and amendments to published standards effective for the year ended 30 June 2021.**

Standard	Impact
Other Improvements to IPSAS	**Applicable: 1st January 2021:** 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. 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. 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. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2023:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: •Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; •Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and •Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	**Applicable: 1st January 2023** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2023:** a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2021/2022 was approved by the Board on 30th-June-2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

c) Taxes

Current income tax

The College is exempt from paying taxes.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (continued)

Sales tax/ Value Added Tax

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

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

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

d) Investment property

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

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

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

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

e) Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

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

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

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

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

g) **Intangible assets**

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

h) **Research and development costs**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) **Financial instruments (Continued)**

Financial assets (Continued)

Impairment of financial assets (Continued)

- 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

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 the Entity.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Nachu Technical and Vocational College maintains its reserves in form of accumulated earnings.

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

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

o) Borrowing costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) **Service concession arrangements**

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

r) **Cash and cash equivalents**

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

s) **Comparative figures**

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

t) **Subsequent events**

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

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

6. (a)TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2021-2022 KShs	2020-2021 KShs
Unconditional grants		
Operational grant	1,518,000	1,518,000

Note: Transfers in capitation grants are recognized as income together with the fees from students in note 8 below. The college received capitation grants transfers from government as noted below:

Description	2021-2022 KShs	2020-2021 KShs
Unconditional grants		
Capitation grants	2,422,500	1,597,500

(b)TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized in Statement of Comprehensive income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund KShs	Total grant income during the year KShs	2020-2021 KShs
State Department of Vocational and Technical Training	1,518,000	-	-	1,518,000	1,518,000
Total	**1,518,000**	-	-	1,518,000	**1,518,000**

7. **PUBLIC CONTRIBUTIONS AND DONATIONS**

Description	2021-2022 KShs	2020-2021 KShs
Donations from local leadership	18,000	29,992
Total donations and sponsorships	**18,000**	**29,992**

8. **RENDERING OF SERVICES**

Description	2021-2022 KShs	2020-2021 KShs
Tuition fees	4,580,780	3,078,360
Examination fees	292,140	263,580
Total revenue from the rendering of services	**4,872,290**	**3,341,940**

This is revenue attributable to fees paid by students directly, capitation or private sponsors

9. OTHER INCOME

Description	2021-2022 Kshs	2020-2021 KShs
Income from sale of tender	-	64,000
Total other income	-	64,000

10. USE OF GOODS AND SERVICES

Description	2021-2022 Kshs	2020-2021 KShs
Teaching and learning materials	278,904	34,766
Industrial attachment costs	8,500	800
Electricity,Water and COnservancy	301,268	46,075
Security	7650	3,545
Subscriptions	179,200	-
Advertising	125,840	45,040
Examination fees	292,140	228,050
Recruitment	-	-
Cleaning	38,405	26,539
Travelling and accommodation	476,018	247,600
Examination Materials	560,477	69,780
Insurance	3,445	-
Licenses and permits	119,200	187,500
Postage	8580	7,850
Printing and stationery	138,263	25,686
Tree planting	1,700	-
Entertainment	54,440	11,590
Tea and Refreshments	129,781	64,147
Telephone expenses	69,550	39,346
Internet expenses	131,241	47,672
Training, Seminars and workshops	1,136,051	475,311
Web Hosting	-	3,099
Bad debts written off	-	-
Collaboration	15,400	1,900
Performance Contracting	222,711	282,400
Covid 19 Expenses	15,901	59,737
Uniform	29,756	3,745
Total good and services	**4,344,421**	**1,922,008**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. EMPLOYEE COSTS

	2021-2022 Kshs	2020-2021 Kshs
Salaries and wages	2,458,112	1,529,389
Employee related costs - contributions to pensions and medical aids	-	-
Employee costs	**2,458,112**	**1,529,389**

12. REMUNERATION OF DIRECTORS

Description	2021-2022 Kshs	2020-2021 Kshs
Directors emoluments	711,056	243,270
Total director emoluments	**711,056**	**243,270**

13. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2021-2022 Kshs	2020-2021 Kshs
Property, plant and equipment	-	2,841,390
Total depreciation and amortization	**-**	**2,841,390**

14. REPAIRS AND MAINTENANCE

Description	2021-2022 Kshs	2020-2021 Kshs
Property	129,984	71,155
Total repairs and maintenance	**129,984**	**71,155**

15. FINANCE COSTS

Description	2021-2022 Kshs	2020-2021 Kshs
Bank Charges	35,876	11,935
Total finance costs	**35,876**	**11,935**

16. CASH AND CASH EQUIVALENTS

Description	2021-2022 KShs	2020-2021 KShs
Current account	42,895	1,784,216
Others-Cash in hand	1,110	15,897
Total cash and cash equivalents	**44,005**	**1,800,113**

16 (a). DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

Financial institution	Account number	2021-2022 KShs	2020-2021 KShs
a) Current account			
Kenya Commercial bank	1232794767 1232795151	42,895	1,784,216
Sub- total		**42,895**	**1,784,216**
b) Others(specify)			
cash in hand		1,110	15,897
Sub- total		**1,110**	**15,897**
Grand total		**44,005**	**1,800,113**

17. RECEIVABLES FROM EXCHANGE TRANSACTIONS

17(a) Current Receivables from Exchange Transactions

Description	2021-2022 KShs	2020-2021 KShs
Current receivables		
Student debtors	2,396,605	2,459,737
Less: impairment allowance	-	(-)
Total current receivables	**2,396,605**	**2,459,737**

17(b) Long- term Receivables from Exchange Transactions

Description	2021-2022 KShs	2020-2021 KShs
Non-current receivables		
Refundable deposits	3,000	3,000
Total non-current receivables	**3,000**	**3,000**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2021-2022 Kshs	2020-2021 Kshs
Current receivables		
Other debtors Staff Advances	50,000	24,630
Total current receivables	**50,000**	**24,630**

19. PROPERTY, PLANT AND EQUIPMENT

19 (a)The annual depreciation rates in use are:

Asset	Rate (%)
Land	NIL
Buildings	5
Motor vehicles	25
Furniture and fittings	12.5
Computers, photocopiers and other accessories	30
Equipment and Machinery	20
Fence and Gate	10

Cost	Land and Buildings Shs	Furniture and fittings Shs	Fence and Gate Shs	[illegible] Shs
At 1July 2019	58,336,611	194,160	-	58,530,771
Additions	-	-	2,074,934	2,074,934
At 30th June 2020	**58,336,611**	**194,160**	**2,074,934**	**60,605,705**
Additions	-	29,000	-	29,000
At 30th June 2021	**58,336,611**	**223,160**	**2,074,934**	**60,634,705**
Depreciation and impairment				
At 1July 2019	(2,916,831)	(24,270)	-	(2,941,101)
Depreciation	(2,770,989)	(24,861)	(207,493)	(3,003,344)
At 30 June 2020	**5,687,820**	**49,131**	**207,493**	**5,944,445**
Depreciation	(2,632,440)	(21,754)	(186,744)	(2,840,937)
At 30th June 2021	**8,320,260**	**70,885**	**394,237**	**8,785,382**
Net book values				
At 30th June 2021	**50,016,351**	**152,275**	**1,680,697**	**51,849,323**
At 30th June 2020	**52,648,791**	**145,029**	**1,867,441**	**54,661,260**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 (b) Additional notes on Assets

The following assets have not been included in the financial statements since they have not been valued but they are listed in the asset register.

1. 4 Printers
2. 3 Laptops
3. 14 Desk tops
4. Office Furniture
5. Classroom Furniture
6. Welding and Fabrication Equipment's

20. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2021-2022 Kshs	2020-2021 Kshs
Trade payables	210,350	101,268
Fees paid in advance	380,646	217,016
Total trade and other payables	**590,996**	**318,284**

21. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2021-2022 Kshs	2020-2021 Kshs
Caution money	345,500	67,500
Total deposits	**345,500**	**67,500**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. BORROWINGS

Description	2021-2022 KShs	2020-2021 KShs
Balance at beginning of the year	680,000	180,000
Domestic borrowings during the year	-	1,000,000
Repayments of domestic borrowings during the year	-	(500,000)
Balance at end of the year	**680,000**	**680,000**

22a) DOMESTIC BORROWINGS

	2021-2022 KShs	2020-2021 KShs
Domestic Borrowings		
Soft loan from Kiambu Institute of Science and Technology	-	680,000
Total balance at end of the year	-	**680,000**

22 b) BREAKDOWN OF LONG- AND SHORT-TERM BORROWINGS

Description	2021-2022 KShs	2020-2021 KShs
Short term borrowings(current portion)	-	680,000
Total	-	**680,000**

23. CASH GENERATED FROM OPERATIONS

	2021-2022	[illegible]
		KShs
Rendering of services	1,743,100	1,378,040
Payments	4,360,745	1,543,776
Increase in Receivables	(68,174	(286,200
Increase in Payables	(115,591	(211,282
Net Cashflow from Operating Activities	(179,765	-
Balance at the end of the Period	44,005	1,800,113

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. 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 College'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 College 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 board of governors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the College's management based on prior experience and their assessment of the current economic environment.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's board of governors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.
High dependence in Government generated resources such as Capitation and Fund under the Government auspices,for example:Higher Education loan and CDF to mitigate this risk,the college is implementing effective Cashflow Projections.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

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

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

The entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

a) Interest rate risk

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

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

24 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

Interest rate risk (continued)

Sensitivity analysis

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

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the entity's ability to continue as a going concern.Its an assessmengt of a firms ability to withstand the impact of Credit,Market and other risks its exposed to.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the College, holding 100% of the entity'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) Kiambu Institute of Science and Technology;
iv) Kikuyu Constituency Office
v) Nachu ward Office
vi) Key management;
vii) Board of governors

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

	2021-2022 KShs	2020-2021 KShs
Transactions with related parties		
b) Purchases from related parties	237.080	46,075
Purchases of Water and Electricity from KPLC	**237,080**	**55,905**
Total		
a) Grants /Transfers from the Government	1,000,0000	1,500,000
Grants from National Govt	2,422,500	1,597,500
Capitation	**3,422,500**	**3,097,500**
Total		
b) Key management compensation	711,056	243,270
Directors' emoluments	**711,056**	**243,270**
Total		

26. EVENTS AFTER THE REPORTING PERIOD

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

27. ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education, State Department of vocational and Technical Training. Its ultimate parent is the Government of Kenya.

28. CURRENCY

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

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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.2	Lack of Title Deed for Nachu TVC Land.	The College is still following up on the land title with NG-CDF Kikuyu constituency office, Kiambu.	Not Resolved	30th dec 2022
4.3	Inaccurate Property, Plant and Equipment Balance in the Financial Statements	The College is planning to engage a valuer once funds are available in order to ascertain the costs of all the institution assets.	Not Resclved	30th Dec 2022

Accounting Officer (Principal Nachu TVC): Magdalene Mwachi

Signature: ....

Date. 30/9/2022

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

	Project N0	Donor	Period	Donor Committment	Separate Donor Required as per the Donor Agreement	Consolidated in these Financial Statement
1.School Dining Table and Benches 2 Student Lockers and Chairs	1	NG CDF KIKUYU	1 yr	YES	NO	yes

Status of Project Completion

	Project	Total Project Cost	Total expected to Date	Completion % to Date	Budget	Actual	Sources of Funds
1	1 School Dining Table and Benches 2 Students Lockers and Chairs	5,405,172	5,737,256	80	5,405,172	5,737,256	NG CDF/Nachu TVC

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME	NACHU TECHNICAL AND VOCATIONAL COLLEGE		
	Break down of Transfers from the State Department of Vocational and Technical Training			
	FY 21/22			
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		22/11/2021	500,000	21/22
		22/11/2021	500,000	21/22
		Total	**1,000,000**	
b.	Capitation Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		22/11/2022	810,000	21/22
		25/02/2022	810,000	21/22
		23/05/2022	802,500	21/22
		Total	**2,422,500**	

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

Finance Manager
Nachu TVC entity

Sign ----------------------

Head of Accounting Unit
Education Ministry

Sign--------------------