

REPUBLIC OF KENYA



Enhancing Accountability

REPORT	
THE NATIONAL ASSEMBLY	
P. 7	
DATE:	15 NOV 2022
	DAY: Tuesday
TABLED BY:	Hon. Silvanus Olori, MP Chief Whip Majority
CLERK-AT-THE-TABLE:	Halima Suleiman

THE AUDITOR-GENERAL

ON

**THARAKA TECHNICAL AND
VOCATIONAL COLLEGE**

**FOR THE YEAR ENDED
30 JUNE, 2021**



THARAKA TECHNICAL AND VOCATIONAL COLLEGE

AMENDED ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30TH JUNE 2021**

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



THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

I. Table of Contents

II. KEY ENTITY INFORMATION AND MANAGEMENT	ii
III. THE COUNCIL/BOARD OF GOVERNORS	v
IV. MANAGEMENT TEAM	vii
V. CHAIRMAN'S STATEMENT	viii
VI. REPORT OF THE PRINCIPAL	ix
VII. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES	xi
VIII. CORPORATE GOVERNANCE STATEMENT	xiii
IX. MANAGEMENT DISCUSSION AND ANALYSIS	xiv
X. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xv
XI. REPORT OF THE BOARD OF GOVERNORS	xvii
XII. STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITIES	xviii
XIII. REPORT OF THE INDEPENDENT AUDITORS	xix
XIV. STATEMENT OF FINANCIAL PERFORMANC FOR THE YEAR ENDED 30 JUNE 2021..	1
XV. STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2021.....	2
XVI. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2021 ...	3
XVII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021.....	4
XVIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021	5
XIX. NOTES TO THE FINANCIAL STATEMENTS	6
XX. APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	45
XXI. APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY	46
XXII. APPENDIX III: INTER-ENTITY TRANSFERS	47
XXIII. APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	48
XXIV.48	

II. 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

The *entity's* 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 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	Mr. Wilfred Kamunde
2.	Head of Finance	Mr. Nicholas Mutegi
3.	Head of Procurement	Ms. Brenda Komen
4.		-
5.		

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

(e) Fiduciary Oversight Arrangements

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

- *Audit and risk committee activities*
- *Finance and operations committee activities*
- *Academic committee activities*

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

- *Development partner oversight activities*
 - *Other oversight activities*
-

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

P.O. Box 51-60216
Marimanti-Gatunga Road

MARIMANTI, KENYA

(g) Entity Contacts

Telephone: (254)742951657
E-mail: tharakatechnical@gmail.com
Website: www.tharakatechnical.ac.ke

(h) Entity 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

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

III. THE BOARD OF GOVERNORS



No.	Member/ Director	Details
1.	 Chairman	<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>
2.	 Member	<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>
3.	 Member	<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>
4.	 Member	<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>

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

5.	 Member	<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>
6.	 Member	<p>Ms. Evangeline Kagwira Stephen ID 13353287 was born on 1974. She holds master of information science in university of south Africa, degree of information science and degree in library and information science university of south Africa, diploma in library and information science in Kenya polytechnic</p>
7.	 Member	<p>Mr. Julius Kijiru Giti ID 20753836 was born on 1978 in Tharaka Nithi county. He is currently pursuing masters in construction engineering and management, he holds bachelor of science in civil engineering at University of Nairobi and he currently working at Tharaka Nithi county</p>
8.	 Principal	<p>Mr. Wilfred Kimathi Kamunde the principal of Tharaka TVC 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 2019 as deputy principal.</p>

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

IV. MANAGEMENT TEAM

No.	Member/ Director	Details
1.	 Principal	<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>
2.	 Finance officer	<p>Mr. Nicholas Mutegi was born 1986 in Tharaka Nthi county. He is CPA K and has a degree in commerce finance option. He join the college 2018 as account assistant and now he is finance officer</p>

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

VI. REPORT OF THE PRINCIPAL

At the close of the year under review, the college had a current human resource combination of 50 workers in different cadres, 24 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;

- Construction of 10 hand washing stations
- Done some works on CDF sponsored ablution block
- Phase II and III fencing of the compound
- Some works done in 10 fabricated tuition rooms
- Purchase of 4 tents
- Fixing of cabbros on basketball pitch
- Start of the construction of the student centre and kitchen
- Constriction of one isolation room
- Purchase of 20 computers, 1 Epson printer and 2 ipads
- Prepare 10 whiteboard stands
- Make hand washes, disinfectants, soaps and detergents
- Partitioning of secretary's office
- Enlargement of hair and beauty workshop
- Purchase hair and beauty training equipment
- Purchase masonry training tools and materials
- The population of trainees grew to 556
- Received a land rover donated by CDF
- Trainers went for a retreat in Maasai –mara

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

1. 10 staffroom writing tables
2. 10 chairs
3. 10 teacher's desks with drawers
4. 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
3. Masonry level 4

Challenges

The College budgeted to spend shillings seventy million one hundred ninety four thousand one hundred thirty seven only Kshs.70,194,137. However, by the close of the financial year, only Kenya shillings seventeen million fifty three thousand one hundred ninety six only (17,053,196) were collected.

This shortfall led to some envisioned programs and projects not realized

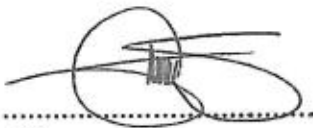
V. CHAIRMAN'S STATEMENT

Tharaka technical and vocational college has a board of ten members whose main work is oversight and to give guidance on the implementation of the strategic plan. This plan guides infrastructure developments from year to year and enables the institution to focus on the core mandate of quality training. The Board works closely with the administration headed by the principal in this annual "visioning" process. In the year under review, the Board envisioned to carry out various developmental activities among them, completion of workshops, start of the automotive garage, finishing of automotive garage and fencing of the land. The year under review started while the colleges were closed due to emergence of Covid-19 pandemic in March 2020. This time all operations stopped until the announcement of phase re-opening of the colleges only after meeting certain public health conditions to prevent spread of the disease. During that year, money was spent in covid-19 preparedness and also the money meant for sports was diverted to construct a student center and a kitchen which is yet to be completed.

Capitation from the government for the third and fourth quarter was not during the year under review. This shortfall led to some envisioned programs and projects not realized in full. 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 stakeholders for synergy and resource mobilisation.



DANIEL MUGAO
BOG CHAIRMAN

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

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

Wilfred K Kamunde

.....
Name



.....
Sign

VII. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

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".
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 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;

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

(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.

VIII. 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

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

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

Meetings held in the year under review were

- i) 18th Dec. 2020
- ii) 26th Feb. 2021
- iii) 7th May 2021
- iv) 26th June, 2021

IX. 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.

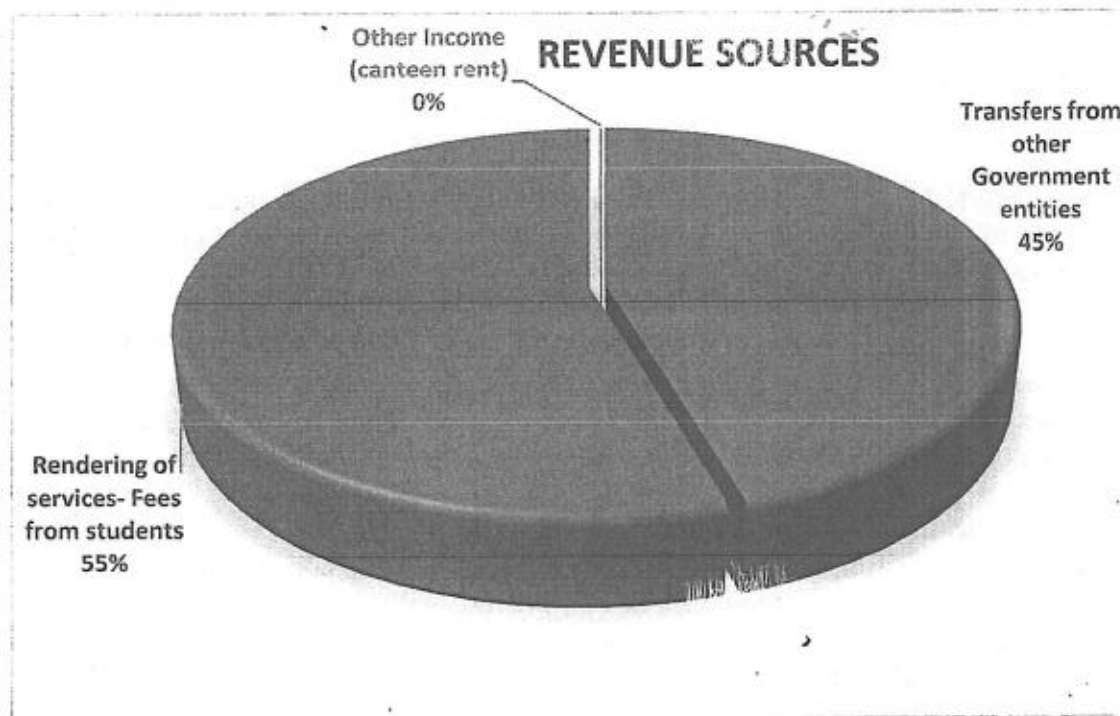
The college had no key project on 2020/2021 financial year because it was not funded by the government and the number of students we had could not raise the required funds.

The major risk the college is facing is financing, college being situated on semi-arid place where the place received little rains, locals here do not have any source of raising fees thus operating 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 17,053,196 from the following revenue sources.

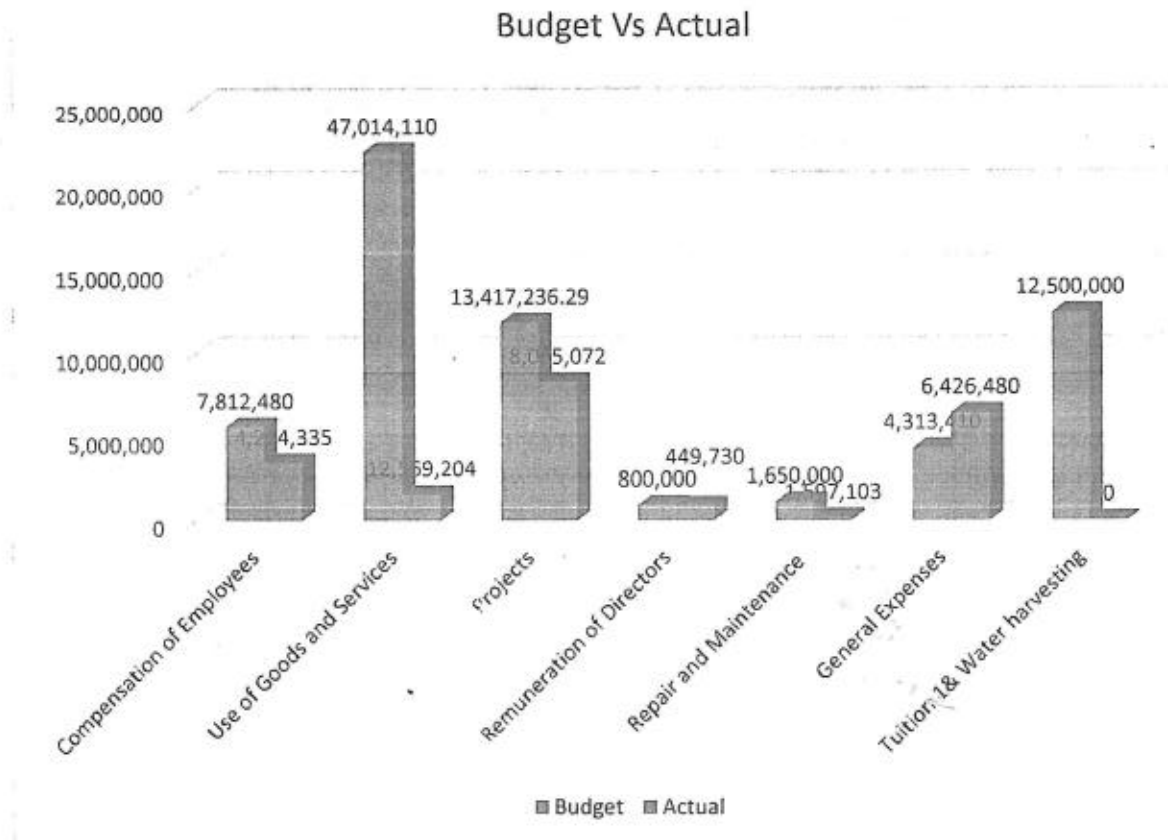


THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

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

Expenditure

The College budgeted to spend Kshs.58,485,486 during the period. However, due to revenue collection



challenges only Kshs.20,713,268 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;

X. ENVIRONMENTAL AND 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 300 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 continue with the 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. In this financial year we have had staff going for trainings as a result of lockdown due the existence of Covid-19 disease.

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.

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 unfair 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.

5. Community Engagements-

The College believes in giving to the community. During the period the College trained and issued certificates on computer packages to students from secondary schools around us but the programme was greatly affected by the lockdown. In the year 2020/2021 Tharaka Technical and Vocational College has involved itself on environment conversation by planting over 300 trees within the compound.

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

XI. REPORT OF THE BOARD OF GOVERNORS

The Board members submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of Tharaka Technical and Vocational College's 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 iv to v. During the year no director retired or 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
Date: 28/9/2021

**XII. 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 BOG is 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 is 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 year ended June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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.

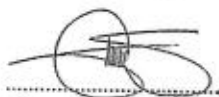
The board members accept responsibility for Tharaka Technical and Vocational College financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Technical and Vocational Education and Training Act, 2013. The board 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 year ended June 30, 2021, and of the College's financial position as at that date. The board 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 28th September 2021 and signed on its behalf by:

Name: Daniel Muriungi Mugao



Signature
Chairperson of the Board

Name: Wilfred Kimathi Kamunde



Signature.....
Accounting Officer/Principal

REPUBLIC OF KENYA

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



Enhancing Accountability

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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Tharaka Technical and Vocational College set out on pages 1 to 45, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance,

statement of changes in net assets, statement of cash flows and the 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, 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, 2021, 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 do not comply with the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act, 2013.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

1.1 Variances in Comparative Balances

The financial statements for the year under review reflects comparative balances which differ with balances reflected in the audited financial statements for the year 2019/2020 as analysed below:

Item	2020/2021 Financial Statements Comparative Balance Kshs.	2019/2020 Audited Financial Statements Kshs.	Variance Kshs.
Increase in Payables	30,500	3,790,099	3,759,599
Net Cashflow from Investing Activities	9,037,873	(8,314,135)	17,352,008
Net increase in Cash and Cash Equivalent	-	10,493,024	10,493,024
Cash and Cash Equivalents at 1 July, 2019	-	3,136,553	3,136,553
Cash and Cash Equivalents at 30 June, 2020	-	13,629,577	13,629,577
Social Contributions	-	170,436	170,436
Salaries and Wages	3,445,448	3,275,012	170,436
Directors Emoluments	-	841,880	841,880
Other Allowances	841,880	-	841,880

1.2 Statement of Financial Position

1.2.1 Refundable Deposits from Customers

The statement of financial position reflects a balance of Kshs.250,000 in respect to refundable deposits from customers. However, Note 35 to the financial statements reflects a nil balance resulting to an unexplained and unreconciled variance of Kshs.250,000. Further, supporting schedules were not provided for audit verification.

1.2.2 Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.94,611,805 while Note 31 to the financial statements reflect a balance of Kshs.82,570,439 resulting into an unreconciled variance of Kshs.12,041,366. The Note also reflects depreciation totalling to Kshs.3,039,086 while the statement of financial performance reflects an amount of Kshs.2,754,048 resulting to an unexplained and unreconciled variance of Kshs.285,038. In addition, the balance includes Kshs.25,000,000 in respect to land. However, the valuation report indicating how the value was determined and ownership documents were not provided for audit.

Documents provided revealed that the College is in possession of two (2) motor vehicles. However, logbooks, evidence of official delivery and the cost were not provided for audit review. Further, examination of the fixed asset register provided revealed that it lacked crucial information including serial numbers of items, depreciated values and net book values.

Physical verification carried out revealed that the assets were not tagged for ease of identification and movement contrary to Regulation 139(1)(b) of the Public Finance Management (National Government) Regulations, 2015 which require that the Accounting Officer of a National Government entity shall take full responsibility and ensure that proper control systems exist for assets and that movement and conditions of assets can be tracked.

1.3 Statement of Cash Flows

The statement of cash flows reflects balances of Kshs.2,121,245 and Kshs.30,500 in respect to decrease in receivables and increase in payables respectively. However, re-computation of the same results to balances of Kshs.1,866,617 and Kshs.2,121,245 respectively. In addition, the statement reflects nil balances in respect to cash and cash equivalents as at 1 July, 2020 and 30 June, 2021. However, the statement of financial position reflects Kshs.13,629,577 and Kshs.3,872,475 relating to cash and cash equivalents as at 30 June, 2020 and 30 June, 2021 respectively.

1.4 Statement of Changes in Net Assets

The statement of changes in net assets reflects a surplus of Kshs.15,149,890 in the year under review, while the statement of financial performance reflects a surplus amount of Kshs.4,988,088, resulting to an unreconciled and unexplained variance of Kshs.10,161,802. In addition, the statement reflects retained earnings totalling to Kshs.30,337,329. However, the statement of financial position reflects a corresponding balance Kshs.25,774,560 resulting to an unreconciled variance of Kshs.4,562,769. Further, the statement does not reflect comparative balances as required by the Public Sector Accounting Standards Board reporting template.

1.5 Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects an amount of Kshs.70,694,137 relating to final budgeted revenue. However, the recomputed revenue totals to Kshs.71,039,137 resulting to an unreconciled variance of Kshs.345,000. Similarly, the statement reflects actual revenue of Kshs.17,053,196 while the recomputed amount totals to Kshs.17,398,196 resulting into an unexplained

and unreconciled variance of Kshs.345,000. In addition, the statement reflects Kshs.26,969,864 relating to actual total expenditure. However, the recomputed total expenditure totals to Kshs.Kshs.26,955,444 resulting to an unreconciled and unexplained variance of Kshs.14,420.

Further, three (3) items of revenue and the corresponding Notes to the financial statements have unexplained and unreconciled variances as detailed below:

Note	Description	Statements of Comparison of Budget and Actual Amounts Kshs.	Note to the Financial Statements Kshs.	Variance Kshs.
6	Transfers from other Government Entities	10,837,500	11,220,000	382,500
10	Rendering of Services – Fees from students	4,954,596	23,132,580	18,177,984
12	Rental income and production	1,606,100	15,000	1,591,100

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

2. Unsupported Balances

2.1 Reserves

The statement of financial position reflects Kshs.25,774,560 and Kshs.76,160,000 relating to accumulated surplus and capital fund respectively. However, the balances were not supported with the respective workings and schedules.

2.2 Current Portion of Receivables from Exchange Transactions

The statement of financial position and Note 27(a) to the financial statements reflects a balance of Kshs.3,450,280 in respect to current portion of receivables from exchange transactions which relate to student debtors. However, Management did not provide an ageing analysis on how long the student debtors have been outstanding. Further, no information was provided in support of the movement of the debtors from Kshs.1,583,663 opening balance to Kshs.3,450,280 in the year under review.

2.3 Cash and Cash Equivalents

The statement of financial position reflects Kshs.3,872,475 in respect to cash and cash equivalents and as disclosed in Note 26 of the financial statements. This balance includes Kshs.43,508 in respect of cash in hand which was not supported with the board of survey report. In addition, certificates of bank balances in respect to two local bank accounts with balances of Kshs.3,546,939 and Kshs.282,028 respectively were not provided for audit review.

2.4 Security Services

The statement of financial performance and as disclosed in Note 15 to the financial statements reflects Kshs.12,569,204 in respect to use of goods and services which includes an amount of Kshs.391,653 in respect to provision of security services which

was not supported with the requisition from the user department, contract agreements, tender opening and evaluation minutes, professional opinion and award letters.

2.5 Catering, Delegation and Conference Facilities

The statement of financial performance and as disclosed in Note 15 to the financial statements reflects Kshs.12,569,204 in respect to use of goods and services which includes Kshs.1,580,166 in relation to National Youth Service (NYS) students costs which further includes Kshs.1,570,326 for catering, delegation and conference facilities for the NYS students. However, no evidence was provided for audit review to confirm that the suppliers were competitively sourced. Further, the market survey reports to justify the prices quoted by the service providers were not provided for audit review. In addition, the transportation of NYS students from Athi River to the College could not be confirmed since the work tickets, purpose of transportation and signed student list were not provided for audit review.

In the circumstances, the accuracy and regularity of the balances reflected in the financial statements could not be confirmed.

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 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 revenue budget and actual on comparable basis of Kshs.70,694,137 and Kshs.17,053,196 respectively, resulting to an under-funding of Kshs.53,640,941 or 76% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.70,693,826 and Kshs.26,969,864 respectively, resulting to an under-absorption of Kshs.43,723,962 representing 62% of the budget.

The underfunding and under absorption may have negatively impacted on service delivery to the public.

2. Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress

on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board reporting template.

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 of Conclusion

1. Board of Governors

1.1 Irregular Appointment of Board of Governors

Note 17 to the financial statements reflects an amount of Kshs.449,730 in respect to remuneration of Directors. However, it was noted that all the seven (7) members of the Board of Governors were appointed by the Cabinet Secretary for Education on the same date of 30 December, 2020 contrary to Section 7(2) of the Second Schedule of the Technical and Vocational Education and Training Act, 2013 which states that in appointing and reappointing members of the Boards of Governors, the Cabinet Secretary shall stagger the commencement dates of some members to maintain a proportion of new membership that ensures continuity in the affairs of the Boards of Governors.

1.2 Irregular Payment of Allowances to Board Governors

The statement of financial performance and as disclosed in Note 17 to the financial statements reflects Kshs.449,730 in respect to remuneration of Directors. However, as previously reported, Management did not provide an approval by the Cabinet Secretary for the allowances paid contrary to Section 17 of the Second Schedule of Technical and Vocational Education and Training Act, 2013 which states that Members of the Board of Governors shall be paid in respect of their services such remuneration or allowances as the Board of Governors shall, with the approval of the Cabinet Secretary, determine.

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

2. Non-Compliance with Law on Ethnic Composition

Examination of records provided revealed that, out of the forty-two (42) employees of the College, eighteen (18) representing 43% of the total employees were from one ethnic community contrary to Section 7(2) of the National Cohesion and Integration Commission Act, 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

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

3. Lack of Approved Salary Structure

As reported in the previous year, the Management did not provide the approved salary structure and staff establishment contrary to Section C2(1) of the Human Resource Policies and Procedures Manual for the Public Service.

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, 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. Lack of Internal Audit

As reported in the previous year, documents provided for audit review indicated that the College did not have an Internal Audit Department to carry out internal audit functions. This was contrary to Section 73(1)(a) of the Public Finance Management Act, 2012 which stipulates that every National Government entity shall ensure that it has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.

In the circumstances, the existence of effective internal controls could not be confirmed.

2. Lack of Internal Audit Committee

As reported in the previous year, 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 audit committee whose composition and functions are to be prescribed by regulation.

In the circumstances, it was not possible to confirm existence of an effective governance system.

3. Lack of Risk Management Policy

As reported in the previous year, a 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 circumstances, it is not possible to determine the effectiveness of risk management implemented by Management.

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

Responsibilities of Management and the Board of Governors

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

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

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

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

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

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

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

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

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

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

I communicate with 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

02 August, 2022

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

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

	Notes	2020-2021 K.shs	2019-2020 K.shs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	6	11,220,000	10,065,000
Grants from donors and development partners	7		
Transfers from other levels of government	8		
Public contributions and donations	9		
		11,220,000	10,065,000
Revenue from exchange transactions			
Rendering of services- Fees from students	10	23,132,580	12,085,419
Sale of goods	11		
Rental revenue from facilities and equipment	12	15,000	18,000
Finance income - external investments	13		
Production	14	330,000	
Revenue from exchange transactions		23,477,580	12,103,419
Total revenue		34,697,580	22,168,419
Expenses			
Use of goods and services	15	12,569,204	1,547,905
Employee costs	16	4,274,335	3,445,448
Remuneration of directors	17	449,730	841,880
Depreciation and amortization expense	18	2,754,048	1,928,966
Repairs and maintenance	19	1,597,103	137,420
Projects	20	8,065,072	6,426,480
Grants and subsidies	21	0	
Finance costs	22	0	
Total expenses		29,709,492	14,328,099
Other gains/(losses)			
Gain on sale of assets	23		
Unrealized gain on fair value of investments	24		
Impairment loss	25		
Total other gains/(losses)			
Net Surplus for the year		4,988,088	7,840,320
Attributable to:			
Surplus/(deficit) attributable to minority interest			
Surplus attributable to owners of the controlling entity			

The notes set out on pages 6 to 44 form an integral part of the Annual Financial Statements.

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

**XV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE
2021**

	Notes	2020-2021 Kshs	2019-2020 Kshs
Assets			
Non-current assets			
Property, plant and equipment	31	94,611,805	81,009,294
Investments	30		
Intangible assets	32		
Investment property	33		
Long term receivables from exchange transactions	27(b)	2,784,350	
		97,396,155	81,009,294
Non-current assets			
Current assets			
Cash and cash equivalents	26	3,872,475	13,629,577
Current portion of receivables from exchange transactions	27(a)	3,450,280	1,583,663
Receivables from non-exchange transactions	28	0	0
Inventories	29	0	0
Investments	30	0	0
		7,322,755	15,213,240
Total assets		104,718,910	96,222,534
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	34	2,534,350	4,655,595
Refundable deposits from customers	35	250,000	219,500
Current Provisions	36		
Finance lease obligation	37		
Current portion of borrowings	41		
Deferred income	38		
Employee benefit obligation	39		
Payments received in advance			
		2,784,350	4,875,095
Non-current liabilities			
Non-current employee benefit obligation	39		
Non-current provisions	40		
Borrowings	41		
Service concession liability	42		
Deferred tax liabilities	49		
Total liabilities		2,784,350	4,875,095
Net assets			
Reserves			
Accumulated surplus		25,774,560	15,187,439
Capital Fund		76,160,000	76,160,000
Total net assets and liabilities		104,718,910	96,222,534

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


Daniel Mugao

Chairman of Board of Governors

Nicholas Mutegi

Finance Officer
ICPAK No 26445


Wilfred Kamunde
Principal

Date 28/09/2021

Date 25/09/201

Date 28/09/2021

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

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

Note:

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
At July, 2020	-	-	-	-	-
Cost/Capitalized	-	-	15,187,439	76,160,000	91,347,439
Fair value adjustment on quoted investments	-	-	-	-	-
Depreciation	-	-	-	-	-
Capital/Development grants received during the year	-	-	-	-	-
Surplus (financial statement)	-	-	15,149,890	-	15,149,890
At June 30, 2021	-	-	30,337,329	76,160,000	106,497,329

1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustments should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

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

	Note	2020-2021 Kshs	2019-2020 Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	6	11,220,000	10,065,000
Public contributions and donations			
Rendering of services- Fees from students	10	23,123,580	12,085,419
Sale of goods			
Rental revenue from facilities and equipment	12	15,000	18,000
Finance income			
Other income(production)	14	330,000	
Total Receipts		34,688,580	22,168,419
Payments			
Compensation of employees	16	4,274,335	3,445,448
Use of goods and services	15	12,569,204	1,547,905
Remuneration of directors	17	449,730	841,880
Repair and maintenance	19	1,597,103	137,420
Projects	20	8,065,072	6,426,480
Other payments			
Grants and subsidies paid			
Total Payments		26,955,444	12,399,133
Net cash flows from operating activities	43	7,733,136	9,769,286
(Increase)/decrease in the receivables		2,121,245	5,197,274
Increase in payables		30,500	30,500
Increase in Refundable deposits from customers			50,500
Net cash flows used in investing activities		9,884,881	9,037,873
Purchase of property, plant, equipment and intangible assets			(8,314,135)
Proceeds from sale of property, plant and equipment			
Decrease in non-current receivables			
Increase in investments			
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 JULY	26		
Cash and cash equivalents at 30 JUNE	26		

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation).

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

XVIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR
ENDED 30 JUNE 2021

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		Utilisation Difference	
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	%	%
Transfers from other Govt entities Govt grants	58,430,000	58,430,000			58,430,000	10,837,500	10,837,500	-47,592,500			22.8	
Public contributions and donations	0	0			0	0	0					
Rendering of services- Fees from students	12,264,137	12,264,137			12,264,137	4,954,596	4,954,596	-7,309,541			67.8	
Sale of goods	0	0			0	0	0					
Finance Income	0	0			0	0	0					
Other Income	0	0			0	0	0					
Rental income and Production	345,000	345,000			345,000	1,606,100	1,606,100	1,261,100			1273.7	
Total income	70,694,137	70,694,137			70,694,137	17,053,196	17,053,196					
Expenses												
Compensation of employees	7,812,480	7,812,480			7,812,480	4,274,335	4,274,335	3,538,145			54.7	
Use of Goods and services	47,014,110	47,014,110			47,014,110	12,569,204	12,569,204	34,444,906			27.5	
Repair Maintenance & improvement	1,650,000	1,650,000			1,650,000	1,597,103	1,597,103	52,897			96.8	
Rent paid	0	0			0	0	0					
Remuneration of directors	800,000	800,000			800,000	449,730	449,730	350,270			56.2	
Projects	13,417,236.29	13,417,236.29			13,417,236.29	8,065,072	8,065,072	5,352,164.29			60.1	
Total expenditure	70,693,826	70,693,826			70,693,826	26,969,864	26,969,864	43,723,962			38.2	
Surplus for the period	310.71	310.71			310.71							

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

XIX. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Tharaka technical and vocational college entity is established by and derives its authority and accountability from TVET Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is 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 Tharaka Technical and vocational college accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements.

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

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.

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

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	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> 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.

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
 ANNUAL REPORT AND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30TH JUNE 2021
 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	<p>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:</p> <ul style="list-style-type: none"> •Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; •Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and •Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>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:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. 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.

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021.

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.

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

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 2020/2021 was approved by the Council or Board on 25/06/2020. 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.

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

c) Taxes

Current income tax

The entity is exempt from paying taxes

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 useful 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.

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

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.

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

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:

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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.

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

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.

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.

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

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, 2021.

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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.

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. (a) TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2020-2021	2019-2020
	KShs	KShs
Unconditional grants		
Capitation grants	11,220,000	10,065,000
Operational grant	0	
Other grants	0	
	11,220,000	10,065,000
Conditional grants		
Library grant	0	0
Hostels grant	0	0
Administration block grant	0	0
Laboratory grant	0	0
Learning facilities grant	0	0
Other organizational grants	0	0
Total government grants and subsidies	11,220,000	10,065,000

(b) 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 recognized in capital fund KShs	Total grant income during the year KShs	2020-2021 KShs
State Department of vocational college					
Education Ministry					
Total					

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GRANTS FROM DONORS AND DEVELOPMENT PARTNERS

Description	2020-2021	2019-2020
	KShs	KShs
JICA- Research grant		
World Bank grants		
In-kind Donations		
Other grants		
Total grants from development partners		

Reconciliations of grants from donors and development partners

Description	2020-2021	2020-2021
	KShs	KShs
Balance unspent at beginning of year		
Current year receipts		
Conditions met - transferred to revenue		
Conditions to be met - remain liabilities		

8. TRANSFERS FROM OTHER LEVELS OF GOVERNMENT

Description	2020-2021	2019-2020
	KShs	KShs
Transfer from County xxx		
Transfer from xxx University		
Transfer from xxx institute		
Total Transfers		

9. PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2020-2021	2019-2020
	KShs	KShs
Public donations		
Donations from local leadership		
Donations from religious institutions		
Donations from alumni		
Other donations		
Total donations and sponsorships		

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. RENDERING OF SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Tuition fees	14,835,340	8,244,000
Activity fees	862,200	439,680
Industrial attachment fees	1,155,770	0
Examination fees	1,692,660	0
Library fees		0
Facilities and materials	4,586,610	3,401,739
Registration fees		
Others (<i>Specify</i>)		
Total revenue from the rendering of services	23,132,580	12,085,419

(Provide brief explanation for this revenue)

11. SALE OF GOODS

Description	2020-2021	2019-2020
	KShs	KShs
Sale of goods		
Sale of books		
Sale of publications		
Sale of farm produce		
Cafeteria		
Other(include in line with your organisation)		
Total revenue from the sale of goods		

(Provide brief explanation for this revenue)

12. HIRE OF FACILITIES AND EQUIPMENT

Description	2020-2021	2019-2020
	KShs	KShs
Canteen rental	15,000	18,000
operating lease revenue		
Total	15,000	18,000

(Provide brief explanation for this revenue)

13. FINANCE INCOME

Description	2020-2021	2019-2020
	KShs	KShs
Cash investments and fixed deposits		
Interest income from Treasury Bills		
Interest income from Treasury Bonds		
Interest from outstanding debtors		
Total finance income		

(Provide brief explanation for this revenue)

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PRODUCTION

Description	2020-2021	2019-2020
	KShs	KShs
Computer packages	330,000	0
Consultancy fees		
Income from sale of tender		
Services concession income		
Reimbursements and refunds		
Graduation fees		
Miscellaneous (<i>Specify</i>)		
Total other income	330,000	0

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

15. USE OF GOODS AND SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Teaching and learning materials	1,865,645	
Industrial attachment & Insurance costs	238,068	77,030
Electricity	165,630	93,043
Water	149,162	24,745
Security	391,653	499,032
Professional and Consultancy services	0	
Subscriptions	110,000	
Marketing	178,297	
Examination fees	1,692,750	
Audit fees		
Local Transport & Travelling	570,740	315,727
Insurance	0	
Activity	46,163	
Student Caution money	500	
Postage	7,725	
Printing and stationery	298,494	
NYS students costs	1,580,166	
EPOVIT	141,183	
Skills development levies		
COVID -19	42,537	
Internet expenses	242,500	265,810
Training expenses		272,518
Administration Expenses	4,847,991	
Total good and services	12,569,204	1,547,905

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. EMPLOYEE COSTS

	2020-2021	2019-2020
	KShs	KShs
Salaries and wages	4,274,335	3,445,448
Employee related costs - contributions to pensions and medical aids		
Travel, motor car, accommodation, subsistence and other allowances		
Housing benefits and allowances		
Overtime payments		
Performance and other bonuses		
Social contributions		
Employee costs	4,274,335	3,445,448

17. REMUNERATION OF DIRECTORS

Description	2020-2021	2019-2020
	KShs	KShs
Chairman's Honoraria		
Directors emoluments		
Other allowances	449,730	841,880
Total director emoluments	449,730	841,880

18. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	2,754,048	1,928,966
Intangible assets		
Investment property carried at cost		
Total depreciation and amortization	2,754,048	1,928,966

19. REPAIRS MAINTENANCE AND IMPROVEMENT

Description	2020-2021	2019-2020
	KShs	KShs
Property (IMS)		
Investment property – earning rentals		
Equipment and machinery		41,500
Vehicles	126,480	65,360
Furniture and fittings		
Computers and accessories	29,700	30,560
New fence	1,440,923	
Total repairs and maintenance	1,597,103	137,420

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. PROJECTS AND ASSEST

Description	2020-2021	2019-2020
	KShs	KShs
Lecture chairs	355,000	
Workshop& kitchen construction materials	3,133,554	
IMS	2,305,000	
CCTV	267,890	
Computers	725,040	
Cabros	713,000	
NYS room & deckers	565,588	
Total contracted services	8,065,072	

21. GRANTS AND SUBSIDIES

Description	2020-2021	2019-2020
	KShs	KShs
Community development		
Education initiatives and programs		
Social development		
Community trust		
Sporting bodies		
Total grants and subsidies		

22. FINANCE COSTS

Description	2020-2021	2019-2020
	KShs	KShs
Borrowings (amortized cost)*		
Finance leases (amortized cost)		
Unwinding of discount		
Interest on Bank overdrafts		
Interest on loans from commercial banks		
Total finance costs		

23. GAIN ON SALE OF ASSETS

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment		
Other assets not capitalised		
Total gain on sale of assets		

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

Description	2020-2021	2019-2020
	KShs	KShs
Investments at fair value		
Total gain		

25. IMPAIRMENT LOSS

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment		
Intangible assets		
Total impairment loss		

26. CASH AND CASH EQUIVALENTS

Description	2020-2021	2019-2020
	KShs	KShs
Current account	3,872,475	13,629,577
On - call deposits		
Fixed deposits account		
Staff car loan/ mortgage		
Others(specify)		
Total cash and cash equivalents	3,872,475	13,629,577

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

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Financial institution	Account number	2020-2021 KShs	2019-2020 KShs
a) Current account			
Equity Bank	1040262403552	3,546,939	12,910,361
Trans Nation Sacco	68260900029001	282,028	719,216
Sub- total		3,828,967	13,629,577
b) Others(specify)			
Cash in transit		0	0
cash in hand		43,508	0
Mobile Money account		0	0
Sub- total		43,508	0
Grand total		3,872,475	13,629,577

27. RECEIVABLES FROM EXCHANGE TRANSACTIONS

27(a) Current Receivables from Exchange Transactions

Description	2020-2021 KShs	2019-2020 KShs
Current receivables		
Student debtors	3,450,280	1,583,663
Rent debtors		
Consultancy debtors		
Other exchange debtors		
Less: impairment allowance		
Total current receivables	3,450,280	1,583,663

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27(b) Long- term Receivables from Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Non-current receivables		
Refundable deposits	250,000	219,500
Advance payments	2,534,350	4,655,595
Public organizations		
Less: impairment allowance		
Total	2,784,350	4,875,095
Current portion transferred to current receivables		
Total non-current receivables		
Total receivables	2,784,350	4,875,095

27 (c) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
At the beginning of the year	4,875,095	865,496
Provisions during the year	1,295,500	5,560,500
Recovered during the year	(3,386,245)	(1,550,901)
Write offs during the year	0	
At the end of the year	2,784,350	4,875,095

28. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Capitation grants*		
Transfers from other govt. entities		
Undisbursed donor funds		
Other debtors (non-exchange transactions)		
Less: impairment allowance		
Total current receivables		

**Receivables on capitation grants is recognised for monies received after year end but relating to the year under review.*

28 (b) Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
At the beginning of the year		
Additional provisions during the year		
Recovered during the year		
Written off during the year		
At the end of the year		

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

29. INVENTORIES

Description	2020-2021	2019-2020
	KShs	KShs
Consumable stores		
Maintenance stores		
Health unit stores		
Electrical stores		
Cleaning materials stores		
Catering stores		
Total inventories at the lower of cost and net realizable value		

30. INVESTMENTS

Description	2020-2021	2019-2020
	KShs	KShs
a) Investment in Treasury bills and bonds		
Financial institution		
CBK		
CBK		
Sub- total		
b) Investment with Financial Institutions/ Banks		
Bank x		
Bank y		
Sub- total		
c) Equity investments (specify)		
Equity/ shares in company xxx		
Sub- total		
Grand total		

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	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%	Shs	Current year	Prior year
	%	%	%	Shs	Shs	Shs
Entity A						
Entity B						
Entity C						
Entity D						

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. PROPERTY, PLANT AND EQUIPMENT

Depreciation Rate (Cmt)	Land Shs	Buildings 2.5% Shs	Furniture and fittings 25% Shs	Computers 30% Shs	Other Assets (IMS) Shs	Plant and equipment Shs	Capital Work in progress Shs	Total Shs
At July 2020	25,000,000	54,729,269	576,875	703,150				81,009,294
Additions								
Disposals								
Transfers/adjustments								
At 30 th June 2021	25,000,000	54,729,269	576,875	703,150				81,009,294
Additions		3,846,554	920,588	725,040	2,572,890			8,065,072
Disposals								
Transfer/adjustments								
At 30 th June 2021	25,000,000	58,575,823	1,497,463	1,428,190	2,572,890			88,838,992
Depreciation and impairment								
At July 2020		2,685,366	133,125	646,350				3,464,841
Depreciation		1,464,396	374,366	428,457	771,867			3,039,086
Impairment								
At 30 June 2021		4,149,762	507,491	1,074,807	771,867			6,503,927
Net book values								
At 30 th June 2021	25,000,000	54,426,061	989,972	353,383	1,801,023			82,570,439
At 30 th June 2020	25,000,000	54,729,269	576,875	703,150				81,009,294

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

Land and buildings were valued by xxx independent valuer on xxx on xxx basis of valuation. These amounts were adopted on xxx.

31 (b) Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land			
Buildings			
Plant and machinery			
Motor vehicles, including motorcycles			
Computers and related equipment			
Office equipment, furniture, and fittings			
Total			

32. INTANGIBLE ASSETS-SOFTWARE

Description	2020-2021	2019-2020
	KShs	KShs
Cost		
At beginning of the year		
Additions		
At end of the year		
Additions—internal development		
At end of the year		
Amortization and impairment		
At beginning of the year		
Amortization		
At end of the year		
Impairment loss		
At end of the year		
NBV		

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. INVESTMENT PROPERTY

Description	2020-2021	2019-2020
	KShs	KShs
At beginning of the year		
Additions		
Disposal during the year		
Depreciation		
Impairment		
At end of the year		

(This note applies to investment property held at cost. For investment property held at fair value, changes in fair value should go through the statement of financial performance).

34. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	KShs	KShs
Trade payables		
Fees paid in advance		
Employee advances		
Third-party payments		
Other payables		
Total trade and other payables		

35. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2020-2021	2019-2020
	KShs	KShs
Consumer deposits		
Caution money		
Other refundable deposits		
Total deposits		

36. CURRENT PROVISIONS

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

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. FINANCE LEASE OBLIGATION

Description	2020-2021 KShs	2019-2020 KShs
At the start of the year		
Discount interest on lease liability		
Paid during the year		
At end of the year		

Maturity Analysis

Period	Amount
Year 1	
Year 2	
Year 3	
Year 4	
Year 5 and onwards	
Less: Unearned interest.	

Analysed as:

Description	Amount
Current	
Non- Current	
Total	

38. DEFERRED INCOME

Description	2020-2021 KShs	2019-2020 KShs
National government		
International funders		
Public contributions and donations		
Total deferred income		

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

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				

39. EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions		
	KShs	KShs	KShs	20xx-20xx	20xx-20xx
Current benefit obligation					
Non-current benefit obligation					
Total employee benefits obligation					

Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all full-time employees from July 1, 2020. The scheme is administered by xxx while xxx are the custodians of the scheme. The scheme is based on xxx percentage of salary of an employee at the time of retirement.

	2020-2021	2019-2020
	KShs	KShs
Discount rates		
Future salary increases		
Future pension increases		
Mortality (Pre- retirement)		
Mortality (Post- retirement)		
Withdrawals		
Ill health		
Retirement		

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Recognition of Retirement Benefit Asset/ Liability

a) Amounts recognised under other gains/ Losses in the statement of Financial Performance:

Description	2020-2021	2019-2020
	Kshs	Kshs
The return on defined plan assets		
Actuarial gains/ losses arising from changes in demographic assumptions		
Actuarial gains/ losses arising from 0020 changes in financial assumptions		
Actuarial gains and losses arising from experience adjustments		
Others (Specify)		
Adjustments for restrictions on the defined benefit asset		
Remeasurement of the net defined benefit liability (asset)		

b) Amounts recognised in the Statement of Financial Position

Description	2020-2021	2019-2020
	Kshs	Kshs
Present value of defined benefit obligations(a)		
Fair value of plan assets(b)		
Funded Status(=a-b)		
Restrictions on asset recognised		
Others		
Net Asset or liability arising from defined benefit obligation		

The Tharaka TVC also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The College's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 200 per employee per month. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40. NON-CURRENT PROVISIONS

Description	Long service leave	Bonus Provision	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					
Less: Current portion					
Total deferred income					

(NB: The current portion deducted in this note should tie to line on current portion transferred from non-current provisions under note 34)

41. BORROWINGS

Description	2020-2021	2019-2020
	KShs	KShs
Balance at beginning of the year		
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 year		

41 a) ANALYSIS OF EXTERNAL AND DOMESTIC BORROWINGS

	2020-2021	2019-2020
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organisation'		
Sterling Pound denominated loan from 'yyy organisation'		
Euro denominated loan from 'zzz organisation'		
Domestic Borrowings		
Kenya Shilling loan from KCB		
Kenya Shilling loan from Barclays Bank		
Kenya Shilling loan from Consolidated Bank "		
Total balance at end of the year		

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

Description	2020-2021	2019-2020
	KShs	KShs
Short term borrowings(current portion)		
Long term borrowings		
Total		

(NB: the total of this statement should tie to note 42 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

42. SERVICE CONCESSION ARRANGEMENTS

Description	2020-2021	2019-2020
	KShs	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		

43. CASH GENERATED FROM OPERATIONS

Description	2020-2021	2019-2020
	KShs	KShs
Surplus for the year before tax		
Adjusted for:		
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		
Working Capital adjustments		
Increase in inventory		
Increase in receivables		
Increase in deferred income		
Increase in payables		
Increase in payments received in advance		
Net cash flow from operating activities		

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 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
At 30 June 2021				
Receivables from exchange transactions				
Receivables from non exchange transactions				
Bank balances				
Total				
At 30 June 2021				
Receivables from exchange transactions				
Receivables from non exchange transactions				
Bank balances				
Total				

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

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

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

(ii) Liquidity risk management

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

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.

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2021				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				
At 30 June 2021				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. 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) Foreign currency risk

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

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 201xx			
Financial assets(investments, cash ,debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2021			
Euro	10%		
USD	10%		
2021			
Euro	10%		
USD	10%		

b) Interest rate risk

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

Management of interest rate risk

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

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021
NOTES TO THE FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) 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 college's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve		
Retained earnings		
Capital reserve		
Total funds		
Total borrowings		
Less: cash and bank balances		
Net debt/(excess cash and cash equivalents)		
Gearing		

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

Government of Kenya

The Government of Kenya is the principal shareholder of the *entity*, 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) Key management;
- iv) Board of directors;

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

	2020-2021	2019-2020
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of electricity to Govt agencies		
Rent Income from govt. agencies		
Water sales to Govt. agencies		
Others (Specify)		
Total		
b) Purchases from related parties		
Purchases of electricity from KPLC		
Purchase of water from govt service providers		
Rent expenses paid to govt agencies		
Training and conference fees paid to govt. agencies		
Others (specify)		
Total		
b) Grants /Transfers from the Government		
Grants from National Govt		
Grants from County Government		
Donations in kind		
Total		
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees		
Payments for goods and services for xxx		
Total		
d) Key management compensation		
Directors' emoluments		
Compensation to key management		
Total		

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. SEGMENT INFORMATION

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

47. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets

	2020-2021	2019-2020
	Kshs	Kshs
Contingent assets		
Insurance reimbursements		
Assets arising from determination of court cases		
Reimbursable indemnities and guarantees		
Others (Specify)		
Total		

Contingent Liabilities

	2020-2021	2019-2020
	Kshs	Kshs
Contingent liabilities		
Court case xxx against the entity		
Bank guarantees in favour of subsidiary		
Contingent liabilities arising from contracts including PPPs		
Others (Specify)		
Total		

(Give details)

48. CAPITAL COMMITMENTS

Capital commitments	2020-2021	2019-2020
	Kshs	Kshs
Authorised for		
Authorised and contracted for		
Total		

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the entity but at the end of the year had not been contracted or those already contracted for and ongoing)

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

49. DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2020-2021	2019-2020
	Kshs	Kshs
Accelerated capital allowances		
Unrealised exchange gains/(losses)		
Revaluation surplus		
Tax losses carried forward		
Provisions for liabilities and charges		
Net deferred tax liability/(asset)		
The movement on the deferred tax account is as follows:		
Balance at beginning of the year		
Credit to revaluation reserve		
Under provision in prior year		
Income statement charge/(credit)		
Balance at end of the year		

[In ordinary circumstances public sector entities under IPSAS are not expected to pay taxes. However, in specific cases where this is applicable an organisation is supposed to seek guidance on accounting for income taxes from IAS 12)

50. EVENTS AFTER THE REPORTING PERIOD

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

51. ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of xxx. Its ultimate parent is the Government of Kenya.

52. CURRENCY

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

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

XX. 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)

Guidance Notes:

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

Accounting Officer

Name

(Enter title of head of entity)

Signature

Date.

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

XXI. APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

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

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

Project	Total project cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1						
2						
3						

THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

XXII. APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:		THARAKA TECHNICAL & VOCATIONAL COLLEGE		
Break down of Transfers from the State Department of TVET				
FY xx/xx				
a. Recurrent Grants				
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>	
	15/11/2020	2,992,500	2020/2021	
	23/02/2021	2,242,500	2020/2021	
	28/02/2021	2,797,500	2020/2021	
	29/06/2021	2,805,000	2020/2021	
	Total	10,837,500		
b. Development Grants				
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>	
	Total			
c. Direct Payments				
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>	
	Total			
d. Donor Receipts				
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>	
	Total			

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

Finance Manager
 Tharaka TVC

Sign -----

Head of Accounting Unit
 Education Ministry

Sign-----

**THARAKA TECHNICAL AND VOCATIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

**XXIII. APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES
XXIV.**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature Recurrent/Development/Other	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized			Others - must be specific	Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables		
Ministry of Education		Recurrent							
Ministry of Education		Development							
USAID		Donor Fund							
Ministry of Education		Direct Payment							
Total									