REPUBLIC OF KENYA

OAG

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KARUMO TECHNICAL TRAINING INSTITUTE

FOR THE YEAR ENDED 30 JUNE, 2022

HARAMBEE

KARUMO TECHNICAL
TRAINING INSTITUTE

KARUMO TECHNICAL TRAINING INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE 2022

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I. Key Entity Information and Management

(a) Background information

i. Karumo Technical Training Institute (KTTI) is located in Athwana Location, Tigania West Sub-county in Meru County. It is approximately 3.5 kilometres off Meru-Maua road along kwa Amos Junction-Isiolo road at coordinates 0.21544, 37.751301. It occupies an area of approximately 25 acres. The area receives an annual rainfall of between 400 and 600 mm. The road transport infrastructure in the area is good; meaning that accessibility to this Institute has been made easy by available trunk roads.

ii. It was established in 2015 under certificate of registration number RC/0006/2014 in recognition of the fact that Technology is a part of everyday life.

iii. KTTI is managed by a Board of Governors (BOG) under the direction of the Ministry of Education. It operates under the TVET Act (2013) of the Laws of Kenya as well as Constitution of Kenya 2010, KNEC Act, PSC Act, KASNEB ACT, Policy guidelines among others.

(b) Principal Activities:

VISION
An outstanding institute in Technical and Vocational Education & Training (TVET) and Innovation.

MISSION STATEMENT:
To provide holistic Technical and Vocational Education and Training (TVET) programmes for self-reliance, community development and global competence.

THE CORE MANDATE:

a. To teach and train in Technical and Vocational Education & Training; Research and Innovation and Community Service.

b. Key Management

The institute day-to-day management is under the following key organs:

- Board of Governors Management
- Accounting officer/ Principal
- Management team

(c) Fiduciary Management

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

No.	Designation	Name
1.	Principal	MUTEMBEI KIGIGE
2.	D/Principal (Administration)	MATHEW NKARICHIA
3.	D/Principal (Academics)	FLORAH KANYUA
4.	Registrar	NAOMI NJERI
5.	Dean of students	ALICE MUGAA
6.	Head of Finance	FAITH KATHURE
7.	Head of Procurement	DAVID GICHUNGE
8.	Guidance & counselling	PURITY KOOME
9.	Quality Assurance	JOYCE MBAYA
10.	Industrial Liaison Officer	BONFACE GITAU

(d) Fiduciary Oversight Arrangements

Name of the Committee	Members
Finance, Infrastructure and Strategy	1.Dr. Isaac Kaberia (chairman) 2. Rose Jumwa 3.Wangai Ndirangu
Education, Research and Training	1 Dr. Joy Riungu (chairperson) 2. Dr. Isaac Kaberia 2.Bethwel Maithya 4.Margret Nduhiu (TVET county Director)
Audit and Risk management	1.Ann Chelagat (Chairman) 2. Dr. Joy Riungu 3. Margret Nduhiu (TVET county Director)

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(e) Entity Headquarters
P.O. BOX 276-60602
KIANJAI
MERU MAUA ROAD ALONG KWA AMOS JUNCTION
MERU, KENYA

(f) Entity Contacts
Telephone: (254) 705636443
E-mail: karumotti@gmail.com
Website: info@karumotti.ac.ke

(g) Entity Bankers

1. Equity bank Kenya limited
   Meru - Makutano branch
   p.o.box 75104
   Meru, Kenya

2. Kenya Commercial Bank
   Meru- Makutano branch
   p.o.box
   meru,Kenya

3. National bank Kenya limited
   Kianjai branch
   p.o.box 261-60602
   kianjai Kenya

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

I. THE BOG/BOARD OF GOVERNORS

 Major (Rtd) Andrew Nkiiri- BoG Chair	A retired Kenya air force Major. He is a qualified air craft engineer but currently self-employed in the fields of clearing and forwarding (Cargo handling services) Date of birth 20/02/1951
 Dr. Isaac Kaberia- BoG Member	PhD holder (University faculty member) Currently the chairman of the Education, Research and Training committee of the BOG Lecturer at Embu University Date of Birth 02//01/1980
 Dr. Joy Nyawira Riungu- BoG Member	PhD holder. Sanitation and Environmental Engineering (Specialization; Sanitation Engineering) Date Of Birth 03/12/1974

 Mr. Bethel Maithya Muthangya- BoG Member	Holds Bachelor Degree IT, Software Engineering Date of Birth 277/0/1986
 Mr Mutembei Kigige- BoG Secretary	Holds an MBA in finance, Principal of the institute/Secretary to the BOG Date of Birth 31/01/1967
 Ms. Ann Chelagat- BoG Member	CPA (K) internal auditor with KTDA and chairperson of the Audit and Risk management committee of the BOG. Accountant Date of Birth 1978
 Mr. Wangai Ndirangu- BOG Member	Consultant civil Engineer Master's degree in water engineering Date of birth 20/09/1973

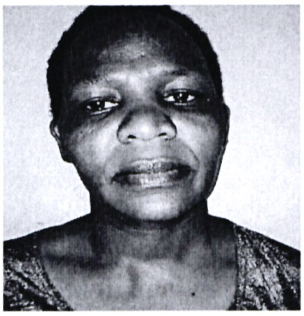
<table>
<tr>
<td>
Mrs. Rose Jumwa- BOG Member</td>
<td>Graduate in Quantity Survey
Quantity Surveyor

Date of birth: 17/3/1989</td>
</tr>
</table>

II. MANAGEMENT TEAM

 Mr. Mutembei Kigige	Principal of the institute/Secretary to the BOG Holds an MBA (Finance Option).
 Mr. Mathews Nkarichia	Deputy Principal (Administration) Holds a Diploma (Building and Civil Engineering)
 Mrs. Flora Kanyua-	Deputy Principal (Academics) Holds an MBA (Strategic Management Option)
 Ms. Naomi Njeri	Registrar Holds Bachelor of Education (Technology Education-Computer Technology)

 Mrs. Alice Mugaa	Dean of Students MED (Guidance & Counselling)
 Ms Faith Kathure	Finance Officer Bachelor in Business Admin, CPA(K) Member of ICPAK
 Mr. David Gichunge	Procurement Officer Bachelor in Supply Chain Management
 Mrs. Purity Koome	Guidance & Counselling Diploma in Business Education

 Mrs. Joyce Mbaya	Quality Assuarance Officer Master in Economics
 Mr. Bonface Gitau	Industrial Liaison Officer Bachelor of Education (Technology Education – Building and Construction Technology)

III. CHAIRMAN'S STATEMENT

Karumo TTI is a fully pledged Institution registered under the ministry of education under the TVET Act, 2013 to offer Technical and Vocational Education and Training courses. It opened its doors for training in September 2015. Karumo TTI was primarily constructed as a centre of excellence in Building and civil engineering but over time and due to the increasing demand for technical training in Kenya, we have found ourselves expanding our scope to offer other supporting high demand courses in electrical engineering, ICT, business courses, institutional management and Cosmetology. The BOG which was in operation during the first half of the financial period expired and a new BOG was appointed and inaugurated in May 2022. The current Principal/Secretary to the BOG was also deployed to Karumo TTI beginning of February 2019. As the chairman of BOG, I am committed to ensuring prudent use of the available resources (both financial and non-financial resources) of the institute. We have also endeavoured to attract and retain competent staff to offer services in an efficient manner. During the second half of the FY, we were able to streamline the finance department by deploying one more officer as an intern to assist in the finance department. During the year, we were able to engage the services of a HR officer which has increased in seamless operations and efficiency in the institute.

To be able to offer proper oversight and policy guidance, the Board has chosen to work with three committees namely; Finance, Infrastructure and Strategy, Education, Research and Training and Audit and risk management committees.

As the chairman, I fully own this annual report and financial statements for FY 2021/2022 and its content.

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BOG Chairman

Major (Rtd) Andrew Nkiiri

IV. PRINCIPAL'S REPORT

Karumo TTI is a government Public Institution offering TVET courses. Karumo Technical Training Institute (KTTI) is located in Tigania west in Meru County. It is located in a hardship area and occupies approximately 24 acres of land. It opened its doors for training in September 2015 when it admitted the first trainees in building and civil engineering. It is managed by a Board of Governors (BOG) under the direction of the Ministry of Education and as per TVET Act, 2013. The Vision of Karumo TTI is 'An outstanding institute in Technical and Vocational Education & Training (TVET) and Innovation'. Our mission is 'To provide holistic Technical and Vocational Education and Training (TVET) programmes for self-reliance, community development and global competence. Currently, we have a student Population of 5,472 trainees, 98 (25 PSC, 63 BOG) trainers and 7 non-academic staff.

TVET training has over time received a lot of attention by the government and therefore we hope to increase rapidly going forward due to the increased demand.

The preparation of Karumo TTI financial statements in conformity with IPSAS requires us 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. In respect, we have endeavoured to implement proper and approved working budgets every financial year. During the FY2021/2022, we received total revenue of Ksh. 271,329,819 from the services we render including fees collected and capitation received during the year, production activities and Ksh. 892,615 from the farm sales. At the close of the FY, we had a grand total of cash and cash equivalent balance from KCB, Equity banks national bank and cash at hand of kshs, 34,036,894. However, our total uncollected balances stood at Ksh. 167,730,317. The debtors are primarily due to the un disbursed capitation for the 4th quarter FY2021/2022 and the students who had joined in January 2022 had not benefited from HELB loans.

Karumo TTI BOG has however been very supportive in the implementation of the performance targets of the institute and has chosen to work with sub-committees for effectiveness and efficiency. This report has therefore been prepared as a true reflection of our achievements for the financial period.

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Principal

Flora Kanyua Njura

KARUMO TECHNICAL TRAINING INSTITUTE
PRINCIPAL
08 MAY 2023
Tel: 0705 636 443
P. O. Box 276 - 60602, KIANJAI

V. Statement of Performance against Predetermined Objectives

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the Accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Karumo TTI has 7 strategic pillars and objectives within its Strategic Plan for the FY 2017- 2022. These strategic pillars are as follows:

Pillar 1: Access and Equity

Pillar 2: Infrastructural resources

Pillar 3: Human Resource development

Pillar 4: Collaboration and linkages

Pillar 5: Technology

Pillar 6: Leadership and Governance

Pillar 7: Research and Development

Karumo TTI develops its annual work plans based on the above seven (7) pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The institute achieved its performance targets set for the FY 2021/2022 period for its 7 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Output
Pillar 1: ACCESS AND EQUITY	Increase student's enrolment	• High student enrolment • Diversified • student population	• Place 4 advertisements in 3 different media per year • Print 15,000 brochures per year and issue to students, staff and community • Conduct marketing activities in neighbouring towns	Electronic and Print Advertisements Print outs of brochures Increased enrollment
	Improve average Trainees' Performance	Increased enrolment	• Monitor class attendance by both trainers and trainees • Plan and effectively implement calendar of events	Audit Reports

Pillar 2: INFRASTRUCTURAL RESOURCES	Develop and upgrade physical infrastructure and acquire training equipment	Construct a tuition complex	Source fund ✓ Design the tuition complex ✓ Engage a contractor ✓ Equip	Equipped Tuition Block in place (Lecture chairs & Teachers desks)
		Banana and orchards farm	Establish a banana and orchards farm	Planted banana and orchards farm in place
		F&B Restaurant and Kitchen	Equip F&B restaurant and kitchen	Equipped and functional F&B restaurant and kitchen
		Borehole Solar System	Establish borehole solar system	Functional borehole solar system in place
Pillar 3: Human Resource development	Attract and develop competent human resource	Adequate personnel for institutes operation	✓ Identify gaps ✓ Recruit and select	Done
Pillar 4: Collaboration and linkages	Establish and strengthen existing collaborations and linkages both locally and internationally	✓Collaboration with KUCCPS ✓Collaboration with NYS ✓ Collaboration with financial institutions ✓ Collaboration with HELB Collaborate with institutions in the EASTRIP project	Attend and participate in research conferences locally and internationally	Done
Pillar 5: Technology and Governance	Enhance ICT integration	Admission module Procurement module Examination module Library module	Deploy Management Information System ✓ Increase internet hotspots ✓purchase a new network server computer ✓activate and train all trainers on the examination module	Done

	Implement effective governance structures in service delivery	✓ Developed and displayed service charter ✓ Displayed departmental service charter ✓ conduct a customer feedback survey	Develop and implement a Customer service delivery charter Customer feedback survey to advice on improvement in service delivery	In place
Pillar 7: Research and Development	Promote innovation and creativity in the institute through R&D and innovation	✓agriculture farm ✓ Water sources ✓ irrigation system ✓ Honey ✓ Dragon fruits	Farm activities: ✓ expand the farm ✓ use suitable farming methods ✓ research on and plant dragon fruits	Done

All these objectives were achieved by including them as projects in the institute's performance contract for the FY 2020/2021 and in the work-plan.

VI. CORPORATE GOVERNANCE STATEMENT

The mandate of TVET in Kenya is spelt out in the TVET Act.2013. Every TVET Institution is governed by a governing body in the form of a Council/BOG which is responsible for providing the required leadership in developing appropriate plans and strategies that will contribute to a sustainable execution of its mandate to satisfy the socioeconomic advancement of the nation and the region. Each Institution is headed by a Principal/Director, who acts as the secretary to the governing Council/BOG. The Council/BOG consists of the Chairperson and other members as may be spelt out in the existing Act. In Kenya, the TVET Act 2013 gives the composition of the Council/BOG as follows:

(a) A chairperson;
(b) A representative of the PS in the Ministry responsible for TVET
(c) A representative of the Governor in the county
(d) Six other persons appointed from the fields of;

(i) Leadership and management;
(ii) Financial management;
(iii) Technology;
(iv) Industry;
(v) Engineering;
(VI Information Communication Technology/legal

There must be at least two thirds gender representation in the membership. The Council/BOG meets quarterly on average, with a three-year term renewable once and for memory, one or two members are re-appointed. The Council/BOG may have working sub-committees to like;

i. Education, Research and Training,

ii. Finance, Infrastructure and Human Resource,
iii. Audit and Risk Management.

The Sub-Committees can co-opt persons of special expertise during their deliberations.

At the operational level, the Principal/Director is the team leader (CEO) assisted by the Deputy Principal(s)/Director(s) to ensure a smooth work/learning environment. For proper management and mentorship for sustainability, he/she appoints departmental heads, section heads and supervisors at each operational area. Together, the team ensures sustainable quality, access, relevance and equity in the programs and services offered to its customers and a back and forth smooth flow of feedback.

Each institution has clearly espoused its mandate in its statements of intention in the form of Vision, Mission and core values. There also exists a documented Strategic Plan (SP) with achievable strategic objectives with clear strategies and goals. The achievement of these objectives is monitored at the operational levels through measurable documented quality objectives

VII. MANAGEMENT DISCUSSION AND ANALYSIS

The BOG of the Institute has been very supportive to the management and has fully performed its oversight role in whole and through the BOG committees. The management team is also well constituted with the Principal being the team leader, two deputy principals (One in administration and one in Academics), the Registrar, dean of students, head of guidance and counselling and the industrial liaison officer. The Institute has a robust team of professional non-academic staff with a qualified finance officer, an accountant, procurement officer and an asset manager.

During the financial year, the management has endeavoured to satisfy both legal and regulatory requirement as espoused in its mandate under the TVET act 2013, the education act 2013, PFM Act 2012 and its regulations etc. Our operations were smooth and undisturbed for three quarter of the year though the fourth quarter was significantly affected by the emergence of Covid-19 which interrupted our major operations after a directive was issued for all trainers and trainees to go home and operate from their homes.

During the period, we were able to complete most of our Performance Contract key projects as follows: -

VIII. Environmental and Sustainability Reporting Statement

i) Sustainability strategy and profile

The institute has endeavoured to be in contact with the local community. For instance, the bee hive project was conceived with the local community at heart. Where Karumo TTI would construct hives for the community, train them on bee keeping and then buy the honey for value addition. It is meant to operate like a cooperative society to raise the economic status of the community who would in turn be able to pay fees for their children at the Institute.

Sustainability in personnel management has been ensured through transfer of skills and responsibilities through staff development, delegation, involving staff in decision making during management meetings and succession planning. As for projects, the major threat is that the institute is located within a hardship region where rainfall is sometimes inadequate. However, we have ensured we have adequate water supply throughout the year from a borehole and powered by a solar system to ensure water adequacy and reliability.

We have also signed MOUs with reputable organizations for the benefit of our trainees and trainers where they can carry out attachments and internships as trainees build lasting relationships and confidence with employers for future or immediate engagements. We ensure whenever some works are going on within the institute, a significant number of our trainees are engaged on casual basis to enhance their skills. We participate in robotic contests, drama and trade fairs to ensure exposure of trainees to different environments as they build capacities for innovation and inventions.

ii) Environmental performance

We have endeavoured to go green by installing an operational solar powered bore hole water system. We have also ensured the institute has installed and marked litter bins for waste collection which is transferred to a well done compost pit. Karumo TTI is an alcohol and drug free institution with an operational guidance and counselling office and personnel. We have an environmental policy in place. Solid waste is well managed. We have a good sewer system and well-constructed and clean pit latrines.

Employee welfare

The staff well constitute with strict consideration of gender balance. Majority of the staff are from the local community and we have ensured that over 30% are from other communities to achieve the face of Kenya. We carry out annual appraisals and gap analysis to be able to ensure mitigation strategies. We have in our budget provision for staff development and our staffs benefit allocation from the vote head. We have fully complied with the Occupational Safety and Health Act of 2007. We give ten o'clock tea with a snack to all our staff for free.

Market place practices-

The institute has fully complied with the provisions of anticorruption. We have carried out trainings by the EACC staff. We have a good supplier relationship. We pay them on time and we ensure we do not entertain any irregularities to minimize any complains

Corporate Social Responsibility / Community Engagements

The community supplies casual labour to the institute. Our institution is open for meetings and social welfare activities as we ensure security of the institute property and integrity.

IX. Report of the Board of Governors

The Board members submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the *Karumo TTI* affairs.

Principal activities

The principle activities of the entity are:

a. To conduct training at tertiary level in Technical and Vocational Education and Training fields.

b. To determine curricula appropriate for training of the various manpower category and specialization required by the labour market through careful selection of available syllabi from local or international institutions recognized by the Ministry of Education (MoE).

c. To foster linkages with industry and other institutions for the promotion of quality and relevant training.

d. To promote and inculcate Entrepreneurial skills and culture within the institute's staff and students.

e. To conduct Applied Research.

f. To undertake income-generating activities through production, consultancy and tailor-made short courses, in-service courses, equipment and facility hiring and hospitality services to compliment Government grants and fees revenue.

g. Foster spiritual growth among community members both staff and students.

Results

The results of the entity for the year ended 30th June 2022 are set out on page **1-47**

Council/Board of Governors

The members of the Board who served during the year are shown on page vi, vii, viii. During the year 2021 the BOG expired in October and another board was appointed with effect from April 2022

Auditors

The Auditor General is responsible for the statutory audit of the *institute* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2022

By Order of the Board

KARUMO TECHNICAL TRAINING INSTITUTE
PRINCIPAL
08 MAY 2023
Tel: 0705 636 ...
P.O. Box 276 ... KIANJAI

……………………………………
Secretary of the Board

Date:

X. Statement of Board of Governors/ Council's Responsibilities

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

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

The BOG members accept responsibility for the *institutes* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 *and the TVET Act*) – .The BOG members are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2022, and of the *Institute's* financial position as at that date. The Council members further confirm the completeness of the accounting records maintained for the *institute*, which have been relied upon in the preparation of the *institute's* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *institute's* financial statements were approved by the Board on 28/09/2022 and signed on its behalf by:

Name Major (RTD) Andrew Nkiiri	**Name Flora Kanyua Njura**
Chairperson of the Board	**Principal**

KARUMO TECHNICAL TRAINING INSTITUTE
PRINCIPAL
08 MAY 2023
Tel: 0795 636 443
P. O. Box 276 - 60602, KIANJAI

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KARUMO TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Karumo Technical Training Institute set out on pages 1 to 49, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Inaccuracy in the Statement of Cash Flows

The statement of cash flows reflects Kshs.11,048,153 and Kshs.34,036,894 in respect to cash and cash equivalents as at 1 July and 30 June respectively and refers to Note 26 to the financial statements. However, Note 26 to the financial statements reflects Kshs.51,808,710 for cash generated from operations.

In the circumstances, the accuracy of the statement of cashflows could not be confirmed.

2. Inaccuracy in Deferred Income

The statement of financial position and as disclosed in Note 21 to the financial statements reflects Kshs.18,125 and Kshs.19,190 in respect to total deferred income for 2021/2022 and 2020/2021 respectively. However, the deferred income movement schedule indicated that Kshs.1,065 was earned from development grants during the year but was not reported as revenue in the financial statements.

In the circumstances, the accuracy of deferred income balance of Kshs. 18,125 could not be confirmed.

3. Inaccuracy in the Statement of Financial Position

Note 27 to the financial statements reflects credit risk exposure amounting to Kshs.201,767,211 which includes receivables from non-exchange transactions amounting to Kshs.2,197,500 . However, the statement of financial position does not reflect receivables from non-exchange transactions.

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

4. Unsupported Payment for Insurance Cover

The statement of financial performance and as disclosed in Note 10 (a) to the financial statements reflects use of goods and services amounting to Kshs.79,861,000 which includes Kshs.264,448 in respect to premium paid to an insurance company for the insurance cover to the Institute bus for a period of 1 (one) year starting from 25 November, 2021 to 24 December, 2022. However, the insurance sticker provided for audit revealed that the cover was only for one month starting from 25 November, 2021 to 24 December, 2021. The policy document which could have provided the actual period for the policy cover was not provided for audit .

Further, an additional Kshs.253,225 was paid to another insurance company towards the insurance cover of the same bus for a period of one year from 12 May, 2022 to 10 April, 2023 which was six months before the expiry of the initial cover with the first insurance company. In addition no evidence was provided on how the insurance companies were identified and awarded the contracts.

In the circumstances, the accuracy and propriety of insurance cover amounting to Kshs.517,673 could not be confirmed.

5. Unsupported Expenditure on Boarding Equipment and Stores

The statement of financial performance and as disclosed in Note 10 (a) to the financial statements reflects use of goods and services amounting to Kshs.79,861,000 which includes Kshs.24,803,320 in respect to boarding equipment and stores which further includes Kshs.7,298,390 paid to a catering services firm for supplying meals to National Youth Service students and members of the staff. However, the procurement records including tender adverts, tender opening and evaluation minutes were not provided for audit. Further, the Institute entered into a contract with the firm on 29 September, 2020 for a period of two years. However, the contract did not include the number of meals the service provider was expected to provide per day, the menu to be provided or to be served and how much each plate would cost.

In the circumstances, the accuracy and completeness of boarding equipment and stores amounting to Kshs.7,298,390 could not be confirmed.

6. Lack of an Updated Fixed Assets Register

The statement of financial position and as disclosed in Note 18(a) to the financial statements reflects property, plant and equipment balance of Kshs.220,623,141. However, review of the asset register revealed that crucial details such as dates of acquisition, location, serial numbers and type/make of the assets were not entered in the asset register.

In the circumstance, the accuracy and completeness of the property, plant and equipment balance of Kshs.220,623,141 could not be confirmed.

7. Unsupported Receivables from Exchange Transactions - Student Debtors

The statement of financial position and as disclosed in Note 16 to the financial statements reflects current portion of receivables from exchange transactions balance of Kshs.167,730,317 which includes Kshs.17,963,437 that has been outstanding for more than three years. The overdue debt is for students who had exited the Institute and therefore the recoverability is doubtful. Further, the Management had not undertaken any measures to ensure collection of the outstanding debt

In the circumstances, the accuracy and recoverability of receivables from exchange transactions balance of Kshs.17,963,437 could not be confirmed.

8. Unsupported Inventories Balance

The statement of financial position and as disclosed in Note 17 to the financial statements reflects inventories balance of Kshs.451,884. However, physical verification at the departmental stores revealed that stores records including stores registers for tracking receipts and issue of inventories were not maintained for building and civil engineering department, electrical and electronic department, and nutritional management departments.

In the circumstances, the accuracy and completeness of inventories balance of Kshs.451,884 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.198,792,800 and Kshs.271,279,819 respectively resulting to an over-collection of Kshs.72,487,019 or 36% of the budget.

Similarly, the Institute expended Kshs.138,016,488 against an approved budget of Kshs.198,792,800 resulting to an under-expenditure of Kshs.60,776,312 or 30% of the budget.

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

2. Unresolved Prior Year Matters

In the audit report of the previous year, several paragraphs were raised. However, Management has not resolved and disclosed the status of all the prior year matters as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board. Management has not provided satisfactory explanation for the delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Payment of Electricity Bills

During the year under review the Institute paid electricity bills amounting to Kshs.1,644,472. However, review of documents revealed that the bills paid by the Institute were under the name of Ministry of Higher Education Science and Technology. Although the Management explained that the electricity meter was registered under the Ministry of Education during the construction of the Institute, no plausible explanation was provided on why the Management has not initiated the process to transfer the ownership of the electricity meter to the Institute's name. This is contrary to Regulations 143 (1) of Public Finance Management (National Government) Regulations, 2015 which states that an Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

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

3. Failure to Carry out Annual Stock Taking

During the year under review, the Institute did not carry out annual stock-taking exercise at the end of the financial year. This is Contrary to Section 162(2) of the Public Procurement and Asset Disposal Act, 2015 which states that the head of procurement function shall arrange for occasional visits of inspection to the stores, at least quarterly in each calendar year, and conduct quarterly and annual inventory and stock taking in order to ensure compliance with all respective governing laws and submit the report to the accounting officer.

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

5. Failure to Tag the Fixed Assets

The physical verification conducted in March, 2023 revealed that assets valued at Kshs.24,813,613 were not tagged for ease of identification. This is contrary to Section 139(1)(b) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that accounting officer shall take full responsibility and ensure proper control systems exist for assets and that movement and conditions of assets can be tracked.

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, except for the matters described in the Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls were not operating in an effective way.

Basis for Conclusion

1. Lack of Internal Audit Function

The Institute has not established an internal audit function. This is contrary to Section 155 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function. As such the Institute did not benefit from the assurance and advisory services from the internal audit function

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

2. Tenure of Board Members

During the year under review the appointment of all the Board members was done on 25 March, 2022, an indication that their term will all expire at the same time thereby creating a succession dilemma on the continuity of Board operations. This is contrary to Section 7(2) of Second Schedule of the Technical and Vocational Education Training Act, 2013 which states that in appointing and re-appointing members of Board 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 Board of Governors.

In the circumstances, the effectiveness of the Institute's governance after the expiry of the appointments could not be confirmed.

3. Lack of Human Resource Management Policy

Review of the Institute's human resource structures revealed that the Institute has continued to operate without key human resource documents such as a human resource manual and policy. In addition, no evidence was provided to confirm that the Institute has ever conducted a job analysis.

In the circumstances, the effectiveness of the human resource governance structure could not be confirmed.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Institute'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 Institute 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, the Management is also responsible for ensuring that the activities, financial transactions, and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Institute 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 overall 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 in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal 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 controls 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 policies and procedures may deteriorate.

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

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

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

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute'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 Institute 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 Institute to express an opinion on the financial statements.

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

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

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

CPA Nancy Gathungu, CBS
<u>AUDITOR-GENERAL</u>

Nairobi

13 June, 2023

Verified correct
13/6/2023.

REPORT OF THE AUDITOR-GENERAL ON KARUMO TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Karumo Technical Training Institute set out on pages 1 to 49, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Inaccuracy in the Statement of Cash Flows

The statement of cash flows reflects Kshs.11,048,153 and Kshs.34,036,894 in respect to cash and cash equivalents as at 1 July and 30 June respectively and refers to Note 26 to the financial statements. However, Note 26 to the financial statements reflects Kshs.51,808,710 for cash generated from operations.

In the circumstances, the accuracy of the statement of cashflows could not be confirmed.

2. Inaccuracy in Deferred Income

The statement of financial position and as disclosed in Note 21 to the financial statements reflects Kshs.18,125 and Kshs.19,190 in respect to total deferred income for 2021/2022 and 2020/2021 respectively. However, the deferred income movement schedule indicated that Kshs.1,065 was earned from development grants during the year but was not reported as revenue in the financial statements.

In the circumstances, the accuracy of deferred income balance of Kshs. 18,125 could not be confirmed.

3. Inaccuracy in the Statement of Financial Position

Note 27 to the financial statements reflects credit risk exposure amounting to Kshs.201,767,211 which includes receivables from non-exchange transactions amounting to Kshs.2,197,500 . However, the statement of financial position does not reflect receivables from non-exchange transactions.

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

4. Unsupported Payment for Insurance Cover

The statement of financial performance and as disclosed in Note 10 (a) to the financial statements reflects use of goods and services amounting to Kshs.79,861,000 which includes Kshs.264,448 in respect to premium paid to an insurance company for the insurance cover to the Institute bus for a period of 1 (one) year starting from 25 November, 2021 to 24 December, 2022. However, the insurance sticker provided for audit revealed that the cover was only for one month starting from 25 November, 2021 to 24 December, 2021. The policy document which could have provided the actual period for the policy cover was not provided for audit .

Further, an additional Kshs.253,225 was paid to another insurance company towards the insurance cover of the same bus for a period of one year from 12 May, 2022 to 10 April, 2023 which was six months before the expiry of the initial cover with the first insurance company. In addition no evidence was provided on how the insurance companies were identified and awarded the contracts.

In the circumstances, the accuracy and propriety of insurance cover amounting to Kshs.517,673 could not be confirmed.

5. Unsupported Expenditure on Boarding Equipment and Stores

The statement of financial performance and as disclosed in Note 10 (a) to the financial statements reflects use of goods and services amounting to Kshs.79,861,000 which includes Kshs.24,803,320 in respect to boarding equipment and stores which further includes Kshs.7,298,390 paid to a catering services firm for supplying meals to National Youth Service students and members of the staff. However, the procurement records including tender adverts, tender opening and evaluation minutes were not provided for audit . Further, the Institute entered into a contract with the firm on 29 September, 2020 for a period of two years. However, the contract did not include the number of meals the service provider was expected to provide per day, the menu to be provided or to be served and how much each plate would cost.

In the circumstances, the accuracy and completeness of boarding equipment and stores amounting to Kshs.7,298,390 could not be confirmed.

6. Lack of an Updated Fixed Assets Register

The statement of financial position and as disclosed in Note 18(a) to the financial statements reflects property, plant and equipment balance of Kshs.220,623,141. However, review of the asset register revealed that crucial details such as dates of acquisition, location, serial numbers and type/make of the assets were not entered in the asset register.

In the circumstance, the accuracy and completeness of the property, plant and equipment balance of Kshs.220,623,141 could not be confirmed.

7. Unsupported Receivables from Exchange Transactions - Student Debtors

The statement of financial position and as disclosed in Note 16 to the financial statements reflects current portion of receivables from exchange transactions balance of Kshs.167,730,317 which includes Kshs.17,963,437 that has been outstanding for more than three years. The overdue debt is for students who had exited the Institute and therefore the recoverability is doubtful. Further, the Management had not undertaken any measures to ensure collection of the outstanding debt

In the circumstances, the accuracy and recoverability of receivables from exchange transactions balance of Kshs.17,963,437 could not be confirmed.

8. Unsupported Inventories Balance

The statement of financial position and as disclosed in Note 17 to the financial statements reflects inventories balance of Kshs.451,884. However, physical verification at the departmental stores revealed that stores records including stores registers for tracking receipts and issue of inventories were not maintained for building and civil engineering department, electrical and electronic department, and nutritional management departments.

In the circumstances, the accuracy and completeness of inventories balance of Kshs.451,884 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.198,792,800 and Kshs.271,279,819 respectively resulting to an over-collection of Kshs.72,487,019 or 36% of the budget.

Similarly, the Institute expended Kshs.138,016,488 against an approved budget of Kshs.198,792,800 resulting to an under-expenditure of Kshs.60,776,312 or 30% of the budget.

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

2. Unresolved Prior Year Matters

In the audit report of the previous year, several paragraphs were raised. However, Management has not resolved and disclosed the status of all the prior year matters as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board. Management has not provided satisfactory explanation for the delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Payment of Electricity Bills

During the year under review the Institute paid electricity bills amounting to Kshs.1,644,472. However, review of documents revealed that the bills paid by the Institute were under the name of Ministry of Higher Education Science and Technology. Although the Management explained that the electricity meter was registered under the Ministry of Education during the construction of the Institute, no plausible explanation was provided on why the Management has not initiated the process to transfer the ownership of the electricity meter to the Institute's name. This is contrary to Regulations 143 (1) of Public Finance Management (National Government) Regulations, 2015 which states that an Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

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

3. Failure to Carry out Annual Stock Taking

During the year under review, the Institute did not carry out annual stock-taking exercise at the end of the financial year. This is Contrary to Section 162(2) of the Public Procurement and Asset Disposal Act, 2015 which states that the head of procurement function shall arrange for occasional visits of inspection to the stores, at least quarterly in each calendar year, and conduct quarterly and annual inventory and stock taking in order to ensure compliance with all respective governing laws and submit the report to the accounting officer.

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

4. Non-Payment of Audit Fees

The statement of financial position and as disclosed in Note 19(b) to the financial statements reflects a balance of Kshs.1,868,307 in respect to audit fees. The balance relates to accrued audit fees payable to the Office of the Auditor-General since 2018-2019 financial year. Further, review of Note 10 (b) to the financial statements revealed that no provision was made for audit fees for the current year and the Management has not taken any steps to ensure the audit fees are settled. This is contrary to Section 41 (1)(c) of the Public Audit Act, 2015 which states that the funds of the Office of the Auditor-General shall consist of audit fees charged at the rates prescribed by the Auditor-General.

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

5. Failure to Tag the Fixed Assets

The physical verification conducted in March, 2023 revealed that assets valued at Kshs.24,813,613 were not tagged for ease of identification. This is contrary to Section 139(1)(b) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that accounting officer shall take full responsibility and ensure proper control systems exist for assets and that movement and conditions of assets can be tracked.

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, except for the matters described in the Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls were not operating in an effective way.

Basis for Conclusion

1. Lack of Internal Audit Function

The Institute has not established an internal audit function. This is contrary to Section 155 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function. As such the Institute did not benefit from the assurance and advisory services from the internal audit function

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

2. Tenure of Board Members

During the year under review the appointment of all the Board members was done on 25 March, 2022, an indication that their term will all expire at the same time thereby creating a succession dilemma on the continuity of Board operations. This is contrary to Section 7(2) of Second Schedule of the Technical and Vocational Education Training Act, 2013 which states that in appointing and re-appointing members of Board 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 Board of Governors.

In the circumstances, the effectiveness of the Institute's governance after the expiry of the appointments could not be confirmed.

3. Lack of Human Resource Management Policy

Review of the Institute's human resource structures revealed that the Institute has continued to operate without key human resource documents such as a human resource manual and policy. In addition, no evidence was provided to confirm that the Institute has ever conducted a job analysis.

In the circumstances, the effectiveness of the human resource governance structure could not be confirmed.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Institute'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 Institute 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, the Management is also responsible for ensuring that the activities, financial transactions, and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Institute 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 overall 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 in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal 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 controls 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 policies and procedures may deteriorate.

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

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

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

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute'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 Institute 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 Institute to express an opinion on the financial statements.

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

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

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

CPA Nancy Gathungu, CBS
<u>AUDITOR-GENERAL</u>

Nairobi

13 June, 2023

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

Description	Notes	2021-2022 Kshs	2020-2021 Kshs
Assets			
Current Assets			
Cash and cash equivalents	15	34,036,894	11,048,153
Current portion of receivables from exchange transactions	16	167,730,317	50,615,537
Inventories	17	451,884	264,633
		202,219,095	**61,928,323**
Non-Current Assets			
Property, plant, and equipment	18(a)	220,623,141	208,549,268
Intangible assets	18(b)	509,316	679,088
		221,132,457	209,228,356
Total Assets		**423,351,552**	**271,156,679**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	19(a)	10,058,207	5,452,022
Audit fees	19(b)	1,868,307	1,868,307
Refundable deposits from customers	20	3,223,521	801,200
Deferred income	21	18,125	19,190
Total current liabilities		**15,168,160**	**8,140,719**
Non-Current Liabilities			
Total Liabilities		**15,168,160**	**8,140,719**
Net Assets		**408,183,392**	**263,015,960**
Revaluation Reserve		170,264,351	170,264,351
Reserves		25,631,072	25,631,072
Accumulated Surplus		212,287,967	67,120,537
Total Capital Reserves		**408,183,392**	**263,015,960**
Total Net Assets and Liabilities		**423,351,552**	**271,156,679**

The Financial Statements set out on pages 1to 6 were signed by

Chairman of Council/Board | **Finance Officer** | **Principal**

ICPAK No 24784

KARUMO TECHNICAL TRAINING INSTITUTE
PRINCIPAL
08 MAY 2023
Tel: 0705 636 443
P. O. Box 276 - 60602, KIANJAI

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

Description	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital / Development Grants/ Fund	Total
At July 1, 2020	-	-	**39,940,474**	**25,631,072**	**65,571,546**
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	27,180,063	-	27,180,063
Capital/development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to Retained earnings	-	-	-	-	-
At June 30, 2021	**170,264,351**		**67,120,537**	**25,631,072**	**263,015,960**
At July 1, 2021	**170,264,351**	-	**67,120,537**	**25,631,072**	**263,015,960**
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Surplus / deficit for the year	-	-	145,167,432	-	145,167,432
Capital/development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to Retained earnings	-	-	-	-	-
At June 30, 2022	**170,264,351**	-	**212,287,969**	**25,631,072**	**408,183,392**

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

Description	Note	2021-2022 Kshs	2020-2021 Kshs
Cash flows from operating activities			
Receipts			
Transfers from other government entities/govt. Grants	6	35,160,000	17,422,500
Rendering of services- fees from students	8	234,227,204	61,319,083
Sale of goods	9	892,615	425,660
Other income (CDF)	7	1,000,000	17,061,904
Total Receipts		**271,279,819**	**96,229,147**
Payments			
Use of goods and services	10	79,861,000	36,736,731
Audit fees	10(b)	00	633,487
Compensation of employees	11	20,320,030	7,542,745
Remuneration of Directors(BOG ALOWANCES)	12	1,921,450	1,498,650
Repairs and maintenance	14	7,094,039	9,960,903
Total Payments		**109,196,519**	**56,372,516**
Net Surplus		**162,083,300**	**39,856,631**
Non cash movements			
Less:(increase)/decrease in AR-Exchange transaction		(117,114,780)	(32,348,991)
Less:(increase)/decrease in AR –Non exchange transaction		00	2,197,500
Less:(increase)/decrease in inventory		(187,251)	(25,626)
Less:(increase)/decrease in other AR prepayments		00	4,084,675
Less:(decrease)/increase in creditors /AP		4,606,185	(16,531,378)
Less:(decrease)/increase Deferred income		(1,065)	(17,061,904)
Less:(decrease)/increase in refundable deposits		2,422,321	329,000
Net Cash Flows from operating activities		51,808,710	(19,500,093)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(28,819,969)	(34,889,617)
Proceeds from sale of property, plant and equipment		-	00
Net cash flows used in investing activities		**(28,819,969)**	**(34,889,617)**
Net Increase/(Decrease) in Cash and Cash equivalents		**22,988,741**	**(54,389,710)**
Cash and Cash equivalents at 1 JULY	26	11,048,153	65,437,864
Cash and Cash equivalents at 30 JUNE	26	34,036,894	**11,048,153**

The Financial Statements set out on pages 1 to 6 were signed by:

....	....	....
Chairman of Council/Board	**Finance Officer**	**Principal**
	ICPAK No 24784	
Date	**Date**	**Date**

KARUMO TECHNICAL TRAINING INSTITUTE
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XVI. Statement of Comparison of Budget & Actual amounts for the year ended 30 June 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Utilization difference
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Balance b/f from 2020/2021	-	-	-			
Transfers from other Govt entities Govt grants	-	-	-	1,000,000	(1,000,000)	
Rendering of services- Fees from students	126,204,000	71,588,800	197,792,800	234,227,204	(36,434,404)	
Sale of goods	1,000,000	-	1,000,000	892,615	107,385	
Other Income (capitation)	-	-	-	35,160,000	(35,160,000)	
Total income	**127,204,000**	71,588,800	**198,792,800**	**271,279,819**	**(72,487,019)**	
Expenses						
Use of goods and services	72,714,000	41,288,800	114,002,800	79,861,000	34,141,800	
Employee costs	19,140,000	8,400,000	27,540,000	20,320,030	7,219,970	
Remuneration of directors	1,850,000	1,350,000	3,200,000	1,921,450	1,278,550	
Depreciation and amortization expense		-				
Repairs and maintenance	3,650,000	8,600,000	12,250,000	7,094,039	5,155,961	
Capital expenditure	28,500,000	13,300,000	41,800,000	28,819,969	12,980,031	
Total expenditure	**125,854,000**	**72,938,800**	**198,792,800**	**138,016,488**	**60,776,312**	
Surplus for the period	-		-	133,263,331	(11,710,707)	

XVII. Notes to the Financial Statements

1. General Information

Karumo TTI is established by and derives its authority and accountability from **TVET** Act, 2013 The Institute is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to teach and train.

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 *institute's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note

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

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.

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 2022.

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

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2023:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model

Standard	Effective date and impact:
	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. ***(State the impact of the standard to the Entity if relevant)***
IPSAS 42: Social Benefits	**Applicable: 1st January 2023** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. ***(State the impact of the standard to the Entity if relevant)***
Amendments	**Applicable: 1st January 2023:**

Standard	Effective date and impact:
to Other IPSAS resulting from IPSAS 41, Financial Instruments	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. 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. ***(State the impact of the standard to the Entity if relevant)***
Other improvements to IPSAS	***Applicable 1st January 2023*** • *IPSAS 22 Disclosure of Financial Information about the General Government Sector.* Amendments to refer to the latest System of National Accounts (SNA 2008). • *IPSAS 39: Employee Benefits* Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • **IPSAS 29: Financial instruments: Recognition and Measurement**

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

Standard	Effective date and impact:
	State the impact of the standard to the Entity if relevant

iii. **Early adoption of standards**

Karumo TTI did not early-adopt any new or amended standards in year 2022.

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.

4 Summary of Significant Accounting Policies (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2021/2022 was approved by the Board on ***3rd July 2021*** Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations on the FY 2021/2022 budget following the Board's approval.

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

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

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

c) Taxes

Current income tax

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

Sales tax/ Value Added Tax

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

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

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

Notes to the Financial Statements (Continued)

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 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.

4 Summary of Significant Accounting Policies (Continued)

f) Leases

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

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

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

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

g) Intangible assets

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

h) Research and development costs

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

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

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators: **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 an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.
All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

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

j) Inventories

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

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

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

Inventories (Continued)

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

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

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

k) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

l) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements

m) Changes in accounting policies and estimates

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

n) Employee benefits

Retirement benefit plans

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

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

o) Foreign currency transactions

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

p) Borrowing costs

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

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

q) Related parties

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

r) Service concession arrangements

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

s) Cash and cash equivalents

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

t) Comparative figures

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

u) Subsequent events

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

Notes to the Financial Statements (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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.

Notes to the Financial Statements (Continue

6. (a)Transfers from other National Government entities

[redacted]		
Unconditional Grants		
Capitation Grants	35,160,000	15,225,000
Other Grants (capitation for FY 2020/2021 RECEIVED IN FY 2021/2022	00	2,197,500
	35,160,000	**17,422,500**
Conditional Grants		00
Total Government Grants and Subsidies	**35,160,000**	**17,422,500**

(b)Transfers from other Government entities (Categorized)

[redacted]					
Balance b/f		00		00	00
Ministry of education	35,160,000	00	00	00	35,160,000
Total	35,160,000	00	00	00	35,160,000

Reconciliations of Development Grants

Description	2021-2022 KShs	2020-2021 KShs
Balance unspent at beginning of year	**19,190**	**17,081,094**
Current year receipts	-	-
Conditions met - transferred to revenue	1,065	17,061,904
Conditions to be met - remain liabilities	**18,125**	**19,190**

NB: These are funds received for the Perimeter wall project that had not taken off as at the 30th June 2019, and were transferred into construction of tuition block in the FY 2019/2020 These funds are in a different account in KCB Development bank account with a balance of kshs 18,125 at the end of the trading period ended 30th June 2022

Notes to the Financial Statements (Continued)

7. Transfers from Other Levels of Government

Description	2021-2022 Kshs	2020-2021 Kshs
Transfer from CDF	1,000,000	
Total Transfers	**1,000,000**	**00**

This was money received from the Tigania West CDF for the borehole renovation.

Notes to the Financial Statements (Continued)

8. Rendering of Services

Description	2021-2022 Kshs	2020-2021 Kshs
Tuition Fees	124,584	00
Activity Fees	10,937,355	2,331,300
Examination Fees	13,367,580	2,863,330
Facilities And Materials(other tuition related note 8b)	242,144,585	55,715,653
Registration Fees	2,813,100	408,800
Less capitation received charged as non-exchange transaction	(35,160,000)	

Total Revenue from The Rendering Of Services to p&l	**234,227,204**	**61,319,083**

Note: This income is recognised when invoiced However, capitation is treated as a sponsor of the student like any other sponsor e.g. Cdf, helb loan, nys, etc. The directive of the ministry is to recognize capitation as non-exchange transaction. Therefore, we are subtracting the capitation from the total income invoiced so that we avoid double counting of income because we are required to show it as non-exchange transaction amounting to ksh 35,160,000

8. (b) FACILITIES AND MATERIALS (OTHER TUITION RELATED)

ITEM DESCRIPTION	2021/2022	2020/2021
	KShs	KShs
Accommodation	25,897,640	8,850,094
Application Fees	2,350,100	341,400
Attachment Fees	8,201,700	1,748,475
Material fees	655,000	00
Computer Packages	145,000	141,000
Exam Fees & Stationery	5,777,300	4,389,500
Medical Fees	450,500	7,990
SES	109,326,000	22,578,000
Student Id	1,175,250	170,500
Student Welfare	4,373,520	894,760
EWC	13,118,958	2,797,672
Repairs And Maintenance	10,858,229	2,322,500
Local Transport And Travel	8,815,715	1,872,120
KUCCPS Registration	6,634,500	427,500
Personal Emoluments	44,365,173	9,174,142
Total Facilities and Materials	**242,144,585**	55,715,653

9. Sale of Goods

Description	2021-2022	2020-2021
	Kshs	Kshs
Hire of bus	15,000	00
Hire of hall and ground facility	18,000	00
Sale of Farm Produce(production unit)	859,615	425,660

Total Revenue from Sale of Goods	**892,615**	**425,660**

(Provide brief explanation for this revenue

10.(a)USE OF GOODS AND SERVICES

Description	2021-2022	2020-2021
	KShs	KShs
Electricity	1,644,472	1,103,041
Subscriptions	190,000	194,500
Boarding Equipment and stores	24,803,320	8,490,440
School equipment and stores	19,241,137	9,226,068
Student activities costs	3,131,418	643,460
Post covid 19 project	98,000	
Publicity and advertising	2,775,745	947,000
Information security management system (ISMS)	301,600	
Professional fee	00	248,800
Fuel and oil	120,000	18,700
Insurance(motor vehicle	264,448	274,020
Staff Tea	539,747	257,770
Security costs	1,022,400	891,700
Skills development	574,913	1,076,536
Corporate social responsibility	00	45,100
Performance Contract Expenses	961,040	749,558
Telephone and postage	313,355	263,805
Training expenses(human resource training)	578,652	1,076,536
Robotic / Automation Expenses	730,066	00
Student union expenses	1,395,720	418,300
Student IDS	72,150	00
Production unit expenses	599,200	1,247,680
Management information systems	1,739,400	50,000
Bank charges	71,819	44,870

Domestic Travel and subsistence	3,717,831	2,602,040
Internet services	1,492,005	1,363,772
Hospitality and refreshments	1,152,085	750,705
Other (examination costs)	11,052,588	4,470,330
Valuation of assets	00	107,000
Legal fees	70,000	175,000
Water and sanitation	7,000	00
Insurance for students on attachment	28,690	00
Bus expense	1,172,199	00
Total good and services	**79,861,000**	**36,736,731**

10 b). AUDIT FEES

Description	2021-2022	2020-2021
	KShs	KShs
Audit fees	-	633,487
Total	**00**	**633,487**

10. **Note:** audit fees f0r FY 2018-2019 and 2019-2020 and 2020-2021has been accrued in the financial year 2020-2021 totalling to kshs 1,868,307 recognised in statement

11. Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries and wages	20,320,030	7,542,745
Employee Costs	**20,320,030**	**7,542,745**

12. Board Expenses

Description	2021-2022 Kshs	2020-2021 Kshs
Allowances	1,675,950	1,498,650
Other Board/Council Expenses	245,500	00
Total	**1,921,450**	**1,498,650**

13. Depreciation and Amortization expense

Description	2021-2022 Kshs	2020-2021 Kshs
Property, plant and equipment	16,746,096	12,342,093
Intangible assets	169,772	334,475
Total depreciation and amortization	**16,915,868**	**12,676,568**

14. Repairs and Maintenance

Description	2021-2022 Kshs	2020-2021 Kshs
Office equipment	342,295	176,000
Water pump	00	492,260
buildings	30,000	00
plumbing	00	30,030
electricals	134,015	5,000
Establish a board room	00	908,484
Other repairs and improvements	6,587,729	8,349,129
Total Repairs and Maintenance	**7,094,039**	**9,960,903**

Notes to the Financial Statements (Continued)

15. Cash and Cash Equivalents

[redacted]		
Current Account	34,025,534.04	10,994,363.28
Others (cash at hand)	11,360	53,790
Total Cash and Cash Equivalents	**34,036,894.04**	**11,048,152.28**

Notes To The Financial Statements (Continued)

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

[redacted]			
a) **Current Account**			
Kenya Commercial Bank	1209039443	18,125	19,190
National Bank ac	01025088277900	1,269,715.28	165,738.28
Equity Bank, etc.	1040264542354	32,737,693.76	10,809,435
Sub- Total		**34,025,534.04**	**10,994,363.28**
b) Others(*Specify*)			
Cash in Hand		11,360	53,790
Sub- Total		**11,360**	**53,790**
Grand Total		**34,036,894.04**	**11,048,152.28**

16. Receivables from Exchange transactions

Current Receivables from Exchange transactions

Description	2021-2022 Kshs	2020-2021 Kshs
Current Receivables		
Student Debtors	167,730,317	50,583,347
Other Exchange Debtors	00	32,190
Total Current Receivables	**167,730,317**	**50,615,537**

17. Inventories

Description	2021-2022 Kshs	2020-2021 Kshs
Consumable stores	368,691	264,633
Cleaning Materials stores	83,193	-
Total Inventories at lower of Cost and Net Realizable Value	**451,884**	**264,633**

Notes to the Financial Statements (Continued)

18. (a) Property, Plant and Equipment

	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets (Tution Block)	Plant and equipment	Capital Work in progress	Total
Cost		Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2021	**75,000,000**	**49,450,528**	**4,985,250**	**5,025,000**	**5,958,960**	**29,732,671**	**38,396,859**		**208,549,268**
Additions	4,006,356	9,939,591		**8,053,782**	**6,340,240**	-	**480,000**		**28,819,969**
Disposals		-	-	-	-				
Transfers/adjustments	00	00			-		-		**00**
At 30 June 2022	**79,006356**	**59,390,119**	**4,985,250**	**13,078,782**	**12,299,200**	**29,732,671**	**38,876,859**		**237,369,237**
Additions									
Disposals									
Transfer/adjustments									
At 30 June 2021									
Depreciation and impairment									
At 1July 2021		1,267,962	1,661,750	1,675,000	1,489,740	762,376	5,485,265		12,342,093
Depreciation		5,939,012	1,246,313	1,210,078	1,489,740	2,973,267	3,887,686		16,746,096
Impairment									
At 30 June 2022									
Depreciation									
Disposals									
Impairment									
Transfer/adjustment									
At 30 June 2021									
Net book values									
At 30 June 2021	**75,000,000**	**49,450,528**	**4,985,250**	**5,025,000**	**5,958,960**	**29,732,671**	**38,396,859**		**208,549,268**
At 30 June 2022	**79,006,356**	**53,451,107**	**3,738,937**	**11,868,704**	**10,809,460**	**26,759,404**	**34,989,173**		**220,623,141**

Notes to the Financial Statements (Continued)

NB

The value of land was increased by 4,006,356, this was the cost of designing a co-curricular field. (Playground)

Valuation

As per National Treasury guidelines, Land and buildings were identified and valued as per the National Liabilities and Management Policy and guidelines (Issued June 2020). These amounts were adopted in the financial statements on 2020/2021 FY

18 (b) Intangible Assets

Description	2021-2022 Kshs	2020-2021 Kshs
Cost		
At beginning of the year	679,088	1,013,563
Amortization	(169,772)	(334,475)
NBV	509,316	679,088

19. Trade and Other Payables from Exchange transactions

[redacted]		
Trade payables	10,058,207	5,452,022
Total Trade and Other Payables	**10,058,207**	**5,452,022**

19(b) Audit fees

[redacted]		
Audit fees	1,868,307	1,868,307
Total Trade and Other Payables	**1,868,307**	**1,868,307**

20. Refundable Deposits from Customers/Students

[redacted]		
Caution money	3,223,521	801,200
Total Deposits	**3,223,521**	**801,200**

Notes to the Financial Statements (Continued)

21. Deferred Income

[redacted]		
National Government	18,125	19,190
Total Deferred Income	18,125	19,190

The deferred income movement is as follows:

[redacted]				
	Kshs	**Kshs**	**Kshs**	**Kshs**
Balance brought forward	19,190	00	00	00
Additions during the year	00	00	00	00
Transfers to capital fund	(00)	(00)	(00)	(00)
Transfers to income statement	(1,065)	(00)	(00)	(00)
Other transfers	(00)	(00)	(00)	(00)
Balance carried forward	18,125	00	00	00

Analysed as:

Description	Amount
	Kshs
Current	00
Non- Current	00
Total	**000**

Notes to the Financial Statements (Continued)

22. Employee Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2021-2022	2020-2021
	Kshs	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Current Benefit Obligation					
Non-Current Benefit Obligation					
Total Employee Benefits Obligation					

Retirement benefit Asset/ Liability

The entity does not operate a defined benefit scheme for all full-time employees

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was not carried out on this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

Description		2021-2022	2020-2021
		Kshs	Kshs
Discount Rates			
Future Salary Increases			
Future Pension Increases			
Mortality (Pre- Retirement)			
Mortality (Post- Retirement)			
Withdrawals			
Ill Health			
Retirement			

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:**

The return on defined plan assets		
Actuarial gains/ losses arising from changes in demographic assumptions	00	**00**
Actuarial Gains/ Losses Arising From changes In Financial Assumptions	00	00
Actuarial gains and losses arising from experience adjustments	00	00
Others *(specify)*	00	00
Adjustments for restrictions on the defined benefit asset	00	00
Remeasurement of the net defined benefit liability (asset)	00	00

b) **Amounts recognised in the Statement of Financial Position**

Present value of defined benefit obligations(a)	00	00
Fair value of plan assets(b)	(000)	(000)
Funded status(=a-b)	**00**	**00**
Restrictions on asset recognised	00	00
Others	00	00
Net asset or liability arising from defined benefit obligation	**00**	**00**

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 400 per employee per month. Other than NSSF the entity has no other defined contribution scheme Fund. Employees contribute ksh 200 while employers contribute ksh 200 . Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

Notes to the Financial Statements (Continued)

23. Non-Current Provisions

Description	Long service leave	Bonus Provision	Gratuity	Other Provisions	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance at the beginning of the year	00	00	00	00	00
Additional Provisions	00	00	00	00	00
Provision utilised	(000)	(000)	(00)	(00)	(000)
Change due to discount and time value for money	000	000	000	000	000
Less: Current portion	(000)	(000)	(000)	(000)	(000)
Total deferred income	000	000	000	000	000

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

24. Borrowings

Description	2021-2022	2020-2021
	Kshs	Kshs
Balance at beginning of the year	00	00
External borrowings during the year	00	00
Domestic borrowings during the year	000	000
Repayments of external borrowings during the year	(000)	(000)
Repayments of domestic borrowings during the year	(000)	(000)
Balance at end of the year	**000**	**000**

24(a) Analysis of External and Domestic Borrowings

Description	2021-2022	2020-2021
	Kshs	Kshs
External borrowings		
Dollar denominated loan from 'xx organization'	000	000
Sterling pound denominated loan from 'yyy organization'	00	00
Euro denominated loan from zzz organization'	00	00
Domestic borrowings		
Kenya shilling loan	000	000
Total balance at end of the year	**000**	**000**

Notes to the Financial Statements (Continued)

24 b) Breakdown of Long and Short-Term Borrowings

Description	2021-2022 Kshs	2020-2021 Kshs
Short Term Borrowings(Current Portion)	00	000
Long Term Borrowings	00	000
Total	**000**	**000**

(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).

25. Service Concession Arrangements

Description	2021-2022 Kshs	2020-2021 Kshs
Fair value of service concession assets recognized under PPE	00	00
Accumulated depreciation to date	(000)	000
Net carrying amount	**000**	**000**
Service concession liability at beginning of the year	00	00
Service concession revenue recognized	(00)	(00)
Service concession liability at end of the year	**000**	**000**

Notes to the Financial Statements (Continued)

24 b) Breakdown of Long and Short-Term Borrowings

Description	2021-2022 Kshs	2020-2021 Kshs
Short Term Borrowings(Current Portion)	00	000
Long Term Borrowings	00	000
Total	**000**	**000**

(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).

25. Service Concession Arrangements

Description	2021-2022 Kshs	2020-2021 Kshs
Fair value of service concession assets recognized under PPE	00	00
Accumulated depreciation to date	(000)	000
Net carrying amount	**000**	**000**
Service concession liability at beginning of the year	00	00
Service concession revenue recognized	(00)	(00)
Service concession liability at end of the year	**000**	**000**

Notes to the Financial Statements (Continued)

26. Cash generated from operations

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		
Net surplus	162,083,300	39,856,631
Working Capital Adjustments		
Increase in Inventory	(187,251)	(25,626)
Increase in Receivables(exchange transactions)	(117,114,780)	(32,348,991)
Increase in Receivables(non exchange transactions)		2,197,500
Increase in Deferred Income	(1,065)	(17,061,904)
Increase in other account receivable	00	4,084,675
Increase in Payables	4,606,185	(16,531,378)
Increase in refundable deposits	2,422,321	329,000
Increase in Payments received in advance	00	00
Net Cash Flow from Operating Activities	**51,808,710**	**19,500,093**

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

27. 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

Notes to the Financial Statements (Continued)
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:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions	50,615,537			
Receivables from non-exchange transactions	2,197,500			
Bank balances	11,048,153			
Total	**63,861,190**			
At 30 June 2022				
Receivables from exchange transactions	167,730,317			
Receivables from non-exchange transactions	00			
Bank balances	34,036,894			
Total	**201,767,211**			

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

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 entity has significant concentration of credit risk on amounts due from student's debts.

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.

Notes to the Financial Statements (Continued)

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.

Description	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2021				
Trade Payables	5,452,022			5,452,022
Current Portion Of Borrowings	00			
Provisions	00			
Deferred Income	19,190			19,190
Employee Benefit Obligation	00			00
Total	**5,471,212**			**5,471,212**
At 30 June 2022				
Trade Payables	10,058,207			10,058,207
Current Portion Of Borrowings	00			00
Provisions	00			00
Deferred Income	18,125			18,125
Employee Benefit Obligation	00			00
Total	**10,076,332**			**10,076,332**

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.

Notes to the Financial Statements (Continued)

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:

At 30 June 2022			
Financial Assets (Investments, Cash, Debtors)			
Liabilities			
Trade and Other Payables			
Borrowings			
Net Foreign Currency Asset/(Liability)			

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

44. Financial Risk Management (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

At 30th June 2022			
Financial Assets (Investments, Cash, Debtors)			
Liabilities			
Trade and Other Payables			
Borrowings			
Net Foreign Currency Asset/(Liability)			

a) 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.

Notes to the Financial Statements (Continued)

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
20xx			
Euro			
Usd			
20xx			
Euro			
Usd			

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.

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.

Notes to the Financial Statements (Continued)

IV) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the entity's ability to continue as a going concern. The entity capital structure comprises of the following funds:

[redacted]		
Revaluation Reserve		
Retained Earnings		
Capital Reserve		
Total Funds		
Total Borrowings		
Less: Cash and Bank Balances		
Net Debt/(Excess Cash and Cash Equivalents)		
Gearing		

28. 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 Governors
v) County Governments;

Notes to the Financial Statements (Continued)

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

Description	2021-2022 Kshs	2020-2021 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	35,160,000	17,422,500
Grants from County Government /nys	1,000,000	17,061,904
Donations in Kind	00	00
Total	**36,160,000**	**34,484,404**
c) Expenses incurred on behalf of related parties		
Payments of Salaries and Wages for xx Employees		
Payments for Goods and Services for		
Total		
d) Key Management Compensation		
Directors' emoluments/ BOG Allowances	1,921,450	1,498,650
Compensation to Key Management		
Total	**1,921,450**	**1,498,650**

29. 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)

Notes to the Financial Statements (Continued)

30. Contingent Assets and Contingent Liabilities

Contingent Assets

Description	2021-2022 Kshs	2020-2021 Kshs
Contingent Assets		
Insurance Reimbursements		
Assets arising from determination of Court Cases		
Reimbursable Indemnities and Guarantees		
Others (*Specify*)		
Total		

Contingent Liabilities

Description	2021-2022 Kshs	2020-2021 Kshs
Contingent Liabilities		
Court Case George Mthika against (*The Entity*)	70,000	00
Total	**70,000**	**00**

There is a pending court case between Karumo TTI and a former employee George Mithika Karithi who declined the job offer when we opened the institution back after covid 19 pandemic, and went to court claiming that he was supposed to be paid for the period between May 2020 and September 2020 when we had closed due to the pandemic and his contract had ended in March 2020. There was a presidential directive during the pandemic that the institutions could release the employees with half pay or no pay depending on the institutions dynamics. Since our core mandate is to teach and train, all the BOG trainers were released with half pay in April 2020 and no pay till September 2020. This is because our main source of income is school fees, and we could not sustain payments of salaries without school fees

31. Capital Commitments

Capital Commitments	2021-2022 Kshs	2020-2021 Kshs
Authorised for	00	00
Authorised and Contracted for	00	00
Total	**000**	**000**

(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)

Notes to the Financial Statements (Continued)

32. 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:

Description	2021-2022 Kshs	2020-2021 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)

33. Events After The Reporting Period

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

34. Ultimate And Holding Entity

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

35. Currency

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

Appendix I: Projects Implemented by (*The Entity*)

Projects

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

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

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, i.e. 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							

Appendix II- Inter-Entity Confirmation Letter

KARUMO TTI
P.O.BOX

The *Karumo TTI wishes* to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30th June 2022

		Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30th June 2022				Amount Received by [iciary Entity] (KShs) as at 30th June 2021 (E)	Differences (KShs) (F)=(D-E)
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter–Ministerial (C)	Total (D)=(A+B+C)		
RTGS	18/11/2021	7,822,500			7,822,500	00	7,822,500
RTGS	25/02/2022	7,822,500			7,822,500	00	7,822,500
RTGS	06/06/2022	19,515,000			19,515,000	00	19,515,000
Total		35,160,000			35,160,000		35,160,000

I confirm that the amounts shown above are correct as of the date indicated

Head of Accountants department of beneficiary Entity:

Name ……Fait Kabur…… **Sign** …………………… **Date** ……08/05/2023……

KARUMO TECHNICAL TRAINING INSTITUTE
FINANCE OFFICER
08 MAY 2023
P.O. Box 276 - 60602, KIANJAI

Appendix III: Reporting of Climate Relevant Expenditures

Name of the Organization
Telephone Number
Email Address
Name of CEO/MD/Head

Name and contact details of contact person (in case of any clarifications) ....

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix IV: Disaster Expenditure Reporting Template

Date: Entity						
Period to which this report refers (FY)	**Year**			**Quarter**		
Name of Reporting Officer						
Contact details of the reporting officer:	**Email**			**Telephone**		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments