

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

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THE AUDITOR GENERAL

ON

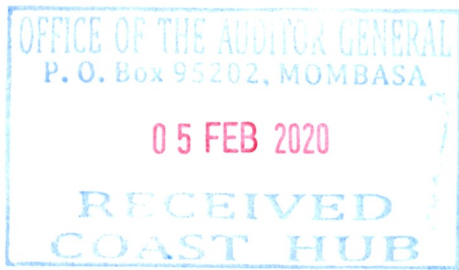
**GODOMA TECHNICAL
TRAINING INSTITUTE**

**FOR THE YEAR ENDED
30 JUNE, 2019**

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GODOMA TECHNICAL TRAINING INSTITUTE

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019

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

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Key Institute information

Background information

Godoma Technical Training Institute is the first public technical training institution in Kilifi county. The entity was established under the TVET Act, 2013. The institute was commissioned in November 2016 by His Excellence, Dr. William Ruto The Deputy President of the Republic of Kenya. The institute is a major pillar in the realization of the vision 2030 in providing skilled man power to the growing economy of the republic. GTTI is a leading technical institute in the vast Kilifi county, located in the serene suburbs of Kilifi town bordering the famous Arabuko Sokoke forest.

The hospitality of the locals in the area is welcoming and makes GTTI a haven and the best place for learners, as this promotes peaceful coexistence. The institute boasts of a rich and sufficient resources for proper learning and research for its students. The Institution is equipped with modern workshops, ICT labs and able teaching and non-teaching staff to foster proper learning and innovations.

Principal Activities

The principal activity of the Institute is the provision of technical, vocational, entrepreneurship training and research.

Vision:

A centre of excellence in technical training, research and business incubation.

Mission:

To produce quality and competent technical trainees with entrepreneurial skills to satisfy manpower needs of the local and international market through training, and research.

Core Values

1. Respect
2. Quality
3. Excellence
4. Integrity
5. Discipline
6. Team-work

Motto

Quality learning for academic and technological excellence.

The Mandate of Godoma Technical Training Institute is to:

Like other Technical Training Institutes, Godoma TTI was established by the Ministry of Education, under the Department of Vocational and Technical Training, Directorate of Technical and Vocational Education and Training (TVET) with a specific mandate to:

- i) Provide Technical training for the youth
- ii) Prepare and guide trainees for evaluation by appropriate examining bodies
- iii) Promote research, science, technology and innovation in all training programs
- iv) Incubate entrepreneurship among the youth

Key entity information (continued)

Background information (continued)

Key management

The Institute's day-to-day management is under the following key organs:

- Governing Board
- Accounting officer
- Head of Finance
- Head of Procurement
- Registrar

Fiduciary management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

Designation	Name
1 Principal	Hafsa Seif Mohammed
2 Head of Finance	John Baraka Kalu
3 Head of Procurement	Leonard Nyamawi Mwamuye
4 Registrar	Edward Lewah Chitorobi

Fiduciary Oversight Arrangements

- Finance Committee
- Academics Committee
- Projects Committee

Institute Headquarters

Godoma Technical Training Institute
P.O. Box 1808 - 80108
Off Malindi Road along Arabuko Forest
Kilifi, Kenya

Institute Contacts

Telephone :(254) 720972699
E-mail: godomatti.gtti@gmail.com
Website: www.godomatti.ac.ke

Corporate Bankers

Kenya Commercial Bank
Kilifi Branch
P.O. Box 528, 80108.
Kilifi, Kenya.

Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

Principal Legal Advisers

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

Board of governors



Mrs. Christine Kibibi Katana
Chair of the Board

Mrs. Christine Kibibi Katana was appointed to the board on 5th October 2018. She holds a Bachelor of Education, Arts degree from Kenyatta University, certificate in innovative management in Agriculture from USIU, Kenya Accounting Technician certificate (Final level) from Mombasa School of Accountancy. Currently She works as the project Director at Pro Ganze Kenya.



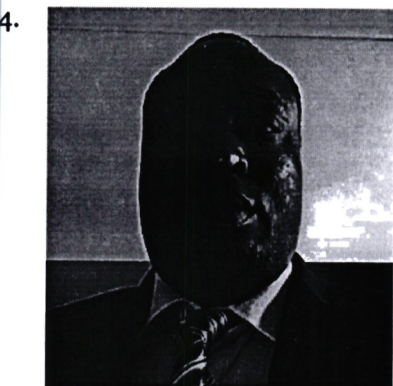
Mr. Mohamed Abdillahi Omar
Member

Mr. Mohamed Abdillahi Omar was appointed to the board on 5th October, 2018. He holds M.Ed-Primary Option and B.Ed from Kenyatta University. He is the Senior Assistant Registrar at Pwani University



Mrs. Saadu Hashim Rashid
Member

Mrs. Saadu Hashim Rashid joined the board on 5th October, 2018. She holds an executive masters of Education Degree in Leadership and policy from Moi University, certificate in computer operations in office applications and a post graduate diploma in community based project planning & management. Currently, she is the Coordinator-Kenya Heritage institute at the National Museums of Kenya.

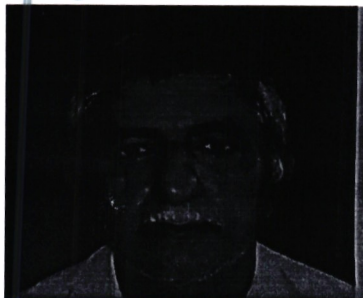


Mr. Shumaa Mwangome
Member

Mr. Shumaa Mwangome joint the board on 5th October, 2018. He is a holder of Bachelors of Education (Arts) degree from Egerton University. He currently serves as a marketing manager at Telkom Kenya.

Board of governors (continued)

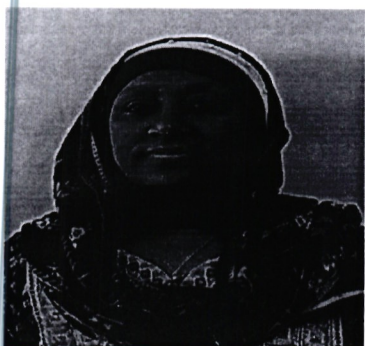
5.



Mr. Kalandar Shedor Kamalkhan joined the board on 5th October, 2018. He holds a master's degree in Infrastructure planning from the University of Stuttgart (Germany), post graduate diploma in housing Studies from the institute of housing studies, Rotterdam, Netherlands and Bachelor of Architecture Degree from the University of Nairobi.

**Mr. Kalandar Shedor Kamalkhan
Member**

6.



Mrs. Hafsa Seif Mohammed has served as principal and Secretary to the Board of Godoma Technical Training Institute since August 2015. She holds a Bachelors of Business Management from Moi University, Diploma in technical education from Kenya Teachers College and typist certificate from Government Secretarial College. Prior to her appointment, She served as Head of department and registrar at Coast Kenya Coast National Polytechnic. She has also worked at Rift Valley Technical Training Institute and office of the President.

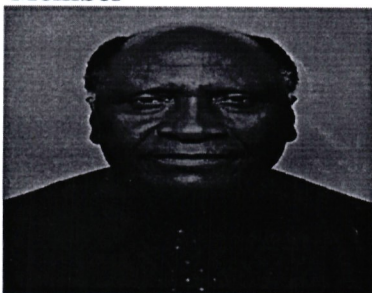
**Mrs. Hafsa Seif Mohammed
Secretary to the Board of Governors**

7.



Mr. Peter Dennis Ghero Okwaro was appointed to be a board member on 5th October, 2018. He holds a Bachelors degree in Education (Science) from Kenyatta University and an Advanced level certificate from Maseno Maseno School.

**Mr. Peter Dennis Ghero Okwaro
Member**



Prof. Gabriel Katana Gona was appointed on 5th October, 2018. He is a holder of Doctor of Philosophy In Physics from Maiz University in Germany, MSC in Physics from University of Nairobi and BED from University of Nairobi. Prior to his appointment, he was a professor of Physics at Pwani University.

**Prof. Gabriel Katana Gona
Member**

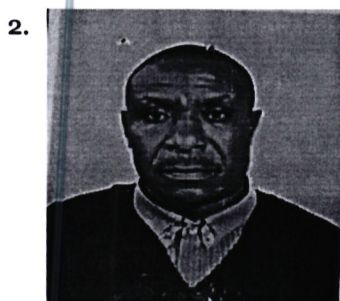
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Management team



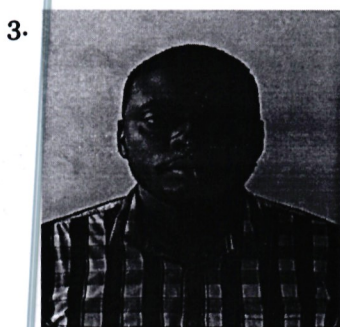
Mrs. Hafsa Seif Mohammed has served as Principal of Godoma Technical Training Institute since August 2015. She holds a Bachelors in Business Management from Moi University, a Diploma in technical education from Kenya Teachers College and typist certificate from Government Secretarial College. Prior to her appointment, She served as Department head and registrar at Kenya Coast National Polytechnic. She has also worked at Rift Valley Technical Training Institute and office of the President.

Mrs. Hafsa Seif Mohammed
Secretary to the Board of Governors



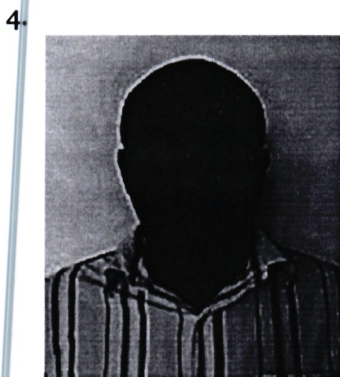
Mr. Edward Lewah Chitorobi joined the Institute in 2016 as the registrar. He holds a diploma in Education from the Kenya Technical Teachers Training College and a Diploma in Technical Education from Kenya Armed Forces Technical College. Edward has served the military as an aircraft Technician and has tutored at Rift Valley Institute of Technology and Kenya Coast National Polytechnic.

Mr. Edward Lewah Chitorobi
Ag. Registrar



Mr. John Baraka Kalu joined the Institute in 2016. He is a Bachelor of Commerce (B.Com) undergrad student at Pwani University. He holds a Certified Public Accountancy Part I & II Certification from Star Institute of Professional and Visions Institute of Professional Studies respectively. Currently, Baraka is pursuing CPA part III. Prior to joining the Institute, he worked as an assistant accountant at Eri Kenya Ltd and Jivaco Agencies Limited.

Mr. John Baraka Kalu
Finance Officer



Mr. Leonard Nyamawi holds a Bcom in Procurement Supply Chain management from the University of Nairobi, MSc. Procurement & Logistics from Jomo Kenyatta University of Agriculture and Technology (ongoing) and a certificate in accounting packages. He previously worked at Barclays Bank Of Kenya, Kenya Ferry services and County Government of Mombasa in the Procurement and Supplies Departments.

Mr. Leonard Nyamawi
Procurement Officer

Chairman's statement

Introduction

Godoma Technical Training Institute was initiated by the Government of Kenya through the Ministry of Education, on a 26-acre piece of land in Matano Manne area in Vitengeni, Ganze Sub County of Kilifi County.

The institute started admitting students in January, 2016 to pursue Electrical and ICT courses at both craft and diploma levels. Phase I has seven modern classrooms and two Electrical Engineering workshops with state of the art electrical equipment. Our vision is to be A Centre of Excellence in Technical Training, Research and Business Incubation

The Institute was under the mentorship of the Board of Governors of Kenya Coast National Polytechnic in Mombasa County and was handed over to the new board on 24th August, 2015, then chaired by Mr Humphrey Tsuma. The Institute was officially launched on 17th November, 2016 by H.E. the Deputy President.

I was appointed to chair the Godoma TTI Board on 20th May 2015 where Mrs Hafsa Seif is the Secretary and current Principal of the Institute. All the members were taken through an induction program from 27th to 29th April 2019 at Kenya School of Government Mombasa.

The first batch of students reported to the Institute in January 2016. We currently have an enrolment of 595 trainees. Construction of Phase II is almost complete and it is a department of Building and Civil Engineering already having received state -of -the art equipment.

The Institute offers courses in technical and business areas at all levels. CBET courses have been rolled out to impart skills to trainees to give the required manpower for delivery of the Big Four Agenda as stipulated by the Government of Kenya.

The Board commits to produce competent market oriented trainees and to nurture talents exhibited by the trainees.

The second Board has formed committees which are chaired as follows :

- i Finance Committee – Mr.Peter Okwaro
- ii Academic ,Human Resource Welfare Committee –Mr. Omar Mohamed
- ii Infrastructure Committee –Arch. Kalandar Khan

The Institute has been running with support from capitation by the Ministry of Education, fees collected from the students and income from hiring of the Institute faculties. This year we have received 4 PSC trainers and we expect more to be posted to reduce the financial pressure on the Board to some extent.

Challenges facing the Institute

Godoma Technical Training Institute has been experiencing the following challenges in order of seriousness:

- i Means of transport for students and staff – the Institute in its infancy does not have any vehicle to facilitate movement of students or staff especially during activities and emergencies. It would serve the Institute quite conveniently if we could be assisted to acquire a bus. This would also serve as a marketing tool to help us grow our enrolment. A 51 passenger capacity bus might be sufficient to start with.
- ii Lack of accommodation facilities.
- ii Insufficient Trainers
- iv Delayed remittance of funds.

We are looking forward to producing quality and competent technical trainees with entrepreneurial skills to satisfy manpower needs of the local and international market through training, and research.

Thank you.

Christine Katana
Chairperson, Board of Governors

Date: 20/09/2019.....



Report of the principal

Key activities during the year

The Godoma Technical Training institute officially came into existence in October 2016 when the institution was registered by the TVET Authority. The Institute was under the mentorship of Kenya Coast National Polytechnic. The key activities during the 2018/2019 Financial Year were as follows: -

1 Appointment, Inauguration and Induction of the Board of Governors

The first Board was appointed on 20th May 2015 comprising of (Seven) 7 members and the BoG secretary and the regional co-ordinator

The second Board was appointed on 5th October 2018 comprising of (Eight) 8 members and the BoG secretary and the regional co-ordinator

The Board for Godoma TTI was inaugurated on 10th April 2019. Since then, the Board of Governors has managed to hold (Three) 3 full board meetings and two committee meetings to date.

2 Trainee Activities.

Despite the biting shortage of trainers, training of trainees has been going on well. We were able to acquire requisite training materials and equipment to enable the process of training to continue uninterrupted. The board hired and remunerated trainers who were able to carry out this function well.

The Institute participated in Regional and National TVET Fairs hosted by Kenya Coast National Polytechnic in Mombasa. During the International ASK show in Mombasa, we were able to display our projects and inform the public about the programmes we offer by distributing flyers/brochures.

Trainees actively participated in co-curricular activities both athletics and ball games at regional and national levels.

Trainees were exposed to a "Health Awareness Day" which included HIV counselling and testing and also Cancer screening.

3 Staffing and staff development

The Institute has 18 teaching staff, 9 non-teaching staff and 8 support staff. We outsource cleaning and security services.

We managed to send Six (6) staff for short term trainings to improve their performance. These were: -

- CBET champion who is the Head of Department for Electrical and Electronics Engineering
- The Accountant attended three training sessions organized by the National Treasury.
- Three trainers attended the Ajira workshop which was about the online jobs.
- The Procurement Officer attended two workshops on procurement held at Kenya Technical Trainers College.
- All the staff have been duly paid their monthly salaries/wages to date.

4 Successes consolidated

We managed to undertake the following activities successfully: -

Continuous Training of students

The Institute has three (3) academic departments namely:

- Electrical and Electronics Engineering,
- ICT
- Business.

Report of the principal (continued)

Key activities during the year (continued)

5 Challenges

The management has been faced with a number of challenges.

Some of them are explained as follows: -

- Lack of trainers employed in Building and Civil Engineering.
- Business Department has been handled by trainers hired by the Board of Governors.
- Insecurity due to lack of a perimeter wall.
- Lack of accommodation facilities
- The Institute lacks an Institute bus.
- Low enrolment

Way forward or future outlook for the organisation

- The Public Service is in the process of hiring and deploying trainers and we are optimistic that the problem will be minimized in the course of the new Financial Year.
- We are trying to solicit for well-wishers' to construct the perimeter wall to beef security at the institute.
- The institute has embarked on an intensive market campaign at the same time seeking for sponsorship for needy students.

Mrs. Hafsa Seif Mohammed
Secretary, Board of Governors



Date: 30/09/2019

Corporate governance statement

The Godoma Technical Training Institute, is committed to the values and principles of good corporate governance as an integral part of corporate culture and guides the manner in which its directors, management, staff and students conduct the business of the organisation. As a public-sector organization dedicated to providing quality service to its stake holders, the Institution decisions are guided by the core tenets prescribed in the public Officers Ethics Act, The leadership and Integrity Act, The Authorities Code of Conduct, corporate Governance guidelines Board and Board Committee Charters. The Institution endeavors to develop, strengthen and sustain the trust that the Government, employees, students and public has placed in it. The board is committed to regularly evaluate national and international emerging standards in responsible, transparent and efficient management with a view of enhancing corporate governance at the Institution and consistently deliver on its statutory mandate.

Role of the Board of Governors

The primary function of the Board of Governors (The Board) is to provide effective strategic leadership and direction to enhance the long-term achievement of Godoma Technical Training Institute strategic plan. The strategic plan overall objective is to enhance the achievement of the institute's objectives on priority basis and in line with the policies of the Ministry of Education, the Vision 2030 and the big 4 agenda of the government.

The Board Size, Composition and Independence

The Board consists of 5 directors. The Board composition draws a good mix of skills, experience and proficiencies in various fields. The directors' biographies are shown on pages 4 to 5.

Board Remunerations

The non-executive Board members are paid sitting allowances for every meeting attended. Director's fees are paid to non-executive Board members who are not representing any Government institution.

The Board has three committees that are constituted as follows:

Name of the Committee	Members
Finance Committee	Prof. Gabriel Katana Gona Mrs. Hafsa Seif Mohammed Mrs. Christine Kibibi Katana Mr. Peter Dennis Ghero Okwaro
Academics, Human Resource and Welfare Committee	Mrs. Saadu Hashim Rashid Mr. Mohamed Abdillahi Omar Mrs. Hafsa Seif Mohammed
Stake holders Committee	Mr. Kalandar Khan Mrs. Christine Kibibi Katana Mr. Shumaa Mwangome Mrs. Hafsa Seif Mohammed

Mrs. Hafsa Seif Mohammed
Secretary, Board of Governors



Date: 30/09/2019

Directors report

The board submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Institute's affairs.

Principal activity

The principal activity of the institute is the provision of technical, vocational, entrepreneurship training and research.

Results

The results of the institute for the year ended June 30, 2019 are set out on page 1

Members of the institute board

The Members of the Institute board who served during the year are shown on page iv and v.

Auditors

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

By Order of the board

Mrs. Hafsa Seif Mohammed
Secretary, Board of Governors



Date: 30/09/2019

Statement of the Board of Governors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act of 2013 require the board to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year and the operating results of the entity for that year. The board is also required to ensure that the institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The board is also responsible for safeguarding the assets of the entity.

The board is 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 entity for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board accept responsibility for the institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Technical and Vocational Education and Training Act of 2013. The board is of the opinion that the institute's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2019, and of the institute's financial position as at that date. The board further confirm the completeness of the accounting records maintained for the institute, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the board to indicate that the institute 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 entity's financial statements were approved by the board on 30/09/2019 2019 and signed on its behalf by:

Board member

Board member

Board member

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON GODOMA TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Godoma Technical Training Institute set out on pages 1 to 25, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the 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 do not express an opinion on the accompanying financial statements of Godoma Technical Training Institute. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1.0 Unaudited Previous Years' Accounts

Records and information presented for audit indicated that the Institute was launched in August, 2015. However, contrary to Section 47(1) of the Public Audit Act, 2015 and Section 14(1) of the Technical Vocational Education Training Act, 2013, Management did not prepare or submit for audit, the Institute's financial statements for the financial years 2015/2016, 2016/2017 and 2017/2018.

As a result, financial statements for the year under review do not include comparative balances for previous years .

In the absence of accounting balances for previous years, the accuracy, validity and completeness of the financial statements for the year under review could not be confirmed.

2.0 Unexplained Variances in the Financial Statements

2.1 Statement of Financial Position

The statement of financial position reflects book values for property, plant and equipment totalling Kshs.109,002,303 as at 30 June, 2019 , as further disclosed in Note 20 to the financial statements. However, a recast of the items included in the balance yielded Kshs.108,649,777 resulting to an unexplained difference of Kshs.352,526.

2.2 Statement of Financial Performance

Expenditure balances for several accounts reflected in the statement of financial performance do not tally with identical account balances reflected in the statement of budget and actual amounts, as detailed in the Appendix attached to this report.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2019 could not be confirmed.

3.0 Unsupported Cash and Bank Balances

The statement of financial position reflects cash and bank balances totalling Kshs.13,652,465 as further disclosed in Note 16 to the financial statements. Included in the balance are recurrent and development accounts balances totalling Kshs.13,294,024 and Kshs.358,441 respectively. However, the cash books and bank reconciliation statements for the account were not presented for audit verification, contrary to Regulation 90(1) of the Public Finance Management – (National Government) Regulations, 2015.

Consequently, the accuracy and completeness of cash and cash equivalents balance totalling Kshs.13,652,465 as at 30 June, 2019 could not be confirmed.

4.0 Undisclosed Property and Equipment

The statement of financial position reflects property and equipment balance totaling Kshs.105,157,045 as further disclosed in Note 20 to the financial statements. However, the balance excludes undetermined values of automotive training equipment, machines, computers and computer accessories and furniture and fittings which were handed over to the Institute in August, 2015 by Kenya Coast National Polytechnic.

Further, Management did not maintain an asset register to track all the assets of the Institute and had not established depreciation and amortization policies for the assets as at 30 June, 2019.

In view of these issues, the accuracy, valuation, ownership and completeness of the property and equipment balance totalling Kshs.105,157,045 as at 30 June, 2019 could not be confirmed.

5.0 Receivables from Exchange Transactions

Note 17 to the financial statements reflects receivables from exchange transactions balance totalling Kshs.7,249,576. Included in the balance is Kshs.7,187,458 attributed to

student debtors, out of which a sum of Kshs.3,897,994 is owed by those who have completed their studies. However, the debts have not been analyzed to show how long they have been outstanding. In addition, the Institute's debt management policy was not presented for audit and therefore its existence could not be confirmed.

Consequently, the accuracy and completeness of receivables from exchange transactions balance totalling Kshs.7,249,576 as at 30 June, 2019 and the recoverability of the old students' debts totaling Kshs.3,897,994 could not be confirmed.

The audit was carried out in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Godoma 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.

Other Matter

1.0 Budgetary Control and Performance

1.1 Overall Budget

The statement of comparison of budget and actual amounts reflects an unbalanced budget with revenue totalling Kshs.67,787,480 and expenditure totaling Kshs.83,756,601, resulting to budgeted over-expenditure of Kshs.15,969,121. Regulation 33 of the Public Finance Management (National Government) Regulations, 2015 requires each public entity to formulate and approve a balanced budget. Therefore, approval of the unbalanced budget by Management and the Board was irregular.

1.2 Revenue Budget

During the year under review, the Institute had an approved revenue budget of Kshs.67,787,480 but collected Kshs.35,651,703, resulting to overall revenue shortfall of Kshs.32,135,777 or 47.41 % of the budget.

Consequently, the Institute could not execute some of its planned programmes and activities for the year and as a result, its quest to provide high quality technical knowledge and skills to students was severely hampered.

1.3 Expenditure Budget

The expenditure budget for the year under review totaled Kshs.83,756,601 against actual expenditure totalling Kshs.39,447,017 resulting to an under-absorption of Kshs.44,309,584 or 53 % of the budget.

Among the likely causes of the under-absorption was the under-collection of revenue previously cited in this report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

1. Delayed Completion of Proposed Staff Houses

Expenditure records indicated that a sum of Kshs.1,904,780 was paid to a contractor during the year under review under a project for construction of the Principal's house and other staff quarters. The contract valued Kshs.23,924,385 was signed on 27 June, 2018 and was due to be executed in fifty-two (52) weeks, or one year to 27 June, 2019.

However, inspection of the project in the month of January, 2020, indicated that the Principal's quarters were at slab level whereas staff quarters were at foundation level. Both denoted a delay of at least seven (7) months going by the contracted work schedule.

The slow progress in implementing the project has delayed delivery of the houses for use by staff and could also increase the project's cost due to economic or other factors.

2. Delayed Completion of Mentored Institutions Projects

Records provided for audit indicated that Godoma Technical Training Institute is mentoring two other institutes namely Waresa Technical Training Institute in Magarini Constituency and Gandani Technical Training Institute in Rabai Constituency. However, Management does not operate separate bank accounts for the two institutes. Therefore, there is risk of funds earmarked for the two institutes not being properly accounted for.

Among the responsibilities of the Institute is to oversee the implementation of construction work in the upcoming institutes. However, audit inspection indicated that the projects in the two upcoming institutes were behind schedule for completion, as outlined in the Appendix II to this report.

Delay in completion of the projects has denied local youth access to skills training expected to have been provided by the two upcoming institutes.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk Management systems and governance as required by Section 7(1)(a) of the Public Audit Act, 2015.

Because of the significance of the matters described in the Conclusion on Effectiveness of Internal Controls, Risk Management Systems and Governance section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

1. Lack of Internal Audit and Audit Committee

Contrary to the requirements of Section 73(5) of the Public Finance Management Act, 2012, the Institute did not have an Internal Audit Unit and an Audit Committee during the year under review. As a result, oversight and governance over the operations of the Institute was not properly established.

2. Failure to Develop Risk Management Strategy

Review of risk management in the Institute indicated that, contrary to the requirements of Section 165 (1) of the Public Finance Management (National Government) Regulations, 2015, Management had not developed a strategy for identifying, measuring and mitigating operational and other risks faced by the Institute. As a result, the risks may not be managed in an effective way.

3. Lack of Human Resource Policy, Scheme of Service and Staff Establishment

During the year under review, the Institute did not have a human resource function in its organizational structure and had not formulated a human resource policy, scheme of service and staff establishment to guide Management in administering personnel matters. This was contrary to Chapter 1 Paragraph 1.2 of Mwongozo Code which bestows on Boards of Directors the responsibility for setting and overseeing the overall strategy, and approval of significant policies of the organization, including the organizational structure.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Institute's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using appropriate basis of accounting unless the National Government is aware of the intention to dissolve 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, 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 Institute's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk Management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the Institute's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk Management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk Management and governance 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. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

25 August, 2021

Appendix I

Differences in Balances in Statement of Financial Performance and Statement of Comparison of Budget and Actual Amounts

Item	Statement of Financial Performance Kshs.	Statement of Comparison of Budget and Actual Amounts Kshs	Variance Kshs
Use of Goods and Services	12,363,158	20,953,917	(8,590,759)
Employees Costs	5,539,759	6,623,859	(1,084,100)
Depreciation and Amortization Expense	2,514,162	-	2,514,162
Repair and Maintenance Expenses	1,884,150	-	1,884,150
General Expenses	6,706,609	-	6,706,609
Capital Expenditure	-	10,785,141	(10,785,141)
Total	29,007,838	38,362,917	9,355,079

Appendix II

Delayed Implementation of Projects for Mentored Institutes

Project Name	Scope of Works	Amount Paid as at 30 June, 2019 (Kshs)	Observations
Gandani Technical Training Institute in Rabai Constituency	Construction of Twin Workshop, Classrooms and Offices Block-Two Floor Building.	12,196,040	The Project's contract sum was Kshs.51,632,172. The contract was signed on 11 September, 2017 with the works expected to be completed in 52 weeks. However, physical verification carried out in December, 2019 revealed that the project was incomplete and the contractor was not on site. Only the ground slab and columns had been built.
Waresa Technical Training Institute in Magarini Constituency	Erection and Completion of Twin Workshop, Classrooms and Offices Block (Two-Floor Building)	11,274,828	The contract priced at Kshs.54,865,865 was signed on 19 November,2015. The works were to be completed in 52 weeks. However, the contract was terminated on 18 August, 2017 due to poor workmanship by the contractor. Payments made to the contractor at the time of the termination totaled Kshs.11,274,828. There were no records indicating that Management had sought to recover the amount paid to the contractor or sue for damages or for breach of contract.
	Erection and Completion of Twin Workshop, Classrooms and Offices Block -Two-Storey Building)	19,050,488	The contract was signed in June, 2018 at a sum of Kshs.57,827,311. The works were to be completed in 52 weeks but physical verification done in January, 2020 confirmed that the building structure was at the lintel level of the first floor.
Total		42,521,356	

Statement of financial performance for the year ended 30 June 2019

	Note	2019 Kshs	2018 Kshs
Revenue from non-exchange transactions			
Transfers from the National Government	6	11,243,130	20,715,418
		11,243,130	20,715,418
Revenue from exchange transactions			
Rendering of services - fees from students	7	24,392,533	6,331,764
Sale of goods	8	16,040	3,300
Other income	9	-	2,413,706
Total revenue		35,651,703	29,464,188
Expenses			
Use of goods and services	10	(12,363,158)	(7,287,469)
Employee costs	11	(5,539,759)	(5,530,700)
Remuneration of board of governors	12	(1,084,100)	(1,746,000)
Depreciation and amortization expense	13	(2,514,162)	(6,314,077)
Repairs and maintenance	14	(1,884,150)	(13,092,936)
General expenses	15	(6,706,609)	(17,801,136)
Total expenses		(30,091,938)	(51,772,318)
Surplus for the year/ (Deficite)		5,559,766	(22,308,130)

The notes set out on pages 1 to 25 form an integral part of these Financial Statements

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Statement of financial position as at 30 June 2019

	Note	2019 Kshs	2018 Kshs
Assets			
Current Assets			
Cash and bank balances	16	13,652,465	18,753,698
Receivables from exchange transactions	17	7,249,576	62,118
Receivables from non-exchange transactions	18	2,196,040	134,200
		23,098,081	18,950,016
Non-Current Assets			
Property and equipment	20	105,157,045	95,434,151
Intangible assets	19	1,664,020	1,751,600
		106,821,065	97,185,751
Total assets		129,919,146	116,135,767
Liabilities			
Current liabilities			
Payables from non-exchange transactions	21	27,844,357	19,655,144
Refundable deposits from customers	22	42,400	8,000
		27,886,757	19,663,144
Net assets			
Capital Fund		98,600,000	98,600,000
Accumulated surplus		3,432,389	(2,127,377)
		102,032,389	96,472,623
Total net assets and liabilities		129,919,146	116,135,767

The Financial Statements set out on pages 15 to 37 were signed on behalf of the Council by:

Principal
Name: Mrs. Hafsa Seif Mohammed

Sign: 
Date: 30/9/2019

Head of Finance
Name: Mr. John Baraka Kalu

Sign: 
Date: 30/09/2019

Chairman of the Council
Name: Mrs. Christine Katana

Sign: 
Date: 30/9/2019

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Statement of changes in net assets for the year ended 30 June 2019

	Accumulated surplus Kshs	Capital Fund Kshs	Total Kshs
At July 1, 2017	20,180,753	98,600,000	118,780,753
Surplus for the year	(22,308,130)	-	(22,308,130)
At June 30, 2018	(2,127,377)	98,600,000	96,472,623
At July 1, 2018	(2,127,377)	98,600,000	96,472,623
Surplus for the year	5,559,766	-	5,559,766
At June 30, 2019	3,432,389	98,600,000	102,032,389

Statement of cash flows for the year ended 30 June 2019

	Note	2019 Kshs	2018 Kshs
Surplus for the year before tax		5,559,766	(22,308,130)
Adjusted for:			
Depreciation		2,514,162	6,314,077
Working Capital adjustments		8,073,927	(15,994,053)
Increase in receivables		(9,249,298)	(196,318)
Increase in payables		8,223,613	19,663,144
Net cash flow from operating activities		7,048,242	3,472,773
Cash flows from operating activities			
Cash flows from investing activities			
Purchase of property and equipment	20	(12,149,475)	(101,748,228)
Purchase of intangible assets	19	-	(1,751,600)
Net cash flows used in investing activities		(12,149,475)	(103,499,828)
Cash flows from financing activities			
Changes in capital fund		-	79,760,124
Net cash flows used in financing activities		-	79,760,124
Net increase in cash and cash equivalents		(5,101,233)	(20,266,931)
Cash and cash equivalents at 1 July	16	18,753,698	39,020,629
Effects of IPSAS 33 on initial recognition		-	-
Cash and cash equivalents at 30 June	16	13,652,465	18,753,698

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Statement of comparison of budget and actual amounts for the year ended 30 June 2019

	Original budget			Adjustments			Final budget			Actual on comparable basis		Performance difference		Explanation Note
	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs	Difference				
Revenue														
Sale of goods	200,000					200,000			16,040		183,960		1147%	a
Rendering of services- Fees from students	19,650,000					19,650,000			24,392,533		(4,742,533)		-19%	b
Government grants and subsidies														
- Operational grants	12,000,000					12,000,000			8,025,000		3,975,000		50%	c
- Development	30,000,000					30,000,000			3,218,130		26,781,870		832%	d
- CDF									-		-		#DIV/0!	
Other income	5,937,480					5,937,480							100%	e
Total income	67,787,480					67,787,480			35,651,703		32,135,777			
Expenses														
Compensation of employees	(7,997,281)					(7,997,281)			(6,623,859)		(1,373,422)		21%	
Use of goods and services	(32,671,400)					(32,671,400)			(20,953,917)		(11,717,483)		56%	f
Remuneration of board of governors	(1,200,000)					(1,200,000)			(1,084,100)		(115,900)		11%	
Capital expenditure	(41,887,920)					(41,887,920)			10,785,141		(52,673,061)		228%	g
Total expenditure	(83,756,601)					(83,756,601)			(17,876,735)		(65,879,866)			
Surplus for the period	(15,969,121)					(15,969,121)			17,774,968		(33,744,089)			

* Notes

- a) A budget of Ksh 200,000 was budgeted for students T shirts but only Ksh 16,040 was realised. This is attributed to outstanding fee balances at the end of the financial year since T-shirts is the last item on the fee structure.
- b) The drop in student fees is attributed to low numbers of students who reported for learning than was budgeted.
- c) Ksh 30 million was budgeted for the staff housing project being constructed at the Institution. During the year, only Ksh 3.2 million was received from the ministry.

d) Funds from the CDF was not in the budget since it is upon the student to apply for CDF bursary support.

e) The 52% drop between budget and actual expenditure is attributed low level of activities during the year. Repairs and maintenance expenditure dropped by 74 % , Teaching and learning materials reduced by 2 million and local travelling also reduced by 2 million.

f) 2.18 Million worth of payment certificate had been raised

Notes to the financial statements

1 General information

Godoma Technical Training Institute is established by and derives its authority and accountability from The Technical and Vocational Education and Training Act, 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is the provision of technical, vocational, entrepreneurship training and research.

2 Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

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

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

3 Adoption of new and revised standards

i Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Effective date	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019	The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non exchange transactions are covered purely under Public Sector combinations as amalgamations.

ii New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date	Impact
IPSAS 41: Financial Instruments	Applicable: 1st January 2022:	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:

Notes to the financial statements (continued)

3 Adoption of new and revised standards (continued)

ii *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019 (continued)*

Standard	Effective date	Impact
IPSAS 41: Financial Instruments (continued)	Applicable: 1st January 2022:	<ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>No impact on the financial statements</p>
IPSAS 42: Social Benefits	Applicable: 1st January 2022	<p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p>No impact on the financial statements</p>

iii *Early adoption of standards*

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

Notes to the financial statements (continued)

4 Summary of significant accounting policies

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

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.

Notes to the financial statements (continued)

4 Summary of significant accounting policies (continued)

a) Revenue recognition (continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2018-2019 was approved by the Board of Governors in June 2018. 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.C12

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

c) Taxes

Sales 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)

4 Summary of significant accounting policies (continued)

d) Property 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.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful life, using the following annual rates:

	Rate - %	
Motor vehicles	25%	Straight line
Buildings	2%	Straight line
Computers	30%	Straight line
Furniture and fittings	12.5%	Straight line
Library books	12.5%	Straight line

e) Leases

Finance leases are leases that transfer substantially all of the 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.

f) 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.

Notes to the financial statements (continued)

4 Summary of significant accounting policies (continued)

g) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Notes to the financial statements (continued)

4 Summary of significant accounting policies (continued)

g) Financial instruments (continued)

Financial liabilities (continued)

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.

h) 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 labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

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

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

i) 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.

Notes to the financial statements (continued)

4 Summary of significant accounting policies (continued)

i) Provisions (continued)

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.

j) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. The Institute currently has accumulated surplus and capital fund accumulated over the years.

k) 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.

l) 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.

m) 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.

Notes to the financial statements (continued)

4 Summary of significant accounting policies (continued)

n) 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.

o) Related parties

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

p) 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.

q) 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.

r) Comparative figures

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

s) Subsequent events

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

Notes to the financial statements (continued)

5 Significant judgements 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. State all judgements, estimates and assumptions made: e.g

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 26.

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 (Continued)

	2019	2018
	Kshs	Kshs
6 Transfers from the National Government		
Unconditional grants		
Operational grants - Transfers from the State Department for Vocational and Technical Training	8,025,000	13,500,000
Bursary from CDF	-	-
Conditional grants		
Development grants - Transfers from the State Department for Vocational and Technical Training	3,218,130	7,215,418
Total government grants	<u>11,243,130</u>	<u>20,715,418</u>
7 Rendering of services - fees from students	2019	2018
	Kshs	Kshs
Tuition fees	23,489,309	6,131,784
Activity fees	231,720	40,330
Accommodation	257,372	130,450
Examination fees	10,400	6,700
Facilities and materials	397,432	17,900
Registration fees	6,300	4,600
	<u>24,392,533</u>	<u>6,331,764</u>
<p>These are amounts charged to students based on an approved fees structure. The amount paid by each student depends on the nature of the course and the module.</p>		
8 Sale of goods	2019	2018
	Kshs	Kshs
Sale of farm produce and bread	12,340	-
Sale of institutes T-shirts	3,700	3,300
	<u>16,040</u>	<u>3,300</u>

Notes to the financial statements (Continued)

	2019	2018
	Kshs	Kshs
9 Other income		
Income from disposal of assets	-	-
Income from sale of tender	-	-
Coast Region TVET fairs	-	1,545,050
Other income	-	438,856
Hire of Facility	-	429,800
	<u>-</u>	<u>2,413,706</u>
	<u>-</u>	<u>2,413,706</u>
<p>This is income from seminars held at the institute and other miscellaneous income from sale of disposed assets.</p>		
10 Use of goods and services		
Electricity, water and concervancy	2,116,299	990,262
Examinations expenses	2,855,196	1,051,398
Learning materials	-	-
Teaching Equipment & Stores	1,299,472	1,545,078
Production Unit Expenses	213,850	-
Boarding and accommodation expenses	5,878,341	3,700,731
	<u>12,363,158</u>	<u>7,287,469</u>
	<u>12,363,158</u>	<u>7,287,469</u>
11 Employee costs		
Salaries and wages	4,370,469	2,360,394
Social contributions	-	8,000
Staff Capacity Building- KATTI	1,169,290	3,162,306
Housing benefits and allowances	-	-
	<u>5,539,759</u>	<u>5,530,700</u>
	<u>5,539,759</u>	<u>5,530,700</u>
12 Remuneration of board of governors		
Members emoluments	1,084,100	1,746,000
	<u>1,084,100</u>	<u>1,746,000</u>
	<u>1,084,100</u>	<u>1,746,000</u>

Notes to the financial statements (Continued)

13 Depreciation and amortization expense	2019 Kshs	2018 Kshs
Property, plant and equipment	2,426,582	6,314,077
Intangible assets	87,580	-
	<u>2,514,162</u>	<u>6,314,077</u>
14 Repairs and maintenance		
Repairs, maintenance and improvements	1,884,150	13,092,936
Other repairs	-	-
	<u>1,884,150</u>	<u>13,092,936</u>
15 General expenses		
Activity expense	1,189,816	789,290
Benchmarking	-	29,400
Contingencie Expense	524,055	566,503
Corporate Social Responsibility	-	-
Education Tour	62,650	-
Insurance expense	-	36,111
Internet Expense	616,383	414,988
Lerning Materials	68,755	24,820
Marketing - Advertisement Expense	489,500	1,025,206
Planning & Policy Development	405,200	10,000
Miscellaneous expenses	-	10,132,622
Planning and Policy Development	-	365,000
Research and Innovation	29,000	-
Security	500,250	500,250
ASK Show exhibitions	177,600	537,395
Computer software license	185,600	-
International Conference & Travel	444,840	59,450
Local Transport & Travelling Expense	1,992,264	3,283,426
Student Id Expense	18,300	5,000
Bank charges	2,396	21,675
	<u>6,706,609</u>	<u>17,801,136</u>
	2019 Kshs	2018 Kshs
16 Cash and bank balances		
Current accounts		
Kenya Commercial Bank current a/c	13,294,024	6,363,595
Kenya Commercial Bank development a/c	358,441	12,390,103
	<u>13,652,465</u>	<u>18,753,698</u>

Notes to the financial statements (Continued)

	2019	2018
	Kshs	Kshs
17 Receivables from exchange transactions		
Student debtors	7,187,458	-
Deposits	62,118	62,118
	<u>7,249,576</u>	<u>62,118</u>
18 Receivables from non-exchange transactions		
Rabai Technical Training Institute	2,196,040	134,200
	<u>2,196,040</u>	<u>134,200</u>
19 Intangible assets		
Intangible assets	Computer software	Total
Cost or valuation		
At July 1, 2018	1,751,600	1,751,600
Additions	-	-
At June 30, 2019	<u>1,751,600</u>	<u>1,751,600</u>
Amortization		
At July 1, 2018	-	-
Charge for the year	87,580	87,580
Eliminated on disposal	-	-
At June 30, 2019	<u>87,580</u>	<u>87,580</u>
Net book value		
At June 30, 2019	<u>1,664,020</u>	<u>1,664,020</u>
At June 30, 2018	<u>1,751,600</u>	<u>1,751,600</u>

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Notes to the financial statements (Continued)

20 Property and equipment

	Land	Buildings	Computers	Furniture, fittings and equipments	Library books	Work in progeress	Total
2019							
Cost or valuation							
At July 1, 2018	1,100,000	98,859,543	809,300	908,520	70,865	-	101,748,228
Additions	-	9,790,234	158,050	142,100	154,311	1,904,780	12,149,475
At June 30, 2019	1,100,000	109,002,303	967,350	1,050,620	225,176	1,904,780	113,897,703
Depreciation							
At July 1, 2018	-	5,995,127	-	262,656	56,294	-	6,314,077
Charge for the year	-	2,180,046	87,062	131,327	28,147	-	2,426,582
At June 30, 2019	-	8,175,173	87,062	393,983	84,441	-	8,740,659
Net book value							
At June 30, 2019	1,100,000	100,827,130	880,289	656,637	140,735	1,904,780	105,157,045
At June 30, 2018	1,100,000	92,864,416	809,300	645,864	14,571	-	95,434,151

NOTE: Work in Progress is relating to the construction of Principal and staff houses payment certificate No. 1

Notes to the financial statements (Continued)

	2019	2018
	Kshs	Kshs
21 Payables from non-exchange transactions		
Waresa Technical Training Institute	27,844,357	19,655,144
	<u>27,844,357</u>	<u>19,655,144</u>
22 Refundable deposits from customers		
Consumer deposits	-	-
Caution money	42,400	8,000
Other refundable deposits	-	-
	<u>42,400</u>	<u>8,000</u>

23 Related party disclosures

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. Other related parties include:

- i The National Government;
- ii The Parent Ministry;
- iii Sister Technical Training Institutes
- iv Key management;
- v Council members.

24(a) Transactions with related parties

	2019	2018
	Kshs	Kshs
<i>i Key management compensation</i>		
Council members emoluments	1,084,100	1,746,000
	<u>1,084,100</u>	<u>1,746,000</u>

Notes to the financial statements (Continued)

24(a) Transactions with related parties (continued)

<i>iii Grants from the Government</i>	Kshs	Kshs
Development Grants from National Govt	-	-
Operational Grants from National Govt	8,025,000	13,500,000
Bursary from CDF	-	-
	<u>8,025,000</u>	<u>13,500,000</u>

24(b) Related party balances

<i>i Due from Related Parties</i>		
Receivables from mentored TTT's	<u>2,196,040</u>	<u>134,200</u>
<i>ii Due to Related Parties</i>		
Payables to mentored TTT's	<u>(2,196,040)</u>	<u>(134,200)</u>

24© Mentored Institutions

i Weresa Technical Training Institute

Contract Sum for the project: Kshs 57,827,311

Amounts paid from payment certificates Kshs 30,325,316

Status of the project: Completion at 70% The project is at ring beam level on the first floor

ii Gandani Technical Training Institute

Contract Sum for the project: Kshs 51,632,172

Amounts paid from payment certificates Kshs 12,196,040

Status of the project: The project completion at 40% coloms errected from the ground level

24 Financial risk management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The 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.

Notes to the financial statements (Continued)

24 Financial risk management (continued)

i) Credit risk (continued)

	Fully Performing Kshs	Past due Kshs	Impaired Kshs	Total amount Kshs
At 30 June 2019				
Receivable from exchange transactions				-
Bank Balances	13,652,465	-	-	13,652,465
Total	13,652,465	-	-	13,652,465
At 30 June 2018				
Receivable from exchange transactions	62,118	-	-	62,118
Receivable from non-exchange transactions	134,200	-	-	134,200
Bank Balances	18,753,698	-	-	18,753,698
Total	18,950,016	-	-	18,950,016

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 imprest.

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

ii Liquidity risk management

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

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

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total amount Kshs
At 30 June 2019				
Trade and other payables	-	-	-	-
Other Payables	27,886,757	-	-	27,886,757
Total	27,886,757	-	-	27,886,757
At 30 June 2018				
Trade Payables	19,663,144	-	-	19,663,144
Total	19,663,144	-	-	19,663,144

Notes to the financial statements (Continued)

24 Financial risk management (continued)

iii) Market risk

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

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

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

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

iv) 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.

v) Capital Risk Management

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

	2019	2018
	Kshs	Kshs
Accumulated surplus	3,432,389	(2,127,377)
Capital Fund	98,600,000	98,600,000
Total Funds	102,032,389	96,472,623
Less: Cash and Bank balances	(13,652,465)	(18,753,698)
Net debt (excess cash and cash equivalent)	(13,652,465)	(18,753,698)
Gearing	-13%	-19%

Notes to the financial statements (Continued)

25 Ultimate and holding entity

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

26 Events after the reporting period

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

27 Currency

The financial statements are presented in Kenya Shillings (Kshs)



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