REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

MUSAKASA TECHNICAL TRAINING INSTITUTE

FOR THE YEAR ENDED 30 JUNE, 2019

MUSAKASA TECHNICAL TRAINING INSTITUTE

Training to serve

MUSAKASA TECHNICAL TRAINING INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2019.

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

I. Table of Contents

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Musakasa Technical Training Institute is located in Bumula Sub-County of Bungoma County, at Musakasa Market along Netima-Napara Road.

The idea to start the institute was born out of informal discussion by the local religious community way back in 2010. This was boosted by the political leadership which availed funds to purchase a 15-acre piece of land. It was registered by the then MOHEST in December 2012. The first block was constructed in 2013, which houses the offices and lecture rooms.

In June 2014, the first batch of 22 students was enrolled in Fashion Design and Garment Making Technology at Artisan level. Currently, the student population is 700 in the following programs; Fashion Design and Garment making technology, Building and Civil Engineering, Electrical and Electronics Engineering, Information Communication Technology and Business Management, Hair dressing and beauty therapy, catering and accommodation, secretarial studies, automotive engineering, mechanical engineering, mechatronic engineering among others. The institute comprises of 30 teaching staff and 22 non-teaching staff totaling to 52.

This being our first time to report on Accrual basis, we do not have comparative year figures hence our base year shall be 2018-2019. However, our records were kept on cash basis and the cash and cash equivalent as at 1st July, 2018 was Kshs 17,685,602

(b) Principal Activities

The principal activity of Musakasa Technical Training Institute is to provide training to artisans, craftswomen and men, technicians, technologists, businesswomen and men at artisan, craft and diploma certificate levels.

The mandate of Musakasa TTI is as under;

- Implement the prescribed curriculum for technical training at artisan, technician and technologist level
- Promote, coordinate and popularize research at the institute
- Spearhead the application of research results in technological programmes at the institute
- Monitor and evaluate technical education programmes at the institute
- Promote standards and quality assurance at the ministry
- Implement the MOE policy on TVET

b) Vision, Mission and Motto

Vision

To Be a Leading Institution in the Provision of Technical and Vocational Training

Mission

To Provide Quality Technical and Vocational Training in Collaboration with Stakeholders to Produce Highly Skilled and Innovative Human resource

Motto

Training to Serve.

Core Values

This strategic Plan is built upon a set of interrelated core values that are embedded in beliefs and desired behavior found within Musakasa Technical training institute. The Board of governors, the management and other stake holders embrace the following core values which represent the fundamental beliefs that influence the way the institute relates and deals with its customers and clients:

- **Excellence** - The Institute shall ensure quality teaching, research and provision of excellence in teaching, research and provision of service to the public.
- **Equity**- the Institute shall ensure fair treatment of staff, students and all other stakeholders without bias.
- **Integrity** – The Institute staff shall have common decorum reflected in their personal appearances, interactions and conducts.
- **Team work** - The Institute is committed to teamwork environment where every person is a valued member treated with respect, encouraged to contribute and recognized and rewarded for his or her efforts.
- **Innovation** – The Institute shall provide opportunities for the creation of new ideas and products for teaching, learning and well-being of the society.

(c) Key Management

Musakasa Technical Training Institute's day-to-day management is under the following key organs:

- The Board of Management
- The Principal
- Top Management
- The Administration

(d) FIDUCIARY MANAGEMENT

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

No.	Designation	Name
1.	Principal	Charles Marumbu
2.	Registrar	Geoffrey Khisa
3.	Dean Of Students	Protus Seng'enge
4.	Finance Officer	Annah Wanyama
5.	Procurement Officer	Moses Makumba

(e) Fiduciary Oversight Arrangements

Audit and Risk and Compliance Committee activities

The Institute Board is in the process of establishing a Committee of the Board which provides oversight on the Institute financial and other management Matters. The Institute is also intending to establish internal Audit department that reports to the Board Committee.

Parliamentary Committee activities

The Principal of Musakasa Technical Training Institute is accountable to the National Assembly for the Institute's financial management. The Constitution of Kenya, 2010 135(3) subject to clause (4), requires that the accounts of all governments and State organs be audited by the Auditor-General. Upon Audit, the Annual reports and financial statements are usually submitted to the National Assembly to ascertain whether the finances of the Institute were prudently managed

(f) REGISTERED OFFICE

Musakasa technical Training Institute
Along Netima Napara Road
Off Kimwanga Mayanja
Along Kanduyi Malaba Road
P.O. Box 1249 – 50200,
BUNGOMA.
Tel. 0716056878, 0717624837
Email: enquiries@musakasa.inst@gmail.com

(g) MUSAKASA TECHNICAL TRAINING INSTITUTE CONTACTS

Telephone: 0716056878, 0717624837
E-mail: enquiries@musakasa.inst@gmail.com
Website: www.musakasatti.ac.ke

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(h) MUSAKASA TECHNICAL TRAINING INSTITUTE BANKERS

1. Kenya Commercial Bank
   Bungoma Branch
   P. O. Box 380, 50200
   BUNGOMA

2. Cooperative Bank of Kenya Limited
   Bungoma Branch
   P. O. 1964 - 50200
   BUNGOMA

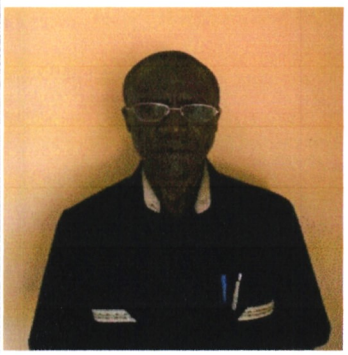
(i) INDEPENDENT AUDITORS

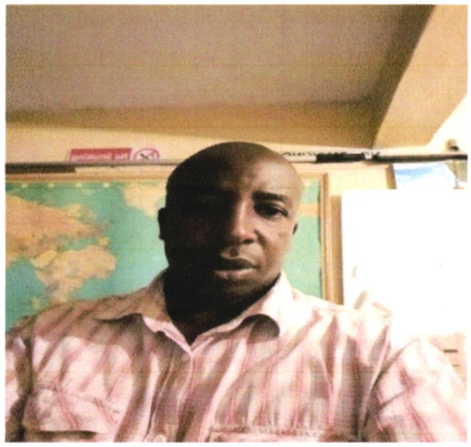
Auditor General
Office of Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(j) PRINCIPAL LEGAL ADVISER

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

THE COUNCIL/BOARDOF GOVERNORS

1. 	**Name:** Samuel Wanyonyi The Chairman of the Board of Governors. **D.O.B**: June, 1956 **Key Qualifications**: MSC(GIS), BSC(Surveying & Photogrammetry)-University of Nairobi **Work Experience**: ➢ Ag. Director / Senior Deputy Director of technical and vocational education and training (TVET) at Ministry of Education Science and Technology-Kenya. ➢ Deputy Director / Senior Assistant Director of TVET in Ministry of Higher Education Science and Technology-Kenya. ➢ Ag. Principal Programme Coordinator, Technical Education Department at Kenya Institute of Education/ Principal Lecturer deployed by the Teachers Service Commission for Curriculum Development (Survey and Mapping)
	**Name**: George Olewe **D.O.B**: 1968 **Key Qualifications:** He has 20 years TVET policy development and monitoring experience. He holds an MBA in Business Administration. Currently he is the County director TVET.

	**Name**: Jonah Misoi **D.O.B**: 1965 **Key Qualifications**: BCOM(degree university of Nairobi, KACE ,(A level)3PS,1sub-nairobi school, CPA II **Work experience**: GOK-Office of the President ministry of environment and natural resources and the treasury as an accountant. Kenya tea packers Limited-positions held: Accountant1, Management Accountant, assistant chief accountant senior financial Accountant, AG head of finance.
	**Name**: Evans Mutuva **D.O.B**: 1971 **Key Qualifications**: PhD(scholar at JKUAT MBA,(KEMU) BSc University of Nairobi, dip (K.I.M), Icertnebosh (RRC-UK) **Work experience**: Over 10yrs working experience as a principal consultant at mega consult ltd. Consultant ant trainer for SGA security ltd Tanzania. Consultant for royal bakery and food court Shinyanga. Also served as part time lecturer at KIM for 2 years. Mr .Mutuva is the Chairman of the project Management committee.
	**Name**: Elvira Lukelesia **D.O.B**: 29/9/1988. **Key Qualifications**: MSC Information Systems, Distinction…. University of Surrey, Bachelor of business information technology, second upper class Honors at Strathmore university. Cisco certified network Associate cyber ops **Work Experience**: Freelance web developer/web Master, Cashier Jamii bora Bank, Information technologist Masinde Muliro University She is an independent member of the Board of Governors.

	**Name**: Inviolate Siboe **D.O.B**: 1959 **Key Qualifications**: MSc Construction Project Management JKUAT , BPHIL, University of Nairobi Bachelor of philosophy in construction management, Higher diploma in Construction(Structures option) Kenya polytechnic, diploma in building and civil engineering **Work experience**: Capital Works Officer in UON for over five years and has wide experience in various areas in the Public sector. Part time lecture at Technical University of Kenya in construction department, Design Assistant, at Kenya railways corporation, Structural assistant in the ministry of works.
	**Name**: Jaqueline Tindi **D.O.B**:1976 **Key Qualifications**: BLAW, University of Nairobi.

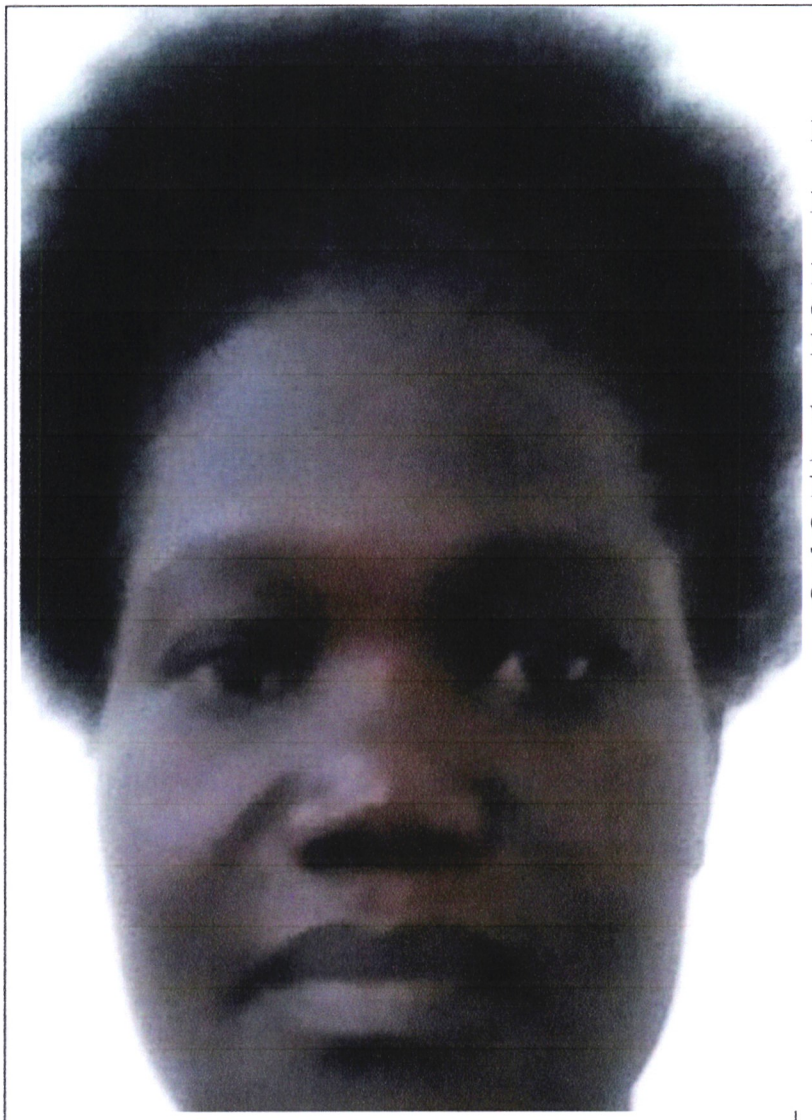
	**Name**: Marsden Onsare **D.O.B**:1984 **Key Qualifications**: BSC (Vertinary Medicine), University of Nairobi. **Work experience**: Over 9 years of experience, currently the managing director and resident veterinary surgeon at Aniworld veterinary clinic previously worked as a livestock specialist at USAID Kaves.
	**Name:** Maurice Wekesa. **D.O.B:** 1975 Masters in Educational Technology(University of Nairobi) Technobrain group (new horizons computer learning centre.)Train the trainer, institute of advanced technology (IAT) Management of learning/team building. University of Nairobi-bachelor of education (arts) **Work Experience:** Deputy General Manager, Tecnobrain group-Mozambique/Swaziland/South Africa. Centre Manager-Solutions and Training-Cambridge Africa-Nairobi, Kenya –Digital Literacy and Consultancy.

	**Name**: Charles Vincent Marumbu. **D.O.B**: 1973 **Key Qualifications:** MSC.HRM –MMUST Kenya. B.Ed.-Catholic university of east Africa Kenya **Work Experience**: Over 20 years in Educational Administration Mr.Marumbu is the Secretary Board of Governor

MANAGEMENT TEAM

	**Name**: Charles Vincent Marumbu. **D.O.B**: 1973 **Key Qualifications:** MSC.HRM –MMUST Kenya. B.Ed.-Catholic university of east Africa Kenya **Work Experience**: Over 20 years in Educational Administration Mr.Marumbu is the Principal & the Secretary Board of Governor

	**Name**: Geoffrey Khisa Juma **D.O.B**: December, 1964 **Key Qualifications:** MBA(Project Management)-KU, BED(Maths/Business)-KU **Work Experience**: Over 30 years in Educational Administration Mr. Khisa is the Registrar
	**Name**: Protus Seng'enge **DOB:**1976 **Key Qualifications:** Bachelor of education, (Moi university) Building Construction and Engineering mathematics. Currently working as a trainer at Musakasa technical Training Institute& he is the Dean of students



Name: Annah Wanyama

DOB: 1988

Key Qualifications:
Certified Public Accountant (CPA PART III)

Work Experience:
Accounts clerk (ST. Thaddeus Ndengelwa secondary school)
Currently working at Musakasa Technical Training Institute as Finance Officer.

1. Manager 4

Name: Moses Makumba

D.O.B: 1985

Key qualifications:
Bachelor of Business Administration(Procurement and Supply Chain Management) Maseno University,
Diploma Supply Chain Management, Kisumu National Polytechnic
Diploma Project Management.

Work Experience:
County government of Kisumu as an intern.
Currently working as the Procurement Officer at Musakasa Technical Training Institute.

CHAIRMAN'S STATEMENT

On behalf of the Musakasa Technical Training Institute Board, I am pleased to present the Annual Report for the 2018/2019 financial year. It was a productive financial year and I have enjoyed being part of the dynamic team at Musakasa. The education sector is currently facing reforms with the focus area being quality over quantity as the strategic driving force to the Ministry of Education.

Musakasa Technical Training Institute remains committed to all its stakeholders in executing its mandate as outlined in the 2016-2019 strategic Plan whose overall theme is to achieve Global excellence in Technical Training Institute Education. The Technical Training Institute is mandated to execute the various strategic directions as set out in the Plan, marking its third year of execution. During FY 2018/2019, Musakasa Technical Training Institute received a good number of students reporting to the Institute enhancing its viability and future growth.

New Programs

The following new programs have been marketed and currently we have student's enrolment in them. We have made application to TVETA to have them accredited.

1. Diploma Food and Beverage
2. Certificate Food and Beverage
3. Certificate in General Agriculture
4. Diploma in General Agriculture
5. Artisan in Plumbing
6. Artisan in Hair Dressing & Beauty Therapy
7. Artisan in food and beverage
8. Artisan in Store Keeping
9. Certificate Purchasing and Supply Chain
10. Diploma Purchasing and Supply Chain
11. Artisan Welding and Fabrication
12. Certificate Catering and Accommodation
13. Diploma in Catering and Accommodation
14. Diploma in Information studies
15. Certificate in Information studies.

Financial Performance

In the financial year that ended June 2019 Musakasa Technical Training Institute recorded a better financial performance. This attributed to stringent financial management measures. We recorded a good increase in student enrolment as from 424-556 thus 31% increase as at 30th June 2019.

To improve the Institute's infrastructure and enhance students' experience an ongoing building (Tuition/Administration block phase I) was completed to provide more space to students and staff.

A new building (10 door pit latrine) was constructed to cater for the increasing enrolment. The pit latrine comprises of 10 doors that accommodates both male and female students.

We also managed to renovate 5 classrooms to house mechatronics equipment.

The Institute also managed to put up a fence and constructed the main gate.

In the course of the year, the Technical Training Institute board received and welcomed a new board member with career in education and technology, we sincerely hope he will bring on board additional wealth of experience.

As I conclude, I would like to extend my sincere gratitude to Musakasa Technical Training Institute Board, our Principal and his entire Management Board, our staff members, students, partners and donors, for their commitment and collaboration towards the Technical Training Institute. I am optimistic that the Technical Training Institute is headed to a prosperous future that can only bode well for this great Institution.

Thank you

Mr. Samuel Wanyonyi
Chairman of Board

REPORT OF THE PRINCIPAL

Dear stake holders, firstly I would like to state that 2018/2019 FY has been a year of relative success, challenging but fruitful. We at Musakasa Technical Training Institute have continued creating networks and maintained strategic alliances at the regional and global level. The value of these alliances cannot be overstated and are aimed at ensuring the Technical Training Institute has a competitive advantage. We have invested in opportunities to provide exposure, synergy, knowledge sharing and expertise. All these is aimed at contributing to intellectual and human capital.

Increased infrastructure

In the last FY, the Tuition Block phase I was completed. The project is expected to promote practical learning and research in the Institute. The project will be sustainable since it will be used to promote research, innovation and entrepreneurship. This will contribute to reduction of poverty in the society.

During the Financial Year, the Institute renovated five classrooms to accommodate the new mechatronics equipment that were provided by the Ministry of education. Within the FY under review The Institute made a proposal to the government for funding of a tuition block complex phase II. This will address the issue of facilities that has limited enrolment in the Institute due to lack of space

This is a strong indication that we value infrastructure necessary for leading Institution in the Provision of Technical and Vocational Training. It is envisaged that this will enhance student experience and provide excellent facilities for staff and students.

Conferences

Academic workshops and conferences are essential for the growth of Musakasa Technical Training Institute. It provides a basis for benchmarking, networking and research. There were multiple conferences, seminars and workshops organized during the year by Various Institutes These were largely successful and valuable lessons were gathered.

2019 and beyond

While the achievements of the years past have put us in a position of strength, our effort in the coming days will be doubled so that we can meet our long term objective of being Leading Institution in the Provision of Technical and Vocational Training. We will continue to face competition from both the public and private Institutes. We shall have to be innovative to stay afloat. To this end, we shall endeavor to become more visible by using generally accepted

parameters of measure to place ourselves. For one, ISO certification will help us earn our place as a certified super brand. Our collective effort will make us and our actions will help actualize this dream of a Technical Training Institute serving society and the world. I wish to convey my gratitude to all staff, both academic and administrative and the students who together, are lending to form our collective dream. Together we shall deliver.

Thank you.

PRINCIPAL
MUSAKASA TECHNICAL TRAINING INSTITUTE
P.O. Box 1249-50200, BUNGOMA

Mr. Charles Marumbu Vincent,
Principal/B.O.G Secretary

CORPORATE GOVERNANCE STATEMENT

Musakasa TTI is governed by the Board of Governors. The Board provides strategic direction, exercises control and remains accountable through effective leadership, enterprise, integrity and good judgment. It is diverse in its composition, independent but flexible, pragmatic, objective and focused on balanced and sustainable performance of the Institute.

Appointment of Board Members

i. Every appointment is by name and by notice in the Kenya Gazette but ceases if the Board member:
   a) Serves the appointing authority with a written notice of resignation; or
   b) Is absent, without the permission of the Chairperson, from the three consecutive meetings; or
   c) Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
   d) Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Council; or
   e) Conducts himself in a manner deemed by the appointing authority to be inconsistent with membership of the Council.

ii. Any removal of a Board member under (i) above, shall be through formal revocation.

Ethics and Conduct

The Board adheres to the Code of Conduct and Ethics for State Corporations (SCs) which focuses on ethical conduct and integrity at the workplace. It defines the Board's commitment to the highest standards of behaviour so as to contribute to the achievement of the national development goals. The Code sets out expectations for individual behaviour necessary to meet these standards and includes requirements and guidance to help carry out their roles with integrity and in compliance with the law. By exemplifying the ethical behaviours and corporate values described in the Code, the Board is expected to uphold Article10 of the Constitution of Kenya, 2010 on National Values and Principles of Governance and Chapter 6 on Leadership and Integrity.

Conflict of Interest Policy & Disclosures

A conflict of interest may arise where a Board member or close family member such as a spouse, child, parent or sibling has private interests that could improperly influence the performance of the Board member's official duties and responsibilities. Conflict may also arise where a Board member uses their office for personal gain.

Board members are required to avoid conflict of interest and deal at arm's-length in any matter that relates to the organization. However, a Board member who identifies an area of conflict shall be required to disclose any actual or potential conflict of interest to the Board. In so reporting, the Board member is required to provide all relevant information, including information which relates to their immediate family members by blood or marriage which is related to the area of conflict. When declared, the Board member shall abstain from decisions where the conflict exists.

The Secretary keeps a record of conflicts of interest declared, for accountability purposes, and as a rule of good practice on appointment and on regular intervals or at any time when circumstances change, all members shall in

good faith disclose to the Board for recording, any other business or interest likely to create a potential conflict of interest.

Board Remuneration

Board members are remunerated for their services in accordance with State Corporations Act provisions and/or guidance from the State Corporations Advisory Committee. In line with best practice, the remuneration includes Honoraria for the Chair of Board and allowances for all members on attendance of Board meetings.

Board Induction and Training

When new Board members are appointed, the Institute organizes for induction in order to familiarize themselves with their responsibilities as Members of Board, general principles of corporate governance and Council practices. The induction programme provides the Board members with an orientation of the organization, strategic plans, financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics. The current Council members were inducted in the year under review.

Board Responsibilities

The Board of Management, during the inauguration on 19th September 2017, was sensitized on their roles and responsibilities according to the TVET Act which were:

a) Overseeing the conduct of education and training in the Institute in accordance with the provisions of TVET Act 2013 and any other written law.
b) Promoting and maintaining standards, quality and relevance in education and training in the institute in accordance with the TVET Act 2013 and any other written law.
c) Administering and managing the property of the Institute
d) Developing and implementing the Institute's Strategic Plan – *MTTI Strategic Plan 2015 – 2019 Was developed by the Board.*
e) Preparing annual estimates of revenue and expenditure for the Institute and incurring expenditure on behalf of the Institute
f) Receiving, on behalf of the Institute, fees, grants, subscriptions, donations, bequests or other moneys and to make disbursement to the institution or other bodies or persons.
g) Determining the fees payable and prescribing conditions under which fees may be remitted in part or in whole in accordance with the guidelines developed under the provisions of TVET Act. 2013
h) Mobilizing resources for the Institute
i) Developing and reviewing programmes for training and to make recommendation to TVETA – *the Board is in the process of launching CBET Curriculums*
j) Regulating the admission and exclusion of students from the Institute, subject to a qualifications framework and the provisions of TVET Act 2013
k) Approving collaboration or association with other institutions and industries in and outside Kenya subject to prior approval by the Ministry.
l) Recruiting and appointing trainers from among qualified professionals and practicing trades persons in relevant sectors of industry
m) Determining suitable terms and conditions of service for support staff, trainers and instructors and remunerating the staff of the Institute in consultation with the Authority
n) Making regulations governing organization, conduct and discipline of the staff and students
o) Preparing comprehensive annual reports on all areas of their mandate, including education and training services and submit the same to the Board.
p) Providing for the welfare of the students and staff of the Institute
q) Encouraging, nurturing and promoting democratic culture, dialogue and tolerance in the Institute

r) Discharging all other functions conferred upon it by TVET Act 2013 or any other written law

The meeting attendance of the Board members during the Full Board meeting is shown below:

S/No	Name	Quarter 1	Quarter 2	Quarter 3	Quarter 4
1.	Mr Samuel Wanyonyi	✓	✓	✓	✓
2.	Mr Jonah Misoi	✓	✓	✓	✓
3.	Mr Evans Mutuva	✓	✓	✓	✓
4	George olewe	✓	✓	✓	✓
5	Dr Mardsen Onsare	✓	✓	✓	✓
6.	Ms. Jaqueline Tindi	X	✓	✓	X
7	Mr Inviolate Siboe	✓	✓	✓	✓
8.	MS. Elvira Lukelesia	✓	✓	✓	✓
9.	Judith Akaranga	✓	✓	X	X
10.	Maurice Wekesa			✓	✓
11	Charles Marumbu			✓	✓

MANAGEMENT DISCUSSION AND ANALYSIS

The Institute operational and Financial Performance.

Generally, the Institute operated at a net surplus of **Kshs. 698, 116 during** the financial year. This was majorly due to the factors below;

- Reduction on expenditure.
- Increase in students' population.

This is an indication that the Institute is growing well and the going concern is guaranteed.

Compliance with Statutory Requirements

By the end of the year, the Musakasa had paid all its statutory requirements in terms of NSSF, NHIF, PAYE and all withholding taxes from contractors payable to KRA. The Institute has been withholding taxes on all payment made to contractors and remitting them to KRA. The Institute is operating under legal frame works necessary under public sector requirement such as;

- The Constitution of Kenya, 2010
- TVET Act, 2013
- PFM Act, 2012
- Procurement and Assets Disposal act, 2015
- IPSAS standards.
- All other relevant laws in its operation (regular circulars from treasury and ministry of education)

Key Projects the Institute Implemented

The Institute has the following projects:

i) Tuition Block phase I (on Completion)

The project is expected to promote practical learning and research in the Institute. The project will be sustainable since it will be used to promote research, innovation and entrepreneurship. This will contribute to reduction of poverty in the society. This project is financed by Government of Kenya. The contract sum of the project was Ksh 27,094,085.20

ii) Renovation of classrooms :

During the financial year 2018/2019, the Institute renovated five classrooms to accommodate the new mechatronics equipment that were provided by the Ministry of education at a cost of Ksh 4,976,259.00

iii) Proposed Tuition block Phase II

A proposal was made to the government for funding of a tuition block complex phase II. This will address the issue of facilities that has limited enrolment in the Institute for lack of capacity.

This project is anticipated to cost Kshs. 60,604,600.00 and is to be financed by Government of Kenya. The

government of Kenya has disbursed a total of **Ksh 9,512,162** 30thJune 2019.

Major risks the Institute is facing;

Operational Risks

The Institute faces competition for resources including; students, staff and financial resources.

The Institute's financial assets are trade receivables as well as cash and short term deposits which arise directly from its operations. The Institute has financial liabilities comprising trade and other payables which are all current. The management has ensured timely payment to suppliers, contractors and other service providers, hence no historic debt.

The Institute has exposure to the following risks:

i) Liquidity risks

ii) Credit risks

The Council has overall responsibility for the establishment and oversight of the Institute's risk management framework.

Liquidity Risk

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations as they fall due. The Institute's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institute's reputation.

Credit Risk

Credit risk is the risk of financial loss to the Polytechnic if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the organization's receivables from customers. The Institute receives fees from students as well as capitation from the Government which minimizes the credit risk exposure.

Material Arrears and Financial Obligations

The Institute had substantial fees arrears totalling to Ksh.**9, 617,618** which had not been received by the year end.

REPORT OF THE BOARD OF GOVERNORS

The Board submits the report together with the financial statements for the year ended June 30, 2019 which shows the state of Musakasa TTI'S affairs.

Principal activities

The principal activities of the Musakasa TTI continues to be provision of training of artisans, craftswomen and men, technicians, technologists, businesswomen and men at artisan, craft and diploma certificate levels.

Results

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

BOARDOF GOVERNORS

The members of the Board who served during the year are shown on page vi

Auditors

The Auditor General is responsible for the statutory audit of Musakasa TTI in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 were nominated by the Auditor General to carry out the audit of the Institution for the year ended June 30, 2019 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

PRINCIPAL
MUSAKASA TECHNICAL TR...
INSTITU...
P.O. Box 1249-50200 B...

Charles Marumbu
Principal /B.O.G Secretary

Bungoma
Date 14/06/2021

STATEMENT OF BOARD OF GOVERNORS MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013* - require the board members to prepare financial statements in respect of that Institution which give a true and fair view of the state of affairs of Musakasa TTI at the end of the financial year/period and the operating results of the Institution for that year/period. The board members are also required to ensure that Musakasa TTI keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institution. The board members are also responsible for safeguarding the assets of Musakasa TTI.

The board members are responsible for the preparation and presentation of Musakasa TTI'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, 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 Institution; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for Musakasa TTI'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 State Corporations Act, and the TVET Act. The board members are of the opinion that Musakasa TTI's financial statements give a true and fair view of the state of the Institution's transactions during the financial year ended June 30, 2019, and of the Institution's financial position as at that date. The board members further confirm the completeness of the accounting records maintained for the Institution, which have been relied upon in the preparation of the Institution'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 Musakasa TTI will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the Revised Financial Statements

Musakasa TTI's financial statements were approved by the Board on 14/06/2021 and signed on its behalf by:

PRINCIPAL
MUSAKASA TECHNICAL INSTITUTE
Box 1249-50200, Bungoma

Board Chairman	Board Member	Board Secretary

REPUBLIC OF KENYA

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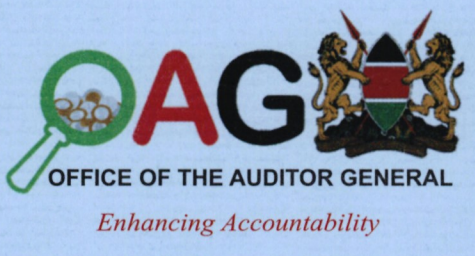

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Musakasa Technical and Training Institute set out on pages 1 to 31 which comprise of the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Musakasa Technical and Training Institute as at 30 June, 2019, 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 (TVET) Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.10,655,723. The Institution has three (3) bank accounts in Kenya Commercial Bank, one (1) account in Cooperative Bank, one Mpesa account and cash in hand whose balances totalled to Kshs.10,655,723. However, although the certificates of bank balances and bank reconciliations were provided, it was noted that the board of survey report confirming both the bank and cash balances was not provided. This contravened the National Treasury guidelines on year end closing procedures, which require an Accounting Officer to appoint a Board of Survey within the institution to examine and verify the cash in hand and the bank balances as at the close of business on the last working day of the year. This examination must be carried out before the opening of business on the first day of the new financial year.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.10,655,723 could not be confirmed.

2. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment net book balance of Kshs.133,575,452 as detailed at Note 21 to the financial statement. However, the balance of Kshs.138,497,899 reported at the beginning of the financial year 1 July, 2018 in the property, plant and equipment movement schedule was supported by minutes dated 3 July, 2018 which were written by the asset valuation committee appointed by the Principal. No explanation or documentation was provided on how the reported values were determined. Further, included in the additions of assets balance of Kshs.7,856,156 during the year was an amount of Kshs.1,950,000 relating to capital work in progress which was not supported by any documentation.

In the circumstances, the accuracy of the property, plant and equipment balance of Kshs.133,575,452, could not be confirmed.

3. Trade and Other Payables from Exchange Transactions

Included in the statement of financial position and at Note 22 to the financial statements is the balance of Kshs.2,708,362 for trade and other payables from exchange transactions. However, there were no individual creditors ledger maintained to record invoices from the suppliers, demand payments for goods supplied, services rendered and/or work done. In addition, the ledger accounts with records of payments, to the suppliers and end of year balances were not provided. Further, creditors aging analysis was not maintained hence it was not possible to ascertain for how long the creditors have been outstanding.

In the circumstances, it was not possible to ascertain the accuracy and completeness of the trade and other payables from exchange transactions balance of Kshs.2,708,362 as at 30 June, 2019.

4. Statement of Changes in Net Assets

Included in the statement of changes in net assets is Kshs.146,354,055 being revaluation reserve as at 1 July, 2018. However, no explanation or supporting documents were provided for review on how the initial and revalued amounts of the property, plant and equipment which resulted to a revaluation reserve of Kshs.146,354,055 were derived. Further, according to the bank statement provided for audit review, the Ministry of Education wired amounts totaling to Kshs.25,905,108 between 13 August, 2016 to 9 April, 2018 into the Institute`s development bank account, however, these funds were not included in the statement of changes in net assets. In addition, Kshs.3,566,000 credited in the development bank account on 31 May, 2019 was not disclosed in the statement of changes in net assets as summarized in the table below;

Date	Ref No.	Amount Kshs.
13-Augp-2016	ACCBALMVM FTI6226JI6N	7,620,167
20-Sep-2016	DPC Musakasa Techni 1249 5020	7,408,973
30-Dec-2016	DPC Musakasa Techni	1,120,968
23-Oct-2017	DPC Musakasa Techni	5,140,000
10-Jan-2018	DPC Musakasa Techni	3,500,000
09-Apr-2018	DPC Musakasa Techni	1,115,000
	Subtotal- 2016-2018	**25,905,108**
31-May-2019	DPC Musakasa Techni (2018/2019)	3,566,000
	Grand Total	**29,471,108**

In the circumstances, it was not possible to ascertain the accuracy and completeness of the statement of changes in net assets balance of Kshs.156,564,333 for the year ended 30 June, 2019.

5. Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects actual income and actual expenses balance of Kshs.25,171,365 and Kshs.19,768,985 respectively while the statement of financial performance reflects total revenue and total expenses balance of Kshs.31,531,365 and Kshs.18,054,646 respectively, resulting to variances of Kshs.6,360,000 and Kshs.1,714,339 which have not been explained or supported.

Consequently, the accuracy of the statement of comparison of budget and actual amounts for the year under review could not be confirmed.

6. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects cash and cash equivalents balance of Kshs.10,655,723 as at 30 June, 2019. However, the development funds of Kshs.3,566,000 received by the Institution on 31 May, 2019 were not included in the statements of cash flows as part of the cash inflows from other sources in the year under review. Further, the transfers from other Government entities/Govt. grants balance of Kshs.9,360,000 and rendering of services – fees from students balance of Kshs.9,091,848 which were reflected in the statement of cash flows were not detailed by way of notes to the financial statements.

In the circumstances, it was not possible to ascertain accuracy of the cash and cash equivalents balance of Kshs.10,655,723 reflected in the statement of cash flows.

7. Irregular Payments of Remuneration of Directors

The statement of financial performance and Note 13 to the financial statement reflects remuneration of directors' balance of Kshs.1,755,300. However, examination of records provided for audit review revealed that there were no documents in support of the appointment of the board members, contrary to Chapter one of the Mwongozo 2015, which provides that each board member shall be formally appointed to the board by name and by notice in the Kenya Gazette and thereafter issued with an appointment letter. Further, the Management did not deduct pay as you earn tax on

the members sitting allowance contrary to Regulation 23(2)(a) of the Public Finance Management Regulations 2015 (National Government), which provides that an Accounting Officer is required to comply with any tax, levy, duty as provided for by legislation

In the circumstances, it was not possible to ascertain propriety of the expenditure of Kshs.1,755,300 incurred on remuneration of directors for the year under review.

8. Unsupported Expenditure on Repair and Maintenance

Included in the repair and maintenance balance of Kshs.1,442,545 in the statement of financial performance and Note 15 to the financial statements is an amount of Kshs.265,593 being payment to a contractor for the construction of a gate. However, the Management did not avail tender documents, contract agreement, bill of quantities, tender advertisement, tender evaluation minutes, certificate of works done, invoice and local service order in support of the expenditure, contrary to Section 9 (1)(e)(i) of the Public Audit Act, 2015, which states that the Auditor General shall have access to all books, records, returns, reports, electronic or otherwise and other documents of entities listed under Article 229 (4) of the Constitution with respect to audit.

In the circumstances, it was not possible to ascertain how the contractor was identified, the contract sum and the detail of works against which the payments were made.

9. Irregular Award of Contract on Proposed Renovations of Five (5) Classrooms.

Included in the property, plant and equipment balance of Kshs.133,575,452 reflected in the statement of financial position and Note 21 to the financial statements are additions in the year totalling to Kshs.7,856,156. Included in this balance are payments totalling to Kshs.4,492,481 that were made to a local contractor who was contracted to renovate five (5) classrooms at a contract sum of Kshs.4,976,260. It was further noted that another local tenderer, had been disqualified on the basis of quoting Kshs.4,608,390 which was said to be 16.3% below engineer`s estimate of Kshs.5,500,000, as per tender evaluation committee minutes signed on 24 April, 2018. As a result, a regret letter was sent to them on 2 May, 2018 indicating that their tender was unsuccessful. This was contrary to Section 70(6)(b) of the Public Procurement and Asset Disposal Act, 2015 which states that a person shall not be disqualified on the basis that a bidder quoted above or below a certain percentage of the engineer`s estimate. In addition, had the first tenderer been awarded the tender, the Institute could have saved Kshs.367,870.

In the circumstances, it was not possible to ascertain whether the Institute got value for money on the project.

10. Unsupported Expenditure on Employee Costs

The statement of financial performance and Note 12 to the financial statement reflects employee costs of Kshs.3,715,132 as salaries and wages. It was however noted that the Institution did not have an approved pay structure for the basic salaries and

allowances. It was therefore not clear the basis the Institution used to pay its staff during the year under review, contrary to Article 230(4)(b) of the Constitution of Kenya, 2010 which states that the powers of the Salaries and Remuneration Commission include advising both the national and county governments on the remuneration and benefits of other public officers who are not state officers.

Consequently, the Management of the Institution breached the law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Musakasa Technical and 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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparison basis of Kshs.31,169,774 and Kshs.25,171,365 respectively resulting to an under-funding of Kshs.5,998,409 or 19% of the budget. Similarly, the Institution expended Kshs.19,768,985 against an approved budget of Kshs.31,169,774 resulting to an under-expenditure of Kshs.11,400,789 or 37% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the students.

In addition, although the budget provided was approved by the board, no evidence was provided to confirm that the College submitted the budget for the year under review to the line Ministry for approval as per the guidelines on preparation of annual budget for a State Corporation.

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. Late Submission of Financial Statements

According to Section 47(1) of the Public Audit Act, 2015 the Constitution of Kenya and the Public Finance Management Act, 2012, the financial statements are required to be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate. However, during the year under review, the financial statements for Musakasa Technical Training Institute were submitted for audit on 17 October, 2019, seventeen days after the statutory deadline of 30 September, 2019. No explanation was given for the late submission of the financial statements outside the statutory timeline.

In the circumstances, the Technical Training Institute Management acted in breach of the law.

2. Lack of a Board Charter

Examination of the Institution records revealed that the board operated without a charter contrary to the Mwongozo Regulations on code of governance for state corporations which requires that the Board of Directors should develop and adopt a Board Charter which defines the roles, responsibilities and functions of the board and that the board should periodically review its Board Charter.

In the absence of the Board Charter, the board may not be able to execute their mandate as required.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance

were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Governors

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

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern 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, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Governors are responsible for overseeing the Institute's 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 and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

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

- Conclude on the appropriateness of the Management's use of the going concern 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 as a going concern. 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 as a going concern.

- 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 control that are identified during the audit.

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 December, 2021

IV. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018/2019	2017/2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government–grants/ gifts in kind	6	15,720,000	0
Total Revenue from non-exchange transactions		**15,720,000**	**0**
Revenue from exchange transactions			
Rendering of services- Fees from students	7	15,382,290	
Sale of goods	8	7,265	
Rental revenue from facilities and equipment	9	385,810	
Other income	10	36,000	
Revenue from exchange transactions		**15,811,365**	**0**
Total revenue		**31,531,365**	**0**
Expenses			
Use of goods and services	11	5,557,400	0
Employees costs	12	3,715,132	0
Remuneration of directors	13	1,755,300	0
Depreciation and amortization expense	14	12,778,603	0
Repairs and maintenance	15	1,442,545	0
Grants and subsidies		-	0
General expenses	16	5,584,269	0
Total expenses		**30,833,249**	**0**
Other gains/(losses)		**-**	
Total other gains/(losses)		**-**	**0**
Net Surplus for the year		**698,116**	**0**

The notes set out on pages 7 to 31 form an integral part of the Annual Financial Statements.

V. STATEMENT OF FINANCIAL POSITIONAS AT 30th JUNE2019

	Notes	2018/2019	2017/2018
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	17	10,655,723	0
Receivables from exchange transactions	18	9,626,618	0
Receivables from non-exchange transactions	19	6,360,000	0
Inventories	20	140,240	0
Total Current Assets		**26,782,581**	**0**
Non-current assets			
Property, plant and equipment	21	133,575,452	0
Long term receivables from exchange transactions			0
Total Non-current Assets		**133,575,452**	**0**
Total assets		**160,358,033**	**0**
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	2,708,362	0
Provisions	23	480,881	0
Payments received in advance	24	604,457	0
Total Current Liabilities		**3,793,700**	**0**
Non-current liabilities			
Non-current provisions			0
Total Non-current liabilities			**0**
Total liabilities		**3,793,700**	**0**
Capital and Reserves			
Reserves		146,354,055	0
Accumulated surplus		698,116	0
Capital Fund		9,512,162	0
Total Capital and Reserves		**156,564,333**	**0**
Total Liabilities and Capital & Reserves		**160,358,033**	**0**

The Financial Statements set out on pages 1to 28 were signed on behalf of the Institute Board of Governors by:

Chairman of Board of Governors	**Finance Officer**	**Principal**
	ICPAK No 25961	
Date 14/06/2021	Date 14/06/2021	Date 14/06/2021

PRINCIPAL
MUSAKASA TECHNICAL TRAINING INSTITUTE
P.O. Box 1249-50200, BUNGOMA

VI. STATEMENT OF CHANGES IN NET ASSETFOR THE YEAR ENDED 30 JUNE 2019

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/ Development Grants/Fund	Total
Balance b/f at July 1, 2017					**0**
Revaluation gain					**0**
Fair value adjustment on quoted investments					**0**
Total comprehensive income					**0**
Capital/Development grants received during the year					**0**
Transfer of depreciation/amortization from capital fund to retained earnings					**0**
Balance c/d as at June 30, 2018	**0**	**0**		**0**	**0**
Balance b/f as at July 1, 2018	146,354,055	**0**	**0**	**0**	**146,354,055**
Revaluation gain	0				
Fair value adjustment on quoted investments					**0**
Total comprehensive income			698,116		**698,116**
Capital/Development grants received during the year				9,512,162	**9,512,162**
Transfer of depreciation/amortization from capital fund to retained earnings					**0**
Balance c/d as at June 30, 2019	**146,354,055**	**0**	**698,116**	**9,512,162**	**156,564,333**

Note:

1. *For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.*

2. *Prior year adjustments should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done*

VII. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019

		2018/2019	2017/2018
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants		9,360,000	0
Public contributions and donations			0
Rendering of services- Fees from students		9,091,848	0
Sale of goods	8	7,265	0
Rental revenue from facilities and equipment	9	385,810	0
Other income	10	36,000	0
Grants and subsidies Received		0	0
Other income, rentals and agency fees		0	0
Total Receipts		**18,880,923**	**0**
Payments			
Compensation of employees	12	3,715,132	0
Use of goods and services	11	5,557,400	0
Finance cost		0	0
General Expense	16	5,584,269	0
Directors Remuneration	13	1,755,300	0
Repair &Maintenance	15	1,442,545	0
Total Payments		**18,054,646**	**0**
Net cash flows from operating activities		**826,277**	**0**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	21	-7,856,156	0
Proceeds from sale of property plant and Equipment			
Net cash flows used in investing activities		**-7,856,156**	**0**
Cash flows from financing activities			
Proceeds from borrowings			
Net cash flows used in financing activities		**0**	**0**
Net increase/(decrease)in cash and cash equivalents		**-7,029,879**	**0**
Cash and cash equivalents at1 July 2018		17,685,602	0
Cash and cash equivalents at 30 June 2019	17	**10,655,723**	**0**

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

VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTSFOR THE YEAR ENDED 30 JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Note
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Recurrent Grants	**0**	3,000,000	3,000,000	3,000,000	0.00%	
Tuition	12,840,000	-200,000	12,640,000	11,401,400	9.80%	
Personal emolument	5,682,000		5,682,000	2,493,000	-56.12%	1
Local travel and transport	3,380,000	-2,200,000	1,180,000	1,108,000	6.10%	
RMI	2,661,774	-1,150,000	1,511,774	1,442,545	4.58%	
Electricity, water and conservancy	1,520,000		1,520,000	1,329,600	-12.53%	2
Activity	1,466,000		1,466,000	1,144,864	-21.91%	3
Attachment	1,200,000	600,000	1,800,000	1,662,000	7.67%	
Boarding	1,620,000	-480,000	1,140,000	385,810	-66.16%	4
Other income	800,000	430,000	1,230,000	1,204,146	2.10%	
Total income	**31,169,774**	**0**	**31,169,774**	**25,171,365**		
Expenses						
Tuition	12,840,000	-3,000,000	9,840,000	4,716,589	52.07%	5
Personal emolument	5,682,000	0	5,682,000	3,715,132	34.62%	6
Local travel and transport	3,380,000	4,000,000	7,380,000	6,690,088	-9.35%	
RMI	2,661,774	-150,000	2,511,774	1,442,545	42.57%	7
EWC	1,520,000	-600,000	920,000	840,811	8.61%	
Activity	1,466,000	-250,000	1,216,000	1,144,864	5.85%	
Attachment	1,200,000		1,200,000	58,865	95.09%	8
Boarding	1,620,000		1,620,000	385,810	76.18%	9
General Expense		800,000	800,000	774,281	3.21%	
Total expenditure	**30,369,774**	**0**	**31,169,774**	**19,768,985**		
Surplus for the period	**800,000**	**0**	**800,000**	**5,402,380**		

BUDGET NOTES ON VARIANCE EXPLANATION

1. Personal Emoluments Income
   There was a negative variance of 56% which is attributed to low realization of expected income due to the government incentive to pay Ksh 30,000 to all TVET students. Delays in the government disbursing the funds impacts negatively to various vote heads.
2. Electricity water & conservancy Income
   There was a negative variance of 12.5% which is attributed to low realization of expected income due to the government incentive to pay Ksh 30,000 to all TVET students. Delays in the government disbursing the funds impacts negatively to various vote heads.

3. Activity fee Income
   There was a negative variance of 21.9% which is attributed to low realization of expected income due to the government incentive to pay Ksh 30,000 to all TVET students. Delays in the government disbursing the funds impacts negatively to various vote heads.
4. Boarding fees
   There was a negative variance of 66.9% which is attributed to low realization of expected income due to the government incentive to pay Ksh 30,000 to all TVET students. Delays in the government disbursing the funds impacts negatively to various vote heads.
5. Tuition expenses
   The institute was not able to recruit the required staff within the financial year due to students' unrest which resulted to termination of students.
6. Personal Emoluments Expenses
7. The institute was not able to recruit the required staff within the financial year due to students' unrest which resulted to termination of students.

8. Repair, Maintenance& Improvement Expenses
9. The institute was not able to recruit the required staff within the financial year due to students' unrest which resulted to termination of students.

10. Attachment Expenses
11. The institute was not able to recruit the required staff within the financial year due to students' unrest which resulted to termination of students.

12. Boarding Expenses

The institute was not able to recruit the required staff within the financial year due to students' unrest which resulted to termination of students.

IX. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Musakasa Technical Training Institute is established by and derives its authority and accountability from TVET Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is offer Training in Technical skills.

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 judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Notes

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	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. At the time of reporting the IPSAS 40 was not applied by the Institute.

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

Standard	Effective date and 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: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	**Applicable: 1st January 2022** 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.

iii. Early adoption of standards

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

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 2018/2019 was approved by the Board .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 of the FY 2018/2019budgetfollowing 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 actual 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 ***xxx*** of the ***xxx*** Act.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (continued)

Sales tax/ Value Added Tax

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

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

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

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of ***twelve***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. Building 2%, motor vehicle 25%, furniture and fittings 12.5% , computer 33.3%, books 20%, plants and equipment 12.5%.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

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

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

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

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

h) Research and development costs

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

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

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

Loans and borrowing

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

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

i) Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

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

o) Borrowing costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Comparative figures

The comparative figures are not included given that 2018/2019 was the base year.

t) Subsequent events

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

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 28.(5% on debtors)

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. The provisions included in the report relate to student Debtors on unrecoverable debts thus provision of bad and doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2018-2019	2017-2018
	KShs	KShs
Unconditional grants		
Operational grant	**15,720,000**	
Other grants		
Conditional grants		
Total Government grants and subsidies	**15,720,000**	**-**

6b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2017-2018
			KShs	KShs	KShs
Ministry of Education					
Capitation grant (received)	**6,360,000**			**6,360,000**	
Capitation grant (receivables)	**6,360,000**			**6,360,000**	
Operation grant	**3,000,000**			**3,000,000**	
Total	**15,720,000**	**0**	**0**	**15,720,000**	**0**

7 RENDERING OF SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Tuition fees	5,041,400	
Activity fees	1,229,880	
Examination fees	585,610	
Personal Emoluments	2,493,000	
Electricity, Water & Conservancy	1,329,600	
LT& T	1,772,800	
RMI	1,108,000	
Registration fees	160,000	
Attachment fees	1,662,000	
Total Rendering of Services	**15,382,290**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 SALE OF GOODS AND SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Sale of books	-	
Sale of publications	-	
Sale of farm produce	7,265	
Total Sale of goods	**7,265**	**-**

9 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2018-2019	2017-2018
	KShs	KShs
Straight-lined operating lease receipts	0	
Boarding Fees	385,810	
Total rentals	**385,810**	**-**

10 OTHER INCOME

Description	2018-2019	2017-2018
	KShs	KShs
Insurance recoveries		
Income from sale of tender	36,000	
Services concession income		
Skills development levy		
Total other income	**36,000**	**-**

11 USE OF GOODS AND SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
EWC	840,811	
Tuition	4,716,589	
Security		
Activity		
Subscriptions		
Total good and services	**5,557,400**	**-**

12 EMPLOYEE COSTS

Description	2018-2019	2017-2018
	KShs	KShs
Basic salaries	2,771,500	
Employer NSSF	220,526	
House Allowance	282,636	
Commuter Allowance	110,000	
Medical Allowance	74,000	
Leave Allowances	13,500	
Wages for Casuals	69,250	
Arrears	173,720	
Total Employees Costs	**3,715,132**	**-**

13 REMUNERATION OF DIRECTORS

Description	2018-2019	2017-2018
	KShs	KShs
Chairman's Honoraria	433,000	
Directors emoluments	1,322,300	
Total director emoluments	**1,755,300**	**-**

14 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	12,778,603	
Intangible assets		
Total depreciation and amortization	**12,778,603**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018
	KShs	KShs
RMI	1,442,545	
Investment property–earning rentals		
Equipment and machinery		
Vehicles		
Furniture and fittings		
Total Repairs and Maintenance	**1,442,545**	**-**

16 GENERAL EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
Bank Charges	47,871	
LT&T	3,178,688	
Attachment	58,865	
Activity	1,144,864	
Catering	10,310	
Farm	240,277	
Taxation	60,044	
Registration	14,900	
Examination	819,300	
Student HELB Refunds	9,150	
Total general expenses	**5,584,269**	**-**

17 CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018
	KShs	KShs
Current account	9,847,676	
Cash in hand	401,172	
M-pesa	406,875	
Others(specify)		
Total cash and cash equivalents	**10,655,723**	**-**

DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

		2018-2019	2017-2018
Financial institution	**Account number**	**KShs**	**KShs**
a) **Current account**			
Kenya Commercial bank	**1166608387**	63,543	**0**
Kenya Commercial bank	**1166608077**	9,511,802	**0**
Kenya Commercial bank	1166608247	272,023	**0**
Co-operative bank of Kenya	01134291182100	308	**0**
Sub- total		**9,847,676**	**0**
b) On - call deposits			
Kenya Commercial bank		0	0
Sub- total		**0**	**0**
c) Others(specify)			
cash in hand		401,172	0
M-pesa	927957	406,875	0
Sub- total		**808,047**	**-**
Grand total		**10,655,723**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Student debtors	9,617,618	
Other exchange debtors		
Less: impairment allowance		
Total current receivables	**9,617,618**	**-**
Non-current receivables		
Refundable deposits		
Advances to staff	9,000	
Public organizations		
Less: impairment allowance		
Total non-current receivables	**9,000**	**-**
Total receivables	**9,626,618**	**-**

19 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Transfers from other govt. entities	6,360,000	
Undisbursed donor funds		
Other debtors (non-exchange transactions)		
Less: impairment allowance		
Total current receivables	**6,360,000**	**-**

20 INVENTORIES

Description	2018-2019	2017-2018
	KShs	KShs
Consumable stores	117,415	
Maintenance stores		
Catering stores	22,825	
Total Inventories	**140,240**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	library books	Plant and equipment	Capital Work in progress	Total
Cost		**Shs**	**Shs**	**Shs**	**Shs**	**Shs**	**Shs**	**Shs**	**Shs**
At 1July 2018	**8,700,000**	**38,483,741**	**130,000**	**4,400,000**	**1,434,115**	**461,408**	**84,888,635**	**0**	**138,497,899**
Additions		**4,976,259**		**415,000**	**115,885**	**69,012**	**330,000**	**1,950,000**	**7,856,156**
Disposals									**0**
Transfers/adjustments									**0**
At 30th June 2019	**8,700,000**	**43,460,000**	**130,000**	**4,815,000**	**1,550,000**	**530,420**	**85,218,635**	**1,950,000**	**146,354,055**
Depreciation and impairment									**0**
At 1July 2018									**0**
Depreciation	0	869,200	32,500	601,875	516,615	106,084	10,652,329	0	**12,778,603**
Impairment								0	**0**
At 30 June 2019	**0**	**869,200**	**32,500**	**601,875**	**516,615**	**106,084**	**10,652,329**	**0**	**12,778,603**
Depreciation	0	0	0	0	0	0	0	0	**0**
Disposals	0	0	0	0	0	0	0	0	**0**
Impairment	0	0	0	0	0	0	0	0	**0**
Transfer/adjustment	0	0	0	0	0	0	0	0	**0**
At 30th June 2018	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book values									**0**
At 30th June 2019	**8,700,000**	**42,590,800**	**97,500**	**4,213,125**	**1,033,385**	**424,336**	**74,566,306**	**1,950,000**	**133,575,452**
At 30th June 2018	**8,700,000**	**43,460,000**	**130,000**	**4,815,000**	**1,550,000**	**530,420**	**85,218,635**	**1,950,000**	**146,354,055**

Depreciation rates
Note: Our rates are on straight line except for land
Building – 2%, Motor Vehicle – 25%, Furniture & Fittings – 12.5%, Computer – 33.3%, Library Books – 20%, Plant &Equipment – 12.5%

22. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Trade payables	2,277,767	
Third party payments(Contractors Retention)	430,595	
Other payables		
Total trade and other payables	**2,708,362**	**-**

23. CURRENT PROVISIONS

Description	Leave provision	Bonus provision	Other provision	Total
Balance at the beginning of the year				0
Student Debtors provision			480,881	480,881
Less Provision utilized				0
Less Change due to discount and time value for money				0
Transfers from non -current provisions				0
Total provisions	**-**	**-**	**480,881**	**480,881**

24. PAYMENT RECEIVED IN ADVANCE

Description	2018-2019	2017-2018
	KShs	KShs
Student Fees	604,457	
Others		
Total payments received in advance	**604,457**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. CASH GENERATED FROM OPERATIONS

	2018-2019	2017-2018
Surplus for the year before tax	**KShs**	**KShs**
Adjusted for:		
Depreciation	12,778,603	0
Non-cash grants received	0	0
Contributed assets	0	0
Impairment	0	0
Gains and losses on disposal of assets	0	0
Contribution to provisions	480,881	0
Contribution to impairment allowance	0	0
Working Capital adjustments		
Increase in inventory	- 140,240	0
Increase in receivables	- 9,617,618	0
Increase in deferred income	0	0
Increase in payables	2,708,362	0
Increase in payments received in advance	286,318	0
Net cash flow from operating activities	**- 667,894**	**-**

26. 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 Institute'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 Institute does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The entity's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Institute'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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	9,617,618	9,617,618	0	0
Receivables from non-exchange transactions	6,360,000	6,360,000	0	0
Bank balances	10,306,045	10,306,045	0	0
Total	**26,283,663**	**26,283,663**	**-**	**-**

27. 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 Institute has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the Institute'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 Institute 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Trade payables	0	2,708,362	0	2,708,362
Current portion of borrowings	0	0	0	-
Provisions	0	0	480,881	480,881
Deferred income	0	0	0	-
Employee benefit obligation	0	0	0	-
Total	**-**	**2,708,362**	**480,881**	**3,189,243**

28. 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 Institute'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)

iii) Capital Risk Management

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

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	146,354,055	0
Retained earnings	698,116	0
Capital reserve	9,512,162	0
Total funds	**156,564,333**	**0**
Total borrowings	0	0
Less: cash and bank balances	10,655,723	0
Net debt/(excess cash and cash equivalents)	10,655,723	0
Gearing		

29. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. CAPITAL COMMITMENTS

Capital commitments	**2018-2019**	**2017-2018**
	Kshs	**Kshs**
Authorised for	60,604,600	0
Authorised and contracted for	4,976,259	27,094,085
Total	**65,580,859**	**27,094,085**

31. EVENTS AFTER THE REPORTING PERIOD

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

32. 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.

33. 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. Tuition Block Phase I		GOK		27,094,085	NO	YES
2. Renovation of classrooms		GOK		4,976,259	NO	YES
3. Tuition Block Phase II		GOK		60,604,600	NO	NO

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Tuition Block Phase I	27,094,085	27,094,085	100%	27,094,085	27,094,085	GOK
2	Renovation of classrooms	4,976,259	4,976,259	100%	4,976,259	4,976,259	GOK
3	Tuition Block Phase II	60,604,600	0	0%	60,604,600	0	GOK

APPENDIX II: INTER-ENTITY TRANSFERS

	ENTITY NAME:	MUSAKASA TECHNICAL TRAINING INSTITUTE		
	Break down of Transfers from the State Department of			
	FY 2018/2019			
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		8/10/2018	3,000,000	2018/2019
		18/2/2019	6,360,000	2018/2019
		Total	**9,360,000**	
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		8/10/2018	1,783,075	2018/2019
		11/3/2019	1,783,075	2018/2019
		Total	**3,566,150**	

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

Finance Manager
MUSAKASA TTI

Sign ----------

Head of Accounting Unit

Sign----------