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LIBRARY



Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

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THE AUDITOR-GENERAL

ON

**NATIONAL INDUSTRIAL TRAINING
AUTHORITY (NITA)**

**FOR THE YEAR ENDED
30 JUNE, 2020**





NATIONAL INDUSTRIAL TRAINING AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2020

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

National Industrial Training Authority
Annual Reports and Financial Statements
For the year ended June 30, 2020

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The National Industrial Training Authority (NITA) is a State Corporation established under the Industrial Training Act of 2011 under the Ministry of Labour and Social Protection. The mandate of the Authority is to promote the highest standards in the quality and efficiency of industrial training in Kenya and ensure adequate supply of properly trained manpower at all levels in industry.

The Authority is governed by a Board of Directors under whom the Director General serves. The Director General is responsible for the day-to-day management of the Authority and strategic direction.

(b) Principal Activities

NITA's principal mandate, vision and mission are as follows:

Vision

A globally competitive and adequate workforce for industrial development

Mission

To regulate and facilitate quality industrial training for enhanced productivity

Core Values

Customer Focus; Integrity; Transparency and Accountability; Creativity and Innovation Lifelong Learning; Stakeholder Engagement and Equity and Access

Strategic Objectives

Facilitate provision of adequate, relevant and portable skills for productivity enhancement and competitiveness; Mainstream the informal sector with relevant curriculum in industrial training; Mainstream quality assurance among key stakeholders; Enhance and expand service delivery in industrial training at National and County Government levels; Ensure skilled and productive Workforce; Enhance industry-institutional linkages and expand capacity of industrial training institutions; Establish and implement sustainable funding model for industrial training

Mandate

Industrial training; assessing and collecting industrial training levy and fees; regulating trainers registered under the Act; developing industrial training curricula; integrating labour market information into skills development; harmonizing curricula and certificates of competence; Assessing industrial training, testing occupational skills and awarding certificates including Government trade test certificates; equating certificates; accrediting institutions engaged in skills training for industry

NITA has five industrial training centres:

1. NITA, Nairobi
2. NITA, Mombasa
3. NITA, Athi River
4. NITA, Nairobi Textile Training Institute
5. NITA, Kisumu

(c) Key Management

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

- NITA Board of Directors
- Director General
- Management

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(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.	Ag. Director General	Stephen Ogenga
2.	Ag. Director, Industrial training	William Mwanza
3.	Ag. Director Human Resource and Administration	Solomon Lemunen
4.	Centre Manager NITA Nairobi	Patrick Masinde
5.	Centre Manager Nairobi Textile Training Institute	Festus Musyoki
6.	Centre Manager NITA Athi River	Jane Kamau
7.	Centre Manager NITA Mombasa	Liban Roba Duba
8.	Centre Manager NITA Kisumu	Mary Wamoko

(e) Fiduciary Oversight Arrangements

National Industrial Training Board comprises of four committees that provide oversight. These are the:

1. Industrial Training and Strategy Committee previously the Industrial Training Committee (ITC);
2. Finance and Levy Administration Committee (FLAC);
3. Human Resource, Governance and Administration Committee (HRGA), previously the Human Resources and Administration Committee (HRAC);
4. Audit and Risk Management Committee (ARMC) formerly Audit and Compliance Committee (AACC)

The ITSC provides oversight on operations within NITA as well as strategy. It thus covers areas such as industrial training, trade testing, curriculum development and management of the Industrial Training Centres.

The FLAC provides oversight on all matters to do with Finance and Levy. It handles budgets and Financial Statements, quarterly management accounts, changes in rates for any income generating activities and any significant (un-budgeted) expenditure. At the same time the committee provides oversight on the operations of the levy section including collections strategies and operational reports on performance.

The HRGAC provides oversight on HR, Governance and Administration of NITA. Its responsibilities include supporting an adequate, competent and well-motivated workforce. The committee is also charged with ensuring that other NITA resources (e.g. Offices and pool motor vehicles) are utilized in an optimal manner. It also ensures that tenets of good corporate governance are maintained.

The ARMC provides oversight on risk management, internal controls, external audit, compliance and overall organizational reporting as stipulated in the Audit and Compliance Committee Charter.

NITA is also guided and complies with circulars giving guidance from the National Treasury as well as any other direction given by the Parent Ministry.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Headquarters

P.O. Box 74494-00200-
NAIROBI Commercial Street-
Industrial Area opposite
KEMSA
Nairobi, KENYA

(g) Contacts

Telephone :(254) 720-917897/
(254)-736-290676
E-mail: directorgeneral@nita.go.ke
Website: www.nita.go.ke

(h) Bankers

1. Kenya Commercial Bank Ltd.
Industrial Area Branch
P. O. Box 18031-00500
Nairobi, Kenya
2. National Bank of Kenya Ltd.
Harambee Avenue Branch
P.O. Box 41862
City Square 00200
Nairobi, Kenya
3. Standard Chartered Bank of Kenya Ltd.
Industrial Area Branch
P. O. Box 18081-00500
Nairobi, Kenya

(i) Independent Auditors




Auditor General
Office of the 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, Kenya

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THE BOARD OF DIRECTORS

NAME	QUALIFICATION AND WORK EXPERIENCE
 <p>Dr. Kamau Gachigi PhD. in Solid State Science, IMRL, The Pennsylvania State University (USA) M.S. in Solid State Science, IMRL, The Pennsylvania State University (USA) B.Sc. (Hons) in Materials Science, University of Bath (UK)</p>	<p>Chairman National Industrial Training Board</p> <p>Aug 2014 to date - Founding Executive Director, Gearbox April 2015 to date - Board, State Corporation Board Member, Numerical Machining Complex</p>
 <p>Ernest Nadome MA in Labour Management Relations</p>	<p>Member National Industrial Training Board representing COTU</p> <p>Chairman, Finance & Levy Committee</p> <p>2013 to date –1st Assistant Secretary General COTU-K 2003 to date –General Secretary Kenya Electrical Trade & Allied Workers Union 1991-2003–Electrician KENGEN</p>
 <p>Jacqueline Mugo, MBS, EBS Bachelor of laws (LLB, HONS) Higher Diploma in Human Resource Management</p>	<p>Member National Industrial Training Board representing FKE</p> <p>Chairperson Human Resource, Governance & Administration Committee</p> <p>2005 to date - Executive Director FKE; 2003-2004 - Head of HR Kenya Airways 1996-2002 - Employee Relations Manager/Regional Operations Manager Unilever 1982 -1996 - Magistrate, Judicial Department</p>



THE BOARD OF DIRECTORS (Continued)

 <p>Hirji Shah, OGW</p>	<p>Member National Industrial Training Board representing FKE</p> <p>Chairman ADHOC Committee of KYEOP</p> <p>Been in business for over 60 years,50 in leadership positions; Been MD/Chairman in Kenya & several regional companies; Been Chairman FKE, East African Business Council and others; Been in Wages Advisory Board, Labour Board, NACC, NSSF and Productivity Centre of Kenya</p>
 <p>Benson Okwaro</p>	<p>Member National Industrial Training Board representing COTU (K)</p> <p>Chairman Industrial Training Sector Committee Communication Workers Union General Secretary Central Organization of Trade Unions – Deputy Secretary General affiliated to UN Africa – Committee Member / ICT President</p>
 <p>James Onyango MSC. I.S</p>	<p>Member National Industrial Training Board Representing the Principal Secretary, Ministry of Education, Science and Technology [MoEST]</p>
 <p>Joyce Mwale MBA</p>	<p>Member National Industrial Training Board Representing Principal Secretary Ministry of East African Community, Labour& Social Protection (State Department for Labour)</p>

THE BOARD OF DIRECTORS (Continued)





 <p>Rajabu Mwondi. MBS</p>	<p>Member National Industrial Training Board Representing COTU (K)</p> <p>2003 to date- Chairman General COTU(K) 1986-2003- 2nd Vice Chairman COTU (K) 1983-1986 - General Secretary Kenya Union of Printing, Publishing, Paper Manufacturers and Allied Workers Union 1981-1982 - Production Manager Stellasce Printing Works Ltd; 1979-1981- Assistant Works Manager Nation Newspapers; 1961-1978- Machine Operator/Supervisor Nation Newspapers</p>
 <p>Mr. Wilson Ngahu MBA in Strategic Management</p>	<p>Member – National Industrial Training Board Representing Special Interests</p> <p>MBA - Master of Business Administration in Strategic Management (University of Nairobi) December 2012. Bachelor of Arts (Economics) University of Nairobi) December 2002. Certified Public Accountant (CPA) (K) KASNEB 2002-2007 Board member, National Industrial Training Authority, State Corporation from May 2019 to present</p>
 <p>Eng. Aram Mbui BSC (Hons) in Mechanical Engineering, MBA</p>	<p>Member National Industrial Training Board representing FKE</p> <p>Chairman Audit and Risk Management Committee NITB</p> <p>1987 to date – Managing Director Rift Valley Machinery Services; 1978-1987 – Senior Management Unilever Group</p>

THE BOARD OF DIRECTORS (Continued)





 <p>Alvin Mwangi Njuguna Msc HRM</p>	<p>Member National Industrial Training Board Representing the Principal Secretary National Treasury from January 2020 to-date.</p> <p>Deputy Director Pensions</p>
 <p>Stephen O. Ogenga M. Eng. Sc. (Computer Engineering) B. Eng. Tech. (Electrical/Electronic) Member IEEE Member (Inst. of Eng. Australia)</p>	<p>Ag. Director General <i>Work Experience:</i> 2014 to date –Director Industrial Training, NITA; 2013-2014–Deputy Director KICD; 2008-2012- Senior Assistant Director KIE; 2007-2008- Lecturer Maseno University and MMUST; 1999-2006- Tutorial Fellow and Senior Instructor University of Botswana</p>

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MANAGEMENT TEAM

 <p>Stephen O. Ogenga M. Eng. Sc. (Computer Engineering) B. Eng. Tech. (Electrical/Electronic) Member IEEE Member (Inst. of Eng. Australia)</p>	<p>Ag. Director General</p>
 <p>William O. Mwanza B. Phil. Mech Eng. Technical University of Kenya</p>	<p>Ag. Director Industrial Training</p>
 <p>Lemunen Solomon Lucas PhD (HRM) JKUAT Ongoing, MBA (HRM) KU BBA (HRM) KEMU</p>	<p>Ag. Director Human Resource and Administration</p>
 <p>Irene Moraa Ogamba Master of law, Bachelor of laws (LLB), Certified Public Secretary, Diploma in law from the Kenya School of Law</p>	<p>Manager, Legal Affairs</p>




MANAGEMENT TEAM (Continued)

 <p>Galm Guyo MBA strategic Management, Degree in Cooperative Management, Diploma in Cooperative Management, Diploma in Banking.</p>	<p>Manager, Levy Administration</p>
 <p>Julius M. Ndenge MBA from Kenyatta University BCOM Finance, CPA (K)</p>	<p>Ag. Manager Finance</p>
 <p>Teresa Lagat MBA from University of Nairobi CFE, CPA (K)</p>	<p>Manager Internal Audit</p>
 <p>Eliva Osodo MBA in Procurement and Supply Chain Management from University of Nairobi, BBA(Enterpreneurship)KEMU Diploma in Procurement and Supply Chain Management TUK Member of KISM.</p>	<p>Manager, Supply Chain Management</p>

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 <p>Festus Kitui MSc.in Management Information system from the Institute of Technology Australia (IOTA) and BSc. in Mathematics, Physics & Computing from Maseno University.</p>	<p>Manager, Information Communication Technology</p>
 <p>Eng. Festus Musyoki MBA (Project Management) Kenyatta University B. Tech (Textile. Eng) Moi University EBK Member</p>	<p>Centre Manager - NITA Textile Training Institute (NTTI)</p>
 <p>Patrick Masinde Bachelor of Industrial Technology (Hons) - Egerton University/HND Mechanical Engineering - Kenya Polytechnic.</p>	<p>Centre Manager- NITA Nairobi</p>

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 <p>Mary Wamoko Bachelor of Education, Science (Maths, Computer) Mount Kenya University, Higher –Diploma Electrical Engineering, Technical University of Mombasa, Diploma Technical Education, Kenya Technical Trainers College.</p>	<p>Centre Manager NITA Kisumu</p>
 <p>Liban Roba Duba MBA, Bachelor of Arts (BA), Economics, University of Nairobi; Member, Institute of Directors, IOD (K)</p>	<p>Centre Manager NITA Mombasa</p>
 <p>Jane W. Kamau BSc. Mechatronic Eng. JKUAT</p>	<p>Centre Manager NITA Athi River</p>

CHAIRMAN'S STATEMENT

It is with great pleasure that I present the Authority's Financial Report for the year ended 30th June 2020 on behalf of Board members, management and staff of National Industrial Training Authority. The National Industrial Training Authority (NITA) is charged with the management and coordination of industrial training in the country. Industrial training plays a crucial role in the modern world by supplying the skills required by the industry for development. This role is even more important for a country like Kenya which aims to become a globally competitive and prosperous nation by the year 2030.

National Industrial Training Authority (NITA) as a regulator of industrial training in the country has continued to ensure that the industry is supplied with adequate and skilled labour force capable of meeting the industry demand. The Authority as part of its strategic objective as contained in its strategic plan 2018/2022 has embarked on ensuring that the critical components of skills in the country meet the needs of industry through a collaborative effort of the interested parties and relevant training. The Authority takes cognizance of the fast changing need of skills in the industry and therefore strengthening linkages between training institutions and industry to ensure skills developed remain responsive to changes in the industry. Further, the Authority has witnessed key Partnerships with various County Governments to equip the youth with relevant industry skills.

During the year under review, the Authority developed transformational guideline that seeks to ensure that its functions are more effective to meet and surpass the expectations of industry through the developed industrial training schemes in; industrial training skills development; research and curriculum development, industrial training skills development, research and curriculum development and industry based training, so as to align skills development to the requirements of the industry and Kenya National Qualifications Framework (KNQF). This will see the Authority achieve increased efficiency in service provision a milestone that seeks to place Kenya on a competitive edge with the rest of the world. Kenya's global competitiveness depends on the ability to create a human resource base that is constantly subjected to skills upgrading.

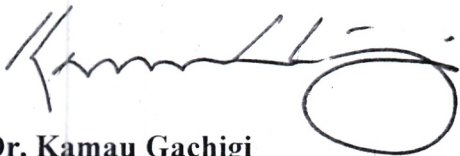
The government of Kenya received a grant from the republic of South Korea under the project "Capacity Development of National Industrial Training Authority – Mombasa" the project included refurbishment of training facilities at NITA Mombasa, supply of modern training equipment and training of NITA management and trainers. The Project was officially commissioned by the Cabinet Secretary, Ministry of Labour during the period under review, and completed its final stage of in-land training of 26 Industrial Training Officers (ITOs) by experts from Korea at NITA Mombasa on the use of the new equipment supplied and installed.

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Covid -19 has impacted negatively on jobs and livelihood, to salvage the situation, NITA has put in place various strategies; the Authority will enhance worker productivity by facilitating the up skilling and reskilling of workers in the industry. These will involve tailor made programmes aimed at meeting anticipated gaps in workers so as to improve productivity and enhance competitiveness.

Finally, I would like to express my gratitude to the Board, Management and staff for your dedication and resilience to deliver. On behalf of the Board, I wish to thank the Government, our partners and all the stakeholders for their continued support and contribution to the Authority.

Thank you



Dr. Kamau Gachigi
NITB Chairman

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REPORT OF THE DIRECTOR GENERAL

I am pleased to present the Annual Report and Financial Statement for the Financial Year ended 30th June 2020. The Financial Year 2019/20 was a challenging year in many ways especially in light of the world-wide coronavirus pandemic also known as COVID-19.

COVID 19 has caused untold damage and chaos to the health systems of all countries in the world, Kenya included. To contain the spread of the pandemic, the government has put in place a number of measures which though have significantly contained the spread of the pandemic, have also led to unintended outcome of job loss in the country.

The Pandemic has negatively impacted several deliverables of the Authority which would have contributed to the implementation of MTP III Programmes and BIG Four Agenda, which have since been largely affected. This affected the core business (i.e. Industrial Training and Levy collection) of the industrial training system.

Through this pandemic, however, opportunities have presented themselves which will require the examination of a range of issues such as how technically prepared we are as an Authority to support new ways of working in the face of disruptors like a pandemic, and how quickly we can co-ordinate digital education and training programmes, while mobilizing teachers and trainers to maintain services to learners. The Authority has also begun exploring innovative learning methodologies for apprentices and workers who primarily acquire or upgrade skills at the workplace pre and post-COVID-19.

Worth noting is the Authority's contribution to the Government's efforts to curb the COVID-19 pandemic through the production of face masks as well as the fabrication of contactless hand wash basins. Towards this end, the Authority has also collaborated with various counties such as Homabay, Elgeyo Marakwet, Kitui and Teso where some of the beneficiaries who underwent training through the Centre have taken it upon themselves to engage in the production of masks in their respective counties. Partnerships continue to play a major part in the Authority's operations which has continued to witness an increase especially with various County Governments to sponsor youth to pursue various industrial training courses at various levels.

For the Authority to meet its set objectives in the midst of the pandemic, the Authority will continue to place investment in the execution of its Strategic Plan 2018-2022, as well as the NITA Transformation Document which will champion the development of specific frameworks and standards dynamically undertaken to respond to the demands of both formal and informal sector skills patterns.

I would like to acknowledge the NITA Management and staff for their hard work and commitment in the realization of the many achievements during the past years, despite the many operational challenges, and especially during these unprecedented times that we currently find ourselves in. You have been a diligent and devout team. We owe all that the Authority has achieved during this period to each one of you.

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We are confident that we have put in place a formidable team that will continue the work that was envisioned during the inception of the Authority. As we look into the future I encourage the momentum that we have built together as an Authority to not die, but to rise to greater and more transformational levels.



Stephen O. Ogenga
A.g DIRECTOR GENERAL

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CORPORATE GOVERNANCE STATEMENT

The Board of Directors recognizes the importance of applying the highest standards of corporate governance as a key contributor to its long term success, long term value and prosperity. Balancing the interest of the company's many stakeholders. It provides the frame work for attaining the Authority's objectives.

The Board

The size, composition and appointments of the Members of the Board are prescribed in the Training and Industrial Act. NITA Board comprises of eleven (11) independent non-executives board of directors of sector. Each private member serves for a maximum of two terms of four (4) years each.

NO.	COMMITTEE NAME	NEW MEMBERSHIP
1.	Audit and Risk Management Committee; - ARMC	1. Mr. Aram Mbui - Chair 2. Mr. Hirji Shah, OGW 3. Mr. Alvin Njuguna 4. Ms. Joyce Mwale 5. Mr. Rajabu Mwondi
2.	Finance and Levy Administration Committee; - FLAC ;	1. Eng. Ernest Nadome - Chair 2. Mr. Alvin Njjuguna 3. Mrs. Jacqueline Mugo, EBS 4. Mr. Benson Okwaro 5. Mr. Wilson Ngahu
3.	Human Resource, Governance and Administration Committee; - HRG&C ;	1. Mrs. Jacqueline Mugo, EBS - Chair 2. Mr. Hirji Shah 3. Mr. Rajabu Mwondi 4. Mr. James Onyango 5. Ms. Joyce Mwale
4.	Industrial Training and Strategy Committee; - IT&SC ;	1. Mr. Benson Okwaro - Chair 2. Eng. Aram Mbui 3. Mr. James Onyango 4. Mr. Wilson Ngahu 5. Mr. Ernest Nadome
	Ad Hoc Steering Committee of The Kenya Youth & Employment And Opportunities Project (KYEOP)	1. Mr. Hirji Shah OGW - Chair 2. Dr. Kamau Gachigi 3. Mrs. Jacqueline Mugo, EBS 4. Mr. Benson Okwaro 5. Eng. Aram Mbui 6. Ms. Joyce Mwale 7. Mr. Ernest Nadome

The Board is charged with the following responsibilities:

- a) Defining the purpose of the National Industrial Training Authority, that is, its strategic intent and objectives, and its values which should be clear, concise and achievable;
- b) Strategy formulation and ensuring there are appropriate policies, systems and structures to effectively and successfully implement the strategies;
- c) Provide leadership within a framework of prudent and effective structures which enable risks to be assessed;
- d) Identify the opportunities as well as the principle risks in its operating environment including the preparation of the risk policy plans/risk management policies and implementation of appropriate measures to manage such risks or anticipated impact on the corporate business;
- e) Review on a regular basis the adequacy and integrity of the internal controls, acquisition and divestures, management information systems including compliance with applicable laws and regulations;
- f) In stewardship and in discharging its obligations, the Board assumes responsibility in the following areas:
 - (i) Retaining full and effective control over NITA, and monitoring management in implementing Board plans and strategies;
 - (ii) Ensuring ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, and NITA's own governing documents and Code of Ethics;
 - (iii) Defining levels of materiality, reserving specific powers to the Board and delegating other matters with the necessary written authority to management and instituting effective mechanisms that ensure Board responsibility for management performance of its functions; among other mandates and responsibilities as stipulated in the Industrial act.

BOARD COMMITTEES

- The board has established the following committees;
- Industrial Training & Strategy committee
- Human Resource, Governance & Administration committee
- Finance & Levy Administration committee
- Audit & Risk Management committee

FINANCE & LEVY ADMINISTRATION COMMITTEE.

- Terms of reference for the committee include;
- Approve and maintain budgetary systems of Authority.
- Oversee financial reporting process & internal controls

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- Monitor the financial reporting process to ensure compliance.
- Review, approve or recommend to the Board on matters pertaining to investments.

HUMAN RESOURCE, GOVERNANCE & ADMINISTRATION COMMITTEE.

- The term of reference for the committee include;
- To approve recommendations on terms and condition of employment in the Authority, recruitment functions and staff appraisals.
- To ensure effective management, succession planning and management development plans are in place.
- Approve programs & policies involving the overall compensation of employees & Authority's collective bargaining agreement.
- Regularly assess staff benefit plans including new trends
- Review & monitor corporate performance against approved targets.

INDUSTRIAL TRAINING & STRATEGY COMMITTEE

- The terms of reference for the committee include;
- To develop strategies for industrial training
- Ensure that implementation of Industrial Training is effective & efficient
- Advice on terms & conditions of industrial training providers.
- Develop regulations to facilitate effective industrial training
- Monitor Industrial training & advice on Industrial training.

AUDIT & RISK MANAGEMENT COMMITTEE.

- The terms of reference for the committee include;
- Establish a NITA'S risk management policy.
- Create an understanding and ensure risk management practices at NITA.
- Review the scope & planning of the external audit.
- Review the annual financial statements of the Authority

MANAGEMENT DISCUSSION AND ANALYSIS

The National Industrial Training Authority management team oversees development and implementation of annual budget approved by the National Industrial Training Board (NITB). NITA management therefore monitors the use of funds in line with the approved budget and Corporate Work Plan during the financial year. The Authority makes quarterly reports on budget utilization which are submitted to the Board of Directors, Parent Ministry and to The National Treasury. The reports indicate the achievements by the Authority, the challenges experienced during the implementation period and makes recommendations for overcoming the challenges.

The management also gives advice to the Board of Directors on issues related to its budget implementation such as low absorption of funds and revenue performance. This therefore promotes accountability in the use of financial resources.

Compliance with Statutory Requirements

The process of budget implementation ensures compliance to the Public Financial Management (PFM) Act 2012 and all other statutory requirements. NITA management has continued to improve its financial management system to ensure that financial records of the Authority are accurate and offers a true reflection of the financial position.

During the year under review, the Authority reported a reduction in Industrial Training levy collections by 5.5% compared to the previous year. The decrease is attributed to the negative effects of Covid -19 Pandemic across the globe. The management further recognises that the Training levy collection for the period under review is 25% below the budget. This under achievement of budget can be attributed to challenges faced by the Authority due to many organizations non-compliance to pay the Industrial Training Levy and the effects of Covid-19 that led to closure of all the five Industrial Training Centres.. In order to mitigate on this non- compliance, the Authority in consultation with FKE is holding sensitization forums with employers across the country to educate them about the benefits of being compliance with the Industrial Training Levy payments. The Authority is also contemplating recovering the same through enforcement of the Act and recover with interest and penalties all outstanding levy contributions due to the Authority. The authority has therefore continued to improve its customer relations with employers, which has been achieved through closer liaison with the Authority's stakeholders. From the implementation of 2019/20 FY budget, it was

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clear that about 46% of the total revenue to the Authority was realized from Industrial training levy, Government grants and subsidies 23% while revenue from exchange transactions accounted for 28%. It was also realized that over 37.5% of the total expenditure was on employees' which is also 48.2% of the total revenue collected. General expenses were at 37% while Depreciation and amortization of assets was 9.7% and loss on Revaluation of asset was 9.3% as illustrated below.

Total Revenue Collection

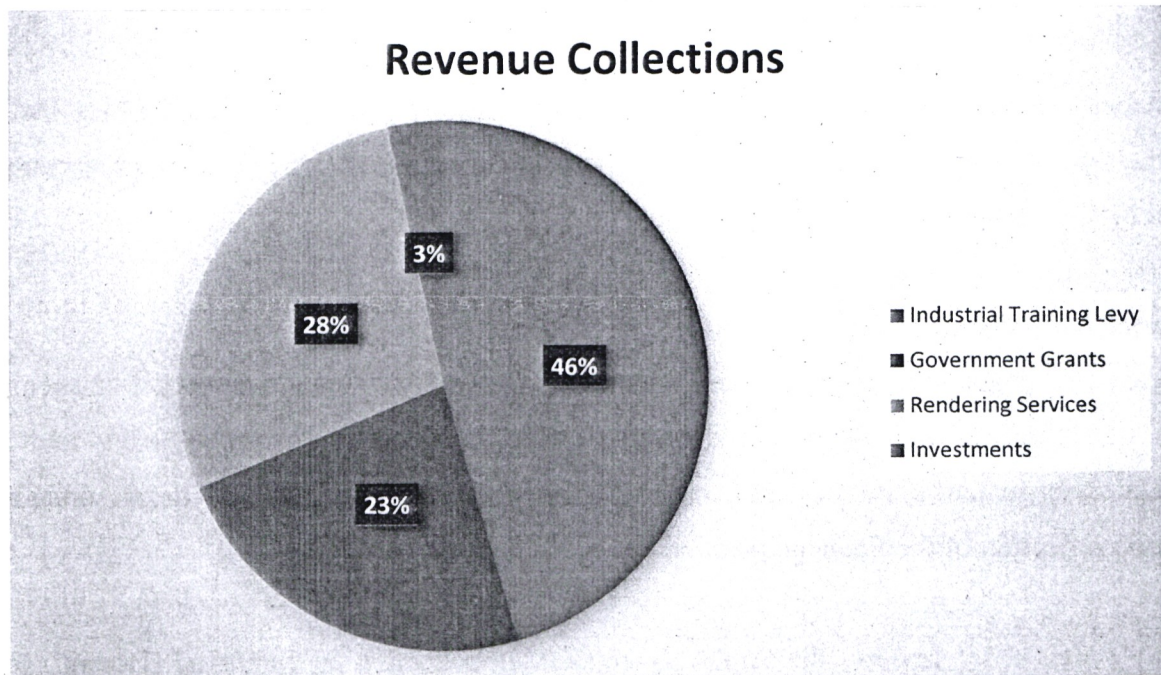


Figure 1.0 Total revenue collected for the year 2019/2020

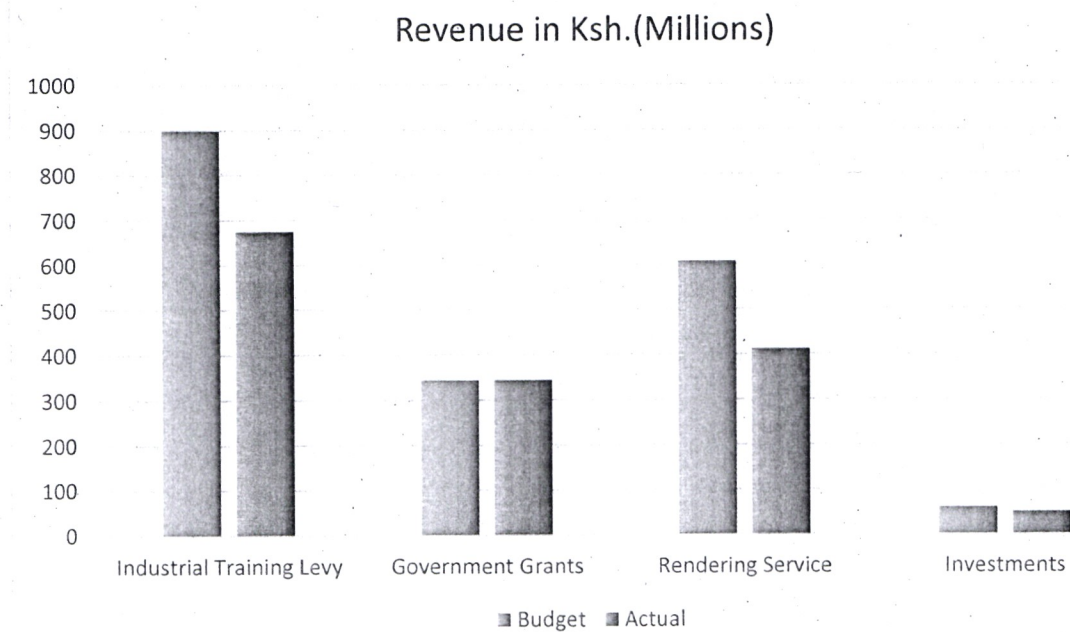


Figure 1.1 Total revenue and Budget for the year 2019/2020

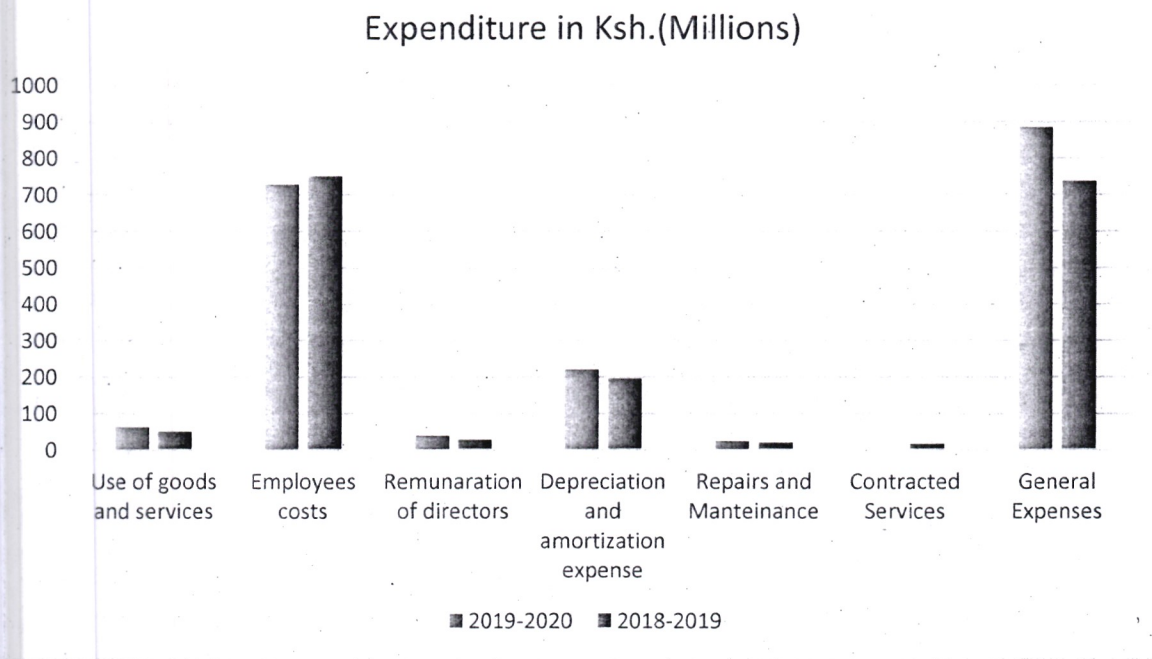


Figure 2.0 Expenditure comparison for the year 2018/19 and 2019/20

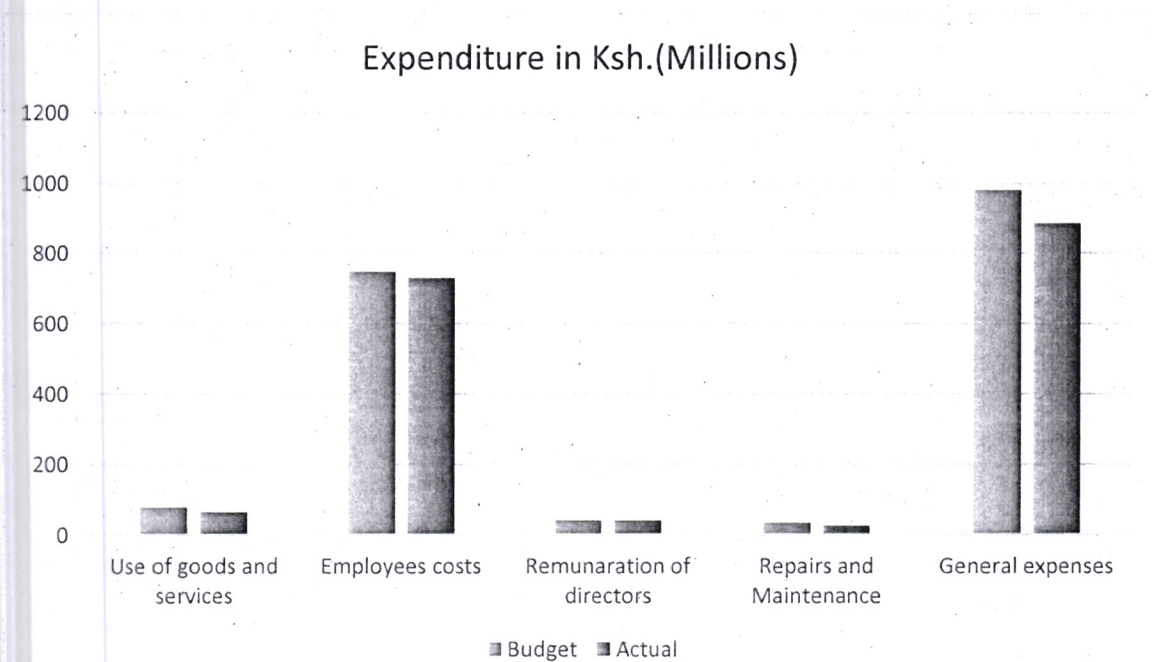


Figure 2.2 Total Expenditure in comparison with Budget for the year 2019/2020

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The major risk facing the National Industrial Training Authority are financial and operational risks associated with the Authority's business. During the financial year 2018/2019 the management updated and monitored the risk profiles for each of the operating businesses and major projects to identify the nature and likelihood of its occurrence for specific material risks, key controls that are in place to mitigate and manage the risks, sources and levels of assurance provided on the effective operations of key controls and responsibilities for managing risks. Therefore, the risk framework, policies and procedures will continue to be enhanced as the Authority's existing operations develop and its range of activities expand. During the year under review the Authority procured and implemented an ERP system as a way of automating and improving on service delivery and strengthening its internal control systems so as to enhance efficiency, accountability and transparency in its operations.

The year 2019/2020 the Authority's income on investment reduced by 8.3% as compared to the last financial year and 17% below the budget. This under achievement of the budget was attributed to changes in investment when the Authority liquidated part of its investments to procure Training Equipment to Centres. Equity shares with the Consolidated Bank of Kenya is 8.4M

CORPORATE SOCIAL RESPONSIBILITY STATEMENT / SUSTAINABILITY REPORTING

Corporate Social Responsibility (CSR) is the concept whereby organizations integrate social and environmental concerns into their business operations and into their interaction with their stakeholders. CSR is an avenue to portray NITA as caring member of the society while building a trusted brand.

Female Engineering Sponsorship Programme (FEP)

NITA sponsors 25 Kenyan female students from needy backgrounds annually to pursue engineering courses at craft, certificate and diploma levels in an effort to reduce gender disparity in technical/engineering disciplines through the Female Engineering Training Programme (FETP) as a part of its Corporate Social Investment. The programme was initiated in 2006 as follow-up to recommendations of an overseas study tour, to date over three hundred (300) Kenyan deserving and qualified girls have benefitted across the country.

The Programme was started by the National Industrial Training Council (NITC) through the former Directorate of Industrial Training (DIT) in August 2006. Studies conducted by the Directorate had revealed that there was a great disparity between females and males in various engineering careers in industry. The concept had been conceived out of a report and experience from an overseas study tour in 2005 to fifteen (15) countries.

The first group of twenty-five (25) females was selected by the Directorate in November 2006 and enrolled in respective National Polytechnics and Technical Training Institutes in January 2007, a practice that has continued every year for the last 10 (ten) years and to date the programme has benefitted over 300, three hundred needy and qualified females in Kenya.

The programme which is in its twelfth year is overseen by Female Engineering Programme (FEP) Committee and implemented by the Corporate Communications Department which handles the technical and financial aspects of the programme. The programme currently focuses on marginal Counties of Mandera, Turkana, Lamu, Wajir, West Pokot, Kwale, Ijara, Tana River, Garissa, Isiolo, Marsabit, Samburu, Elgeyo - Marakwet, Homabay, Kajiado, Kilifi, TaitaTaveta, Bugoma, Kitui, Mwingi, Tharaka, Mbeere, Transmara, Makueni, and Busia.

The objectives of the Programme include

- i) Bridging the observed gap in engineering practice between female and males in
- ii) various Kenyan industries.
- iii) Identification qualified and needy females for the programme.
- iv) Identification suitable technical institutions that offer courses selected by the
- v) qualified applicants.
- vi) Ensuring that the course requirements are adequately met.
- vii) Ensuring continuity of training for the beneficiaries during the duration of the course.

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Assisting where possible in attainment of gainful employment by creating avenues of collaboration between NITA and prospective employers on behalf of the beneficiaries. This is in line with the aspirations of the constitution on the rights to equal opportunities for both genders. The Vision 2030 also stipulates that women should have at least 30% representation in recruitment, selection and appointments.

The procedure for identification and selection of candidates for sponsorship into the program is as follows:

- (i) Drafting and placement of an advertisement in the local newspapers inviting interested female form four leavers.
- (ii) Receiving applications and creation of an application database,
- (iii) Short-listing of applicants,
- (iv) Invitation of shortlisted applicants for an interview.
- (v) Conducting interviews and carrying out initial selection from the list of interviewed applicants
- (vi) Carrying out fact finding visits to homes of initially selected candidates to verify their neediness,
- (vii) Receive and study reports of the fact finding visits and apply the findings in carrying out a final selection of the candidates,
- (viii) Application for admission of selected candidates to suitable Technical Training Institutions.
- (ix) Invitation of the selected candidates to the NITA headquarters to have them taken through an induction programme,
- (x) Obtain medical clearance from a health institution for the candidates.
- (xi) Issue of materials and books necessary for their respective courses to the selected candidates.
- (xii) Assist the successful candidates to report to the Training Institutions and ensure that they are duly enrolled.

The sponsorship provisions include the following:

- (i) Tuition;
- (ii) Accommodation;
- (iii) Text books and stationery;
- (iv) Training equipment (basic tools and drawing instruments);
- (v) Protective gear/clothing;
- (vi) Transport to and from the training institutions during opening and closing;
- (vii) Out of pocket allowance.

The Authority has partnered with various institutions over the years and currently partners with Kisumu Polytechnic, Railway Training Institute (RTI), Kenya Institute of Highways & Building Technology) and Rift Valley Institute of Science for the 2018 Intake.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the National Industrial Training Authority affairs.

Principal activities

The Principal activities of the Industrial Training Authority are:

- Industrial training;
- Assessing and collecting industrial training levy and fees;
- Regulating trainers registered under section 7C of the Act
- Developing industrial training curricula;
- Integrating labour market information into skills development;
- Harmonizing curricula and certificates of competence;
- Assessing industrial training, testing occupational skills and awarding certificates
- Including Government trade test certificates;
- Equating certificates;
- Accrediting institutions engaged in skills training for industry;
- Associating or collaborating with any other body or organization within or outside Kenya as the Board may consider desirable or appropriate and in furtherance of the purposes for which the Authority is established;

Directors

The members of the Board of Directors who served during the year are shown on page vi to page ix.

Auditors

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

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For the year ended June 30, 2020**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, under the Industrial Training Act 2011 require the Directors to prepare financial statements in respect of that National Industrial Training Authority (NITA) which give a true and fair view of the state of affairs of NITA at the end of the financial year and the operating results of the NITA for that year. The Directors are also required to ensure NITA keeps proper accounting records which disclose with reasonable accuracy the financial position of NITA. The Directors are also responsible for safeguarding the assets of NITA.

The Directors are responsible for the preparation and presentation of the NITAs financial statements, which give a true and fair view of the state of affairs of NITA for and as at the end of the financial year ended on June 30, 2020. 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 NITA
- (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 NITA
- (v) selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

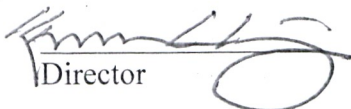
The Directors accept responsibility for NITA financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Industrial Training (Amendment) Act, 2011.

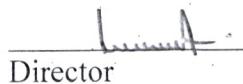
The Directors are of the opinion that NITA financial statements give a true and fair view of the state of NITA transactions during the financial year ended June 30, 2020, and of the NITAs financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for NITA which have been relied upon in the preparation of the NITAs statements as well as the adequacy of the systems of internal financial control.

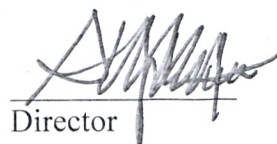
Nothing has come to the attention of the Directors to indicate that the NITA will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

NITA financial statements were approved by the Board on2020 and signed on its behalf by:

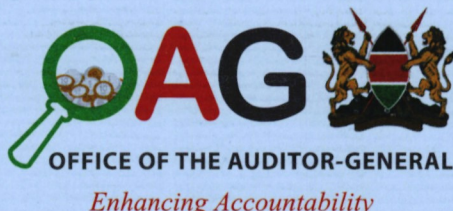

Director


Director


Director

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL INDUSTRIAL TRAINING AUTHORITY (NITA) FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Industrial Training Authority (NITA) set out on pages 1 to 37, which comprise the statement of financial position as at 30 June, 2020, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Industrial Training Authority (NITA) as at 30 June, 2020, 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 Industrial Training Act, 2011 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

As disclosed in Note 23 to the financial statements, the statement of financial position as at 30 June, 2020 reflects a balance of Kshs.9,678,272,000 in respect of property, plant and equipment.

As previously reported, included in the balance is the land valued at Kshs.6,608,300,000 which the Authority did not have title deeds. The balance includes disputed parcel of land measuring 12.91 hectares valued at Kshs.1,260,000,000 which had been carved out and allocated to a private developer. In compensation, the Authority's regional centre in Mombasa, the Mombasa Industrial Training Centre was allocated another parcel of land measuring 6.2 hectares located in Bombolulu area.

Although the Authority indicated that the matter was in the Ndung'u Land Report, no evidence was provided for audit scrutiny to show that the Authority is pursuing the matter with the National Land Commission to acquire the titles to avoid losing the property. The status of the two parcels of land has not been disclosed in the financial statements.

Further, the value of motor vehicles with a carrying amount of Kshs.41,158,000 excludes the value of one (1) motor vehicle which was donated by United Nations Industrial Development Organization (UNIDO) in 2001 and allocated to Athi River NITA Centre. The vehicle has not yet been registered in the name of the Authority since.

In the circumstances, it was not possible to confirm the ownership of assets valued at Kshs.9,678,272,000.

2. Cash and Cash Equivalents

As disclosed in Note 19 to the financial statements, the statement of financial position as at 30 June, 2020 reflects a balance of Kshs.726,718,000 in respect of cash and cash equivalents. A review of the cashbooks and other supporting records reveals that the Authority maintains a dormant current account which incurred bank charges amounting to Kshs.17,100 thereby reducing the bank balance to Kshs.139,728.

Further, included in the cash and cash equivalents balance of Kshs.726,718,000 is Kshs.140,000,000 relating to staff car loan and staff mortgage fund maintained at a commercial bank. A review of the supporting documents revealed that the Authority did not maintain a separate cashbook or prepare monthly reconciliation for the Staff Mortgage and Car Loan Fund.

In addition, Note 28 to the financial statements reflects deposits amounting to Kshs.129,466,000 held in various banks that collapsed over twenty years ago. During the year under review, no contingent liability has been provided for the likely loss from these doubtful deposits. The Authority did not demonstrate any efforts to recover the deposits through the Deposit Protection Fund.

Consequently, it has not been possible to confirm whether cash and cash equivalents balance of Kshs.726,718,000 as at 30 June, 2020 is fairly stated.

3. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.217,202,000 against receivables from exchange transactions as at 30 June, 2020. However, the Authority did not provide supporting documents for audit review. The balance includes long outstanding balance of Kshs.12,823,000 in respect of missing cheques. Although, it has been explained that the amount was misappropriated by a former accountant and the matter is in court, no evidence of the effort made to write off the amount as bad debt or provision has been provided.

Further, Note 20 to the financial statements reflects an amount of Kshs.18,759,000 against bounced cheques dating back to February, 2015. Although the amount has been cleared from bank reconciliation statement, the Authority did not provide the supporting documents for audit review.

In the circumstances, the accuracy and recoverability of the receivables balance could not be confirmed.

4. Unsupported Trade and Other Payables

As disclosed in Note 25 to the financial statements, the statements of financial position reflects trade and other payables totalling Kshs.279,091,000 as at 30 June, 2020. The Authority did not provide supporting documents or analysis for audit review.

In the circumstances, the accuracy and completeness of the trade and other payables could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Industrial Training Authority 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 are no other key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,945,420,000 and Kshs.1,626,750,000 respectively resulting to an under-funding of Kshs.318,670,000 or 16 % of the budget. Similarly, the Authority spent an amount of Kshs.1,735,788,000 against an approved budget of Kshs.1,876,539,000 resulting to an under-expenditure of Kshs.140,751,000 or 7.5% of the budget.

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

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

Delayed Completion of Contract

During the 2017/2018 financial year, the Authority awarded a local company three (3) contracts for the supply, delivery, installation and commissioning of training equipment at National Industrial Training Authority at a cumulative contract sum of Kshs.31,941,660. The contract period was two (2) months, but after one year, the supplier requested for an extension citing unavoidable circumstances from the manufacturer, which the Management approved.

Further, partially delivered training equipment valued at Kshs.9,814,570 had not been inspected and accepted. As a result, no installation and testing had been carried out. The supplier had applied and was granted 20% advance payment for each of the contracts totalling to Kshs.6,388,332 as provided leaving a balance of Kshs.25,553,238. However, examination of trade and other payables schedules reveals that the Authority owes the contractor an amount of Kshs.37,912,548 made up of Kshs.12,595,568 and Kshs.24,952,981 while the performance of the contract was recorded at 31%.

In the circumstances, the value for money for the expenditure of Kshs.6,388,332 paid as advance payment could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of a Fixed Assets Register

As disclosed in Note 23 to the financial statements, the statement of financial position as at 30 June, 2020 reflects a balance of Kshs.9,678,272,000 in respect of property, plant and equipment. However, Management did not provide an asset register disclosing the items description; location; serial number; date of purchased; source; cost price; additions; depreciations and disposal to enable their verification.

Consequently, the existence of an effective assets management system capable of safeguarding and the assets cannot be established.

2. Lack of Secure Offsite Storage Facility

Part 9(1) of the NITA Information Communication and Technology Policy Document states that, all backup media must be stored in a safe and secure location extraneous to the location of the backed-up systems, all backup media must be stored in a fireproof safe, and all software full backup and monthly backup media must be stored in an off-site backup archive storage location. An analysis of records and documentary evidence revealed that the entity did not have data backups in a secure offsite location.

Consequently, the confidentiality, access and integrity of the data cannot be confirmed.

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

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

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority 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

04 April, 2022

**National Industrial Training Authority
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**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2019-2020	2018-2019
		Kshs '000'	Kshs '000'
Revenue from non-exchange transactions			
Training Levy	6	675,568	714,897
Transfers from other governments—gifts and services-in-kind	7	370,420	246,839
		1,045,988	961,736
Revenue from exchange transactions			
Rendering of services	8	413,191	513,261
Finance income-external investments	9	50,458	55,048
Other income	9	117,112	36,800
		580,762	605,109
Total revenue		1,626,750	1,566,844
Expenses			
Use of goods and services	10	62,742	49,829
Employee costs	11	727,151	748,769
Remuneration of directors	12	38,832	26,581
Depreciation and amortization expense	13	228,915	194,361
Provision for receivables	14	-	18,759
Repairs and maintenance	15	23,507	18,632
Contracted Services	16	-	15,241
General Expenses	17	883,556	734,965
Loss On Revaluation	18	-	186,196
		-	-
Total Expenses		1,964,703	1,993,331
Surplus/(deficit)for the period		(337,953)	(426,487)
		(337,953)	(426,487)

The notes set out on pages 7 to 32 form an integral part of these Financial Statements

**National Industrial Training Authority
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For the year ended June 30, 2020**

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Note	2019-2020	2018-2019
		Kshs '000'	Kshs '000'
Assets			
Current Assets			
Cash and cash equivalents	19 (a)	18,718	45,698
Receivables from exchange transactions	20	217,202	149,993
Receivables from non-exchange transactions	21	60,659	43,110
Investments	22 (b)	8,400	8,400
Short term Investments	19 (a)	708,000	890,000
		1,012,979	1,137,201
Non-Current Assets			
Property, Plant and Equipment	23	9,678,272	9,725,736
Intangible assets	24	5,141	6,668
		9,683,413	9,732,404
Total Assets		10,696,392	10,869,606
Liabilities			
Trade and other payables	25	279,091	198,175
Provision for receivables	29&30	31,582	31,582
Prepaid Fees	31	42,835	-
		353,508	229,757
Net assets		10,342,884	10,639,849
Capital Reserves		90,000	90,000
Revaluation Reserve		9,899,001	9,854,460
Accumulated surplus		353,883	695,389
Total net assets and liabilities		10,342,884	10,639,849

The Financial Statements set out on pages Page 1 to Page 48 were signed on behalf of the Board of Directors by:

A.g. Director General
Name: Stephen O. Ogenga

Date.....12/4/2021

Chief Accountant
Julius M Ndenge
ICPAK Member Number:8325

Date.....12/4/2021

Chairman of the Board
Name: Dr. KamauGachigi

Date.....12.04.21

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2020**

	Capital replacement development reserve/Capital Reserve	Revaluation Reserve	Accumulated surplus	Total
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
As at 30 June 2018	90,000.00	8,243,800.00	1,115,801	9,449,601
Adjustment (2016-2017)			6,075	6,075
Revaluation		1,610,660		1,610,660
(Loss) for the period	-	-	(426,487)	-426,487
As at 30 June 2019	90,000	9,854,460	695,389	10,639,850
As at 1 July 2019	90,000	9,854,460	695,389	10,639,850
Adjustment (2016-2017)			-	-
Revaluation Adjust		44,541	(3,554)	40,987
(Loss) for the period	-	-	(337,953)	(337,953)
As at 30 June 2020	90,000	9,899,001	353,883	10,342,884

National Industrial Training Authority
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STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019-2020	2018-2019
		Kshs '000'	Kshs '000'
Cash flows from operating activities			
Receipts			
Training Levy	6	675,568	714,897
Government grants and subsidies	7	370,420	246,839
Rendering of services	8	413,191	513,260
Finance income	9	50,458	55,048
Other income ,rentals and agency fees	9	117,112	36,800
Total Receipts		1,626,750	1,566,844
Payments			
Compensation of employees	11	727,152	748,769
Goods and services	10	62,741	49,829
Other payments	12,15&17	945,895	795,419
Decreased in receivables exchange	20	67,209	105,967
Decrease/Increase in Account Payables	25	(123,751)	44,327
Increase in receivables non exchange	21	17,549	9,616
Total Payments		1,696,796	1,753,926
Net cash flows from operating activities		(70,046)	(187,082)
Cash flows from investing activities			
Purchase of property, plant, equipment	26	(110,875)	(82,922)
Purchase of intangible assets	23	(28,059)	(1,911)
Net cash flows used in investing activities		(138,934)	(84,833)
Cash flows from financing activities			
Decrease in investments			
Adjustments		-	6,075
Cash flows from financing activities		-	6,075
Net increase/(decrease)in cash and cash equivalents		(208,980)	(265,840)
Cash and cash equivalent as at 1 JULY	19 (b)	935,698	1,201,538
Cash and cash equivalents at 30 JUNE		726,718	935,698

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2020**

	Original budget 2019-2020 Kshs '000'	Adjustments 2019-2020 Kshs '000'	Final budget 2019-2020 Kshs '000'	Actual on comparable basis 2019-2020 Kshs '000'	Performance difference 2019-2020 Kshs '000'
Revenue					
Fines, penalties and levies	900,000	-	900,000	675,568	(224,432)
Government grants and subsidies	370,420	-	370,420	370,420	-
Rendering of services	608,000	-	608,000	413,191	(194,809)
Investment Income	60,800	-	60,800	50,458	(10,342)
Other income, rentals and agency fees	31,200	-	31,200	117,112	85,912
Total income	1,945,420	-	1,945,420	1,626,750	(318,670)
Expenses					
Use of goods and services	73,700	3,580	77,280	62,741	14,539
Employee costs	746,690	-	746,690	727,152	19,538
Remuneration of directors	40,040	45	40,085	38,832	1,253
Repairs and maintenance	28,500	3,700	32,200	23,506	8,694
Contracted services	0	-	0	0	0
General Expenses	905,314	74,970	980,284	883,556	96,728
Total Expenses	1,794,244	82,295	1,876,539	1,735,788	140,751

Budget notes

1. Fines, Penalties and Levies.

The under collection by 25% was as a result the employers defaulting on remittances of the Industrial Training Levy payments and also the negative effect of Covid -19 pandemic. Efforts are being made to enforce compliance and recover arrears with penalties and interest.

2. Government grants and subsidies

The Authority received the entire Recurrent grant and half allocation for the development grant for year under review.

3. Rendering of services

The under collection of 32% is attributed to the effects of Covid-19 that resulted to shutting down the Industrial Training Centres and affecting the Trade Test Examinations.

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4. Finance income

The under collection of 17% of Finance income is as a result of the Authority liquidating part of its Investment.

5. Use of goods and services

The under expenditure of 18.8% for good and services is as a result sound procurement plan in place thus reducing the cost for procurement for goods and services.

6. Repairs and Maintenance

The under Expenditure of 27% of repairs and Maintenance is as a result of management cost containment measure assets management to safe guard NITAs Assets.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

National Industrial Training Authority (NITA) is a state corporation established under the Industrial Training (Amendment) Act 2011. Its mandate is to promote the highest standards in the quality and efficiency of Industrial Training in Kenya and ensure adequate supply of properly trained manpower at all levels in industry.

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 authorities accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of National Industrial Training Authority.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations 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 2018

Standard	Impact
IPSAS 39:	Applicable: 1st January 2018
Employee Benefits	The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

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 2018

Standard	Effective date and 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 which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

NITA did not early – adopt any new or amended standards in year 2018.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

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.

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.

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 National Assembly in 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

NITA'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.

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A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in Kenya where the NITA operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled; based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

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

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

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

d) 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. Depreciation is calculated on straight line basis at annual rates estimates to write off carrying amounts values of property plant and equipment over the expected useful life.

e) Leases

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

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

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

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

f) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

g) Financial instruments

Financial assets

Initial recognition and measurement

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

NITA 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 NITA of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization

- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

h) Provisions

Provisions are recognized when NITA 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 NITA 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

NITA 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

NITA 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 NITA 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,

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the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

i) Nature and purpose of reserves

NITA creates and maintains reserves in terms of specific requirements. *Currently NITA maintains 3 reserves:*

- Capital Reserve of Ksh. 90 million relating to grants from Parent Ministry
- A Revaluation reserve of shs9,854,460 relating to revaluation of fixed assets after formation of NITA and current revaluation done in September 2018
- Revenue reserves relating to accumulated surpluses/deficit including prior year adjustments.

j) Changes in accounting policies and estimates

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

k) Employee benefits

Retirement benefit plans

NITA 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.

l) Related parties

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

m) 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.

n) Comparative figures

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

o) 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. State all judgements, estimates and assumptions made:

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 NITA
- 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 14(a).

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 Training Levy

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Industrial Training Levy	675,568	714,897
Total	675,568	714,897

7 Transfer from government

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Operational Grant	345,420	246,839
Development Grant	25,000	-
Total	370,420	246,839

8 Rendering of services

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Tuition Fees and Accommodation	137,330	214,645
Registration of Trainers	5,082	9,742
Trade Test Fees	245,333	228,943
Conference	25,446	59,930
Total revenue from rendering of services	413,191	513,260

9 Other income

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Miscellaneous Receipts	117,112	36,800
Investment Income	50,458	55,048
Total other income	167,570	91,848

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 Use of Goods and Services

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Electricity	20,622	18,406
Water	11,444	6,967
Security	24,191	18,111
Professional Services	4,298	4,384
Subscriptions	2,187	1,961
Total good and services	62,741	49,829

11 Employee costs

	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Salaries and wages	561,056	580,885
Staff Pension	47,003	57,349
Medical Expenses	67,917	60,331
Staff Development	16,358	18,259
Other Allowance	17,560	15,193
Welfare	17,257	16,752
Employee costs	727,152	748,769

12 Board of directors

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Chairman's Honoraria	1,030	936
Board Other Expenses	11,542	11,977
Board Capacity Building	20,200	7,148
Board Sub Committee	6,060	6,520
Total director emoluments	38,832	26,581

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Depreciation and amortization expense

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Property ,Plant and Equipment	199,329	173,193
Intangible Assets	29,586	21,168
Total Depreciation and amortization	288,915	194,361

14 Provision

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Accounts receivable DTB	-	-
Accounts receivable Bounced Cheques	-	18,759
Totals	-	18,759

15 Repairs and maintenance

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Maintenance of Equipment	813	780
Maintenance of Buildings	14,792	4,865
Maintenance of Furniture	120	89
Maintenance of Grounds	714	1,347
Maintenance of Motor Vehicle	6,676	11,041
Maintenance of Software	392	510
Total repairs and maintenance	23,506	18,632

16 Contracted services

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Property Valuations	-	15,241
Total contracted services	-	15,241

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 General expenses

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Advertising and Publicity	14,475	25,034
Audit fees	50	-
Bedding & Linen	5,134	1,873
Chemicals, Detergents & Industrial gases	6,206	900
Claims, Damages & Compensation	4,028	-
Conference Expenses	29,185	14,249
Curriculum Development	13,082	15,121
Domestic Travel	35,044	32,848
Female Sponsorship	7,295	10,880
Finance Expenses	9,940	8,040
Food & Ratio	66,212	30,394
Foreign Travel	1,779	2,150
Fuel, Oil and Lubricants	8,061	14,328
Hospitality	12,242	14,778
Industrial Attachment	35,678	28,122
Insurance	5,503	8,749
Internal Audit Expenses	8,290	8,569
Legal Fees	7,276	7,957
Library	1,571	294
Management Consultancy	157	8,074
Marketing Expenses	8,237	13,520
Office and General Supplies	29,645	18,602
Parttime Lectures	24,812	24,996
Planning Expenses	7,545	6,108
Quality Assurance Expenses	4,858	9,625
Registration of Training Providers & Approvals for Training	3,148	5,974
Reimbursements for Management & Supervisory	139,719	105,248
Rent & Rates	632	608
Sector Committees	24,634	26,041
Seminars & Workshops	4,242	3,180
Specialized Materials	37,323	35,510
Student Examination	10,322	5,624
Supplies Chain Management Expenses	8,151	6,434

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Telecommunication	6,510	7,403
Trade Test Expenses	274,546	198,906
Training Levy Expenses	27,031	34,510
Uniforms & Protective Clothing	993	315
	883,556	734,965

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 Impairment Loss

	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Property ,Plant and Equipment	-	186,196
Intangible Assets	-	-
	-	186,196

19 (a) Cash and cash equivalents

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Current account	17,940	45,052
Cash in Hand	778	645
Cash in Transit	-	-
	18,718	45,698
Treasury bills	-	-
On Call deposits	568,000	750000
Staff car loan/ mortgage	140,000	140,000
	708,000	890,000
Total cash and cash equivalents	726,718	935,698

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 (b) Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2019-2020 Kshs '000'	2018-2019 Kshs '000'
a) Current account			
Kenya Commercial bank Industrial Area (Revenue)	1102588075	8,617	31,359
Kenya Commercial bank Industrial Area (Payments)	1158641931	5,374	5,952
Kenya Commercial bank Kisumu	1144138434	855	6,295
Kenya Commercial bank Mombasa	1144254639	1,772	29
Kenya Commercial bank Kitengela	1170854729	39	192
Standard Chartered Bank Industrial Area	104031408200	140	140
National Bank Harambee Avenue	1001000902800	1,144	1,085
Sub- total		17,940	45,052
b) Fixed deposits account			
Kenya Commercial bank		568,000	750,000
Sub- total		568,000	750,000
c) Staff car loan/ mortgage			
Kenya Commercial bank (Car)	1206410337	20,000	20,000
Kenya Commercial bank (Mortgage)	1206410248	120,000	120,000
Sub- total		140,000	140,000
d) Others(specify)			
Cash in hand		778	645
Sub- total		778	645
Grand total		726,718	935,698

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 Receivables from exchange transactions

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Current receivables		
Receivables - Conference	48,785	50,936
Receivables- Students	119,350	67,475
Receivables- DTB	12,823	12,823
Receivables- Bounced Cheques	18,759	18,759
Receivables- Others	17,485	-
Total current receivables	217,202	149,993

21 Receivables from non-exchange contracts

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Current receivables		
Receivables – Staff	60,659	43,110
Total current receivables	60,659	43,110

22 Investments

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
a) Investment with Financial Institutions/ Banks		
KCB	568,000	750,000
Sub- total	568,000	750,000
b) Equity Investments	8,400	8,400
Equity in Shares	8,400	8,400
Grand total	576,400	758,400

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. PROPERTY, PLANT AND EQUIPMENT

	Land Kshs '000'	Buildings Kshs '000'	Plant & Machinery Kshs '000'	Motor Vehicles Kshs '000'	Computer & Accessories Kshs '000'	Furniture Kshs '000'	Equipment Kshs '000'	Books Kshs '000'	Capital Work in Progress	Totals Kshs '000'
Cost										
At 1st July 2018	5,653,615	2,734,589	237,084	188,614	163,366	65,736	196,944	1,233		9,241,181
Revaluation	954,685	(125,311)	204,437	(134,870)	(127,564)	(9,737)	(186,196)	-		575,444
Additions	-	4,002			58,073	10,807	10,040			82,922
At 30 June 2019	6,608,300	2,613,280	441,522	53,744	93,874	66,807	20,788	1,233		9,899,548
At 1st July 2019	6,608,300	2,613,280	441,522	53,744	93,874	66,807	20,788	1,233		9,899,548
Adjustment Revaluation	-	55,850	(32,187)	28,571		(7,693)				44,541
Additions	-	2,014	-	-	50,984	9,243	48,634	-		110,875
At 30 June 2020	6,608,300	2,671,144	409,334	82,315	144,859	68,356	69,422	1,233	-	10,054,963
Depreciation and Impairment										
At 1st July 2018	-	241,722	120,590	144,663	101,285	22,261	51,289	492		682,302
Depreciation	-	65,375	29,636	-	47,128	7,654	17,420	123		167,336
Accumulated Dep 30 June 2018	-	307,097	150,226	144,663	148,413	29,915	68,709	615		849,638
Revaluation Reserve	-	(307,097)	(150,226)	(144,663)	(148,413)	(29,915)	(68,709)	-		(849,023)
Depreciation	-	65,332	55,192	13,437	28,162	8,351	2,599	124		173,193
Accumulated Dep 30 June 2019	-	65,332	55,192	13,437	28,162	8,351	2,599	739	-	173,812
Adjustment for Depreciation	-	1,396	(4,023)	7,143	-	(962)	-	-		3,554

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Depreciation	-	66,779	51,167	20,579	43,458	8,545	8,678	123	199,329
Accumulated Dep 30 June 2020	-	133,507	102,334	41,158	71,620	15,934	11,275	863	376,692
Net Book Values									
At 30 June 2020	6,608,300	2,537,637	307,001	41,158	73,239	52,422	58,147	370	9,678,272
At 30 June 2019	6,608,300	2,605,812	382,715	40,308	116,710	60,005	27,025	493	9,841,367
Depreciation Rate		2.5%	12.5%	25.0%	30.0%	12.5%	12.5%	10.0%	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 Intangible assets-software

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Cost		
At beginning of the year	70,561	68,650
Additions	28,059	1,911
At end of the year	98,620	70,561
At end of the year	98,620	70,561
At beginning of the year	63,893	42,725
Amortization	29,586	21,168
At end of the year	93,479	63,893
NBV	5,141	6,668

25 Trade and other payables from exchange transactions

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Trade payables	279,091	198,175
Total	279,091	198,175

26 Capital Commitments

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Authorized for	44,255	
Authorized and Contracted for	57,394	
Total trade and other payables	101,649	

(These refer to buildings and Equipment that have been contracted)

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27. Cash Generated from operations

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Surplus for the year before tax	(337,953)	(442,036)
Adjusted for:		
Depreciation	228,915	194,361
Impairment Loss	-	186,196
Provision for receivables	0	18,759
Working Capital adjustments		
Decreased in receivables exchange	(17,549)	(6,727)
Increase in receivables non exchange	(67,209)	(93,206)
Increase in Payables	123,751	(44,424)
Net cash flow from operating activities	(70,046)	(187,077)

28. Deposits in collapsed banks

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Prudential Bank Ltd	50,595	50,595
Thabiti Finance Company	26,029	26,029
Pioneer Building Society	15,000	15,000
Continental Credit Finance Ltd	8,830	8,830
Nairobi Finance Company	8,530	8,530
Allied Credit Limited	5,388	5,388
Middle Africa Finance Co. Ltd	5,345	5,345
Meridian BIAO Bank (K) Ltd	3,988	3,988
Inter Africa Credit Ltd	2,461	2,461
Country Building Society	2,000	2,000
United Trustee Finance Co. Ltd	1,300	1,300
Total Deposits held in collapsed banks	129,466	129,466
Provision for Deposits in collapsed Banks	129,466	129,466
Total Deposits held in collapsed banks	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Receivables from Bounced Cheques

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Bounced Cheques	18,759	18,759
Total Debtors	18,759	18,759
Provisions for Bounced Cheques	18,759	18,759
Total Bounced Cheques	-	-

30. Receivables Deposits in DTB

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Amounts in DTB	12,823	12,823
Total Debtors	12,823	12,823
Provisions for Bounced Cheques	12,823	12,823
Total Bounced Cheques	-	-

31. Prepaid Fees

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Tuition	544	-
Trade Test (April Series)	42,291	-
Totals	42,835	-

32. Contigent Liability

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Intangible Asset		17,800
Board Capacity		10,184
Court Litigations	38,000	
Audit fee	1,500	
Totals	39,500	27,984

(Court Litigations refers to pending cases in court for former DG and Manager Finance and Levy Administration 38M. Audit fee payable to OAG for the F/Y 2019-2020)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

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

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

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total Amount	Fully Performing	Past due	Impaired
	kshs '000'	kshs '000'	kshs '000'	kshs '000'
At 30 June 2020				
Receivables from Exchange Transactions	60,659	55,069	5,590	
Conference Fees	48,785	14,552	34,233	-
Student Fees	119,350	93,584	25,766	-
Other Receivables	17,485	17,484	-	
Bank Balances	726,718			-
Total	912,337	125,620	59,999	-
At 30 June 2019				
Receivables from Exchange Transactions				
Conference Fees	50,936	41,433	9,503	
Student Fees	67,475	44,184	23,291	
Bank Balances	1,201,538			
Total	1,319,949	85,617	32,794	-

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

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

(ii) Liquidity risk management

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

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

Description	Less than 1 Month	Between 1-3 Months	Over 5 Months	Total
	kshs '000'	kshs '000'	kshs '000'	kshs '000'
At 30 June 2020				
Trade Payables	47,756	231,335		279,091
Total	47,756	231,335	-	279,091
At 30 June 2019				
Trade Payables	44,562	153,580	-	198,142
Total	44,562	153,580	-	198,142

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:

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Revaluation Reserve	9,899,001	9,854,460
Retained Earnings	353,884	695,392
Capital Reserve	90,000	90,000
Total Funds	10,342,885	10,639,852
Current liabilities	279,091	198,175
Total Current Liabilities	279,091	198,175
Net debt ratio to Equity	3%	2%

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Debt ratio an alternative gearing ratio calculated as total debt divided by total assets is shown below

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Total Debt	279,091	197,175
Total Assets	10,696,393	10,866,606
Net debt ratio to Assets	3%	2%

34. 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 National Industrial Training Authority holding 100% of the *NITA'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) Ministry of Labour and social protection.

	2019/2020	2018/2019
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	345,420,000	246,839,000
Total	345,420,000	246,839,000
b) Key management compensation		
Directors' emoluments	963	
Compensation to the DG	5,518	
Compensation to key management	54,507	
Total	60,988	

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35 EVENTS AFTER THE REPORTING PERIOD

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

36 ULTIMATE AND HOLDING ENTITY

NITA is a State Corporation/ or a Semi- Autonomous under the Ministry of Labour and Social Protection.

37 Currency

The financial statements are presented in Kenya Shillings (Kshs). rounded to the nearest 1,000.00

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Presentation of Financial statements	The management has noted the correction highlighted in the Chairman's and Directors report and necessary corrections has been carried out in the Financial Statements.	Julius Ndenge Chief Accountant	resolved	Done
2	Budget and Budgetary Performance	It is true that there was shortfall in revenue by 17%. The Authority did not receive GOK grant for Recurrent ksh. 82,280,000 and Development grant of ksh 130,480,000 which significantly contributed to this shortfall.	Julius Ndenge Chief Accountant	Resolved	Done
3	Cash and Cash Equivalent. Stale Cheques and failure to prepare bank reconciliation for Staff House Mortgage and Car Loan Account	This has been noted as per the Audit finding and the same has been reversed in the cash book and reflected in October 2019 bank reconciliation statement	Julius Ndenge Chief Accountant	Resolved	Done
4	Un-surrendered Imprests	The list of outstanding imprest is as a result of activities approved at the end of the financial year; Activities rescheduled	Julius Ndenge Chief Accountant	Effort being done to recover all outstanding levy collections	30 th November 2020

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		on different dates Thus overlapping to the next financial year.			
5	Dormant Bank Account	The Board approved to close the dormant bank account.	Julius Ndenge Chief Accountant	Process ongoing	30 th October, 2020
6	Failure to Conduct stock taking for the library at the end of financial year 2018/2019	This Audit finding is well noted by the management and plans are under way to carry out a stock take for books in future.	Julius Ndenge Chief Accountant	Resolved	Done
7	Deposits held in collapsed banks	The recovery of this debts remain doubtful and the Authority has made a provision in the in its Financial Statements	Julius Ndenge Chief Accountant	The Management in the process of seeking a write off of this doubtful debts	31 st December, 2020
8	Un-vouched Expenditure	The Management availed the payment vouchers for the purposes of this Audit.	Julius Ndenge Chief Accountant	Resolved	Done

Ag. Director General



Date..... 12/11/2021

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APPENDIX II: 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)
KYEOP	P151831	I.D.A	5 Years	5.8B	YES	NO

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	KYEOP	5.8B	1.83B	31.5%	5.8B	1.9B	I.D.A

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APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:			
Break down of Transfers from the State Department of Labour			
FY 19/20			
a. Recurrent Grants			
	<u>Bank Statement Date</u>	<u>(Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	23/09/2019	82,280,000	2019/2020
	01/11/2019	86,355,000	2019/2020
	13/11/2019	4,075,000	2019/2020
	10/03/2020	86,355,000	2019/2020
	22/05/2020	86,355,000	2019/2020
	Total	345,420,000	
b. Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	28/11/2019	7,500,000	2019/2020
	28/11/2019	17,500,000	2019/2020
	Total	25,000,000	
	Grand Total	370,420,000	
c. Direct Payments			
	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Total	Nil	
d. Donor Receipts			
	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
IDA	24/09/2019	211,961,646.96	2019/2020
	18/09/2019	70,758,596.20	2019/2020
	23/10/2019	152,948,358.70	2019/2020
	16/12/2019	236,885,446.70	2019/2020
	28/02/2020	76,943,893.25	2019/2020
	28/02/2020	207,747,892.00	2019/2020
	Total	957,245,833.80	

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

Finance Manager
NITA

Head of Accounting Unit
Ministry of Labor and Social Protection.

Sign



Sign



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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - (Kshs) '000'	Where Recorded/recognized					Total Transfers during the Year (Kshs) '000'
				Statement of Financial Performance (Kshs) '000'	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Labour and Social Protection	23/09/2019	Recurrent	82,280	82,280	-	-	-	-	82,280
Ministry of Labour and Social Protection	01/11/2019	Recurrent	86,355	86,355	-	-	-	-	86,355
Ministry of Labour and Social Protection	13/11/2019	Recurrent	4,075	4,075	-	-	-	-	4,075
	10/03/2020	Recurrent	86,355	86,355					86,355
	22/05/2020	Recurrent	86,355	86,355					86,355
	28/11/2019	Development	7,500	7,500					7,500
	28/11/2019	Development	17,500	17,500					17,500
Total			370,420	370,420					370,420

