


REPUBLIC OF KENYA



Enhancing Accountability

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THE AUDITOR-GENERAL

ON

GODOMA TECHNICAL TRAINING
INSTITUTE

FOR THE YEAR ENDED
30 JUNE, 2020



GODOMA TECHNICAL TRAINING INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 June 2020

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

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

(b) Principal Activities

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

Vision:

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

Mission:

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

Core Values

1. Respect
2. Quality
3. Excellence
4. Integrity
5. Discipline
6. Teamwork

Motto

Quality learning for academic and technological excellence.

The Mandate of Godoma Technical Training Institute is to:

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

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

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	Hafsa Seif Mohammed
2.	Head of Finance	John Baraka Kalu
3.	Head of Procurement	Leonard Nyamawi Mwamuye
4.	Registrar	Edward Lewah Chitorobi

(e) Fiduciary Oversight Arrangements

- Finance Committee
- Academics Committee
- Projects Committee

GODOMA TECHNICAL TRAINING INSTITUTE
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FOR THE YEAR ENDED 30 JUNE 2020

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

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

(g) Entity Contacts

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

(h) Entity Bankers

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

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

A.M.
C.E.
A.M.
P.O.
C.P.O.
Nairobi

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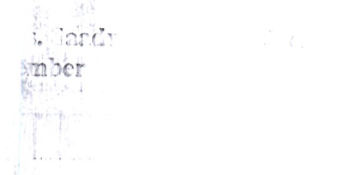
Harambee


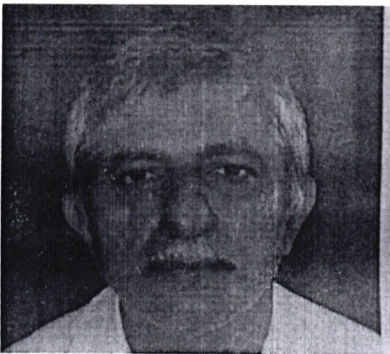

P.O.



City

Nairobi




THE COUNCIL/BOARD OF GOVERNORS

<p>Mrs. Christine Kibibi Katana Chair of the Board</p> 	<p>Mrs. Christine Kibibi Katana was appointed to the board on 5th October 2018. She holds a Bachelor of Education, Arts degree from Kenyatta University, certificate in innovative management in Agriculture from USIU, Kenya Accounting Technician certificate (Final level) from Mombasa School of Accountancy.</p>
<p>Mr. Mohamed Abdillahi Omar Member</p> 	<p>Mr. Mohamed Abdillahi Omar was appointed to the board on 5th October, 2018. He holds M.Ed-Primary Option and B.Ed from Kenyatta University. He is the Senior Assistant Registrar at Pwani University.</p>
<p>Mrs. Saadu Hashim Rashid Member</p> 	<p>Mrs. Saadu Hashim Rashid joined the board on 5th October, 2018. She holds an executive masters of Education Degree in Leadership and policy from Moi University, certificate in computer operations in office applications and a post graduate diploma in community based project planning & management. Currently, she is the Coordinator-Kenya Heritage institute at the National Museums of Kenya.</p>
<p>Mrs. Gandy Member</p> 	<p></p>

<p>Mr. Shumaa Mwangome Member</p> 	<p>Mr. Shumaa Mwangome joined the board on 5th October, 2018. He is a holder of Bachelor of Education (Arts) degree from Egerton University. He currently serves as a marketing manager at Telkom Kenya.</p>
<p>Mr. Kalandar Shedor Kamalkhan Member</p> 	<p>Mr. Kalandar Shedor Kamalkhan joined the board on 5th October, 2018. He holds a master's degree in Infrastructure planning from the University of Stuttgart (Germany), post graduate diploma in housing Studies from the institute of housing studies, Rotterdam, Netherlands and Bachelor of Architecture Degree from the University of Nairobi.</p>
<p>Mrs. Hafsa Seif Mohammed Secretary to the Board of Governors</p> 	<p>Mrs. Hafsa Seif Mohammed has served as principal and Secretary to the Board of Godoma Technical Training Institute since August 2015. She holds a Bachelor of Business Management from Moi University, Diploma in technical education from Kenya Teachers College and typist certificate from Government Secretarial College. Prior to her appointment, She served as Head of department and registrar at Coast Kenya Coast National Polytechnic. She has also worked at Rift Valley Technical Training Institute and office of the President.</p>
<p>Mr. Peter Dennis Ghero Okwaro Member</p>	<p>Mr. Peter Dennis Ghero Okwaro was appointed to be a board member on 5th October 2018. He holds a bachelor's degree in education (Science) from Kenyatta University and an Advanced level certificate from Maseno Maseno School.</p>

	
<p>Mr. Peter Dennis Ghero Okwaro Member</p> 	<p>Prof. Gabriel Katana Gona was appointed on 5th October 2018. He is a holder of Doctor of Philosophy In Physics from Maiz University in Germany, MSC in Physics from University of Nairobi and BED from University of Nairobi. Prior to his appointment, he was a professor of Physics at Pwani University.</p>

MANAGEMENT TEAM

<p>Mrs. Hafsa Seif Mohammed Principal</p> 	<p>Mrs. Hafsa Seif Mohammed has served as Principal of Godoma Technical Training Institute since August 2015. She holds a bachelor’s in business management from Moi University, a Diploma in technical education from Kenya Teachers College and typist certificate from Government Secretarial College. Prior to her appointment, She served as Department head and registrar at Kenya Coast National Polytechnic. She has also worked at Rift Valley Technical Training Institute and office of the President.</p>
<p>Mr. Edward Lewah Chitorobi Ag. Registrar</p> 	<p>Mr. Edward Lewah Chitorobi joined the Institute in 2016 as the registrar. He holds a diploma in Education from the Kenya Technical Teachers Training College and a Diploma in Technical Education from Kenya Armed Forces Technical College. Edward has served the military as an aircraft Technician and has tutored at Rift Valley Institute of Technology and Kenya Coast National Polytechnic.</p>
<p>Mr. John Baraka Kalu Finance Officer</p> 	<p>Mr. John Baraka Kalu joined the Institute in 2016. He is a Bachelor of Commerce (B.Com) undergrad student at Pwani University. He holds a Certified Public Accountancy Part I & II Certification from Star Institute of Professional and Visions Institute of Professional Studies respectively. Currently, Baraka is pursuing CPA part III. Prior to joining the Institute, he worked as an assistant accountant at Eri Kenya Ltd and Jivaco Agencies Limited.</p>
<p>John Baraka Kalu Finance Officer</p>	

Mr. Leonard Nyamawi
Procurement Officer



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

CHAIRMAN'S STATEMENT

Chairman's Statement

Introduction

Godoma Technical Training Institute was initiated by the Government of Kenya as an AfDB project through the Ministry of Education in Ganze Sub-county of Kilifi County. The institute Phase I (built as a department of Electrical) has seven modern classrooms and two Electrical Engineering workshops with state of the art electrical equipment. Phase II . Our vision is to be A Centre of Excellence in Technical Training, Research and Business Incubation.

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

After serving as a board member for one term, I was appointed to chair the Godoma TTI Board where Mrs Hafsa Seif is the Secretary to the board and Principal of the Institute. All the members were taken through an induction program from 27th to 29th April 2019 at Kenya School of Government Mombasa. Our enrolment has gradually grown to almost 1,000 trainees.

Construction of Phase II is complete and at, and it is a department of Building and Civil Engineering already having received state -of -the art equipment.

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

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

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

Finance Committee – Mr.Peter Okwaro

Academic, Human Resource Welfare Committee –Mr. Omar Mohamed

Infrastructure Committee –Arch. Kalander Khan

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

Challenges facing the Institute

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

- i) Transport for students and staff – the Institute does not have any vehicle to facilitate movement of students or staff especially during activities and emergencies. It would serve the Institute quite conveniently if we could be assisted to acquire a bus. This would also serve as a marketing tool to help us grow our enrolment. A 51-passenger capacity bus might be sufficient to start with.

CHAIRMAN'S STATEMENT (Continued)

GODOMA TECHNICAL AND TRAINING INSTITUTE
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- ii) Lack of accommodation facilities.
- iii) Insufficient PSC Trainers
- iv) Constrained funds

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

Thank you.
Christine Katana



Chairperson, Board of Governors

Date... 30/09/20

Key activities during the year

The Godoma Technical Training institute officially came into existence in October 2016 when the institution was registered by the TVET Authority to offer a variety of courses up to Diploma level. The key activities during the 2019/2020 Financial Year were as follows:

1 Appointment, Inauguration, and Induction of the Board of Governors

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

The Board for Godoma TTI was inaugurated on 10th April 2019.

2 Trainee Activities

Despite the biting shortage of trainers, training of trainees went on well until the interference of COVID-19. We were able to refresh our ICT skills to enable the process of training to continue on-line.

The board hired and remunerated trainers who were able to carry out this function well. Trainers and trainees were exposed to a "COVID Awareness Day" which included expert facilitators from the Ministry of Public Health.

3 Staffing and staff development

The Institute has 18 teaching staff deployed by PSC trainers and 9 BOG trainers. There are 20 non-teaching staff and 10 support staff. Cleaning and security services are outsourced.

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

- Ø CBET champion who is the Head of Department for Electrical and Electronics Engineering
- Ø The Accountant attended a training session organized by the National Treasury.
- Ø The Procurement Officer attended two workshops on procurement held at Kenya Technical Trainers College.
- Ø All the staff have been duly paid their monthly salaries/wages to date.

4 Successes consolidated

We managed to undertake the following activities successfully: -

Training of students

The Institute has the following academic departments:

- Ø Electrical and Electronics Engineering,
- Ø ICT
- Ø Business
- Ø Building & Civil Engineering

Hospitality and Tourism

5 Challenges

The management has been faced with a number of challenges. Some of them are explained as follows: -

- Ø Shortage of trainers in Building and Civil Engineering.
- Ø Business Department has been handled by trainers hired by the Board of Governors.
- Ø Insecurity due to lack of a perimeter wall.
- Ø Lack of accommodation facilities
- Ø The Institute lacks an Institute bus.
- Ø Covid 19 disruption of learning.
- Ø Constrained finances due to adherence of COVID protocols
- Ø

Way forward or future outlook for the organization

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



Mrs. Hafsa Seif Mohammed

Secretary, Board of Governors

Date: 30/09/20.....

CORPORATE GOVERNANCE STATEMENT

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

Role of the Board of Governors

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

The Board Size, Composition and Independence

The Board consists of 5 directors. The Board composition draws a good mix of skills, experience, and proficiencies in various fields. The directors’ biographies are shown on pages 5 to 7.

Board Remunerations

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

The Board has three committees that are constituted as follows:

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

Mrs. Hafsa Seif Mohammed
Secretary, Board of Governors

Date:..........

REPORT OF THE BOARD OF GOVERNORS

The Council/Board members submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Institute affairs.

Principal activity

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

Results

The results of the institute for the year ended June 30, 2020 are set out on page 1.

Members of the institute board

The Members of the Institute board who served during the year are shown on page 5 to 7.

Auditors

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

By Order of the board



Mrs. Hafsa Seif Mohammed
Secretary, Board of Governors

Date: 30/09/20

STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITIES

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

The council members are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) 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 the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Institute; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The council members accept responsibility for the Institutes' financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act, and the TVET Act. The council members are of the opinion that the Institute financial statements give a true and fair view of the state of Institute transactions during the financial year ended June 30, 2020, and of the Institute's financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Institute's financial statements were approved by the Board on 30/09/2020 2020 and signed on its behalf by:



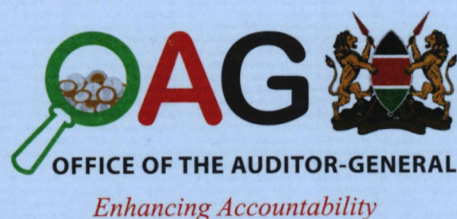
Chairperson of the Board



Principal

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON GODOMA TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Godoma Technical Training Institute set out on pages 1 to 39, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements of Godoma Technical Training Institute. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Inaccuracies in the Financial Statements

The financial statements for the year ended 30 June, 2020 have inaccuracies as detailed below:-

- i. The statement of financial performance reflects rendering of service - fees from students amounting to Kshs.59,445,484 while the supporting schedule reflects an amount of Kshs.64,470,484, resulting to un-explained and un-reconciled variance totalling to Kshs.5,025,000,
- ii. The statement of comparison of budget and actual amounts reflects total revenue amounting to Kshs.76,093,814. However, re-casted total amounting to Kshs.79,302,144, resulting to a difference amounting to Kshs.3,208,330 which has not been explained or reconciled,
- iii. Note 8 and 9 to the financial statements reflects sale of goods and other income amounting to Kshs.178,460 and Kshs.416,761 whereas the statement of financial performance reflects nil and Kshs.595,221 under sale of goods and other income respectively.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be confirmed.

2. Unconfirmed Bank Balances

As disclosed in Note 16 to the financial statements, the statement of financial position reflects cash and bank balances of Kshs.29,356,596 composed of Kshs.29,212,740 and Kshs.109,508 in respect to current and development bank account respectively. However, the supporting cashbooks and bank reconciliation statements were not provided for audit verification, contrary to Regulation 90(1) of the Public Finance Management - (National Government) Regulations, 2015.

Consequently, the accuracy and completeness of bank account balance of Kshs.29,356,596 could not be confirmed and the management is in breach of the Law.

3. Unconfirmed Property and Equipment

As previously reported, the statement of financial position reflects property and equipment balance of Kshs.109,991,558 and as disclosed in Note 20 to the financial statements. However, the balance excludes undetermined values of high value automotive training equipment, machines, computers and computer accessories and furniture and fittings which were handed over on 24 August, 2015 to the institution by Kenya Coast National Polytechnic. This is contrary to Regulation 141(1) of the Public Finance Management (National government) Regulations, 2015.

Further, the institution does not have an assets register in place to track all the assets it owns or finance policy and procedures manual to guide on the rates of depreciation and amortization of property and equipment. In addition, Furniture, fittings and equipment whose opening net book value was an amount of Kshs.1,521,260 which has not been depreciated.

Consequently, the accuracy, valuation, ownership and completeness of the property and equipment balance of Kshs.109,991,558 could not be confirmed.

4. Receivables from Exchange Transactions

As disclosed in Note 17 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of Kshs.15,951,237. Included in the balance is Kshs.15,920,237 attributable to student debtors, out of which an amount of Kshs.5,572,092 is owed by students who had completed their studies. However, ageing analysis of the receivables and approved policy on debtors' Management were not availed for audit.

Consequently, the accuracy and completeness of receivables from exchange transactions balance of Kshs.15,951,237 as at 30 June, 2020 and recoverability of the of student debtors balance of Kshs.5,572,092 could not be confirmed.

5. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.172,163,207 and Kshs.79,302,144 respectively resulting to an under-funding of Kshs.92,861,063 or 54% of the budget. Similarly, the

Institute expended Kshs.43,200,198 against an approved budget of Kshs.103,027,230 resulting to an under-expenditure of Kshs.59,827,032 or 58%, of the budget.

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

6. Non Conformity to the Prescribed Format

The financial statements for the year ended 30 June, 2020 does not have Management Discussion Report and Analysis.

Consequently, the financial statements as presented do not comply with International Public Sector Accounting Standard No.1 on presentation of financial statements as prescribed and published by the Public Sector Accounting Standards Board.

7. Unbalanced Overall Budget

The statement of comparison of budget and actual amounts reflects final revenue budget amounting to Kshs.172,163,207 against final expenditure budget amounting to Kshs.103,027,230 resulting to unbalanced budget amounting to Kshs.69,135,977. This is contrary to Regulation 33 of the Public Finance Management (National Government) Regulations, 2015 which requires an entity at all times to formulate and approve a balanced budget.

8. Delay in Completion of Proposed Construction of Staff Houses

As disclosed in Note 20 to the financial statements, the statement of financial position as at 30 June, 2020 reflects property and equipment balance of Kshs.109,991,558. Included in the balance is Kshs.8,444,428 in respect of works-in-progress. The amount relates to payment to a contractor for construction of the Principal's house and other staff quarters. The contract was awarded at a contract sum of Kshs.23,924,385 and signed on 27 June, 2018 with expected completion period of fifty-two (52) weeks (about one year). An amount of Kshs.11,741,162.60 had been paid to the contractor as at the close of the financial year ending 30 June, 2020.

However, inspection of the project in the month of February, 2021 revealed that tiling, plumbing, electrical fittings and painting works had not been done in the Principal's quarters while the staff houses had no doors and windows neither had plumbing and electrical works been done. As such, the project is behind schedule by nineteen (19) months contrary to Regulation 23(2)(e) of the Public Finance Management (National Government) Regulations, 2015.

Consequently, the Institute may not get value for money amounting to Kshs.11,741,162.60 so far spent on the project and the management is in breach of the Law.

9. Projects for Mentored Institutions

As previously reported, Godoma Technical Training Institute is mentoring two other colleges; Waresa Technical Training Institute in Magarini Constituency and Gandani Technical Training Institute in Rabai Constituency with a total cost of Kshs.48,179,060. However, the management did not operate separate bank accounts for the two Institutes

or a separate retention account for the contractor's retention monies. As such, there is risk of diversion of funds earmarked for the two Institutes to financial operations of Godoma Technical Training Institute.

Further, the following observations were made with regard to the two projects;

Project Name	Details of the Contract	Amount paid as at 30 June 2019 (Kshs)	Observations
Gandani Technical Training Institute in Rabai Constituency	Erection and completion of twin workshop, classrooms and offices block (2 storey building)	12,196,040	The Project's contract sum amounted to Kshs.51,632,172 and the contract was signed on 11 September, 2017. The project was to be completed within a duration of 52 weeks. The project has since stalled with the ground slab done and columns erected.
Waresa Technical Training Institute in Magarini Constituency	Erection and completion of twin workshop, classrooms and offices block (2 storey building)	11,545,851	As reported previously, the Project contract sum amounted to Kshs.54,865,865 and the contract was signed on 19 November, 2015. It was to be completed in a duration of 52 weeks. However, the contract was terminated on 18 August, 2017 due to poor workmanship after the contractor had been paid Kshs.11,545,851.20. Evidence of efforts to recover the amount paid to the contractor after breach of contract was not availed for audit.
	Erection and completion of twin workshop, classrooms and offices block (2 storey building)	24,437,169	The contract sum amounted to Kshs.57,827,311 and the contract was signed on 27 June, 2018. The project was to be completed in 52 weeks (about one year). However, as at February, 2021 the project was 85% complete; roofing, staircase, doors, mechanical works, plastering, wiring and floor finishes had been done but painting, electrical fittings, mechanical fittings and external works on the veranda had not been done.
Total		48,179,060	

As a result, the two Institutes are not getting value for money due to delayed project completion contrary to with Section 72(1)(b) of the Public Finance Management Act, 2012.

10. Lack of Internal Audit and Audit Committee

As previously reported, Godoma Technical Training Institute operated during the year ended 30 June, 2020 without an Internal Audit Unit and Audit Committee. This is contrary to Section 73 subsection (5) of the Public Finance Management Act, 2012 which states

that 'every national government public entity shall establish an internal auditing committee whose composition and functions are to be prescribed by the regulations'.

In the circumstances, the Institute is in breach of the Law and lacks monitoring mechanism to check on its operations as envisaged in the Public Finance Management Act, 2012.

11. Failure to Develop Risk Management Strategy

As previously reported, the Godoma Technical Training Institute Board did not develop risk management strategies during the year under audit. Without a risk management strategy, the Board may not be effective in managing a robust business operation of the Institute. This is contrary to Section 165(1) of the Public Finance Management (National Governments) Regulations, 2015 which requires the Accounting Officer of the National Government entity to develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

In the circumstances, the Institute is in breach of the Law and may fail to develop a system of risk management and internal control that builds robust business operations as required by the Public Finance Management (National Government) Regulations, 2015.

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

As previously reported, the Institute does not have Human Resource Department nor formulated Human Resource Policy, Scheme of Service and Staff Establishment to guide the management on administrative and personnel matters. This is contrary to Chapter One Paragraph 1.2 of Mwongozo which bestows the Board of Directors with roles and functions which include setting and overseeing the overall strategy and approval of significant policies of the organization and organizational structure.

In the circumstances, the Institute is in breach of the Law and may fail to operate in an effective, efficient, economical and transparent manner as required by Mwongozo.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the Institute's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article

229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the Godoma Technical Training Institute Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 February, 2022

GODOMA TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Kshs	2019 Kshs
Revenue from non-exchange transactions			
Transfers from the National Government	6	16,648,330	11,243,130
		<u>16,648,330</u>	<u>11,243,130</u>
Revenue from exchange transactions			
Rendering of services - fees from students	7	59,445,484	24,392,533
Sale of goods	8	-	16,040
Other income	9	595,221	-
		<u>76,689,035</u>	<u>35,651,703</u>
Total revenue			
Expenses			
Use of goods and services	10	(10,723,323)	(12,363,158)
Employee costs	11	(4,519,596)	(5,539,759)
Remuneration of board of governors	12	(853,200)	(1,084,100)
Depreciation and amortization expense	13	(2,923,465)	(2,514,162)
Repairs and maintenance	14	(3,281,614)	(1,884,150)
General expenses	15	(11,480,212)	(6,706,609)
		<u>(33,781,410)</u>	<u>(30,091,938)</u>
Total expenses			
Surplus for the year		<u><u>42,907,625</u></u>	<u><u>5,559,766</u></u>

The notes set out on pages 15 to 31 form an integral part of the Annual Financial Statements.

GODOMA TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 Kshs	2019 Kshs
Assets			
Current Assets			
Cash and bank balances	16	29,356,596	13,652,465
Receivables from exchange transactions	17	15,951,237	7,249,576
Receivables from non-exchange transactions	18	2,196,040	2,196,040
		47,503,873	23,098,081
Non-Current Assets			
Property and equipment	20	109,991,558	105,157,044
Intangible assets	19	1,576,440	1,664,020
		111,567,998	106,821,064
Total assets		159,071,871	129,919,145
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	21	3,100,777	-
Payables from non-exchange transactions	21	10,988,680	27,844,356
Refundable deposits from customers	22	42,400	42,400
		14,131,857	27,886,756
Net assets			
Capital Fund		98,600,000	98,600,000
Accumulated surplus		46,340,014	3,432,389
		144,940,014	102,032,389
Total net assets and liabilities		159,071,871	129,919,145

The Financial Statements set out on pages 7 to 31 were signed on behalf of the Institute Council/ Board of Governors by:

Chuni
 Chairman of Council/Board of Governors

Rahy
 Finance Officer

(Signature)
 Principal

Date: 30/09/20

Date: 30/09/20

Date: 30/09/20

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

	Accumulated surplus	Capital Fund	Total
	Kshs	Kshs	Kshs
At July 1, 2018	(2,127,377)	98,600,000	96,472,623
Surplus for the year	5,559,766	-	5,559,766
At June 30, 2019	3,432,389	98,600,000	102,032,389
At July 1, 2019	3,432,389	98,600,000	102,032,389
Surplus for the year	42,907,625	-	42,907,625
At June 30, 2020	46,340,014	98,600,000	144,940,014

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Kshs	2019 Kshs
Surplus for the year before tax		42,907,625	5,559,766
Adjusted for:			
Depreciation		2,835,885	2,426,582
Computer software written off to expenses		0	-
Amortization		87,580	87,580
Working Capital adjustments		45,831,090	8,073,927
Increase in receivables		(8,701,661)	(9,249,298)
Increase in payables		(13,754,899)	8,223,613
Net cash flow from operating activities		23,374,530	7,048,242
Cash flows from operating activities			
Cash flows from investing activities			
Purchase of property and equipment	20	(7,670,399)	(12,149,475)
Net cash flows used in investing activities		(7,670,399)	(12,149,475)
Net increase in cash and cash equivalents		15,704,131	(5,101,233)
Cash and cash equivalents at 1 July	16	13,652,465	18,753,698
Cash and cash equivalents at 30 June	16	29,356,596	13,652,465

GODOMA TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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3

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

Revenue	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Difference	Explanation
	2020-2019	2020-2019	2020-2019	2020-2019	2020-2019		
	Kshs	Kshs	Kshs	Kshs	Kshs		Note
Sale of goods	200,000	-	200,000	-	200,000		a
Rendering of services- Fees from students	120,630,207		120,630,207	59,445,484	56,159,723	87%	b
- Operational grants	12,000,000		12,000,000	16,648,330	3,585,000	43%	
- Development	30,000,000		30,000,000	3,208,330	26,791,670	835%	c
Other income	9,333,000		9,333,000	-	9,333,000	100%	e
Total income	172,163,207	-	172,163,207	76,093,814	96,069,393		
Compensation of employees	(6,628,323)		(6,628,323)	(5,372,796)	(1,255,527)	23%	
Use of goods and services	(32,671,400)		(32,671,400)	(26,189,061)	(631,800)	0%	f
Remuneration of board of governors	(1,485,000)		(1,485,000)	(853,200)	(631,800)	74%	
Capital expenditure	(62,242,507)		(62,242,507)	(10,785,141)	(51,457,366)	228%	g
Total expenditure	(103,027,23)	-	(103,027,23)	(43,200,198)	(53,344,693)		
Surplus for the period	69,135,977	-	69,135,977	32,893,616	42,724,700		

GODOMA TECHNICAL AND TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Statement of comparison of budget

continued

* Notes

- a) A budget of Ksh 200,000 was budgeted for students T shirts but only Ksh 174,600 was realised. This is due to receipts paid and students were out of session during the COVID 19 pandemic.
- b) The drop in student fees is attributed to absence of students who were home during the COVID 19 pandemic.
- c) Ksh 30 million was budgeted for the staff housing project being constructed at the Institution. During the year, only Ksh 3.2 million was received from the ministry.
- d) Funds from the CDF was not in the budget since it is upon the student to apply for CDF bursary support.
- e) The 52% drop between budget and actual expenditure is attributed low level of activities during the year. Repairs and maintenance expenditure dropped by 74 % , Teaching and learning materials reduced by 2 million and local travelling also reduced by 2 million.
- f) 2.18 Million worth of payment certificate had been raised

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

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

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 2020

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS</p>	<p>Applicable: 1st January 2022:</p>

Standard	Effective date and impact:
resulting from IPSAS 41, Financial Instruments	<ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2018/2019 was approved by the Council or Board. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity on the FY 2018/2019 budget following the Council/ Board's approval.

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

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

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

c) Taxes

Current income tax

The entity is exempt from paying taxes.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (continued)

Sales tax/ Value Added Tax

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

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

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

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of xxx years.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

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

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

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

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

g) Intangible assets

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

h) Research and development costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

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

Loans and borrowing

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

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

i) Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

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

o) Borrowing costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020	2019
	Kshs	Kshs
6 Transfers from the National Government		
Unconditional grants		
Operational grants - Transfers from the State Department for Vocational and Technical Training	13,440,000	8,025,000
Conditional grants		
Development grants - Transfers from the State Department for Vocational and Technical Training	3,208,330	3,218,130
Total government grants	<u>16,648,330</u>	<u>11,243,130</u>
7 Rendering of services - fees from students		
Tuition fees	47,174,409	23,489,309
Activity Fees	956,275	231,720
Examination Fees	2,354,484	10,400
Registration Fees	207,000	6,300
Caution Fee	103,000	397,432
Student ID Card	123,600	-
Development Fee	618,000	-
Personal Emoluments	3,010,900	-
Industrial Attachment and Medical Cover	780,000	-
EW&C	779,000	-
Insurance	328,200	-
LT&T	719,875	-
RMI	427,374	-
Equipment Income	7,500	-
Accommodation	1,855,866	257,372
	<u>59,445,484</u>	<u>24,392,533</u>

These are amounts charged to students based on an approved fees structure. The amount paid by each student depends on the nature of the course and the module.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 Sale of goods	2020	2019
	Kshs	Kshs
Sale of farm produce and bread	3,860	12,340
Sale of institutes T-shirts	174,600	3,700
	<u>178,460</u>	<u>16,040</u>

9 Other income

Laboratory Coat	180,400	-
Electrical Dept	5,000	-
Other Income	230,361	-
Hire of Facility	<u>1,000</u>	<u>-</u>
	<u>416,761</u>	<u>-</u>

This is income from seminars held at the institute and other miscellaneous income from sale of disposed assets.

10 Use of goods and services	2020	2019
	Kshs	Kshs
Electricity, water and conservancy	1,526,973	2,116,299
Examinations expenses	2,359,089	2,855,196
Teaching Equipment & Stores	1,009,777	1,299,472
Production Unit Expenses	129,933	213,850
Boarding and accommodation expenses	<u>5,697,551</u>	<u>5,878,341</u>
	<u>10,723,323</u>	<u>12,363,158</u>

11 Employee costs

Salaries and wages	4,400,082	4,370,469
Social contributions	19,514	-
Staff Capacity Building- KATTI	100,000	1,169,290
	<u>4,519,596</u>	<u>5,539,759</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Remuneration of board of governors

Members emoluments	853,200	1,084,100
	<u>853,200</u>	<u>1,084,100</u>

13 Depreciation and amortization expense

	2020 Kshs	2019 Kshs
Property, plant and equipment	2,835,885	2,426,582
Intangible assets	87,580	87,580
	<u>2,923,465</u>	<u>2,514,162</u>

14 Repairs and maintenance

Repairs, maintenance and improvements	3,281,614	1,884,150
	<u>3,281,614</u>	<u>1,884,150</u>

15 General expenses

Activity expense	760,050	1,189,816
Computer Expenses	98,000	-
Contingencie Expense	97,000	524,055
Education Tour	-	62,650
Insurance expense	161,047	-
Internet Expense	142,882	616,383
Lerning Materials	276,049	68,755
Marketing - Advertisement Expense	415,240	489,500
Planning & Policy Development	266,200	405,200
Miscellaneous expenses	162,808	-
Research and Innovation	-	29,000
Security	1,228,000	500,250
ASK Show exhibitions	574,800	177,600
Computer software license	-	185,600
International Conference & Travel	302,784	444,840
Local Transport & Travelling Expense	4,185,075	1,992,264
Student Id Expense	-	18,300
Bank charges	19,743	2,396
Subscriptions	861,864	-
Covid-19 Intervention	989,670	-
Administration	599,000	-
Performance Contracting	340,000	-
	<u>11,480,212</u>	<u>6,706,609</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 Cash and bank balances

Current accounts

Kenya Commercial Bank current a/c	29,212,740	13,163,538
Kenya Commercial Bank development a/c	109,508	358,441

Others

Cash in hand	34,348	130,486
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	<u>29,356,596</u>	<u>13,652,465</u>
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	2020	2019
	Kshs	Kshs
17 Receivables from exchange transactions		
Student debtors	15,920,237	7,187,458
Deposits	-	62,118
Other debtors	<u>31,000</u>	
	<u>15,951,237</u>	<u>7,249,576</u>

18 Receivables from non-exchange transactions

Rabai Technical Training Institute	2,196,040	2,196,040
	<u>2,196,040</u>	<u>2,196,040</u>

19 Intangible assets

Intangible assets

Cost or valuation

At July	1,751,600	1,751,600
Expensed during the year		-

At June 30, 2020	<u>1,751,600</u>	<u>1,751,600</u>
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Amortization

At July	87,580	-
Charge for the year	<u>87,580</u>	<u>87,580</u>

At June	<u>175,160</u>	<u>87,580</u>
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Net book value

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At June 30

1,576,440

1,664,020

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20	Property and equipment						
2020	Land	Buildings	Computers	Furniture, fittings and equipments	Library books	Work in progrerss	Total
Cost or valuation							
At July 1, 2019	1,100,000	108,649,777	967,350	1,050,620	225,176	1,904,780	113,897,703
Additions	-	-	522,000	470,640	138,111	6,539,648	7,670,399
At June 30, 2020	1,100,000	108,649,777	1,489,350	1,521,260	363,287	8,444,428	121,568,102
Depreciation							
At July 1, 2019	-	8,175,173	87,062	393,983	84,441	-	8,740,659
Charge for the year	-	2,180,046	545,612	82,080	28,147	-	2,835,885
At June 30, 2020	-	10,355,219	632,674	476,063	112,588	-	11,576,544
Net book value							
At June 30, 2020	1,100,000	98,294,558	856,676	1,045,197	250,699	8,444,428	109,991,558
At June 30, 2019	1,100,000	100,474,604	880,288	656,637	140,735	-	105,157,044

NOTE: Work in Progress is relating to the construction of Principal and staff houses.

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	2020	2019
	Kshs	Kshs
21 Trade and other payables from exchange transactions		
Retention Money	1,666,151	-
With-Holding VAT	96,960	-
With-Holding TAX	449,860	-
Retention Money Mwashua Enterprises Ltd	655,456	-
Uncredited Receipts A/c	232,350	-
	<u>3,100,777</u>	<u>-</u>
21 Payables from non-exchange transactions		
Waresa Technical Training Institute	10,988,680	27,844,357
	<u>10,988,680</u>	<u>27,844,357</u>
22 Refundable deposits from customers		
Consumer deposits	-	-
Caution money	42,400	42,400
Other refundable deposits	-	-
	<u>42,400</u>	<u>42,400</u>

23 Related party disclosures

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the entity, holding 100% of the entity's equity interest. Other related parties include:

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24(a) Transactions with related parties

<i>Key management compensation</i>	2020 Kshs	2019 Kshs
Council members emoluments	<u>853,200</u>	<u>1,084,100</u>

24(a) Transactions with related parties (continued)

<i>ii</i>	2020 Kshs	2019 Kshs
<i>i Grants from the Government</i>		
Operational Grants from National Govt	<u>13,440,000</u>	<u>8,025,000</u>
	<u>13,440,000</u>	<u>8,025,000</u>

24(b) Related party balances

i Due from Related Parties

Receivables from mentored TTI's	<u>2,196,040</u>	<u>2,196,040</u>
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ii Due to Related Parties

Payables to mentored TTI's	<u>(2,196,040)</u>	<u>(2,196,040)</u>
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24 Mentored Institutions

i

Weresa Technical Training Institute

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

Amounts paid from payment certificates Kshs 30,325,316

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

ii

Gandani Technical Training Institute

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 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:

i) Credit risk (continued)

	Fully Performing Kshs	Past due Kshs	Impaired Kshs	Total amount Kshs
At 30 June 2019				
Receivable from exchange transactions				-
Bank Balances	29,356,596	-	-	29,356,596
Total	29,356,596	-	-	29,356,596
At 30 June 2018				
Receivable from exchange transactions	7,249,576	-	-	7,249,576
Receivable from non-exchange transactions	2,196,040	-	-	2,196,040
Bank Balances	13,652,465	-	-	13,652,465
Total	23,098,081	-	-	23,098,081

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 NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

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

The entity has significant concentration of credit risk on amounts due from xxxx

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

(ii) Liquidity risk management

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

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

	Less than 1 month Kshs	Between 1–3 months Kshs	Over 5 months Kshs	Total amount Kshs
At 30 June 2019				
Trade and other payables	3,100,777	-	-	3,100,777
Other Payables	11,031,080	-	-	11,031,080
Total	14,131,857	-	-	14,131,857
At 30 June 2018				
Trade Payables	27,886,756	-	-	27,886,756
Total	27,886,756	-	-	27,886,756

46. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

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

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

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

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

iii) Interest rate risk

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

Management of interest rate risk

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

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 NOTES TO THE FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

iv) 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:

	2020 Kshs	2019 Kshs
Accumulated surplus	46,340,014	3,432,389
Capital Fund	98,600,000	98,600,000
Total Funds	144,940,014	102,032,389
Less: Cash and Bank balances	(29,356,596)	(13,652,465)
Net debt(excess cash and cash equivalent)	(29,356,596)	(13,652,465)
Gearing	-20%	-13%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 EVENTS AFTER THE REPORTING PERIOD

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

8 ULTIMATE AND HOLDING ENTITY

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

9 Currency

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

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1. APPENDICES

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.

ITEM	CRITERIA	AUDIT FINDINGS	MANAGENT RESPONSE
1.0	Section 47 (1) of the Public Audit Act, 2015 (Failure to prepare and submit financial statements for three financial years)	The Management of Godoma Technical Training Institute did not prepare and submit financial statements for the financial years 2015/2016, 2016/2017 and 2017/2018.	The institute fairly new and there were no guidelines from the national treasury on the preparation of the Financial statements
2.0	Section 47 (1) of the Public Audit Act, 2015 Late presentation of the financial statements	Late presentation of the financial statements	The management will ensure timely submission of the financial statements for audit to the Auditor General.
3.0	3.1 IPSAS 1- Presentation and Disclosure	The statement of financial performance, statement of financial position, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts do not indicate the period to which they relate to.	Corrected (See Financial Statements)
	3.2 IPSAS 1- Presentation and Disclosure	The statement of financial position for the year ended 30 June 2019 does not have disclosure notes for capital fund balance of Kshs. 98,600,000 and accumulated surplus of Kshs. 205,903.	Corrected (See Financial Statements)
4.0	Inaccuracies in the Financial Statements	- The financial statements for the year ended 30 June 2019 availed for audit review had opening balances which have not been audited neither were schedules provided to support the balances.	Management will strive to prepare and submit financial statements for audit with all relevant schedules
5.0	Regulation 33 of the Public finance management (Budget Performance and Control)	Unbalanced budget	Management will henceforth strive to prepare and submit a balance budget for approval
	5.1 Revenue budget	During the year under review, the Institute had an approved budget of Kshs. 67,787,480 against overall realization of Kshs. 35,651,703 or 52.59%, resulting to a revenue shortfall of Kshs. 32,135,777 or 47.41 % as summarized below:	The revenue shortfall is largely occasioned by delay in disbursements by the department of TVET
	5.2 Expenditure Budget	During the year under review, the Institute had a total expenditure budget of Kshs. 83,756,601 against actual expenditure of Kshs. 41,880,554 or	The under absorption is largely occasioned by delay in disbursements by the department of TVET

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		50%, resulting to an under absorption of Kshs.41,876,047 or 50 % as summarized below:	
6.0	Public finance management act, 2012 Section 73 subsection (5) Internal Audit and Audit Committee	Lack of Internal Audit and Audit Committee	The management will recommend to GTTI board of governors the employment of an internal auditor The management will constitute an audit committee with immediate effect
7.0	7.1 internal Control Environment	Lack of an approved scheme of service;	The management undertakes to review the draft scheme of service and get it approved by the BoG
	7.2	Lack of a Human Resource Policy	The management undertakes to review the draft human resource policy and get it approved by the BoG
	7.3	Lack of an approved Organizational Chart	The management undertakes to review the draft organisational chart and get it approved by the BoG
	7.4	Lack of an approved staff establishment	The management undertakes to review the draft human resource establish a staff establishment scheme and get it approved by the BoG
	7.5	Lack of a defined business continuity plan	Management will expeditiously develop a comprehensive business continuity plan
	7.6	Lack of a Disaster Recovery Plan	The management will develop a disaster recovery plan to address the current and future operational risks to the institute
	7.7	Lack of a risk management policy	The management of GTTI will undertake to establish and develop a Risk management policy to address the current and future operational risks to the Institute
	7.8	Lack of an approved ICT Policy	The management of GTTI will undertake to establish and develop an ICT policy to address the current and future operational risks to the Institute
	7.9	Non-maintenance of ICT assets register	The management of GTTI will establish and develop an ICT Asset Register to closely monitor the machines and

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			enhance security of the ICT Asset
8.0	The Public Finance Management Act Section 68 Employee Costs	Misclassification	Rectified (See Financial Statements)
9.0	The Public Finance Management Act Section 68 Remuneration of board of governors	Maintaining attendance register for meetings held by the board which are dully signed and dated	The management of GTTI will establish and maintain a dated attendance register for all meetings and will be duly signed
10.0	Section 68 (1) of the Public Finance Management Act, 2012 Repairs and maintenance	No user requisition forms attached to the payment vouchers nor goods received note to confirm that the goods were indeed delivered.	The goods received note and the requisition forms were identified and attached in the vouchers
11.0	11.1 Security service	No signature for attendance of Security guards	The management of GTTI will maintain an updated attendance register for workers in all fields for prudent purposes
	11.2 Section 71 (1) of the Public finance management act Local transport and Travelling Expense	No signature by the board chair and report from the meeting	The management undertakes to improve on records keeping
	11.3 Section 71 (1) of the Public finance management act	No boarding pass to confirming the principal's travel to Nigeria. No written approval from the head of public service authorising overseas travel.	The boarding pass has been provided Approval to travel abroad was done through the PS office under the ministry of Education List of approved names available
12.0	Public finance management act section 79(2)(c) (iii)	Receivables in the financial statement relating to students who have finished schooling	The management of GTTI will undertake to establish and develop an aging analysis and a policy that will help recover the debt and curb for any huge debts in the future.
13.0	financial statements reflects refundable deposits from customers		The management of GTTI will undertake to open a separate bank account for the deposits that are refundable
14.0	Regulation 90 (1) of the Public finance management	Bank confirmation certificates, No cashbooks being maintained and bank reconciliations.	This was Noted with great concern and the management will comply and

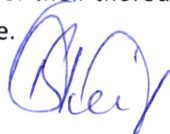
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			will undertake to prepare and maintain cashbooks, bank reconciliation and will request to be issued with the bank confirmation certificate
15.0	Regulation 141 (1) of the Public finance management Property Plant and equipment	Statement of financial position and as disclosed in note 20 to the financial statements for the year ended 30 June 2019 reflect property and equipment balance of Kshs. 102,821,238.	The management of GTTI is following up from the ministry of Education to be supplied with the relevant costs of all equipment
16.0	The Public Finance Management Act Section 68 Proposed construction of staff houses	The institution is constructing staff houses; Principal's quarters – (2 bedroom) 1unit and Staff quarters – (1 bedroom) 4 units 1 Storey. The contract was awarded to Mwashua enterprises ltd at a contract price of Kshs. 23,924,385. The Contract was signed on 27 th June 2018. The project was to be completed within fifty-two (52) weeks. It was noted that there was delay in the implementation Start date	The management wrote to the project managers complaining of the delays. The project manager warned the contractor who is back on site.
17.0	The Public Finance Management Act Section 68 states Mentored institutions	17.1 Magarini TTI – Waresa tti – erection and completion of twin workshop, classrooms and offices block (2 storey) for proposed Magarini technical training institute – Kilifi county (magarini Constituency)	Management will communicate to the project manager (Kilifi Public Works) to seek for advice on way forward.
		17.2 Rabai TTI – Gandani tti – erection and completion of twin workshop, classrooms and offices block (2 storey) for proposed rabai technical training institute – Kilifi County (Rabai Constituency)	The delays was due to poor access road to the site. The issue was addressed in a meeting with the Rabai NG-CDF and County roads department. There has been delay in the remittance of the funds from GoK

Appreciation

On behalf of the Board of Governors of Godoma Technical Training Institute, I take this opportunity to thank the team of Auditors for their thorough job and very candid recommendations. We expect similar educative engagements in future.

HAFSA SEIF




SECRETARY TO BOARD OF GOVERNORS

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Guidance Notes:

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

Director General/C.E.O/M.D (enter title of head of entity)
Chairman of the Board


Date... 30/09/20.....

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 under the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	Magarini TVC	MoE	52Weeks	Yes	No	Yes
2	Staff Houses	MoE	52Weeks	Yes	No	Yas

Status of Projects completion

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Magarini TVC	57,827,311	34,506,423	60%			GoK
2	Staff Houses	23,924,385	11,741,162	49%			GoK
3							


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APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from the State Department of Godoma TTI			
	FY 2019/2020			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY 2019/2020</u>
		10/07/2019	5,025,000.00	
		06/05/2020	8,415,000.00	
		Total	13,440,000.00	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY 2019/2020</u>
		08/07/2019	3,208,330.00	
		Total	3,208,330.00	

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

Finance Manager
Godoma Technical Training Inst

Sign 

Head of Accounting Unit
xxx Ministry

Sign-----

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