

REPUBLIC OF KENYA



*Enhancing Accountability*

PARLIAMENT  
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LIBRARY

THE NATIONAL ASSEMBLY  
PADOO I AID

**REPORT DATE:** 21 FEB 2023

DAY  
TUESDAY

TABLED  
BY:

DEPUTY LEADER OF  
MAJORITY PARTY

CLERK-AT  
THE TABLE:

WROTH MWALE

**OF**

**THE AUDITOR-GENERAL**

**ON**

**SOTIK TECHNICAL TRAINING  
INSTITUTE**

**FOR THE YEAR ENDED  
30 JUNE, 2021**





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**SOTIK TECHNICAL TRAINING INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30<sup>TH</sup>, 2021.**

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

SOTIK TECHNICAL TRAINING INSTITUTE  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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## 1. KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

The Sotik Technical Training Institute was incorporated/ established under the Technical and Vocational Education and Training Act NO. 29 OF 2013 on May 2016. The Institute is domiciled in Kenya, Bomet County, Sotik sub-county and has no branches. The Institute is a centre of excellence of Automotive Engineering in both Artisan, Certificate and Diploma.

### (b) Principal Activities

The principal activity of the Sotik Technical Training Institute is to offer quality Technical, Vocational, Education and Training to students to acquire technical skills relevant to the main agenda of government.

**Vision:**

To be a centre of excellence in offering quality Technical and Vocational Education and Training.

**Mission:**

To provide Quality and Technical knowledge, skills and competences that promotes innovation and creativity.

**Core Objectives:**

- i) To extend technological solutions through research in appropriate and emerging technologies.
- ii) To promote technology through linkages with institutions, community and industries.
- iii) To expand and harness use of Information Communication Technology in service delivery and Information Communication Technology integration.

### (c) Key Management

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

- Board of Governors,
- Accounting officer/ Principal
- Deputy Principal Administration.
- Deputy Principal Academics.
- Registrar.
- Dean of students.
- Finance Officer.
- Procurement Officer.

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

| No. | Designation                     | Name              |
|-----|---------------------------------|-------------------|
| 1.  | Principal                       | Joel Maritim      |
| 2.  | Deputy principal Administration | Tarus Barkebo     |
| 3   | Deputy principal Academics      | Paul Makori       |
| 4   | Registrar (s)                   | Gilbert Ronoh     |
| 5   | Dean of students                | Geofrey Cheruiyot |
| 6   | Head of Finance                 | Joseah Kirui      |
| 7   | Head of Procurement             | Gideon Chepkwony  |

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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(e) **Fiduciary Oversight Arrangements**

| Name of the Committee                | Members   |
|--------------------------------------|---|
| Finance and Human Resource Committee | 1.Caren Chepkemoi<br>2.Joshua Osindi<br>3.Apollo Wangah         |
| Technical &Infrastructure committee  | 1.Bernard Rono<br>2.Joshua Osindi<br>3.Peter K.Cheruiyot- CDVET |
| Risks and Audit Committee            | 1. Dr. Daniel Kirui<br>2. Bernard Rono<br>3. Apollo Wangah      |

(f) **Entity Headquarters**

Sotik Technical Training Institute  
P.O. Box 895-20406, Sotik.  
Sotik-Ndanai Highway  
SOTIK, KENYA

(g) **Entity Contacts**

Telephone: (254) 792518945  
E-mail: technicalsotik@gmail.com  
Website: www.sotiktti.ac.ke

(h) **Entity Bankers**

Kenya Commercial Bank  
Sotik branch  
P.O. Box 264-20406,  
SOTIK, Kenya.

(i) **Independent Auditors**

Auditor General  
Office of the Auditor-General  
Anniversary Towers, University 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

**2. THE BOARD OF GOVERNORS**

|   |  |  |
|---|--|--|
|    | <p>Harrison Kirui (Chairman) ,Master of Arts in Economics</p>              | <p>Born in 1963<br/> Master of Arts in Economics<br/> Over thirty years management experience in tea industry.<br/> Chairman of the board.</p>   |
|    | <p>Apollo Wangah, Higher National Diploma in Mechanical engineering</p>    | <p>Born in 1965<br/> Higher National Diploma in Mechanical engineering<br/> Over twenty years mechanical workshop experience</p>   |
|   | <p>Bernard Rono, Masters in Information Systems security.</p>              | <p>Born in 1985<br/> Masters in Information Systems Security.<br/> Over six years' experience as ICT manager in Ketepa Tea Packers Limited. Technical &amp;Infrastructure committee Chair.</p> |
|  | <p>Joshua Osindi, Bachelor's degree in Electrical engineering</p>          | <p>Born in 1986<br/> Bachelor's degree in Electrical engineering<br/> Over five years in Tea industry</p>  |
|  | <p>Daniel Kirui, PhD in Business Management</p>                            | <p>Born in 1968<br/> PhD in Business Management.<br/> Over twenty years' experience in Education training industry. Risks and Audit Committee Chair.</p>                                       |
|  | <p>Joel Maritim (Principal), Bachelor's degree in Technology Education</p> | <p>Born in 1966<br/> Bachelor's degree in Technology Education<br/> Over twenty four years' experience trainer in technical training</p>   |
|  | <p>Caren Chepkemoi, Bachelor's degree in Food Science and Technology.</p>  | <p>Born in 1989<br/> Bachelor's degree in Food Science and Technology.<br/><br/> Over 7 years Laboratory Technician in milk industry. Finance and Human Resource Committee Chair.</p>          |

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**3. MANAGEMENT TEAM**

|   |  |  |
|---|--|--|
|    |  | <p>Principal/ Board Secretary</p>      |
| <p>Joel K. Maritim,<br/>Bachelor's degree in Technology Education.</p>  |  |  |
|    |  | <p>Deputy Principal Administration</p> |
| <p>Tarus K. Barkebo,<br/>Bachelor's degree in Technology Education.</p>   |  |  |
|    |  | <p>Deputy Principal Academics</p>      |
| <p>Paul G. Makori,<br/>Master's degree in Educational Planning,<br/>Post Graduate Diploma in Human Resource Management and Management Course.</p>   |  |  |
|    |  | <p>Finance Officer</p>                 |
| <p>Joseah K. Kirui ,<br/>Bachelor's degree in Business Management, Certified Public Accountant of Kenya.</p>  |  |  |
|    |  | <p>Procurement Officer</p>             |
| <p>Chepkwony K. Gideon,<br/>Master of Science in Procurement and Logistics, Bachelors degree in Purchasing and Supplies Management, Higher National Diploma in Human Resource Management.</p> |  |  |

## **CHAIRMAN'S STATEMENT**

I am pleased to report that Sotik Technical Training Institute (STTI) has continued to perform well in returning exemplary examination results of the Kenya National Examinations Council (KNEC). I take this opportunity to share with you my views on the key initiatives and achievements we have had over the year on economic performance, Education sector changes, financial performance and operations and risks associated with the Institution, and our future outlook.

### **Economic Focus**

In order to ensure efficient and effective provision of Technical Vocational Training, we have developed necessary policies and institutional framework to direct the running of the Institution in line with vision 2030, the Big 4 Agenda and Sustainable Development Goals. In the past, the institute experienced tremendous growth in student enrolment but in the last two years the enrolment though growing has been unsteady due to the effects of Covid 19.

#### **➤ KEY ACTIVITIES- FINANCIAL YEAR 2020/21**

- The recruitment of students and staff was remarkable.
- Adverts of courses offered done through print media, posters, online marketing, through Facebook and visiting of neighbouring secondary schools.
- Expansion of internet connectivity by increasing from one access point to five access points to ease access of internet by students, trainers and administration staff.
- Full and various Executive Board meetings were also held.
- Construction of dispensary for students' medical services. The block also accommodates Dean of students' office, Examination office, guidance and counselling office.
- Construction of two number eight door pit latrines for male and female students to ease congestion and better provision of sanitation.
- Construction of hand washing points, fixing of automatic dispensers for hand sanitizing with full plumbing works to help observe Ministry of Health covid-19 protocols.

#### **➤ CONSOLIDATED SUCCESSES**

- Very united Board enthusiastic of progressive development of the institute.
- Impressive turn out of learners.
- Construction of food and beverage workshop, restaurant and drawing room with offices and washrooms for trainers to ease congestion in staffroom.
- Sufficient lighting within the Institute was also provided.

#### **➤ CHALLENGES**

- Water shortage during dry seasons.
- Study halls not sufficient to cater for high demand by prospective and existent students.
- Residential premises (hostels) not enough around the Institute for student's accommodation.
- Inadequate of trainers.
- Poor accessibility due to poor roads.

#### **➤ WAY FORWARD**

- Increase more learning halls through Government Funding and Constituency Development Fund.
- Constructing hostels mainly for female learners in the short term.
- Do more harvesting of rain water, drill a borehole, construct a pump house in the nearest river and install an electric pump for piped water to the institute.

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- Enhance extra co-curricular activities by facilitating mobility through procuring of Institute bus.
- Constructing of plumbing and electrical workshops with stores, offices and washrooms.
- Constructing of power house.
- Plan more developments.

HARRISON K KIRUI  
CHAIRMAN, BOARD OF GOVERNORS  
29<sup>th</sup> Sept, 2021.

Sign: 

Date: 24-08-2022 .

## REPORT OF THE PRINCIPAL

Sotik Technical Training institute is well placed to providing adequate and relevant training to her graduates that will enable them to contribute towards the attainment of our country's Vision 2030 strategic objectives. In furtherance of our mandate therefore, we have committed ourselves to consistently and regularly review, improve and consolidate our academic programs in several ways that will ensure their competitiveness in terms of quality and relevance.

With the guidance of the Governing Board, we worked hard in setting up structures and policies aimed at guiding the institution in the right strategic direction. Under my leadership and the overall direction of the Institute's Board we were able also to be in the forefront in ensuring that financial resources were utilized efficiently and effectively for optimum output. Despite the many challenges brought about by economic constraints, the Institute nevertheless continued to discharge its mandate of training.

## HIGHLIGHTS OF FY 2020/2021 PERFORMANCE

The Financial Year 2020/2021 started on a high note with the Government keen to ensure TVET Institutions absorb as many Form 4 leavers as possible.

During the year under review, the total capitation received from the government amounted to Kshs. 40,287,500 compared to 24,900,000

Income from rendering of services was in the tunes of 9.46 million compared to 18 million in 2019/2020 due disruptions caused by Covid – 19 leading to closure of learning institutions.

### Students Enrolment;

During the year 2020/2021, there was increase in student enrolment 982 making the student number to 1327. During the financial year under review, 2020/2021, the Institute developed and delivered on several tangible targets:

### Projects Undertaken

The Board was also able to undertake the following projects:

| Project                  | Completion rate |
|--------------------------|-----------------|
| Culverts and Pavements   | 100%            |
| Store house yard         | 100%            |
| Pit Latrines             | 100%            |
| Dairy shade              | 100%            |
| Food & Beverage Workshop | 100%            |
| Dispensary               | 100%            |

The Institute has partnered with the County Government of Bomet, Finlays Limited, Post Bank Bomet, National Government-Constituency Development Fund Sotik Constituency, Curriculum Development Assessment and Certification Council, Kenya Commercial Bank Sotik branch, Kenya Universities and Colleges Central Placement Services, Higher Education Loans Board and we look forward to more partnerships in future.

The Institute has state of art equipment in Automotive Engineering and is a centre of excellence in this trade area.

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The Institute has a potential to admit more students but this will be made possible only if the infrastructure is improved. We are in the process of constructing two Hostels with partnership from Finlays Kenya Ltd and National Government-Constituency Development Fund Sotik to accommodate about three hundred students so as to assist students who are placed by Kenya Universities and Colleges Central Placement Services.

Sotik Technical Training Institute has a very bright future in the Technical and Vocational Education and Training Sub-sector.

I have confidence that the trainees are well equipped with the necessary skills that strategically aligns them with opportunities within the country, regionally and globally at the same time contributing to the realization of the Big 4 Agenda: Health, Manufacturing, Affordable Housing and Food security.

Technical Training Institute being a Tertiary institution desires to enhance its visibility, performance, and competitiveness in the tertiary education sector in the face of stiff competition. To do so, however the Institute requires a lot of support from the Government and other stakeholders in this crucial transitional stage to a National Institute in terms of funding, material support and other contributions. We shall continue to appeal for such support for several years to come.

On behalf of the Institute Board and Management, I take this opportunity to thank the Government for its unequivocal support during the year under review.

I also appreciate the financial, material and moral support of our collaborators, partners and friends during the year. It is because of the understanding and guidance of the Chairman of the Board as well as the cooperation of the Management team, all staff and our students that we ended the year within an environment of peace and stability. I wish to register my sincere gratitude to them all.

I look forward to their continued support in the new financial year and the years ahead.

JOEL K MARITIM  
PRINCIPAL/SECRETARY TO THE BOARD OF GOVERNORS

Date: 29<sup>th</sup> Sept, 2021

Sign:  .....

DATE: 24-08-2022

**REVIEW OF SOTIK TECHNICAL TRAINING INSTITUTE’S PERFORMACE FOR  
 FINANCIAL YEAR 2020/2021**

Sotik Technical Training Institute has eight strategic pillars and objectives within its Strategic Plan for period January 2019 to December 2023. These strategic pillars are as follows:

1. HUMAN RESOURCE
2. STUDENTS
3. PHYSICAL INFRASTRUCTRE
4. ACCESSIBILITY
5. WATER
6. EQUIPMENT
7. FINANCIAL RESOURCES
8. INFORMATION COMMUNICATION TECHNOLOGY INTEGRATION

Sotik Technical Training Institute develops its annual work plans based on the above eight pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Sotik Technical Training Institute achieved its performance targets set for the Financial Year 2020/2021 period for its eight strategic pillars, as indicated in the diagram below:

| <b>Strategic Pillar</b>                 | <b>Objective</b>   | <b>Key Performance Indicators</b>  | <b>Activities</b>   | <b>Achievements</b>   |
|---|--|--|---|---|
| <b>Pillar 1:<br/>HUMAN<br/>RESOURCE</b> | <ul style="list-style-type: none"> <li>❖ Harness Human resource</li> <li>❖ To upgrade the skills of Teaching and Non-Teaching staff</li> </ul> | <ul style="list-style-type: none"> <li>❖ Increased number of staff to match the increasing number of students</li> <li>❖ Effective trainings carried out on teaching and non – teaching staff</li> </ul> | <ul style="list-style-type: none"> <li>❖ Write letters to Ministry of Education requesting for trainers in all areas of training.</li> <li>❖ Make visits to Ministry of Education State Department of Technical and Vocational Education Training to request for more trainers.</li> <li>❖ Recruit Board of Governors staff</li> <li>❖ Train the Non-Teaching and teaching staff</li> </ul> | <ul style="list-style-type: none"> <li>❖ New Board of Governors and Public Service Commission trainers have been employed</li> <li>❖ Several trainings conducted on staff.</li> </ul> |
| <b>Pillar 2:<br/>STUDENTS</b>           | <ul style="list-style-type: none"> <li>❖ To increase student enrolment</li> <li>❖ Increase the number of courses</li> </ul>                    | <ul style="list-style-type: none"> <li>❖ Increased number of trainees</li> </ul>   | <ul style="list-style-type: none"> <li>❖ To introduce more market driven courses</li> <li>❖ To market and to do publicity for the institute</li> <li>❖ To participate in sports and recreational activities.</li> <li>❖ To undertake corporate social responsibility to the community</li> <li>❖</li> </ul>   | <ul style="list-style-type: none"> <li>❖ There is increase in student numbers</li> </ul>  |
| <b>Pillar 3:</b>                        | To provide   | <ul style="list-style-type: none"> <li>❖ Increased</li> </ul>  | <ul style="list-style-type: none"> <li>❖ To construct workshops for</li> </ul>  | School bus  |

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|                                |  |   |  |  |
|--------------------------------|--|---|--|--|
| <b>PHYSICAL INFRASTRUCTURE</b> | the physical infrastructure in the Institute                       | Teaching Infrastructure<br>❖ Increased support Infrastructure | training purposes<br>❖ To equip training workshops<br>❖ To equip the existing library<br>❖ To construct a Female hostel<br>❖ To purchase land for expansion<br>❖ To construct a recreational Centre.<br>❖ To Construct water storage tank<br>❖ To purchase institute Bus | purchased and construction of food and Beverage complex launched 1 <sup>st</sup> quarter of 2020/2021. |
| <b>Pillar 4: ACCESSIBILITY</b> | To improve the road-network within the Institution                 | ❖ Construct civil works within the institute                  | ❖ To construct access roads within the institute<br>❖ To construct parking bays  | Institution's roads have been improved   |
| <b>Pillar 5: WATER</b>         | To provide adequate and sustainable water supply for the Institute | ➤ Construct civil works within the institute                  | ❖ Strengthen existing competitiveness benchmarks<br>❖ Establish new competitiveness benchmarks   | ❖ Student numbers have continued to increase   |
| <b>Pillar 6: EQUIPMENT</b>     | To provide adequate training equipment for various courses.        | ❖ To provide training equipment                               | ❖ To procure more training equipment for various courses<br>❖ Establish more workshops   | ❖ Student numbers have continued to increase   |
| <b>Pillar 7:</b>               | ❖ Diversif   | ❖ Establishment   | ❖ Establish Short-Term courses   | ❖ To establish   |

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|  |   |   |  |  |
|--|---|---|--|--|
| <p><b>FINANCIAL RESOURCES</b></p>  | <p>y sources and increase funding</p>   | <p>of Public-Private Partnerships</p> <ul style="list-style-type: none"> <li>❖ lobby the Government for more funding</li> <li>❖ Establishment of production unit in the Institute</li> <li>❖</li> </ul> | <ul style="list-style-type: none"> <li>❖ Offer Conference facilities</li> <li>❖ Identify the relevant industries in the private sector</li> <li>❖ Negotiate partnership agreements with the identified industries</li> <li>❖ Write funding proposals and budgets to the government for more funding</li> </ul>   | <p>adequate source of funding for the Institutes projects</p>          |
| <p><b>Pillar 8: INFORMATION COMMUNICATION TECHNOLOGY INTEGRATION</b></p> | <ul style="list-style-type: none"> <li>❖ To integrate Information Communication Technology in management and training in the institution</li> </ul> | <ul style="list-style-type: none"> <li>❖ Establishment of a Management Information System</li> <li>❖ integrated Information Communication Technology in curriculum delivery</li> </ul>                  | <ul style="list-style-type: none"> <li>❖ Procure and install the Management Information System Software and hardware</li> <li>❖ Train the staff on Management Information System</li> <li>❖ Procure desktop computers, laptops and Liquid Crystal Display.</li> <li>❖ Procure the training software</li> <li>❖ Procure and install Local Area Network</li> </ul> | <ul style="list-style-type: none"> <li>❖ Objective achieved</li> </ul> |

## **CORPORATE GOVERNANCE STATEMENT**

During financial year 2020/21, there was 95% eligible attendance at all meetings of the Board and Committees.

Technical Training Institute is committed to good corporate governance, which promotes the long-term interests of the Government of Kenya and any other stakeholder, strengthens Board and management accountability and helps build public trust in the Institute.

The Board is appointed by the Government of Kenya through the Cabinet Secretary, Ministry of Education, science and technology to oversee their interest in the long-term health and the overall success of the business and its financial strength in order to discharge its mandate in training. The Board serves as the ultimate decision making body of the Institute, except for those matters reserved to or shared with the Government of Kenya. The Board selects and oversees the members of senior management, who are charged by the Board with conducting the business of the Institute in line with the Technical, Vocational, Education & Training Act of 2013 and the constitution of the Republic of Kenya.

The board of governors held three Full board meetings in the financial year 2020/2021.

Under the Technical, Vocational, Education & Training Act of 2013, the functions of Board of Governors as set out under section 28 (1) shall include -

- (a) Overseeing the conduct of education and training in the institutions in accordance with the provisions of this Act and any other written law;
- (b) Promoting and maintaining standards, quality and relevance in education and training in the institutions in accordance with this Act and any other written law;
- (c) Administering and managing the property of the institutions;
- (d) Developing and implementing the institutions' strategic plan;
- (e) Preparing annual estimates of revenue and expenditure for the institution and incurring expenditure on behalf of the institutions; (1) receiving, on behalf of the institution, fees, grants, subscriptions, donations, bequests or other moneys and to make disbursement to the institution or other bodies or persons;
- (g) determining the fees payable and prescribing conditions under which fees may be remitted in part or in whole in accordance with the guidelines developed under the provisions of this Act;
- (i) Developing and reviewing programmes for training and to make representations thereon to the Board;
- (j) Regulating the admission and exclusion of students from the institutions, subject to a qualifications framework and the provisions of this Act;

- (k) Approving collaboration or association with other institutions and industries in and outside Kenya subject to prior approval by the Board;
- (l) Recruiting and appointing trainers from among qualified professionals and practising trades persons in relevant sectors of industry;
- (m) Determining suitable terms and conditions of service for support staff, trainers and instructors and remunerating the staff of the institutions, in consultation with the Authority;
- (n) Making regulations governing organization, conduct and discipline of the staff and students;
- (o) Preparing comprehensive annual reports on all areas of their mandate, including education and training services and submits the same to the Board;
- (p) Providing for the welfare of the students and staff of the institutions;
- (q) Encouraging, nurturing and promoting democratic culture, dialogue and tolerance in the institutions; and
- (r) Discharging all other functions conferred upon it by this Act or any other written law.

The board in the period it has been in existence has endeavoured to discharge its functions independently with vigour and passion. Their diligence and prudent management of resources has been result oriented and much has been achieved during their term in office. They have been able to interpret government policies and Technical, Vocational, Education & Training Act as well as other relevant laws in existence making the institution to move forward as we actualize the strategic plan. Moving forward, the Board is aligning its discharging of duties by improving on its operations while surpassing the set targets where possible. In the interest of quality service delivery, the board is able to read from the same script as the render their duties above board.

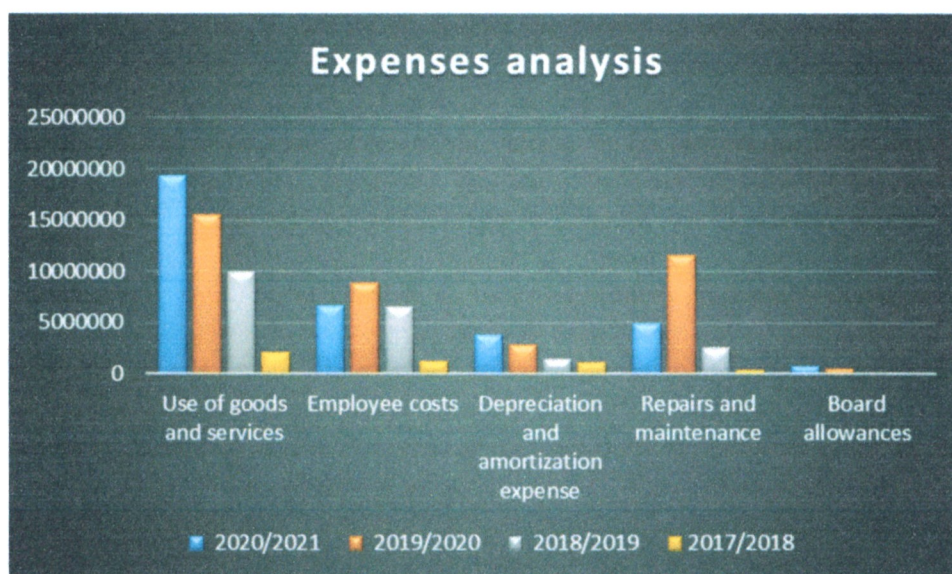
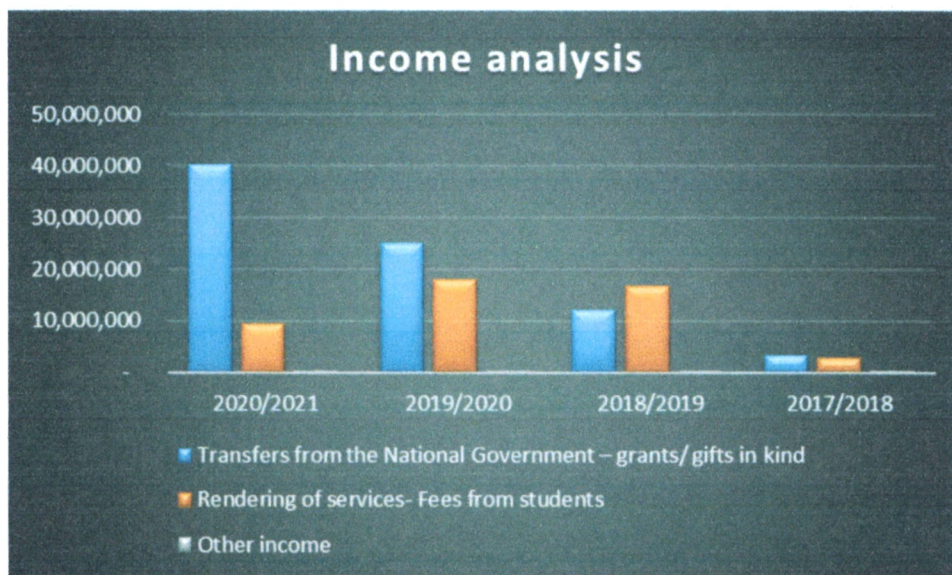
This will be attained with the incorporation of team spirit and self-sacrifice that is deep within them.

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**MANAGEMENT DISCUSSION AND ANALYSIS**

The Institution started operations January 2017 with only eleven students. In the first year of operations, the institution reported a surplus of Shs. 1.093 M which increased to Shs. 8.58 M in year 2018/2019. In the current year under review (2019/2020), the surpluses for the year decreased to Shs. 3,830,964 due to the impact of Covid 19 pandemic that saw learning institutions closed since March 2020. The grants from government and capitation continued to grow through year 2017/208 and 2018/2019 due to increase in the number of students but decreased in year 2019/2020 because quarter four capitation was not disbursed since the schools were closed by then. Student enrolment increased in year 2019/2020 to 982 students from 700 in year 2018/2019.

Below is an analysis of income and expenses.



The Institution is experiencing tremendous growth and the management will have to vigorously pursue additional funding and technical support from the Government agencies and development partners. At the Institution level, activity-based costing method will be adopted both as a tool for activity planning and financial control. This will serve the role of ensuring that the Institution allocates resources based on planned

and prioritized activity. This means that the cost of each activity will be traced to the product or service as per the Institution plan.

To further enhance service delivery through effective financial management, the Institute will concentrate on eliminating wastages.

In this regard, the Institution will lobby and mobilize financial resources for Technical Training, Innovation and Research on Technical fields from the following sources;

**i. Government Funding**

With regard to Government funding, the Institution will prepare, present and justify proposals as a basis for resource bidding within the Government's budgetary processes. In this regard, the Institution will coordinate with the Ministry of Education to ensure that the respective annual Sector Reports accommodate the needs of this plan

**ii. Constituency Development Fund (CDF)**

With regard to Constituency Development Fund, the Institution will prepare, present and justify proposals on development projects within the plan. The proposals will be presented to the Sotik CDF Development Committee for consideration.

**iii. National Science Technology & Innovation Fund**

The Institution through the Ministry of Education (MoE) will seek for funding from the Kenya National Science Technology and Innovation Fund on initiatives in the Institution that are Science Technology & Innovation based. This will be in line with the objective of the foundation which is to secure adequate local and international funding in support of national Science Technology & Innovation competitiveness in Kenya.

**iv. Donors (Development Partners)**

The Institute currently has a working relationship with development partners across the country and will continuously seek collaborations with like-minded institutions within and outside the country. The Institution as part of its national linkages will engage the support of development partners to fill in the resource gap between the resources allocated by the government through recurrent and development allocations as well as grants.

**v. County Government of Bomet**

Sotik Technical Training Institute is within Bomet County. The institution can benefit from the County Government through County bursaries to students and also through partnerships and collaborations.

**Risks and Opportunities facing Sotik Technical Training Institute**

| 1 | strengths   | 2 | weaknesses  |
|---|---|---|---|
|   | <ul style="list-style-type: none"> <li>a) The institution enjoys substantial goodwill within its community</li> <li>b) Political goodwill from local political leaders.</li> <li>c) The strategic location of the institution is near Kapkelei market off Sotik-Ndanai tarmac road.</li> <li>d) Enrolment has continued to improve</li> <li>e) Institution has qualified and competent staff</li> <li>f) Availability of electricity</li> <li>g) Availability of Information Communication Technology facilities</li> <li>h) Availability of physical infrastructure</li> </ul> |   | <ul style="list-style-type: none"> <li>a) Limited finance to implement anticipated projects</li> <li>b) Inadequate training facilities and equipment in workshops</li> <li>c) Inadequate skilled manpower</li> <li>d) Lack of water supply in the institution</li> <li>e) Lack of power backup in the institution</li> <li>f) Limited land space for infrastructural expansion</li> </ul> |

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| 3 opportunities  | 4 threats  |
|--|--|
| <ul style="list-style-type: none"> <li>a) The high number of graduates from primary and secondary level of education who want to acquire technical skills.</li> <li>b) The location of institution is in close proximity to local industries such as tea factories and Kenya Co-operative Creameries</li> <li>c) Need to cope with rapid evolution of Science Technology and Innovation products and services such as Information Communication Technology, automation systems and industrial technology turnover for our graduates</li> <li>d) Availability of Higher Education Loan Board loans, bursaries from stakeholders and government capitation for Technical and Vocational Education and Training students</li> </ul> | <ul style="list-style-type: none"> <li>a) Migration of staff to greener pastures</li> <li>b) Poor road network serving the institute from Makutano junction and Kamureito</li> <li>c) High cost of Science Technology and Innovation programs including training equipment and text books</li> <li>d) Increase of commercial collages that offer same curriculum and Universities that offer certificate and diploma courses meant for Technical and Vocational Education and Training colleges</li> <li>e) Minimal awareness and appreciation of Technical and Vocational Education and Training training</li> <li>f) Ignorance of the availability of training courses that meet the market demand</li> <li>g) Community apathy towards training near home area</li> <li>h) The upcoming of new technical colleges around our catchment areas</li> </ul> |

**Major Challenges**

The following key challenges may hinder the full realization of the Sotik Technical Training Institute mandate if not addressed in this strategic plan.

- Capacity to cope with global trends in technology
- Inadequate search, technology and incubation.
- Inadequate integration of Information Communication Technology in Training programmes offered in the institution.
- Inadequate land for future expansion.
- Inadequate staff and skills capacity
- Inadequate and low technologically relevant training materials/equipment
- Inadequate reference materials
- Poor accessibility due to poor roads
- Lack of consistent tapped water supply
- Inadequate of trainers
- Inadequate furniture for offices and trainees

**Sotik Technical Training Institute compliance with statutory requirements**

Sotik Technical Training institute complies to deduction and remittance of statutory deductions such as National Hospital Insurance Fund (NHIF), National Social Security Fund (NSSF) and Pay As You Earn (PAYE).

**Key projects and investment decisions**

The projects under consideration in the financial year 2020/2021 are summarised in the table below

| <b>Project</b>         | <b>Completion rate</b> |
|------------------------|------------------------|
| Culverts and Pavements | <b>100%</b>            |
| Store house yard       | <b>100%</b>            |
| Pit Latrines           | <b>100%</b>            |
| Dairy shed             | <b>100%</b>            |
| F&B Workshop           | <b>100%</b>            |
| Dispensary             | <b>100%</b>            |

**8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Sotik Technical Training Institute exists to transform lives. This is our purpose; the driving force behind everything we do. It’s what guides us to deliver our strategy: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

**1. Sustainability strategy and profile -**

The triple Bottom Line concepts analyses the sustainability of an organization based on three concepts: Profits, people (social) and Planet (environment).

**Profit:** The institute has adopted a transformation strategy aimed at ensuring that she remains financially sound in the face of dwindling funding from the central government. The institutions have expanded it capacity for internally generated income like production of sanitizers and masks.

**Social:** the institute has developed a succession management policy to address the welfare of employees in the future and ensure that the organization is sustainable in the future

**Environment:** The board of governance has plans to undertake an environmental sustainability audit and developed an environmental policy to address the issues of environmental sustainability that will be identified during the audit.

**2. Employee welfare**

At Sotik Technical Training Institute, we value our employees and our many stakeholders, including the wider community where the training of our students has the potential to bring positive social and environmental change. We value the contribution that individuals and external entities make to our Institute through community consultation process. We integrate the principles of social responsibility into our core mandate internally by exhibiting the behaviors of good corporate governance, ethical decision making, and providing our personnel with opportunities to develop and excel. We integrate the principles of social responsibility into our training activities externally by minimizing our environmental impact and seeking to enhance the amenity of residential communities.

| <b>Activity</b>    | <b>Description</b>   |
|--------------------|--|
| Better training    | Optimizing training operations to meet ongoing social and sustainability objectives. providing opportunities for us to grow as Institute by becoming involved in our local community.    |
| Enhanced community | Focusing on good urban design and empowered members for healthy, happy and resilient community.  |
| Supported Staff    | Promoting initiatives that support staff and their families, beyond the provision of employment. Promoting initiatives that recognize the contribution of the students to the community. |

**a) Policies guiding hiring process**

The following are the Sotik Technical Training Institute Board policies that guide hiring process;

| S/no | Title                            | Review Period | Remarks   |
|------|----------------------------------|---------------|---|
| 1    | Career Progression               | Regularly     | Vacant positions are filled competitively both internally and externally.   |
| 2    | Human Resource Manual            | Regularly     | This largely depends on availability of funds<br>Terms and conditions of service governing employees are applied across the board without discrimination  |
| 3    | Internship Policy and guidelines | Regularly     | Intern positions are filled competitively and without discrimination  |
| 5    | Gender Mainstreaming             | Regularly     | Sotik Technical Training Institute observes equal employment opportunities during staff recruitment across all genders  |
| 6    | Disability Mainstreaming         | Regularly     | The institute offers equal employment opportunities to officers living with disability.<br>The institute also offers rights and privileges as provided in the Persons With Disability Act and Board employment policies |

**3. Market place practices-**

**Responsible Supply Chain and Supplier relations**

The institute has maintained good business practice by complying with the government policy and Section 227 of The Constitution of Kenya.

All procurement activities have continuously been carried out where Supply Chain ensured that there are sufficient funds to meet the obligations of the resulting contract and are reflected in the approved budget estimates. Knowledge of available funds acts as a guide in knowing what to procure and when to procure.

The organization has maintained and continuously updated list of registered suppliers, contractors and consultants in various specific categories of goods, works or services according to its procurement needs.

Sotik Technical Training Institute has at all-time ensured responsible treatment of the suppliers in various ways as featured below;

- i) Ensuring proper communication channels e.g. Telephone lines and emails are open so as to make sure information is passed across efficiently and effectively between the procurement department and the suppliers.
- ii) Providing customer support when and where required. This entails listening keenly to suppliers, contractors and consultants and responding appropriately.
- iii) When doing procurement planning the institute has complied with preference and reservation requirements.
- iv) Supply Chain function has ensured timely submission of the suppliers' invoices to facilitate payment process by the finance department after delivery of goods, services or works is completed. This helps in making sure that the payment process is not delayed. Timely payment of suppliers helps in maintaining a good relationship.
- v) ip with the supplier and also avoiding of penalties that may arise from delayed payment.
- vi) Supply Chain also makes follow ups of invoices issued to finance for payment process to ensure timely payments of suppliers.

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**9. REPORT OF THE BOARD OF GOVERNORS**

The Board members submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Sotik Technical Training Institute's affairs.

**Principal activities**

The principal activity of the Sotik Technical Training Institute is to offer quality Technical, Vocational, Education and Training to students to acquire technical skills relevant to the main agenda of government.

**Results**

The results of the entity for the year ended June 30 2021 are set out on page 1-19

**BOARD OF GOVERNORS**

The members of the Board who served during the year are shown on page iv. During the year 30 June 2021 there was no board member retired/ resigned.

**Auditors**

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

By Order of the Board

JOEL K. MARITIM  
Board Secretary  
Sotik Technical Training Institute

Sign: .....  .....

Date: ..... 24-08-2022 .....

## 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 Board of Governors to prepare financial statements in respect of that Sotik Technical Training Institute, which give a true and fair view of the state of affairs of the Sotik Technical Training Institute at the end of the financial year 2020/21 and the operating results of the Sotik Technical Training Institute for that year 2020/21. The Board of Governors are also required to ensure that the Sotik Technical Training Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Sotik Technical Training Institute. The Board of Governors are also responsible for safeguarding the assets of the Sotik Technical Training Institute.

The Board of Governors are responsible for the preparation and presentation of the Sotik Technical Training Institute's financial statements, which give a true and fair view of the state of affairs of the Sotik Technical Training Institute for and as at the end of the financial year 2020/21 ended on June 30, 2021. 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 Sotik Technical Training Institute; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Governors accept responsibility for the Sotik Technical Training Institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act, 2012 and Technical and Vocational Education and Training Act, 2013. The Board of Governors are of the opinion that the Sotik Technical Training Institute's financial statements give a true and fair view of the state of Sotik Technical Training Institute's transactions during the financial year ended June 30, 2020, and of the Sotik Technical Training Institute's financial position as at that date. The Board of Governors further confirm the completeness of the accounting records maintained for the Sotik Technical Training Institute, which have been relied upon in the preparation of the Sotik Technical Training Institute's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board of Governors to indicate that the Sotik Technical Training Institute will not remain a going concern for at least the next twelve months from the date of this statement.

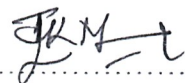
### Approval of the financial statements

The Sotik Technical Training Institute's financial statements were approved by the Board on 24-08-2022 and signed on its behalf by:

  
.....

Chairperson of the Board

Date: 24/08/2022

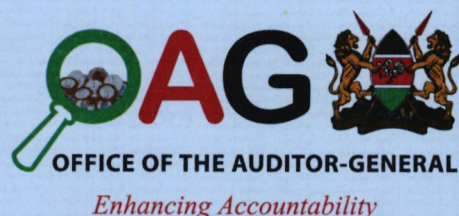
  
.....

Accounting officer/Principal

Date: 24-08-2022

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

## REPORT OF THE AUDITOR-GENERAL ON SOTIK TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2021

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### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Sotik Technical Training Institute set out on pages 1 to 22, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of cash flows, statement of changes in net assets and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and

other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Sotik Technical Training Institute as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Technical Training Education and Training Act, 2013.

### **Basis for Qualified Opinion**

#### **Inaccuracies in Property, Plant and Equipment**

The statement of financial position and as disclosed in Note 16 to the financial statements, reflects property, plant and equipment total balance of Kshs.82,564,373. The total cost of the property plant and equipment cost is reflected as Kshs.91,655,451. However, the asset register maintained by the Institute reflects a total cost balance of Kshs.181,023,285 resulting in an unexplained variance of Kshs.89,369,834.

In the circumstances, the accuracy and completeness of the property, plant and equipment total balance of Kshs.82,564,373 could not be confirmed.

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

#### **Key Audit Matters**

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

#### **Other Matter**

#### **Budgetary Control and Performance**

The summary statement of comparison of budget and actual amounts reflects on comparable basis total budgeted revenue of Kshs.117,120,000 and actual receipts of Kshs.49,490,376 respectively, resulting in a revenue shortfall of Kshs.67,629,624 or 58% the budget. Further, the Institute spent an amount of Kshs.30,938,714 against an approved budget of Kshs.35,788,000 resulting in an under-expenditure of Kshs.4,849,286 or 14% of the budget.

The shortfall in revenue and under-expenditure constrained execution of planned activities and delivery of services.

## REPORT ON LAWFUNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Irregular Recruitment of Staff**

Review of human resource records revealed that nineteen (19) staff members were recruited during the year. However, the recruitment was not supported by job advertisements, list of applicants, shortlist of the applicants, interview minutes and relevant approval from the Board. This is contrary to Section B.5 of Human Resource Policies and Procedures Manual for the Public Service, 2016 which requires that recruitment is undertaken on the basis of fair competition and merit; representation of Kenya's diverse communities; adequate and equal opportunities to all gender, youth, members of all ethnic groups, persons with disabilities and minorities.

In the circumstances, Management was in breach of Human Resource Policies and Procedures for the Public Service.

#### **2. Non-Compliance with Law on Staff Ethnic Composition**

Review of records revealed that out of forty-one (41) employees, thirty-seven (37), translating to 90% were from one dominant community, this was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment shall have more than one third of its staff from the same ethnic community.

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

#### **3. Non-Compliance with Public Sector Accounting Standard Board (PSASB) Requirements**

Management has not disclosed progress on follow up of auditor's recommendation. This is in contrary to PSASB templates. In the circumstance, the annual reports and financial statements are not PSASB compliant.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **1. Lack of Debt Management Policy**

The statement of financial position and Note 15 to the financial statements reflects receivables from exchange transactions balance of Kshs.2,233,550 which relates to student debtors. It was however noted that, the Institute has no operational debt recovery policy.

In the circumstances, existence of effective debt management measures could not be confirmed.

#### **2. Weaknesses in Management of Imprests**

The Institute does not maintain an imprest register and imprests are not issued through imprest warrants. Imprest cheques are instead drawn in favour of the Institute and then encashed by the Finance officer who then pays imprest in cash to imprest holders.

In the circumstances, existence of effective management of imprest could not be confirmed.

#### **3. Lack of Risk Management Policy**

The Institute did not have a risk management policy, a disaster recovery and business continuity plan. Further, Management did not carry out risk assessments and there was no risk register. This was contrary to regulation 165(1) of the Public Finance Management Regulations, 2015 that requires an Accounting Officer to ensure that the entity develops a risk management strategy which includes fraud prevention mechanism, and a system of risk management and internal control that builds robust business operations.

In the circumstances, existence of effective risk management measures could not be confirmed.

#### **4. Lack of an Internal Audit Function and Operational Audit Committee**

The institution did not have an Internal Audit Function. This was contrary to Section 73(1)(a) of the Public Finance Management Act, 2012 which requires every national government entity to have appropriate arrangements in place for conducting internal

audit. Consequently, the Audit Committee lacked a means of obtaining reasonable assurance on the state of risk management, control and governance within the Institute.

Further, the institute has an audit committee which is not operational. During the year it did not hold any meeting. This is contrary to Regulation 179(1) of the Public Finance Management (National Government) Regulations, 2015, which requires the audit committee to meet at least once in every three months.

In the circumstances, existence of effective internal controls mechanism and overall governance could not be confirmed

#### **5. Lack of Human Resource Plans and Staff Establishment**

The Institute has not developed human resource policy and it has not developed and implemented staff establishment. This is contrary to Section B.2(1) of Human Resource Policies and Procedures Manual for the Public Service, 2016 that requires a public entity to prepare Human Resource Plans to support achievement of goals and objectives in their Strategic plan.

In the circumstances, effective management of the Institute could not be confirmed.

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

#### **Responsibilities of Management and those Charged with Governance**

The 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 controls, risk management and overall governance.

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

  
**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**07 September, 2022**

SOTIK TECHNICAL TRAINING INSTITUTE  
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**I. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30  
 JUNE 2021**

|  | Notes | 2020/2021         | 2019/2020         |
|--|-------|-------------------|-------------------|
|  |       | Kshs              | Kshs              |
| <b>Revenue from non-exchange transactions</b>                  |       |                   |                   |
| Transfers from the National Government – grants/ gifts in kind | 6     | 40,287,500        | 24,900,000        |
| <b>Total Revenue from non-exchange transactions</b>            |       | <b>40,287,500</b> | <b>24,900,000</b> |
| <b>Revenue from exchange transactions</b>                      |       |                   |                   |
| Rendering of services- Fees from students                      | 7     | 9,193,776         | 17,983,805        |
| Other income   | 8     | 9,100             | 90,330            |
| <b>Revenue from exchange transactions</b>                      |       | <b>9,202,876</b>  | <b>18,074,135</b> |
| <b>Total revenue</b>   |       | <b>49,490,376</b> | <b>42,974,135</b> |
| <b>Expenses</b>  |       |                   |                   |
| Use of goods and services                                      | 9     | 21,327,969        | 15,446,630        |
| Employee costs   | 10    | 5,550,145         | 8,876,414         |
| Depreciation and amortization expense                          | 11    | 3,344,363         | 2,786,380         |
| Repairs and maintenance  | 12    | 3,157,100         | 11,523,407        |
| Board allowances   | 13    | 903,500           | 534,500           |
| <b>Total expenses</b>  |       | <b>34,283,077</b> | <b>39,167,331</b> |
| <b>Net Surplus for the year</b>                                |       | <b>15,207,299</b> | <b>3,806,804</b>  |

The notes set out on pages 1 to 19 form an integral part of these Financial Statements

SOTIK TECHNICAL TRAINING INSTITUTE  
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**II. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

|   | Notes | 2020/2021         | 2019/2020         |
|---|-------|-------------------|-------------------|
|   |       | Kshs              | Kshs              |
| <b>Assets</b>                                       |       |                   |                   |
| <b>Current assets</b>                               |       |                   |                   |
| Cash and cash equivalents                           | 14    | 9,494,166         | 5,919,969         |
| Receivables from exchange transactions              | 15    | 2,233,550         | 2,639,691         |
| Receivables from non-exchange transactions          | 16    | 10,170,000        | 7,365,000         |
| <b>Total Current Assets</b>                         |       | <b>21,855,716</b> | <b>15,924,660</b> |
| <b>Non-current assets</b>                           |       |                   |                   |
| Property, plant and equipment                       | 17    | 72,597,769        | 56,834,524        |
| <b>Total Non-current Assets</b>                     |       | <b>72,597,769</b> | <b>56,834,524</b> |
| <b>Total assets</b>                                 |       | <b>94,453,485</b> | <b>72,759,184</b> |
| <b>Liabilities</b>                                  |       |                   |                   |
| <b>Current liabilities</b>                          |       |                   |                   |
| Trade and other payables from exchange transactions | 18    | 3,415,266         | 24,160            |
| Refundable deposits from customers                  | 19    | 814,000           | 523,100           |
| Payments received in advance                        | 18    | 552,410           | 552,410           |
| <b>Total Current Liabilities</b>                    |       | <b>4,781,676</b>  | <b>1,099,670</b>  |
| <b>Total liabilities</b>                            |       | <b>4,781,676</b>  | <b>1,099,670</b>  |
| <b>Reserves</b>                                     |       |                   |                   |
| Accumulated surplus                                 |       | 42,805,964        | 23,837,219        |
| Capital Fund  |       | 46,865,845        | 47,822,295        |
| <b>Total Capital and Reserves</b>                   |       | <b>89,671,809</b> | <b>71,659,514</b> |
| <b>Total Liabilities and Reserves</b>               |       | <b>94,453,485</b> | <b>72,759,184</b> |

The Financial Statements set out on pages 1 to 19 were signed on behalf of the Board of Governors by:

**Principal/Secretary to BOG**

Name: Joel K. Maritim  
 ID NO...9233834.....

**Finance Officer**

Name: Joseah K. Kirui  
 ICPAK Member Number...24604  
 ID NO...22561383.....

**Chairman of the Board**

Name: Harrison Kirui  
 ID NO...5230058....

Sign.....

Sign.....

Sign.....

Date...24-08-2022

Date...24-08-2022

Date...24-08-2022.

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**III. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021**

|   | <b>Accumulated Reserves</b> | <b>Capital Grants</b> | <b>Total</b>       |
|---|-----------------------------|-----------------------|--------------------|
| <b>Balance b/f at July 1, 2017</b>                                |                             | -                     | -                  |
| Surplus for the year  | 1,067,109.00                |                       | <b>1,067,109</b>   |
| <b>Balance c/d as at June 30, 2018</b>                            | <b>1,067,109</b>            | -                     | <b>1,067,109</b>   |
| <b>Year ended 30 June 2019</b>                                    |                             |                       |                    |
| <b>At start of year as previously stated</b>                      | <b>1,067,109</b>            | -                     | <b>1,067,109</b>   |
| Prior year adjustments:   |                             |                       | -                  |
| Add: transformer expensed   | 1,167,850                   | -                     | <b>1,167,850</b>   |
| Less depreciation on transformer                                  | (116,785)                   |                       | <b>(116,785)</b>   |
| Less depreciation on the building                                 | (1,016,207)                 |                       | <b>(1,016,207)</b> |
| Less: 2017/2018 caution money treated as income                   | (8,000)                     | -                     | <b>(8,000)</b>     |
| Less: B/F surplus   | (80)                        |                       | <b>(80)</b>        |
| Restated comprehensive income for the 2017/2018                   | <b>1,093,887</b>            | -                     | <b>1,093,887</b>   |
| Add: B/F surplus  | 80                          | -                     | 80                 |
| Capital grants (buildings)  | -                           | 50,810,350            | <b>50,810,350</b>  |
| Transfer of depreciation to retained earnings                     | 1,016,207                   | (1,016,207)           | -                  |
| <b>At start of year as restated</b>                               | <b>2,110,174</b>            | <b>49,794,143</b>     | <b>51,904,317</b>  |
| Surplus for the year  | 18,753,393                  | -                     | <b>18,583,393</b>  |
| Transfer of depreciation from accumulated surplus to capital fund | 995,883                     | (995,883)             | -                  |
| <b>At end of year</b>   | <b>21,859,450</b>           | <b>48,798,260</b>     | <b>70,657,710</b>  |
| <b>Year ended 30 June 2020</b>                                    |                             |                       |                    |
| <b>At start of year 1 July 2019</b>                               | 21,859,450                  | 48,798,260            | 70,657,710         |
| Surplus for the year  | 3,806,804                   |                       | 3,806,804          |
| Transfer of depreciation from accumulated surplus to capital fund | 975,965                     | (975,965)             | -                  |
| <b>At end of year 30 June 2020</b>                                | 26,642,219                  | 47,822,295            | 74,464,514         |
| <b>At start of year 1 July 2020</b>                               | 26,642,219                  | 47,822,295            | 74,464,514         |
| Surplus for the year  | 15,207,299                  |                       | 15,207,299         |
| Transfer of depreciation from accumulated surplus to capital fund | 956,446                     | (956,446)             | -                  |
| <b>At end of year 30 June 2021</b>                                | <b>42,805,964</b>           | <b>46,865,849</b>     | <b>89,671,813</b>  |

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**IV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

|  |      | <b>2020/2021</b>    | <b>2019/2020</b>   |
|--|------|---------------------|--------------------|
|  | Note | <b>Kshs</b>         | <b>Kshs</b>        |
| <b>Cash flows from operating activities</b>                  |      |                     |                    |
| Net cash flows from operating activities                     | 22   | 22,639,810          | 7,838,165          |
| <b>Cash flows from investing activities</b>                  |      |                     |                    |
| Purchase of property, plant, equipment and intangible assets | 17   | (19,107,609)        | (6,421,535)        |
| Proceeds from sale of property, plant and Equipment          |      |                     |                    |
| Decrease in non-current receivables                          |      |                     |                    |
| Increase in investments                                      |      |                     |                    |
| <b>Net cash flows used in investing activities</b>           |      | <b>(19,107,609)</b> | <b>(6,421,535)</b> |
| <b>Net increase in cash and cash equivalents</b>             |      | <b>3,532,201</b>    | <b>1,416,630</b>   |
| Cash and cash equivalents at start of year                   |      | 5,919,969           | 4,503,339          |
| <b>Cash and cash equivalents at end of year</b>              | 14   | <b>9,452,170</b>    | <b>5,919,969</b>   |

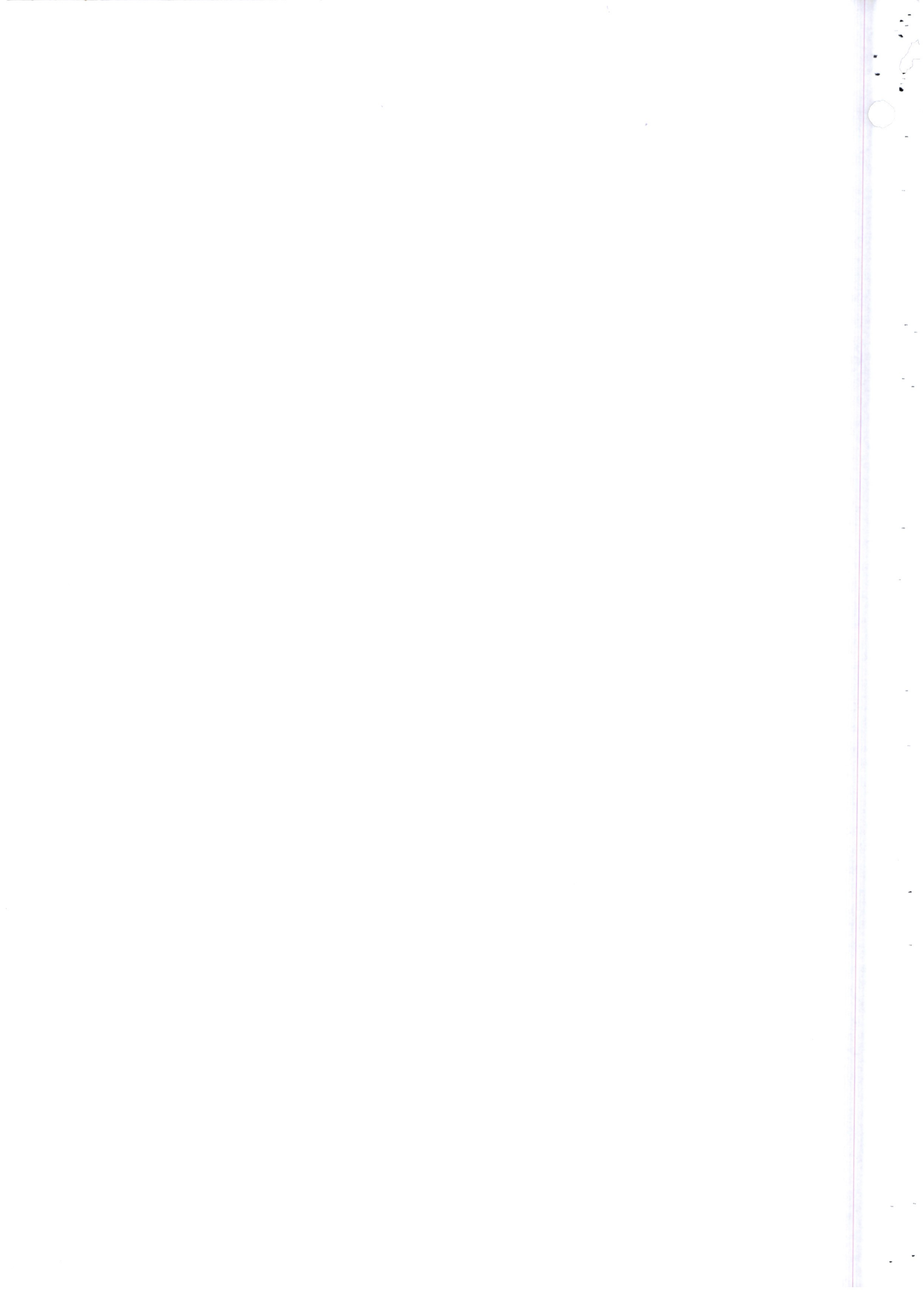
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**V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021**

|   | Original budget    | Adjustments | Final budget       | Actual on comparable basis | Performance difference | %ge   |
|---|--------------------|-------------|--------------------|----------------------------|------------------------|-------|
|   | 2020-2021          | 2020-2021   | 2020-2021          | 2020-2021                  | 2020-2021              |       |
| <b>Revenue</b>  |                    |             |                    |                            |                        |       |
| Transfers from other Govt entities  | Kshs               | Kshs        | Kshs               | Kshs                       | Kshs                   |       |
| Govt grants   | 60,000,000         |             | 60,000,000         | 40,287,500                 | 19,712,500             | 49%   |
| Public contributions and donations  | 4,040,000          |             | 4,040,000          | -                          | 4,040,000              | 100%  |
| Rendering of services- Fees from students                                   | 53,080,000         |             | 53,080,000         | 9,193,776                  | 43,886,224             | 83%   |
| Other income  |                    |             |                    | 9,100                      | (9,100)                | -100% |
| <b>Total income</b>   | <b>117,120,000</b> | <b>-</b>    | <b>117,120,000</b> | <b>49,490,376</b>          | <b>67,629,624</b>      |       |
| <b>Expenses</b>   |                    |             |                    |                            |                        |       |
| Compensation of employees   | 8,688,000          |             | 8,688,000          | 5,550,145                  | 3,137,855              | 57%   |
| Use of Goods and services   | 23,306,918         |             | 23,306,918         | 21,327,969                 | 1,978,949              | 9%    |
| Repairs and maintenance   | 1,345,000          |             | 1,345,000          | 3,157,100                  | (1,812,100)            | -57%  |
| Remuneration of directors   | 2,448,082          |             | 2,448,082          | 903,500                    | 1,544,582              | 171%  |
| <b>Total expenditure</b>  | <b>35,788,000</b>  | <b>-</b>    | <b>35,788,000</b>  | <b>30,938,714</b>          | <b>4,849,286</b>       |       |
| <b>Surplus for the period</b>   | <b>81,332,000</b>  | <b>-</b>    | <b>81,332,000</b>  | <b>18,551,662</b>          | <b>62,780,338</b>      |       |
| <b>Non-cash expenses</b>  |                    |             |                    |                            |                        |       |
| Depreciation charge   |                    |             |                    | 3,344,363                  | (3,344,363)            |       |
| <b>Surplus for the period after depreciation charge</b>                     | <b>81,332,000</b>  | <b>-</b>    | <b>81,332,000</b>  | <b>15,207,299</b>          | <b>66,124,701</b>      |       |
| <b>Capital expenditure</b>  | <b>81,332,000</b>  | <b>-</b>    | <b>81,332,000</b>  | <b>19,107,609</b>          | <b>62,224,391</b>      |       |
| <b>Surplus for the period after capital expenditure before depreciation</b> | <b>-</b>           | <b>-</b>    | <b>-</b>           | <b>(555,947)</b>           | <b>555,947</b>         |       |

**Budget notes**

1. The variance in Government capitation attributed to low numbers of students enrolment that estimated due to challenges of covid 19.
2. The shortage in rendering of services is due to the effect of Covid – 19 pandemics.
3. The shortage in employment cost is due to redundancy of Board of Governors trainers due to Covid 19 pandemic.
4. The shortage in use of goods and services is as a result of institution shut down caused by outbreak of Covid 19. Most of the staff were forced to work from home



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**VI. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Sotik Technical Training Institute is established by and derives its authority and accountability from Public Finance Management. The Sotik Technical Training Institute is wholly owned by the Government of Kenya and is domiciled in Kenya. The Sotik Technical Training Institute's principal activity is to provide quality and technical knowledge, skills and competences that promotes innovation and creativity.

**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 Sotik Technical Training Institute'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 Sotik Technical Training Institute.

The financial statements have been prepared in accordance with the Public Finance Management Act, the State Corporations Act, the Technical and Vocational Education and Training 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 2021**

| <b>Standard</b>                                   | <b>Impact</b>  |
|---|--|
| <b>IPSAS 40:</b><br>Public Sector<br>Combinations | <b>Applicable: 1<sup>st</sup> January 2019</b><br>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.<br>There is no impact of the IPSAS 40 to the institute |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)**

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021**

| Standard   | Effective date and impact:  |
|--|---|
| <b>IPSAS 41:</b><br>Financial Instruments                                | <b>Applicable: 1<sup>st</sup> January 2022:</b><br>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: <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul> There is no impact of the IPSAS 41 to the Institute. |
| <b>IPSAS 42:</b><br>Social Benefits                                      | <b>Applicable: 1<sup>st</sup> January 2022</b><br>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: <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ol> There is no impact of the standard to the Institute.  |
| Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments | <b>Applicable: 1st January 2022:</b> <ol style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when</li> </ol>  |

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| Standard                    | Effective date and impact:   |
|-----------------------------|--|
|                             | <p>IPSAS 41 was issued.</p> <ul style="list-style-type: none"> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> <li>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.</li> </ul>  |
| Other Improvements to IPSAS | <p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <ul style="list-style-type: none"> <li>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</li> <li>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</li> <li>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.</li> <li>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.</li> </ul> |

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2021.

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 Sotik Technical Training Institute 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.

b) Budget information

The original budget for financial year 2020/2021 was approved by the Board of Governance on 19/06/2020 Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The Sotik Technical Training Institute'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 13 of financial provisions of Technical and Vocational Education and Training Act No. 29 of 2013 of these financial statements.

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**c) Property, plant and equipment**

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

Depreciation on all other assets is calculated on the reducing balance basis method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

|                        | <u>Rate %</u> |
|------------------------|---------------|
| Buildings              | 2             |
| Plant and machinery    | 20            |
| Motor vehicles         | 25            |
| Library books          | 10            |
| Furniture and fittings | 12.5          |
| Transformer            | 10            |
| Computer equipment     | 30            |

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings in the statement of changes in equity.

**d) 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

**Computer software**

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be 5 years.

**e) Research and development costs**

The Sotik Technical Training Institute expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Sotik Technical Training Institute 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.

**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

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 Sotik Technical Training Institute.

**j) Provisions**

Provisions are recognized when the Sotik Technical Training Institute 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.

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Where the Sotik Technical Training Institute 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.

**k) Nature and purpose of reserves**

**a. Accumulated surpluses**

This relates to surpluses brought forward and the one for the current year.

**b. Capital reserves**

This relates to fixed assets granted by the government or any other donor.

**l) Changes in accounting policies and estimates**

Sotik Technical Training Institute recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The changes in accounting policy that took place during the year is adoption of accrual basis of accounting from the cash basis. This policy will help the institution to report its financial performance and position more accurate and fairly state the position and performance than the cash basis.

**m) Employee benefits**

**Retirement benefit plans**

The Institution and its employees contribute to the National Social Security Fund (NSSF), a Statutory defined contribution scheme registered under the National Social Security Fund Act. The institution's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

**n) Related parties**

Sotik Technical Training Institute 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 Institution, or vice versa. Members of key management are regarded as related parties and comprise the Board of Governors, the Principal, Head of Finance and Head of Procurement.

The government of Kenya through the Ministry of Education is also related party to the Sotik Technical Training Institute.

**o) 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 Kenya commercial bank 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**p) Comparative figures**

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

**q) 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, 2021.

## **5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Sotik Technical Training Institute'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.

The board of Governance made only one significant judgement in preparing these financial statements.

### **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 Institute.
- 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 TRANSFERS FROM OTHER GOVERNMENTS

| Description                                  | 2020-2021         | 2019-2020         |
|--|-------------------|-------------------|
|  | KShs              | KShs              |
| <b>Unconditional grants</b>                  |                   |                   |
| Operational grants - Capitation              | 39,787,500        | 24,900,000        |
| Recurrent grants                             | 500,000           | -                 |
|  | <b>40,287,500</b> | <b>24,900,000</b> |
| <b>Conditional grants</b>                    |                   |                   |
| Other organizational grants                  | -                 | -                 |
| <b>Total government grants and subsidies</b> | <b>40,287,500</b> | <b>24,900,000</b> |

7 RENDERING OF SERVICES

| Description                        | 2020-2021        | 2019-2020         |
|------------------------------------|------------------|-------------------|
|                                    | KShs             | KShs              |
| Tuition fees                       | 6,403,776        | 12,904,305        |
| Bursary fees                       | 700,800          | 1,592,600         |
| Activity fees                      | 6,280            | 51,600            |
| Registration and Examination fees  | 1,798,770        | 2,908,570         |
| Industrial attachment fees         | 284,150          | 526,730           |
| <b>Total Rendering of Services</b> | <b>9,193,776</b> | <b>17,983,805</b> |

8 OTHER INCOME

| Description               | 2020-2021    | 2019-2020     |
|---------------------------|--------------|---------------|
|                           | KShs         | KShs          |
| Student council           | 1,200        | 9,210         |
| Tender income             | -            | 54,000        |
| Internet fee              | 7,900        | 27,120        |
| <b>Total other income</b> | <b>9,100</b> | <b>90,330</b> |

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**9 USE OF GOODS AND SERVICES**

| <b>Description</b>             | <b>2020-2021</b>  | <b>2019-2020</b>  |
|--------------------------------|-------------------|-------------------|
|                                | <b>KShs</b>       | <b>KShs</b>       |
| Electricity and Water          | 783,989           | 1,169,109         |
| Student IDs                    | 68,400            | 108,300           |
| Examination and registration   | 3,907,280         | 1,973,250         |
| Subscriptions                  | 392,180           | 257,476           |
| Activity fee                   | 192,150           | 617,055           |
| Advertising                    | 564,400           | 576,930           |
| Admin fees                     | 2,316,337         | 2,713,117         |
| Internet                       | -                 | -                 |
| Postage                        | 400               | 390               |
| Printing and stationery        | 2,452,950         | 2,408,673         |
| Bank charges                   | 14,517            | 55,595            |
| Skills development             | -                 | 442,300           |
| Telecommunication              | 218,184           | 148,120           |
| Training expenses              | 90,000            | 120,000           |
| Other -Student council         | 208,660           | 107,000           |
| Insurance                      | 48,645            | 10,500            |
| Attachments                    | 221,500           | 104,853           |
| Cleaning                       | 944,865           | 194,910           |
| Training materials             | 4,083,635         | 2,658,628         |
| Fuel and Lubrications          | 525,559           | 578,720           |
| Local Travelling and transport | 1,274,476         |                   |
| Consumables                    | 663,955           | 627,149           |
| Hire charges                   | -                 | 85,825            |
| Library expense                | 55,450            | 37,880            |
| Tender expenses                | -                 | 53,000            |
| Conference expenses            | -                 | 397,850           |
| IGU Expenses                   | 725,880           | -                 |
| Covid-19                       | 1,574,557         | -                 |
| <b>Total good and services</b> | <b>21,327,969</b> | <b>15,446,630</b> |

**10 EMPLOYEE COSTS**

|                       | <b>2020-2021</b> | <b>2019-2020</b> |
|-----------------------|------------------|------------------|
|                       | <b>KShs</b>      | <b>KShs</b>      |
| Salaries and wages    | 5,298,290        | 8,339,834        |
| Social contributions  | 251,855          | 536,580          |
| <b>Employee costs</b> | <b>5,550,145</b> | <b>8,876,414</b> |

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NOTES TO THE FINANCIAL STATEMENTS (continued)

11 DEPRECIATION AND AMORTIZATION EXPENSE

| Description                                | 2020-2021        | 2019-2020        |
|--|------------------|------------------|
|  | KShs             | KShs             |
| Property, plant and equipment              | 3,344,363        | 2,786,380        |
| <b>Total depreciation and amortization</b> | <b>3,344,363</b> | <b>2,786,380</b> |

12 REPAIRS AND MAINTENANCE

| Description                          | 2020-2021        | 2019-2020         |
|--------------------------------------|------------------|-------------------|
|                                      | KShs             | KShs              |
| Property                             | 3,157,100        | 11,523,407        |
| <b>Total repairs and maintenance</b> | <b>3,157,100</b> | <b>11,523,407</b> |

13 BOARD ALLOWANCES

| Description                     | 2020-2021      | 2019-2020      |
|---------------------------------|----------------|----------------|
|                                 | KShs           | KShs           |
| Board allowances                | 903,500        | 534,500        |
| <b>Total board remuneration</b> | <b>903,500</b> | <b>534,500</b> |

14 CASH AND CASH EQUIVALENTS

The carrying amounts of the institution's cash and cash equivalents are denominated in Kenya Shillings.

| Description                            | 2020-2021        | 2019-2020        |
|--|------------------|------------------|
|  | KShs             | KShs             |
| Current account                        | 9,256,903        | 5,771,862        |
| Others(Cash)                           | 195,263          | 148,107          |
| <b>Total cash and cash equivalents</b> | <b>9,452,166</b> | <b>5,919,969</b> |

The institution's cash and bank balances are held with a major Kenyan financial institution and, insofar as the directors are able to measure any credit risk to these assets, it is deemed to be.

14 (a). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

| Financial institution             | Account number | 2020-2021        | 2019-2020        |
|-----------------------------------|----------------|------------------|------------------|
|                                   |                | KShs             | KShs             |
| <b>a) Current account</b>         |                |                  |                  |
| Kenya Commercial bank-FEES A/C    | 1225821479     | 654,024.90       | 541,565          |
| Kenya Commercial bank-current A/C | 1212348028     | 8,601,827.40     | 4,779,177        |
| Kenya Commercial bank-CDF A/C     | 1234234645     | 559              | 450,811          |
| Kenya Commercial bank-DEV'T A/C   | 1212348125     | 492              | 309              |
| <b>Sub- total</b>                 |                | <b>9,256,903</b> | <b>5,771,862</b> |
| Cash on hand                      |                | 195,263          | 148,107          |
| <b>Sub- total</b>                 |                | <b>195,263</b>   | <b>148,107</b>   |
| <b>Grand total</b>                |                | <b>9,452,166</b> | <b>5,919,969</b> |

**15 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

| <b>Description</b>         | <b>2020-2021</b> | <b>2019-2020</b> |
|----------------------------|------------------|------------------|
|                            | <b>KShs</b>      | <b>KShs</b>      |
| <b>Current receivables</b> |                  |                  |
| Sundry debtors             | 2,233,550        | 2,639,691        |
| <b>Total receivables</b>   | <b>2,233,550</b> | <b>2,639,691</b> |

These are receivables from students relating to the school fees payable for the year and it excludes Government capitation. During the year, there were no defaults from these debtors.

**16 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

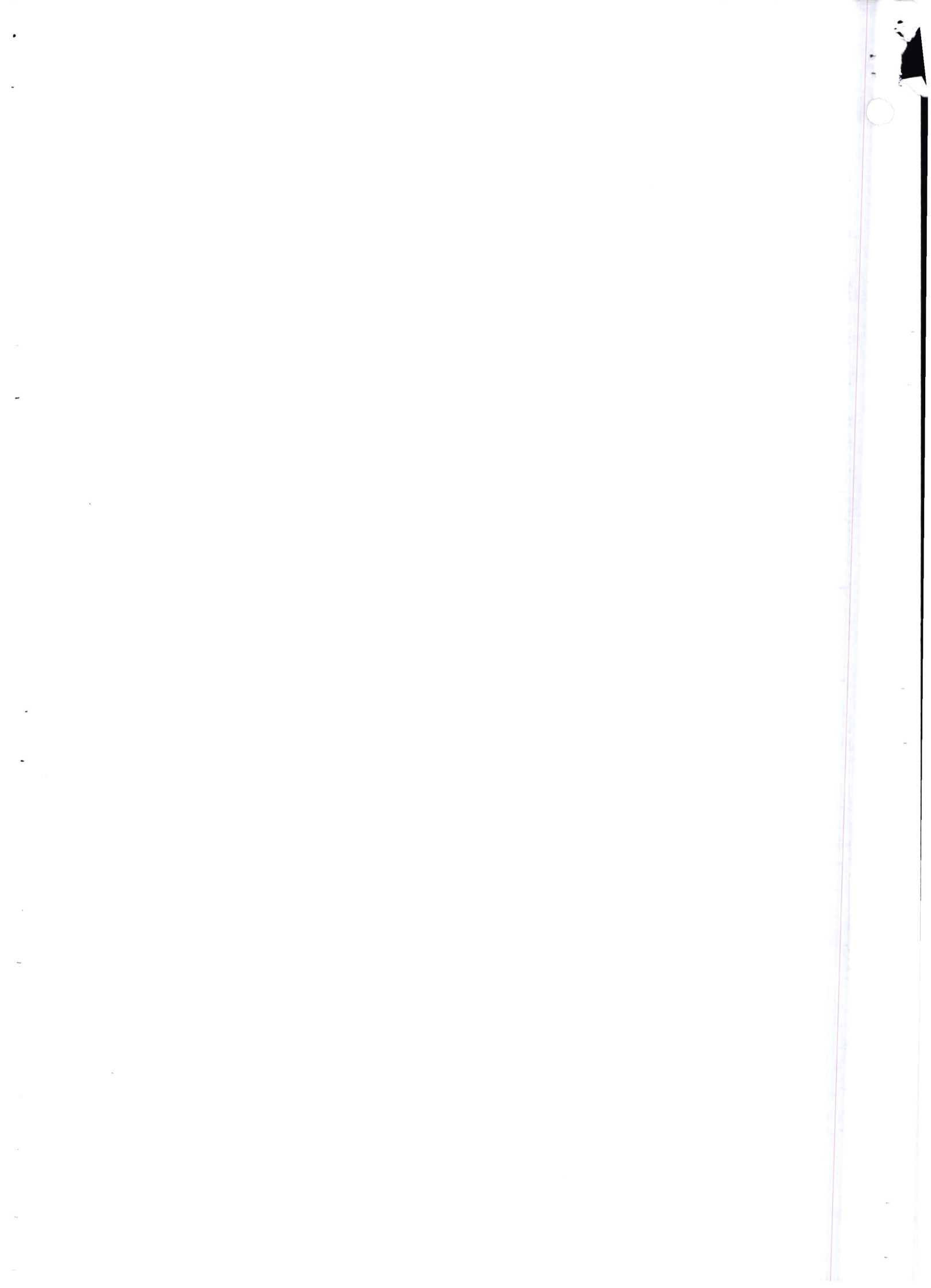
| <b>Description</b>         | <b>2020-2021</b>  | <b>2019-2020</b> |
|----------------------------|-------------------|------------------|
|                            | <b>KShs</b>       | <b>KShs</b>      |
| <b>Current receivables</b> |                   |                  |
| Fourth quarter capitation  | 10,170,000        | 7,365,000        |
| <b>Total receivables</b>   | <b>10,170,000</b> | <b>7,365,000</b> |

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
17 PROPERTY, PLANT AND EQUIPMENT

The table below represents movement schedule of the institution's fixed assets.

|                                      | Buildings and Structures | Cubertts and Pavements | Dairy shed and temporary buildings | Computers and Accessories | Office Equipment & Furnitures | Other Assets (Transformer) | Library Books | Capital Work in Progress | Total      |
|--------------------------------------|--------------------------|------------------------|------------------------------------|---------------------------|-------------------------------|----------------------------|---------------|--------------------------|------------|
| Cost                                 | Shs                      | Shs                    | Shs                                | Shs                       | Shs                           | Shs                        | Shs           | Shs                      | Shs        |
| At July 2017                         | 2%                       | 20%                    | 10%                                | 30%                       | 12.5%                         | 10%                        | 10%           |                          |            |
| Additions                            | 50,810,350               |                        |                                    |                           |                               | 1,167,850                  |               |                          | 51,978,200 |
| At 30 <sup>th</sup> June 2018        | 50,810,350               |                        |                                    |                           |                               | 1,167,850                  | 1,001,500     | -                        | 51,978,200 |
| Additions                            |                          |                        |                                    |                           | 1,722,000                     |                            |               | 1,047,051                | 3,770,551  |
| At 30 <sup>th</sup> June 2019        | 50,810,350               |                        |                                    |                           | 1,722,000                     | 1,167,850                  | 1,001,500     | 1,047,051                | 55,748,751 |
| Additions                            | 1,582,810                |                        |                                    |                           | 262,475                       |                            |               |                          | 6,421,535  |
| At 30 <sup>th</sup> June 2020        | 52,393,160               |                        |                                    |                           | 1,984,475                     | 1,167,850                  | 1,001,500     | 1,047,051                | 62,170,286 |
| Additions                            | 14,661,475               | 1,693,000              | 1,501,395                          | 438,500                   | 813,239                       |                            |               |                          | 19,107,609 |
| Transfer of capital work in Progress | 1,047,051                |                        |                                    |                           |                               |                            |               | (1,047,051)              |            |
| At 30 <sup>th</sup> June 2021        | 68,101,686               | 1,693,000              | 1,501,395                          | 5,014,750                 | 2,797,714                     | 1,167,850                  | 1,001,500     |                          | 81,277,895 |
| Depreciation and impairment          |                          |                        |                                    |                           |                               |                            |               |                          |            |
| At 1 July 2017                       | -                        | -                      | -                                  | -                         | -                             | -                          | -             | -                        | -          |
| Depreciation                         | 1,016,207                |                        |                                    |                           |                               | 116,785                    |               |                          | 1,132,992  |
| At 30 June 2018                      | 1,016,207                |                        |                                    |                           |                               | 116,785                    |               |                          | 1,132,992  |
| Depreciation                         | 995,883                  |                        |                                    |                           | 215,250                       | 105,107                    | 100,150       |                          | 1,416,389  |
| At 30 <sup>th</sup> June 2019        | 2,012,090                |                        |                                    |                           | 215,250                       | 221,892                    | 100,150       |                          | 2,549,381  |
| Depreciation                         | 1,007,621                |                        |                                    | 1,372,875                 | 221,153                       | 94,596                     | 90,135        |                          | 2,786,380  |
| At 30 <sup>th</sup> June 2020        | 3,019,711                |                        |                                    | 1,372,875                 | 436,403                       | 316,488                    | 190,285       |                          | 5,335,762  |
| Depreciation                         | 1,301,640                | 338,600                | 150,140                            | 1,092,563                 | 295,164                       | 85,136                     | 81,122        |                          | 3,344,363  |
| At 30 <sup>th</sup> June 2021        | 4,321,351                | 338,600                | 150,140                            | 2,465,438                 | 731,567                       | 401,624                    | 271,407       |                          | 8,680,126  |
| Net book values                      |                          |                        |                                    |                           |                               |                            |               |                          |            |
| At 30 <sup>th</sup> June 2021        | 63,780,335               | 1,354,400              | 1,351,255                          | 2,549,313                 | 2,066,147                     | 766,226                    | 730,094       |                          | 72,597,769 |
| At 30 <sup>th</sup> June 2020        | 49,373,449               |                        |                                    | 3,203,375                 | 1,548,072                     | 851,362                    | 811,215       | 1,047,051                | 56,834,524 |
| At 30 <sup>th</sup> June 2019        | 48,798,260               |                        |                                    |                           | 1,506,750                     | 945,959                    | 901,350       | 1,047,051                | 53,199,370 |
| At 30 <sup>th</sup> June 2018        | 49,794,143               |                        |                                    |                           |                               | 1,051,065                  |               |                          | 50,845,208 |



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**18 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

| Description                               | 2020-2021        | 2019-2020      |
|---|------------------|----------------|
|   | KShs             | KShs           |
| Trade payables                            | 3,415,266        | -              |
| Payments received in advance-Prepaid fees | 552,410          | 552,410        |
| <b>Total trade and other payables</b>     | <b>3,967,676</b> | <b>552,410</b> |

**19 REFUNDABLE DEPOSITS FROM CUSTOMERS**

| Description           | 2020-2021      | 2019-2020      |
|-----------------------|----------------|----------------|
|                       | KShs           | KShs           |
| Caution money         | 814,000        | 523,100        |
| <b>Total deposits</b> | <b>814,000</b> | <b>523,100</b> |

**20 CAPITAL GRANTS**

| Description   | 2020-2021         | 2019-2020         |
|---|-------------------|-------------------|
|   | KShs              | KShs              |
| Building constructed by the ministry via Mentor institution | 50,810,350        | 50,810,350        |
| Accumulated depreciation                                    | (3,944,505)       | 2,988,055         |
| <b>Total capital grant</b>                                  | <b>46,865,845</b> | <b>47,822,295</b> |

**21 ACCUMULATED SURPLUSES**

| Description                             | 2020-2021         | 2019-2020         |
|---|-------------------|-------------------|
|   | KShs              | KShs              |
| At start of year                        | 26,642,219        | 21,859,450        |
| Surplus for the year                    | 15,207,299        | 1,025,964         |
| Transfer of capital grants depreciation | 956,446           | 975,965           |
| <b>Total Accumulated surpluses</b>      | <b>42,805,964</b> | <b>23,861,379</b> |

**22 CASH GENERATED FROM OPERATIONS**

|  | 2020-2021         | 2019-2020        |
|--|-------------------|------------------|
|  | KShs              | KShs             |
| Surplus for the year                           | 15,207,299        | 1,025,964        |
| <b>Adjusted for:</b>                           |                   |                  |
| Depreciation and amortisation                  | 3,344,363         | 2,786,380        |
| Working Capital adjustments                    |                   |                  |
| Decrease/(increase) in receivables             | 406,141           | 5,076,538        |
| (Decrease)/increase in payables                | 3,682,007         | (1,050,717)      |
|  |                   |                  |
| <b>Net cash flow from operating activities</b> | <b>22,639,810</b> | <b>7,838,165</b> |

**SOTIK TECHNICAL TRAINING INSTITUTE**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**23 RELATED PARTY BALANCES**

**Government of Kenya**

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

- i) The National Government;
- ii) The Parent Ministry;

**24 EVENTS AFTER THE REPORTING PERIOD**

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

**25 ULTIMATE AND HOLDING ENTITY**

The Sotik Technical Training Institute a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

**26 CURRENCY**

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

**11. APPENDIX I: PROJECTS IMPLEMENTED BY THE SOTIK TECHNICAL TRAINING INSTITUTE**

**Projects**

During the Financial year under review, there were no projects funded by development partners

| Project title | Project Number | Donor | Period/ duration | Donor commitment | Separate donor reporting required agreement (Yes/No) |
|---------------|----------------|-------|------------------|------------------|--|
|               |                |       |                  |                  |  |

**Status of Projects completion**

| Project | Total project Cost | Total expended to date | Completion % to date | Budget |
|---------|--------------------|------------------------|----------------------|--------|
|         |                    |                        |                      |        |

SOTIK TECHNICAL TRAINING INSTITUTE  
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12. APPENDIX II: INTER-ENTITY TRANSFERS

| Sotik Technical Training Institute  |   |                   |   |  |
|---|---|-------------------|---|--|
| Break down of Transfers from the State Department of Vocational and Technical Training in 2020/2021 |   |                   |   |  |
| a. <b>Capitation Grants</b>   |   |                   |   |  |
|   | Bank Statement Date                     | Amount (KShs)     | Indicate the FY to which the amounts relate |  |
| MOE   | 3/7/2020                                | 7,365,000         | FY 2019/20                                  |  |
| MOE   | 6/11/2020                               | 8,955,000         | FY 2020/21                                  |  |
| MOE   | 13/2/2021                               | 8,955,000         | FY 2020/21                                  |  |
|   | 31/3/2021                               | 6,330,000         | FY 2020/21                                  |  |
|   | 30/6/2021                               | 8,182,500         | FY 2020/21                                  |  |
|   | <b>Total received during FY 2020/21</b> | <b>39,787,500</b> |   |  |
| b. <b>Recurrent Grants</b>  |   |                   |   |  |
| MOE   | 25/6/2021                               | 500,000           | FY 2020/21                                  |  |
|   | <b>Total received during FY 2020/21</b> | <b>500,000</b>    | FY 2020/21                                  |  |
|   | <b>Grand Total</b>                      | <b>40,287,500</b> |   |  |

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

Finance Officer  
 Sotik Technical Training Institute

Principal/  
 Accounting Officer

Sign:  .....

Sign:  .....

Date: 24-08-2022 .....

Date: 24-08-2022 .....