


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 25 APR 2019	DAY: Thursday
TABLED BY: REPORT	WOM
CLERK-AT THE-TABLE:	Getrude Chebet

PARLIAMENT OF KENYA LIBRARY

OF

THE AUDITOR-GENERAL

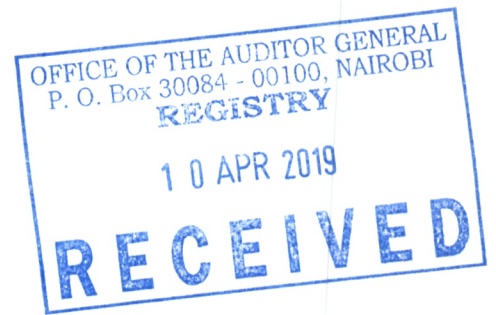
ON

THE FINANCIAL STATEMENTS OF
COMMISSION FOR UNIVERSITY EDUCATION

FOR THE YEAR
ENDED 30 JUNE 2018



100-511



COMMISSION FOR UNIVERSITY EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE, 2018**

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

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

Table of Contents	Page
KEY ENTITY INFORMATION AND MANAGEMENT	ii
THE BOARD OF DIRECTORS	vi
MANAGEMENT TEAM	x
CHAIRMAN'S STATEMENT	xi
REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xii
CORPORATE GOVERNANCE STATEMENT.....	xiv
MANAGEMENT DISCUSSION AND ANALYSIS	xviii
CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY.....	xxii
REPORT OF THE COMMISSIONERS	xxiii
STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxiv
REPORT OF THE AUDITOR GENERAL	xxv
STATEMENT OF FINANCIAL PERFORMANCE	1
STATEMENT OF FINANCIAL POSITION.....	2
STATEMENT OF CHANGES IN NET ASSETS.....	3
STATEMENT OF CASH FLOWS.....	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
NOTES TO THE FINANCIAL STATEMENTS	6
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	30
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY	30
APPENDIX III: INTER-ENTITY TRANSFERS	31
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	32

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Commission for University Education (The Commission) was established by an Act of Parliament, Universities Act, No. 42 of 2012 as the successor to the Commission for Higher Education which was established under Universities Act Cap 210B of 1985. The Commission is domiciled in Kenya, Nairobi and has no branches. At cabinet level, the Commission is represented by the Cabinet Secretary for Ministry of Education, Science and Technology.

(b) Principal Activities

The vision of the Commission is accessible, relevant and sustainable quality university education. The principal activity of the Commission is to regulate and assure quality university education by setting standards and guidelines and monitoring compliance to achieve global competitiveness.

(c) Key Management

The Commission's day-to-day management is under the following:

- i) Commission Secretary/CEO
- ii) Deputy Commission Secretary (Quality Audit & Standard)
- iii) Deputy Commission Secretary (Accreditation)
- iv) Deputy Commission Secretary (Administration & Finance)
- v) Deputy Commission Secretary (Planning, Research & Development)

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Commission Secretary/CEO	- Prof. Mwenda Ntarangwi
2.	Deputy Secretaries	- Prof. Anne Nangulu - Prof. Grace Njoroge - Prof. Walter Oyawa
3.	Ag. Head of Administration & HR	- Margaret Kamoni
4.	Head of Finance	- Linah Kiptoo
5.	Head of Procurement	- Phylis Karimi
6.	Head of Legal	- Isaac Gathirwa

1
2
3

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

(e) Fiduciary Oversight Arrangements

The activities of the Commission are transacted through the following committees:

Audit, Risk and Compliance Committee

1. Review the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics
2. Evaluate adequacy of management procedures with regard to issues relating to risk management, control and governance
3. Review policies and programs developed in respect of significant compliance issues
4. Monitor compliance with Laws, regulations and the Commission Policies and Procedures in relation to key financial and operational controls and processes

Quality Assurance Committee

1. To consider and recommend to the Commission for approval standards and guidelines for physical facilities and other infrastructural requirements, academic programmes, library and information services, for quality assurance purposes
2. To consider and recommend to the Commission for approval establishment of universities, constituent colleges and campuses
3. To consider and recommend to the Commission academic programmes for accreditation
4. To consider reports on audited academic programmes and audited universities for recognition of quality status
5. To consider and recommend to the Commission grant of authority to foreign universities to collaborate with local institutions
6. To consider and recommend to the Commission grant of license to student recruitment agencies to operate in Kenya.
7. To oversee and give direction on difficult cases on recognition and equation of foreign qualifications

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

Strategy Committee

1. Oversee and monitor the effectiveness and integrity of the Commission's performance management systems, including performance contracting and ISO certification processes;
2. Develop and implement strategies and policies of the Commission that will guide university education in Kenya;
3. Fundraise and mobilize resources for the Commission and over see their prudent use and utilization;
4. Develop and implement policies to guide research, innovation and outreach both at the Commission and in the University sector in Kenya;
5. Develop and implement policies that shall guide planning, policy formulation, collaboration and partnerships at the Commission and within the University sector in Kenya;
6. Develop and implement policies that will help manage the Commission's externally funded projects;
7. Development and implement policies on postgraduate research training at Universities in Kenya;
8. Report to the Board of Commission regularly.

Human Resources & Finance Committee

1. Oversee and monitor the effectiveness of Administration, Human Resource and security functions, processes and activities of the Commission;
2. Oversee and monitor the effectiveness of financial systems, functions, processes and activities of the Commission;
3. Oversee the development and utilization of the Commissions assets;
4. Oversee and monitor the Commission's performance with regard to legal and regulatory requirements of Human Resource, Administration and Finance issues;
5. Report to the Board of Commission regularly.

1
2
3

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

(f) Commission Headquarters

P.O. Box 54999-00200
CUE Building
Red Hill Road
Off Limuru Road, Gigiri
NAIROBI, KENYA

(g) Commission Contacts

Telephone: (254) 020-7205000, 020-2021150, 020-2021154/56
E-mail: info@cue.or.ke
Website: www.cue.or.ke

(h) Commission Bankers

Kenya Commercial Bank
Kencom House
P.O. Box 30081
NAIROBI

(i) Independent Auditors



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

(j) Principal Legal Adviser




Gitonga Mureithi & Co. Advocates
Westlands Business Park, 4th Floor
Chiromo Lane, Off Westlands Road
P.O. Box 76817-00620
NAIROBI

**Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018**

THE BOARD OF DIRECTORS

Name	Qualifications	Experience
 <p>Prof. Chacha Nyaigotti-Chacha Chairperson</p>	<ul style="list-style-type: none"> • PhD in Anthropological Linguistics, Yale University • Master of Philosophy in Poetics, Yale University • MA Swahili Studies, University of Nairobi • BEd. Literature and Kiswahili, University of Nairobi 	<ul style="list-style-type: none"> • Chairman of the Commission for University Education (CUE) and the Kenya Institute of Mass Communication (KIMC). • Executive Secretary of the Inter-University Council for East Africa • First CEO of the Higher Education Loans Board (HELB). • Kenyan playwright and Swahili language educationalist. • Tutorial Fellow and Lecturer in Swahili Language and Linguistics at Kenyatta University and later Egerton University.
 <p>Prof. Micheni J. Ntiba, PhD, CBS Principal Secretary State Department of University Education, Member</p>	<ul style="list-style-type: none"> • PhD (Fisheries Biology)- University of East Anglia • MSc (Hydrobiology)- University of Nairobi • BSc (Hons)- University of Nairobi 	<ul style="list-style-type: none"> • Principal Secretary – State Department of University Education • Principal Secretary – Ministry of Agriculture, Livestock & Fisheries • Executive Secretary, Lake Victoria Fisheries Organization • Director, School of Biological Sciences, University of Nairobi • Chair, Department of Zoology, University of Nairobi


Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

 <p>Dr. Kamau Thugge, PhD., CBS Principal Secretary, the National Treasury, Member</p>		<ul style="list-style-type: none"> • BA (Economics), Colorado College • MA (Economics), Johns Hopkins University • PhD (Economics) – Johns Hopkins University 	<ul style="list-style-type: none"> • Principal Secretary – National Treasury Ministry of Finance
 <p>Lucy Muthoni Kambuni- SC Independent Member</p>		<ul style="list-style-type: none"> • Master of Laws (Public International Law), University of Nairobi • Diploma at the Kenya School of Law • Legal Associate: Kaplan & Stratton Advocates, Nairobi. • LLB-University of Nairobi 	<ul style="list-style-type: none"> • Advocate of the High Court • Member: Law Society of Kenya • Member: East Africa Law Society • Member: Association of Professional Societies for Eastern Africa • Member: Federation of Women Lawyers (FIDA) • Member: National Bar Association (U.S.A.) • Commissioner, Independent Review Commission (IREC), (Kriegler Commission) 2008 • Acting Chairman, Tourism Trust Fund, December, 2007 to 2012 • Member, Masinde Muliro University Council, 2006 to 2010 • Member: Mater Hospital Governing Council. • Founder Advocate: L.M Kambuni Associates Advocates.
 <p>Prof. Anne W.T Muigai Independent Member</p>		<ul style="list-style-type: none"> • PhD Biochemistry-population Genetics and Molecular Biology(JKUAT) • Master of Science-Plant Genetics(Kenyatta University) • Bed (Science)-Botany & Zoology Kenyatta University. 	<ul style="list-style-type: none"> • Prof. of Genetics • Associate Prof. of Genetics • Editor in Chief, Journal of Agriculture Science and Technology • Board Member, Journal of Agriculture Science and Technology • Director, Institute of Biotechnology Research (JKUAT)

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

			<ul style="list-style-type: none"> • Chairperson, Senior Lecturer, Lecturer Assistant Lecturer Dept. of Botany-JKUAT • Senate representative JKUAT Council • Consultant
 <p>Dr. Elizabeth Muli Independent Member</p>		<ul style="list-style-type: none"> • Doctor of the Science of Law (JSD), Stanford Law School, Stanford University, Stanford, CA • Master of Laws university of Bristol, Bristol, United Kingdom • Diploma of law, Kenya school of Law • Bachelor of Law- university of Nairobi, • Corporate governance training course for directors, 2015 	<ul style="list-style-type: none"> • University of Nairobi School of Law Chairperson, Department Of Commercial Law (2008 to Date) • Commission For The Implementation Of The Constitution (2011-2015) <i>Vice-Chairperson of The Commission</i> • Judiciary Mediation Pilot Programme Mediator, Milimani Court, Family Division (2016 to Date) • Nexus Consulting Limited (2008 to Date) • Director, Research, ADR and Conflict Systems Design
 <p>Eng. David Onyango Independent Member, HSC</p>		<ul style="list-style-type: none"> • MSc. Construction Engineering and Management, Loughborough University • MBA, Maastricht School of Management • BSc. (Hons), University of Nairobi 	<ul style="list-style-type: none"> • Consultant, Midrock Consulting • Managing Director, Kisumu Water and Sewerage Company (2006-2018) • Board member, Federation of Kenya Employers • Board member, Global Water Partnership Alliance (2015-2018) • Board member, African Utility Week

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

			<ul style="list-style-type: none"> • Board member, Stadia Management Board (2010-2012) • Board Member, National Council for Occupational health and Safety • Fellow, Aspen Global Leadership Network
 <p>Prof. Mwenda Ntarangwi CEO</p>		<ul style="list-style-type: none"> • PhD (Cultural Anthropology)- Univ. of Illinois • MA (Cultural Anthropology)- Univ. of Illinois • MA-Swahili Cultural studies- Kenyatta University • BEd. (Language Education)- Kenyatta Univ. 	<ul style="list-style-type: none"> • Vice President, Theological Book Network (2015-2017) • Executive Director, International Association for the Promotion of Christian Higher Education (2012-2015) • Associate Director Office of Off-Campus Programmes, Calvin College (2012-2015) • Director, African and African Diaspora Studies, Calvin College (2008-2011) • Director and Assistance Professor St. Lawrence Univ.- Kenya Semester Programme (1999-2003) • Assistant Director Academic Programme & students- St. Lawrence University-Kenya Semester Program (1998 to 1999) • Associate Professor of Anthropology (2008-2015)

**Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018**

MANAGEMENT TEAM



**Prof. Mwenda Ntarangwi, PhD
Commission Secretary/CEO**



**Prof. Grace N. Njoroge, PhD
Deputy Commission Secretary
Accreditation**



**Prof. Anne Nangulu, PhD
Deputy Commission Secretary
Quality Audits and Standards**



**Prof. Walter Oyawa, PhD
Deputy Commission Secretary
Administration and Finance**

CHAIRMAN'S STATEMENT



Prof. Chacha Nyaigotti-Chacha
Chairman

This year has been a busy one for the Commission as it puts in place measures to ensure that universities offer quality university education for sustainable socio-economic development.

As a demonstration of this, the Commission has continuously carried audits and inspections within the stipulated time-frame.

The rigorous inspections of the universities to ascertain that quality is not only established but is also maintained have led to improvements in programmes offered by universities. As universities grapple with the demand for quality university education, so the Commission institutes checks and balances to ensure that at no time is quality compromised.

The Commission has been able to benchmark best practice internationally, regionally and globally through staff participating in conferences to keep them abreast of the current trends and to facilitate their further engagement in the dynamic university sector.

During the Financial year The Commission had strategic engagements with stakeholders in the revision of Universities Act No. 42 of 2012 and the Amendments thereto, Universities Regulations, 2014 and Universities Standards & Guidelines, 2014 which were forwarded to the Cabinet secretary and now await further stakeholder scrutiny before being gazetted.

The process of revision of the standards and guidelines is at an advanced stage with a number of entries that reflect the changing nature of the sector especially after listening to our stakeholders.

This consultative process is indicative of the Commission's commitment to sustainable quality university education within a democratized environment.

It is the desire of the Government to revamp the Commission to make it better prepared to undertake the tasks under its purview.

A handwritten signature in black ink, appearing to read 'Chacha Nyaigotti-Chacha'. The signature is fluid and cursive, written over a white background.

PROF. CHACHA NYAIGOTTI-CHACHA
CHAIRMAN

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

REPORT OF THE CHIEF EXECUTIVE OFFICER



Prof. Mwenda Ntarangwi, PhD
Commission Secretary/CEO

I am pleased to present the Annual Report and Financial Statements for the year ended 30th June 2018. Throughout the period, the Commission continued to engage with stakeholders in the furtherance of its objectives.

In a bid to fully operationalize its objectives, the Commission for University Education at all times took cognizance of the fact that it is mandated to assure the public and stakeholders that the education being offered in our universities is of good quality.

During the period under review, the Commission carried audits in several institutions. The Commission also embarked on collecting the quality assurance charges to assist in funding the agenda of the Commission. During the year the Commission was able to collect 153 million which reduced the debt accrued to the Commission.

After regular meetings through which a number of matters unearthed during the national audit of all universities in early 2017, the Joint Working Group tabled its report which had several recommendations. The Commission is studying those recommendations and preparing a matrix for action. The Commission continually undertook institutional and programme inspection to ascertain the maintenance of standards in all universities and approved several programmes for mounting in the universities which were inspected.

During the period Garissa University was awarded charter, Bomet University College and Tharaka-Nithi University College were gazetted and AMREF University was granted a Letter of Interim Authority. I was appointed to take up leadership of the Commission and reported on 5th September 2017. The Commission welcomed two new Commissioners—CPA John Kiragu, representing the PS, The National Treasury and Eng. David Onyango representing FKE and in place of Mr. Nazeer Ladhani who stepped down as a commissioner.

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

To keep abreast of the changing nature of the sector the Commission worked with key stakeholders in reviewing the Regulations which were forwarded to the Cabinet Secretary for concurrence. The Commission will then hold a stakeholders' forum to allow scrutiny and ownership by stakeholders before being forwarded for gazette. This exercise will immediately be followed by a review of the standards. A survey of academic programmes to assess their relevance was also carried out and draft report prepared. The information generated from the report will guide the Commission in its work of reviewing and accrediting programmes.

A service which has continued to gain in prominence is the recognition and equation of qualifications awarded by foreign universities. Persons seeking promotion, recruitment, further studies or electoral positions continued to engage the Commission offices for recognition of their academic qualifications. During the period, a total of 1,902 persons sought this service from our offices.

As part of our conscious effort to respond to the emerging national trends and challenges, staff were taken through a series of training in gender and disability mainstreaming, environmental conservation and sustainability. The Commission also organized an open day on HIV/ AIDS and drug and substance abuse to enhance sensitization and awareness to staff and their families on prevention and control measures. The well attended event was characterized by age-specific educational sessions for relevance and efficient knowledge generation.

The status of Sub ACUs in 15 universities was also inspected in the month of June 2018 to check whether the universities were mainstreaming HIV & AIDs.

As the Commission braces itself for the myriad of challenges facing the university sector, we will continually improve on our service delivery by benchmarking best practice from our local, regional and international engagements many of which were held during the year in question. It is only through such engagements that we can match the demands of this dynamic market of which we are an integral component.



PROF. MWENDA NTARANGWI
COMMISSION SECRETARY/CEO

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

CORPORATE GOVERNANCE STATEMENT

Corporate Governance is central to the Commission's approach toward the enhancement of stake holder value. The Commission ("Board") recognizes that the maintenance and consistent practice and application of good corporate governance practices is key to the long-term success of the Commission's business and will enable it to deliver sustainable value to its publics.

During the 2017/2018 Financial Year, the Commission enhanced regulatory and risk management guidelines. The Commission fully embraced the changes and remains at the forefront in adopting best practices in corporate and risk management in the rapidly evolving university landscape.

The Board and management of the Commission continue to comply with the Corporate Governance Guidelines. The Board achieves such success by setting appropriate corporate strategy and overseeing delivery against the set strategy as stipulated in the Strategic Plan 2014-2018. It ensures that the Board manages risks effectively and monitors financial performance and reporting.

Functions of Commission

- a) To administer the property and funds of the Commission, donations, endowments, gifts, grants or other monies and to make legitimate disbursements there from;
- b) To provide for the welfare of the staff of the Commission;
- c) To generate and raise funds for the purposes of the Commission from within and outside the country;

Committees of the Commission

The following are the Committees of the Commission:

1. Strategy;
2. Human Resource Administration and Finance;
3. Audit Risk Committee;
3. Quality Assurance Committee.

Internal Controls

The Commission has defined procedures and financial controls to ensure the reporting of true and fair representation of accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organization remains structured to ensure appropriate segregation of duties.

Commission for University Education

Annual Reports and Financial Statements for the Year Ended 30 June, 2018

Communication with the Commission

The Commission is committed to ensuring that stakeholders and the general public are provided with full and timely information about its performance. This is achieved by the distribution of the Commission's information and the release of notices in the media.

Periodically there are public notices, advertiser supplements and press releases informing the public on the major achievements and universities authorized to operate in the country and any other information that could be considered essential to improving understanding of the Commission's mandate.

Commission Members Emoluments

The Commission members are paid sitting allowance and other travel allowances which are included in the Commission expenses detailed in this Annual Report and Financial Statements 2017/2018.

Board Charter

The Board has adopted a Board Charter that clearly defines its role and how its powers and responsibilities are exercised, having regard to principles of good corporate governance, international best practice and applicable laws. The Board Charter regulates the composition, the meeting process and defines the relationship and interactions between the Board and Management.

The Board Charter sets out the roles and responsibilities of the Board to include:

- i) Reviewing the strategic direction of the Commission and adopting plans proposed by Management for the achievement of the stipulated strategic direction;
- ii) Approving specific financial and non-financial objectives and policies proposed by Management.
- iii) Reviewing processes for the identification and management of risk and processes for compliance with key regulatory and legal areas.
- iv) Reviewing succession planning for the Management team and making senior executive appointments, organizational changes and high level remuneration issues;
- v) Providing oversight of performance against targets and objectives.
- vi) Providing oversight of reporting to stakeholders on the direction, governance and performance of the Commission as well as other processes that need reporting and disclosure.

Authority and Delegation

The Board Charter sets out the Board authority and matters reserved for determination and approval by the Board. These include decisions concerning strategy and long-term objectives of the Commission, the capital, financial planning and financial budgets, significant contracts and various statutory and regulatory approvals.

Matters related to the approval of the remuneration policy, resource management, risk management framework and risk appetite are also Board reserve matters. To assist it in discharging these responsibilities, the Board has established Committees to give detailed consideration to key issues. Further details of the Board Committees including their respective roles, key responsibilities, composition and membership are provided later in this Statement.

The roles and responsibilities of the Chairman and the Chief Executive Officer are separate with a clear division of responsibility between the running of the Board and the executive responsibility of

Commission for University Education

Annual Reports and Financial Statements for the Year Ended 30 June, 2018

running the Commission. The Chairman is responsible for the strategic leadership of the Board and is pivotal in creating conditions for the overall effectiveness of the Board. He promotes an open environment for debate and ensures all members are able to speak freely and contribute effectively. The Chairman plays a pivotal role in fostering constructive dialogue between stakeholders, the Board and Management. The Board, in the Board Charter, delegates responsibility for the day-to-day management of the business to the Chief Executive Officer. The Chief Executive Officer in turn delegates aspects of his own authority to members of the Management Committee. The scope of, and limitations to, these delegations are clearly documented and cover areas such as operating expenditure, capital expenditure and investments. These delegations balance effective oversight with appropriate empowerment and accountability of senior executives.

Composition of the Board

The membership of the board is provided in The Universities (Amendment) Act 2016 as follows;

- (a) A chairperson appointed by the President;
- (b) The Principal Secretary in the Ministry for the time being responsible for university education;
- (c) The Principal Secretary in the Ministry for the time being responsible for national treasury;
- (d) One person appointed by the Cabinet Secretary who is a distinguished academic scholar with at least ten years' experience in management of university education;
- (e) One person nominated by the Federation of Kenya Employers and appointed by the Cabinet Secretary;
- (f) One person nominated by the Federation of Kenya Employers and appointed by the Cabinet Secretary;
- (g) One person nominated by Chairpersons Councils of public universities in a forum of chairpersons of the Councils of public universities convened by the Cabinet Secretary for that purpose;
- (h) One person nominated by chairpersons Councils of private universities in a forum of chairpersons of the Councils of private universities convened by the Cabinet Secretary for that purpose; and
- (i) The Commission Secretary who shall be an *ex-officio* member.

○
○

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

The Board and Committee membership

The Commission has four committees whose membership is as follows:

Audit, Risk and Compliance Committee

Lucy Kambuni (SC)-Chairperson

Prof. Anne Muigai

Mugambi Nyagah-Representing PS, State Department of University Education

CPA John Kiragu – Representing PS, National Treasury

Quality Assurance Committee

Dr. Elizabeth Muli- Chairperson

Prof. Anne Muigai

Mugambi Nyagah-Representing PS, State Department of University Education

CPA John Kiragu – Representing PS, National Treasury

Strategy Committee

Prof. Anne Muigai- Chairperson

Dr. Elizabeth Muli

Lucy Kambuni (SC)

Eng. David Onyango

Human Resources & Finance Committee

Lucy Kambuni – Chairperson(SC)

CPA John Kiragu- Representing PS, National Treasury

Mugambi Nyagah-Representing PS State Department of University Education

Eng. David Onyango

Number of Board Meetings

During the year the Commission held the following meetings

Full Board- 16 meetings

Audit, Risk and Compliance Committee - 4 meetings

Quality Assurance Committee - 13 meetings

Strategy Committee - 5 meetings

Human Resources & Finance Committee - 7 meetings

Independence of Board Members and conflict of interest

The Commission maintains a register of conflict of interest where members sign at the beginning of the meeting to indicate their interest

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

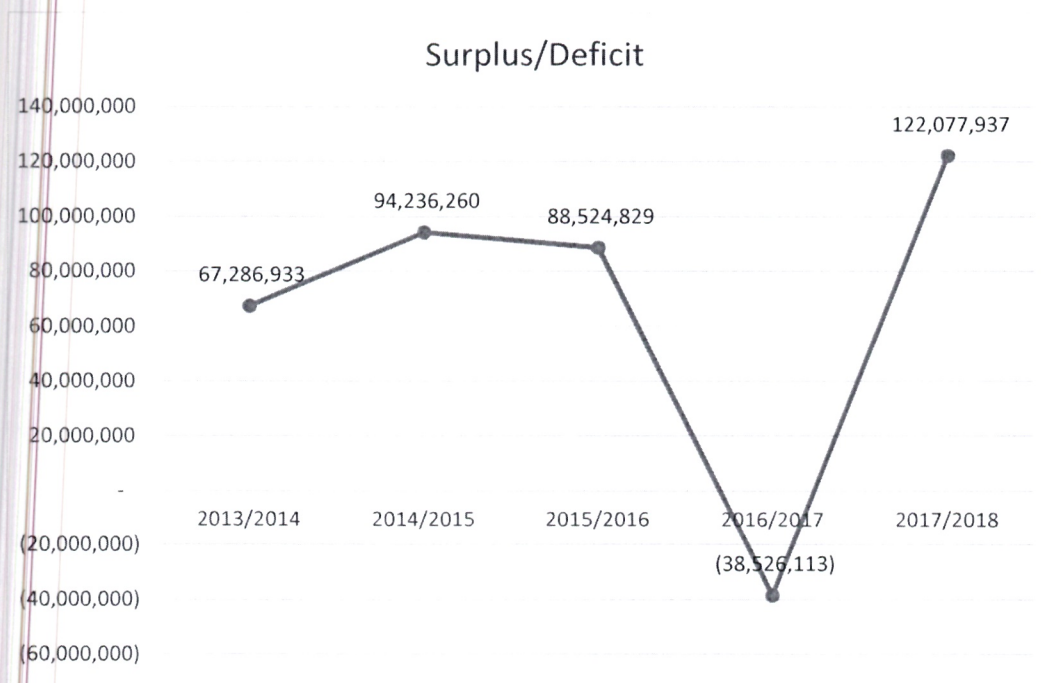
MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year, the Commission raised income of Kshs 512,981,570 against a budget of Kshs 448,997,164 while spending Kshs 390,903,633 against a budget of Kshs 448,900,004. The Commission recorded a surplus of Kshs 122,077,937.

During the financial year the Commission undertook capacity building of its staff in tandem with demands of sector. The training included intensive staff training where every staff of the Commission underwent either group training or individual training as required by the HR Manual.

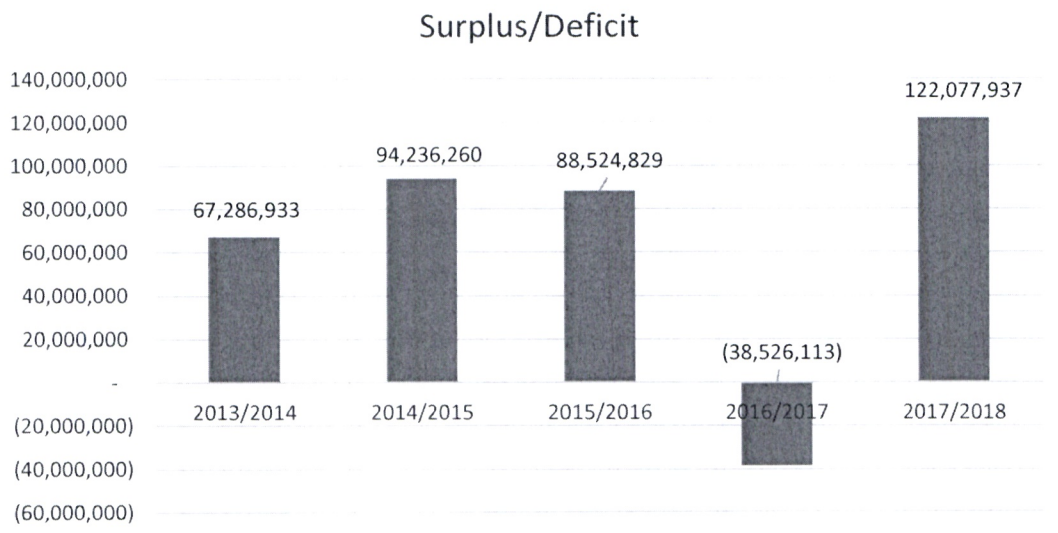
The performance of the Commission for the last 5 years is as illustrated in table 1 and table 2

Table 1



Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

Table 2



Income

Following the approval of the service charge collection policy by the Commission in January 2017, management continues to intensively engage the universities to ensure that they pay their dues. The concerned universities have been promptly informed that failure to pay their dues to the Commission will result in sanctions including not being offered any service by the Commission amongst others. A number of universities, are responding positively and have paid their 2014/15 charges.

The Commission is currently pursuing the outstanding quality assurance charges debts which some universities have not yet cleared.

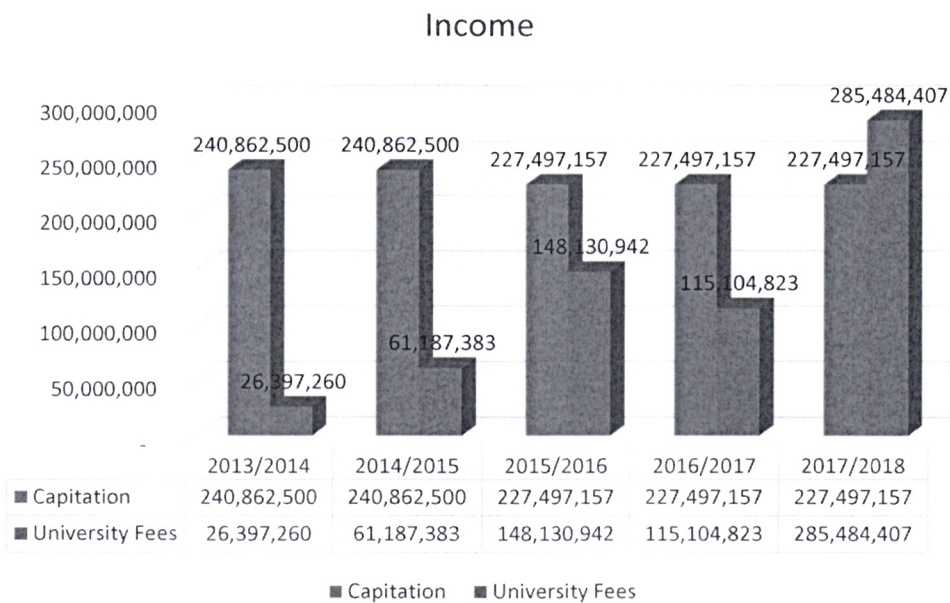
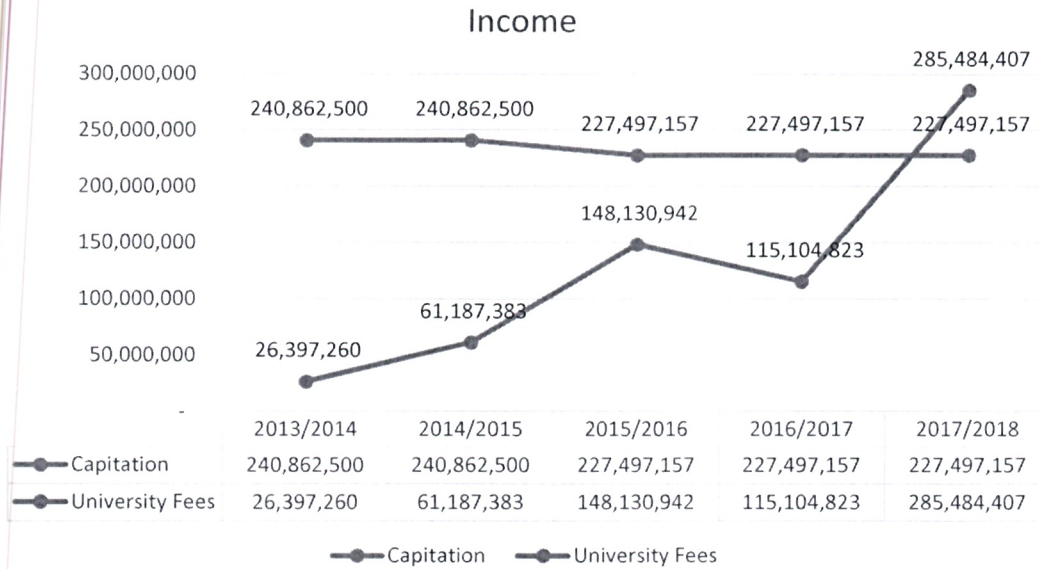
In the financial year 2017/18 the Commission invoiced universities for quality assurance charges an amount of Ksh.159,551,000. This amount is still under follow up as most institutions are facing cashflow problems.

Other incomes within this category of rendering services such as Equation of Qualifications and Programme accreditation recorded favourable variances. Interest income recorded a favourable variance of 273% and this is attributable to delay in operationalizing of the Staff Car Loan and Mortgage facility.

Incomes of the Commission is as illustrated in Table 3 and Table 4. It is noted that though the Universities Act, 2012 increased the mandate of the Commission, capitation has reduced from Kshs. 259 million in 2011/2012 to Kshs.227.5 million in 2016/2017. This has become an impediment in advancing the mandate of the Commission.

**Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018**

Table 3

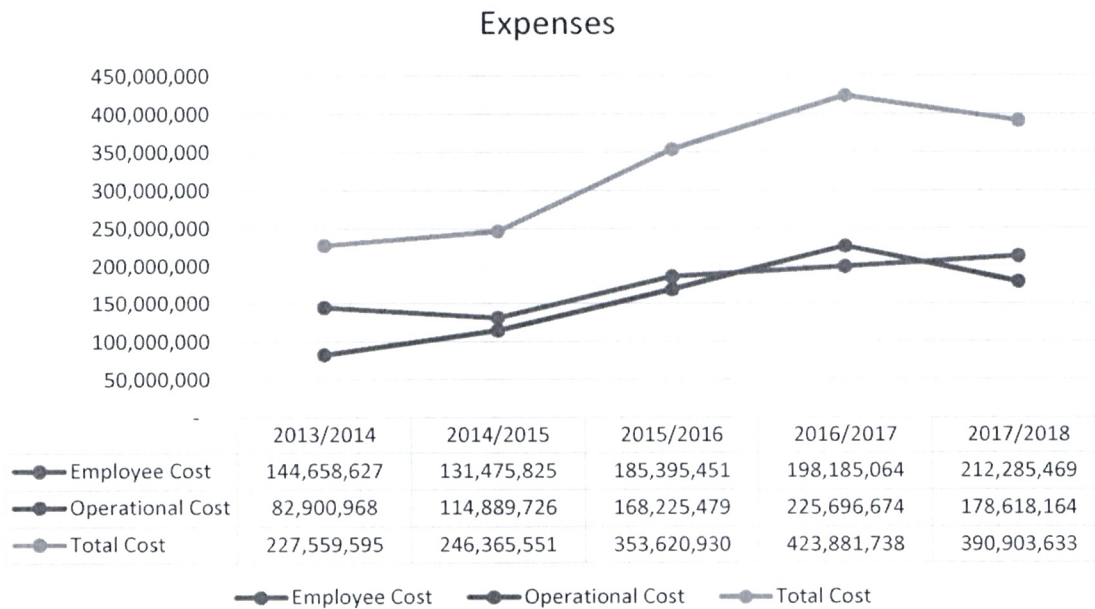


Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

Expenses

The Commission’s expenses are as illustrated in Table 5. Over the 5 year period the Commissions’ total expenses have increased to Ksh. 390,903,633. This has been occasioned by increase of the Commission mandate to cover both public and private universities.

Table 4



The Commission will continue to steer the agenda of university education in Kenya to produce manpower required to drive the economy.

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

HIV and AIDS Prevention/ Alcohol and Drug Abuse

The Commission organized an educational and entertainment event for staff and their families where issues pertaining to HIV and AIDS prevention and protection and Alcohol and Drug Abuse were deliberated upon.

The event was an open day aimed at sensitizing staff and their families on the myriad challenges faced by those infected and affected by the national scourge. The information was disseminated through age-specific fora in an entertaining and captivating manner. The resounding message was that there was need to maintain the tempo of sensitization as it would help champion prevention and protection. An underlying message was that persons living with HIV and AIDS should not be discriminated against and that people should avoid engaging in risky behaviour (which the resource persons outlined) and go for regular tests to confirm their status.

As pertains to Alcohol and Drug Abuse, participants acknowledged that alcohol and drug addiction were diseases which required specialized attention and that the 'sick' should not be shunned or isolated. It was noted that many families tended to ignore the signs, leading to severe addiction which tended to perpetuate the problem. The participants were educated on how best to approach the challenges.

The open day is organized on an annual basis under the umbrella of the AIDS Control Unit and Coordinator of programmes related to Alcohol and Drug Abuse prevention at the Commission. It works towards enhancing teambuilding and bonding amongst staff and the different families as well as strengthening the corporate visibility and reputation of the Commission as an organization willing to render such education services to its vital internal publics.

Inspection of Sub ACUs in universities

During the financial 2017/18 HIV & AIDS verification was done in various universities across the country.

00

00

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

REPORT OF THE COMMISSIONERS

The Commissioners submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Commission's affairs.

Principal activities

The principal activities of the Commission are to regulate and assure quality university education by setting standards & guidelines and monitoring compliance to achieve global competitiveness.

Results

The results of the entity for the year ended June 30, 2018 are set out on page 1.

Directors

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

i) During the year the following Commissioners retired/ resigned:

Name	Effective Date
1. Mr.Nazeer Ladhani	7/02/2018

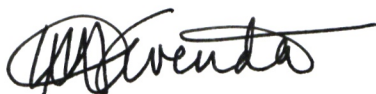
ii) The Following Commissioners were appointed:

Name	Effective Date
1. CPA John Kiragu	16/04/2018
2. Eng. David Onyango	25/04/2018

Auditors

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

By Order of the Commission.



Prof. Mwenda Ntarangwi
Commission Secretary

Nairobi

Date: 26/1/19

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Universities Act, 2012 section 33, Section 81 of the Public Finance Management Act, 2012 and section 14(2) of the State Corporations Act, require the Commissioners to prepare financial statements in respect of that Commission, which give a true and fair view of the state of affairs of the Commission at the end of the financial year/period and the operating results of the Commission for that year/period. The Commissioners are also required to ensure that the Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Commission. The Commissioners are also responsible for safeguarding the assets of the Commission.

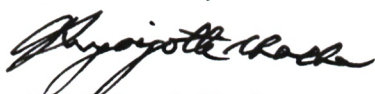
The Commissioners are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining 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 Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Commissioners accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Commissioners are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2018, and of the Commission's financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Commission made a surplus during the FY 2017/18 but no remittance has been made to the Consolidated Fund. Nothing has come to the attention of the Commissioners to indicate that the Commission 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 Commission's financial statements were approved by the Commission on 27th September 2018 and signed on its behalf by:



Prof. Chacha Nyaigotti-Chacha
Chairman



Lucy Kambuni (SC)
Commissioner



Prof. Mwenda Ntarangwi
Commission Secretary

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenad.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COMMISSION FOR UNIVERSITY EDUCATION FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Commission for University Education set out on pages 1 to 32, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Commission for University Education as at 30 June 2018, 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 University's Act, 2012.

Basis for Qualified Opinion

Trade Receivables

Note 19 to the financial statements reflects receivables from exchange transactions totalling Kshs.1,131,055,958 as at 30 June 2018. Included in this amount is Kshs.1,109,357,750 being quality assurance charges due from Universities relating from the financial year 2014/2015 to date.

A review of a monitoring report dated 16 November 2018 in various Universities by a taskforce committee established by management revealed that some Universities have disputed the invoices and others are unwilling to honor the invoices. Further, management has also not availed confirmations from respective universities acknowledging the debts.

The recognition of these receivables is contrary to the prudence concept of accounting that requires entities not to overestimate the amount of revenues recognized and to

Report of the Auditor-General on the Financial Statements of Commission for University Education for the Year Ended 30 June 2018

be conservative in recording the amount of assets and the recoverability of this balance from the respective universities is doubtful.

In the circumstances the validity, existence and recoverability of the receivables from exchange transactions balance of Kshs.1,131,055,958 as at 30 June 2018, could not be confirmed.

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. Except for the matter described in the basis for qualified opinion section, I have determined that there were no Key Audit Matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

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, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

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

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Commission or to cease operations, or have no realistic alternative but to do so.

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 financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements

are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

22 March 2019

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2017-2018	2016-2017 Restated
			Kshs
Revenue from non-exchange transactions			
Transfers from other governments – gifts and services-in-kind	6	227,497,163	227,497,162
		227,497,163	227,497,162
Revenue from exchange transactions			
Rendering of services	7	238,505,332	220,900,823
Rental revenue from facilities and equipment	8	7,138,688	5,582,759
Finance income - external investments	9	39,233,072	34,632,355
Other income	10	607,315	2,641,987
		285,484,407	263,757,924
Total revenue		512,981,570	491,255,086
Expenses			
Use of goods and services/Bulk purchases of water & electricity	11	2,888,375	3,520,982
Employee costs	12	212,285,469	198,185,064
Remuneration of Commissioners	13	12,240,368	12,652,305
Depreciation and amortization expense	14	21,383,156	20,757,933
Repairs and maintenance	15	2,087,978	2,720,605
Contracted services	16	44,672,245	68,182,336
General expenses	17	95,346,042	118,360,783
Total expenses		390,903,633	424,380,008
Surplus before tax		122,077,937	66,875,078
Surplus/(deficit) for the period		122,077,937	66,875,078


The notes set out on pages 6 to 26 form an integral part of these Financial Statements


**Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018**


**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Note	2017-2018	2016-2017 Restated
			Kshs
Assets			
Current assets			
Cash and cash equivalents	18	601,785,955	491,303,345
Receivables from exchange transactions	19	1,131,055,958	1,116,413,196
		1,732,841,913	1,607,716,541
Non-current assets			
Property, plant and equipment	21	461,160,086	472,426,585
Total assets		2,194,001,999	2,080,143,126
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	27	98,399,449	104,412,813
Total liabilities	27	98,399,449	104,412,813
Net assets		2,095,602,550	1,975,730,313
Capital Funds	24	197,449,724	197,449,724
Accumulated surplus	23	1,613,176,810	1,491,098,873
Revaluation Reserves	22	284,976,016	287,181,716
Total net assets and liabilities		2,095,602,550	1,975,730,313

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:


Commission Secretary/CEO
Prof. Mwenda Ntarangwi


Head of Finance
Linah Kiptoo


Chairman of the Board
Prof. Chacha Nyaigotti Chacha

Date 2/4/19

ICPAK Member No: 4426
Date 29/3/2019

Date 2/4/2019

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2018

	Capital Funds	Revaluation Reserve	Accumulated surplus	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1 July 2016	197,449,724	286,661,340	426,570,195	910,681,259
Surplus/(deficit) for the period	-	-	66,875,078	66,875,078
Depreciation on revaluation	-	(2,421,624)	-	(2,421,624)
Revaluation gain	-	2,942,000	-	2,942,000
Prior Year adjustment			997,653,600	997,653,600
Balance as at 30 JUNE 2017	197,449,724	287,181,716	1,491,098,873	1,975,730,313
Balance as at 1 July 2017	197,449,724	287,181,716	1,491,098,873	1,975,730,313
Surplus/(Deficit) for the period			122,077,937	122,077,937
Depreciation on revaluation		(2,205,700)		(2,205,700)
Balance as at 30 JUNE 2018	197,449,724	284,976,016	1,613,176,810	2,095,602,550

Note:

Prior year adjustment relate to invoicing of quality assurance charges from FY2014/2015 to FY2015/2016

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2017-2018	2016-2017
Cash flows from operating activities		Kshs	Kshs
Receipts			
Surplus/(Deficit) for the year		122,077,937	66,875,078
Adjusted for:			
Depreciation	21	21,383,156	20,757,933
Gain on disposal of motor vehicle		(599,175)	
Working capital adjustment		20,783,981	20,757,933
Increase/(Decrease) in payables	27	(6,013,364)	6,708,299
(Increase)/Decrease in receivables	19	(14,642,762)	(112,595,693)
Net cash flows from operating activities		(20,656,126)	(18,254,383)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(12,538,283)	(3,949,280)
Disposal of Motor Vehicle		815,100	
Net cash flows used in investing activities		(11,723,183)	(3,949,280)
Net increase/(decrease) in cash and cash equivalents		110,482,610	(22,203,663)
Cash and cash equivalents at 1 JULY	18	491,303,345	513,507,008
Cash and cash equivalents at 30 JUNE	18	601,785,955	491,303,345

**Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2018**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Percentage variance
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Government grants and subsidies	227,497,163	-	227,497,163	227,497,163	0	0
Rendering of services	211,000,000	-	211,000,000	246,251,335	35,251,335	16.7%
Finance Income	10,500,000	-	10,500,000	39,233,072	28,733,072	273%
Total income	448,997,162	-	448,997,162	512,981,570	63,984,408	
Expenses						
Compensation of employees	223,500,000	-	223,500,000	212,285,469	12,122,064	5.4%
Goods and services	225,400,004	-	225,400,004	178,618,164	46,781,840	20.8%
Finance Cost	-	-	-	-	-	
Total expenditure	448,900,004	-	448,900,004	390,903,633	57,996,371	
Surplus/(Deficit) for the period	97,157	-	97,157	122,077,937		

Budget notes

- 1. Rendering of services 16.7% the adverse variance is attributed to invoicing of quality assurance charges*
- 2. Finance income 273%, the favourable variance is attribute to delay in implementing of the Mortgage and car loan facility for staff therefore funds were invested in Treasury Bills*

Commission for University Education

Annual Reports and Financial Statements for the Year Ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Commission is established by and derives its authority and accountability from Universities, No. 42 of 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to regulate, coordinate and assure quality university education in Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Commission. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. Early adoption of standards

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees & Charges

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

Rendering of services

The Commission recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

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

Sale of goods

The Commission does not engage in the sale of goods. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Commission.

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Interest income

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

Rental income

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

b) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly.

The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance

c) Taxes

Current income tax

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

d) Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e) Financial instruments

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

f) Provisions

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

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

Contingent liabilities

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

Contingent assets

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

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

g) Changes in accounting policies and estimates

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

h) Employee benefits

Retirement benefit plans

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

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

i) Foreign currency transactions

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

j) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

k) Related parties

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

l) Service concession arrangements

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

m) Cash and cash equivalents

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

n) Stocks

The Commission stock is made up of consumables, largely in form of stationeries and as such stocks are expensed in the year of purchase

o) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

p) Depreciation

Assets of the Commission are maintained at cost and depreciated using straight line method using the following rates:

Asset Type	Depreciation Rates
Motor Vehicles	25%
Equipment	12.5%
Furniture	12.5%
Buildings	2.5%
Computers	30%

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Commission'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.

Financial Performance

The Commission's financial statements have been prepared on a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. As of 30 June 2018, the Commission had a surplus of Kshs.119,976,236 up from a deficit of Kshs.38,920,922. The current year's Surplus of Kshs.119,976,236 was a result of quality assurance charges invoiced in 2017/18 financial year. There were also challenges of collecting quality assurance charges brought about by the transition from the 2014 gazette notice to 2016 gazette notice on fees collected by the Commission. The revision of the gazette notice reduced most charges by half since the Universities had raised the concern of the high charges in the 2014 gazette notice. The Commission has since engaged the universities and allayed their concerns.

However, the Commission has now embarked in quality charges collection in 2017/2018 financial year following the development and implementation of Commission for University Education fee collection strategy and face to face engagement with the Universities

Despite the reported surplus in the year, the Commission has outstanding quality charges of 1,109,357,750 owed by various universities as at 30 June 2018.

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Estimates and assumptions

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

Useful lives and residual values

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

○ ○

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount recognised in capital fund.	Total grant income during the year	2017-2018	2016-2017
	KShs	KShs	KShs	KShs	
MOHEST Ministry/State Department	227,497,163	-	227,497,163	227,497,163	227,497,162
Total	227,497,163	-	227,497,163	227,497,163	227,497,162

7. RENDERING OF SERVICES

The	Description	2017-2018	2016-2017
		KShs	KShs
	Quality Assurance Charge	159,551,00	118,265,000
	Equation of Qualification	16,067,660	14,557,297
	Programme Accreditation & Accreditation charge	62,886,672	88,078,526
	Total revenue from the rendering of services	238,505,332	220,900,823

Commission renders services to universities, agencies, and to those who seek Equation of Qualification

8. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

The	Description	2017-2018	2016-2017
		KShs	KShs
	Rent from leasing office space	7,138,688	5,582,759

Commission Rents out space to other parties

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. FINANCE INCOME - EXTERNAL INVESTMENTS

Description	2017-2018	2016-2017
	KShs	KShs
Cash investments and fixed deposits	39,233,072	34,632,354

10. OTHER INCOME

Description	2017-2018	2016-2017
	KShs	KShs
Prequalification Income	2,110	49,990
Miscellaneous	6,030	2,591,997
Gain on Disposal of Motor Vehicle	599,175	-
Total other income	607,315	2,641,987

11. USE OF GOODS AND SERVICES

Description	2017-2018	2016-2017
	KShs	KShs
Electricity	2,874,181	3,464,227
Water	14,194	56,755
Total good and services	2,888,375	3,520,982

12. EMPLOYEE COSTS

Description	2017-2018	2016-2017
	KShs	KShs
Salaries and wages	104,678,619	93,669,101
Employee related costs - contributions to pensions	22,289,809	20,172,532
Transport Allowance	15,131,936	15,383,751
Housing benefits and allowances	42,811,734	42,999,398
Medical Expense	17,123,228	15,860,560
Other Allowances	10,250,143	10,099,722
Employee costs	212,285,469	198,185,064

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

13. REMUNERATION OF COMMISSIONERS

Description	2017-2018	2016-2017
	KShs	KShs
Chairman's Honoraria	960,000	941,935
Commission sitting Allowance	5,220,000	6,740,050
Mileage allowances	541,132	421,262
Lunch Allowance	211,140	200,000
Air Tickets	772,470	788,625
Per Diem	3,392,696	2,369,325
Telephone/Internet	984,210	400,920
Medical Insurance/training	158,720	790,188
Total director emoluments	12,240,368	12,652,305

14. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2017-2018	2016-2017
	KShs	KShs
Property, plant and equipment	21,383,156	20,757,933
Total depreciation and amortization	21,383,156	20,757,933

15. REPAIRS AND MAINTENANCE

Description	2017-2018	2016-2017
	KShs	KShs
Property	1,309,017	1,285,599
Equipment	778,961	1,435,006
Total repairs and maintenance	2,087,978	2,720,605

16. CONTRACTED SERVICES

Description	2017-2018	2016-2017
	KShs.	KShs.
Resource Persons	33,591,707	48,989,811
Professional fees	11,080,538	19,192,525
Total contracted services	44,672,245	68,182,336

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

17. GENERAL EXPENSES

Description	2017-2018	2016-2017
	KShs	KShs
Travelling & accommodation	37,534,574	32,095,901
Transport & Generator operating costs	6,663,149	5,584,365
Audit fees	990,000	870,000
Conferences and Seminars	4,468,497	21,952,162
Insurance	1,288,450	1,324,762
Advertising	3,646,752	10,039,419
Library Expense	270,000	869,427
Hiring charges	3,961,899	4,521,366
Postage	228,000	465,018
Printing, photocopying & stationery	4,732,208	4,935,829
Office expenses	9,649,050	10,011,711
Rent & Rates	308,225	25,379
Telephone & Internet	6,004,650	5,108,783
Training	14,023,552	19,581,874
Other	1,577,036	974,787
Total general expenses	95,346,042	118,360,783

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. CASH AND CASH EQUIVALENTS

Description	2017-2018	2016-2017
	KShs	KShs
Main Account-KCB A/C No. 1108031625	18,813,143	78,686,860
NICHE Euro account-KCB A/C No. 1150742135	15,750,101	15,814,411
NICHE Kshs account-KCB A/C No.1173967656	4,949,994	3,828,143
Fixed Deposit-Coop Bank	0	215,404,465
Fixed Deposit KCB-Car loan KCB- Moi Avenue Branch	10,969,664	10,752,986
Fixed Deposit-KCB KCB- Moi Avenue Branch	51,978,553	166,816,480
Treasury Bills	499,324,500	
Total cash and cash equivalents	601,785,955	491,303,345

19. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	KShs	Restated KShs
Current receivables		
Staff Debtors/Imprest	3,425,057	285,658
Prepayments	3,938,282	3,239,438
Exchange Receivables	1,109,357,750	1,103,449,600
Accrued Dues	14,334,869	9,438,500
Total current receivables	1,131,055,958	1,116,413,196

Exchange in receivables relate to invoicing of quality assurance charges from FY2014/2015 to FY2015/2014

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. INVESTMENTS

Description	2017-2018	2016-2017
	KShs	KShs
a) Investment in Treasury bills and bonds		
-Financial institution		
CBK	499,324,500	-
CBK	-	-
Sub- total	499,324,500	-
b) Investment with Financial Institutions/ Banks		
KCB-Moi Avenue	51,978,553	166,816,480
Co-operative Bank-Gigiri Branch	-	215,404,465
Sub- total	51,978,553	382,220,945
c) Equity investments (specify)		
Equity/ shares	-	-
Sub- total	-	-
Grand total	551,303,053	382,220,945

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

21. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Furniture and fittings	Equipment	Computers	Motor vehicles	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2016	49,380,000	144,927,570	24,470,601	11,565,858	34,117,930	44,837,343	309,299,302
Revaluations 2009/2010	264,620,000	23,623,,251	-	-	-	-	288,243,251
Additions	-	-	-	2,564,281	1,385,000	-	3,949,281
Revaluations	-	-	-	-	-	2,942,000	2,942,000
Transfer/adjustments/Disposal	-	-	-	-	-	(5,945,897)	(5,945,897)
At 30th June 2017	314,000,000	168,550,821	24,470,601	14,130,139	35,502,930	41,833,446	598,487,937
Additions	-	-	1,555,148	1,073,187	3,112,345	6,797,600	12,538,280
Revaluations	-	-	-	-	-	-	-
Disposals	-	-	-	-	(1,565,520)	(863,697)	(2,429,217)
At 30th June 2018	314,000,000	168,550,821	26,025,749	15,203,326	37,049,755	47,767,349	608,597,000
Depreciation and impairment							
At 1 July 2016	-	41,316,514	11,471,071	9,201,095	27,008,460	19,830,551	108,827,689
Depreciation	-	(3,623,189)	(3,058,825)	(1,154,178)	(4,294,423)	(8,627,318)	(20,757,933)
Disposal	-	-	-	-	-	5,945,897	5,945,897
Depreciation on Revaluation	-	(590,581)	-	-	-	(1,831,043)	(2,421,624)
At 30 June 2017	-	45,530,285	14,529,896	10,355,273	31,302,883	24,343,015	126,061,350
Depreciation	-	3,623,189	2,688,157	880,265	3,864,827	10,326,718	21,383,156
Disposals	-	-	-	-	(1,565,520)	(647,772)	(2,213,292)
Depreciation on Revaluation	-	590,581	-	-	-	1,615,119	2,205,700
At 30th June 2018	-	49,744,055	17,218,054	11,235,537	33,602,190	35,637,080	147,436,916
Net book values							
At 30th June 2018	314,000,000	118,806,766	8,807,695	3,967,790	3,447,566	12,130,269	461,160,086
At 30th June 2017	314,000,000	123,020,536	9,940,705	3,774,866	4,200,047	17,490,431	472,426,585

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. REVALUATION RESERVES

	2017-2018	2016-2017
Balance B/F	287,181,716	286,661,340
Depreciation	(2,205,700)	(2,421,624)
Revaluation	<u> </u>	<u>2,942,000</u>
Balance C/F	<u>284,976,016</u>	<u>287,181,716</u>

23. ACCUMULATED SURPLUS

	2017-2018	2016-2017
Balance B/F	1,491,098,873	426,570,195
Surplus for the year	122,077,937	66,875,078
Prior Year Adjustment	<u> </u>	<u>997,653,600</u>
Balance C/F	<u>1,613,176,810</u>	<u>1,491,098,873</u>

Prior year adjustment relate to invoicing of quality assurance charges from FY2014/2015 to FY2015/2016

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

24. Capital Funds

	2017-2018	2016-2017
Balance	197,449,724	197,449,724

25. PROVISIONS

The commission did not set any provision for bad debts during the year

26. TAXATION

The commission does not pay tax on surplus since it's a non-profit making entity.

27. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	KShs	KShs
Audit Fees	980,000	870,000
Research Funds	11,045,195	11,045,195
McCormack Partnership A	2,112,000	2,112,000
Other Funds-Needs Assessment/Charter Award/ 1st Biennial	32,377,398	32,091,021
Exhibition by Kenyan Universities	2,662,905	4,249,905
Sundry Creditors	15,636,551	15,832,682
Creditors Control	7,772,602	19,933,029
NICHE Project	21,338,746	17,078,981
Rent Deposit-Touchstone	225,000	225,000
Rent Deposit-Amin Nanji	225,000	225,000
Rent Deposit-National Biosafety	750,000	750,000
Payroll Liability	3,274,052	-
Total Trade and Other Payables	98,399,449	104,412,813

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

28. FINANCIAL RISK MANAGEMENT

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

(i) Credit risk

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

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

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

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

(ii) Liquidity risk management

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

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

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Trade payables	4,176,398	2,587,386	1,008,817	7,772,601
Total	4,176,398	2,587,386	1,008,817	7,772,601
At 30 June 2017				
Trade payables	10,758,022	9,025,387	149,620	19,933,029
Total	10,758,022	9,025,387	149,620	19,933,029

Capital Risk Management

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

	2017-2018	2016-2017	2015-2016
	Kshs	Kshs	Kshs
Revaluation reserve	284,976,016	287,181,716	286,661,340
Retained earnings	1,613,176,810	1,491,098,873	426,570,195
Capital reserve	197,449,724	197,449,724	197,449,724
Total funds	2,095,602,550	1,975,730,313	910,681,259
Total borrowings	-	-	-
Less: cash and bank balances	601,785,955	491,303,345	531,507,008
Net debt/(excess cash and cash equivalents)	(601,785,955)	(491,303,345)	(531,507,008)
Gearing	100%	100%	100%

29. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the Commission, holding 100% of the Commission'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:

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

RELATED PARTY BALANCE (Continued)

Government of Kenya (Continued)

- i) The National Government;
- ii) Ministry of Education;
- iii) Key management;
- iv) Commissioners;

	2018	2017
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of goods to related parties	-	-
Sales of services to related parties	-	-
Total	-	-
b) Grants from the Government		
Grants from National Govt	227,497,163	227,497,162
Grants from County Government	-	-
Donations in kind	-	-
Total	227,497,163	227,497,162
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
Total	-	-
d) Key management compensation		
Commissioners' emoluments	12,240,368	12,652,305
Compensation to the CEO	7,687,978	9,214,560
Compensation to key management	18,050,084	19,104,073
Total	37,978,430	40,970,938

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Commission had the following court cases.

	CASE NUMBER AND NAME	FIRM AWARDED	COMMENT DATE	STATUS	PRINCIPAL AMOUNT OF AWARD (KSHS.)	LEGAL FEES PAID
1	NAIROBI HCPT NO. 387 OF 2018 ADAN MUKHTARE BARE V ALI BUNOW KORANE & OTHERS	MUHORO & GITONGA ADVOCATES	DEC 2018	ONGOING	178,000	NIL
2	NAIROBI COURT OF APPEAL NO. 119 OF 2018 KELVIN MBWAYA & OTHERS V COMMISSION FOR UNIVERSITY EDUCATION & OTHERS	GITONGA MUREITH & CO. ADVOCATES	MAY 2018	ONGOING	145,000	NIL
3	NAIROBI HCPT NO. 116 OF 2018 THOMAS NZIOKA KIVASU & OTHERS V COMMISSION FOR UNIVERSITY EDUCATION & OTHERS	GITONGA MUREITH & CO. ADVOCATES	APRIL 2018	ONGOING	400,000	NIL
4	NAIROBI HCPT NO. 596 OF 2017 VICTOR ANDOLLA OBOCK & 74 OTHERS V ATTORNEY GENERAL & 5 OTHERS	CM MAINA & CO. ADVOCATES	DECEMBER 2017	ONGOING	150,000	NIL
5	NYERI E&L NO.332 OF 2017 KUDHEIA V COMMISSION FOR UNIVERSITY EDUCATION	FEDERATION FOR KENYA EMPLOYERS	OCTOBER 2017	FINALISED	330,000	
6	GARSEN HCPT NO. 1 OF 2017 MOHAMED DADO HATU V DHADDO GODDAE GODHANA & 3 OTHERS	MUHORO & GITONGA ADVOCATES	OCTOBER 2017	FINALISED	440,000	440,000
7	NAIROBI HCPT NO. 307 OF 2017 GEORGE OMONDI V IEBC & 6 OTHERS	GITONGA MUREITH & CO. ADVOCATES	MARCH 2017	ONGOING	185,000	NIL
8	NAIROBI HCPT NO. 90 OF 2017 STEPHEN MACHARIA GITAU V COMMISSION FOR UNIVERSITY EDUCATION & KNEC	GITONGA MUREITH & CO. ADVOCATES	MARCH 2017	FINALISED	185,000	185,000
9	NAIROBI HCPT NO. 49 OF 2017 COUNCIL OF LEGAL EDUCATION V ATTORNEY GENERAL & 2 OTHERS	TOM OJIENDA & ASSOCIATES	FEBRUARY 2017	ONGOING	680,000	NIL
10	NAIROBI HCPT NO. 37 OF 2017 KENYA MEDICAL LABORATORY TECHNICIANS AND TECHNOLOGIES BOARD & 5 OTHERS V ATTORNEY GENERAL & 2 OTHERS	TOM OJIENDA & ASSOCIATES	FEBRUARY 2017	ONGOING		
11	NAIROBI HCPT NO. 106 OF 2017 ENGINEERS BOARD OF KENYA V ATTORNEY GENERAL & ANOTHER	PROF. TOM OJIENDA & ASSOCIATES	MARCH 2017	ONGOING	484,000	NIL
12	NAIROBI HCPT NO. 17 OF 2017 WERE SAMWEL & 14 OTHERS V ATTORNEY GENERAL & 2 OTHERS	GITONGA MUREITH & CO. ADVOCATES	MARCH 2017	FINALISED	180,000	180,000
13	NYAMIRA HCPT NO. 3 OF 2017 CHARLES M. NYAMIPOB & ANOTHER V KISII UNIVERSITY & ANOTHER	MAGARE MUSUNDI & CO. ADVOCATES	JANUARY 2017	FINALISED	383,625	NIL
14	NAIROBI HCPT NO. 150 OF 2017 ABDALLA JUMA V ALI HASSAN JOHO & 7 OTHERS	GITONGA MUREITH & CO. ADVOCATES	FEBRUARY 2017	FINALISED	145,000	145,000
15	NAIROBI HCPT NO. 321 OF 2017 GEORGE OKOTH OMONDI V ORANGE DEMOCRATIC MOVEMENT & 5 OTHERS	GITONGA MUREITH & CO. ADVOCATES	FEBRUARY 2017	ONGOING	130,000	NIL

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

16	ELDORET HCPT NO. 14 OF 2017 JUSTUS KIMELI ROTICH V COMMISSION FOR UNIVERSITY EDUCATION & OTHERS	MAGARE MUSUNDI & CO. ADVOCATES	FEBRUAR Y 2017	ONGOING	330,000	NIL
17	NAIROBI HCPT NO. 161 OF 2017 HUMAN RIGHTS AFRICA V RAILA AMOLLO ODINGA & 5 OTHERS	CM MAINA & CO. ADVOCATES	FEBRUAR Y 2017	FINALISED	180,000	NIL
18	NAIROBI HCPT NO. 222 OF 2017 PATU OLE NAIKUNI V COMMISSION FOR UNIVERSITY EDUCATION & 5 OTHERS	CM MAINA & CO. ADVOCATES	FEBRUAR Y 2017	ONGOING	180,000	NIL
19	NAIROBI HCPT NO. 511 OF 2016 KIRWA BITOK & 4 OTHERS V COMMISSION FOR UNIVERSITY EDUCATION & ANOTHER	PATRICK TEDDY & COMPANY ADVOCATES	DECEMBE R 2016	ONGOING	900,000	450,000
20	ELDORET HCPT NO. 18 OF 2016 SIOKWEI TARITA LIMITED V COMMISSION FOR UNIVERSITY EDUCATION & ANOTHER	MAGARE MUSUNDI & CO. ADVOCATES	DECEMBE R 2016	FINALISED	330,000	330,000
21	ELDORET HCPT NO. 13 OF 2016 SOLOMON CHEMJOR & OTHERS L V COMMISSION FOR UNIVERSITY EDUCATION	MAGARE MUSUNDI & CO. ADVOCATES	AUGUST 2016	FINALISED	168,000	168,000
22	NAIROBI HCPT NO. 176 OF 2016 GENCO UNIVERSITY V COMMISSION FOR UNIVERSITY EDUCATION & ANOTHER	CHEGE KIBATHI & CO. ADVOCATES	MAY 2016	ONGOING	340,000	340,000
23	NAIROBI HCPT NO. 177 OF 2016 MOUNT KENYA UNIVERSITY V COUCIL FOR LEGAL EDUCATION & ANOTHER	PATRICK TEDDY & COMPANY ADVOCATES	MAY 2016	ONGOING	290,000	290,000
24	NAIROBI HCPT NO. 132 OF 2016 ALICE WANJIRU NJIRU V KENYA SCHOOL OF LAW & OTHERS	PATRICK TEDDY & COMPANY ADVOCATES	MAY 2016	FINALISED	290,000	290,000
25	NAIROBI HCPT NO. 117 OF 2016 V COUNCIL FOR LEGAL EDUCATION & ANOTHER V MOUNT KENYA UNIVERSITY	TOM OJIENDA & ASSOCIATES	MAY 2016	ONGOING	-	
26	NAIROBI HCPT NO. 116 OF 2016 V COUNCIL FOR LEGAL EDUCATION & ANOTHER V MOUNT KENYA UNIVERSITY	TOM OJIENDA & ASSOCIATES	MAY 2016	FINALISED	-	NIL
27	NAIROBI HCPT NO. 354 OF 2016 KELVIN MBWAYA & 55 OTHERS V ATTORNEY GENERAL & 5 OTHERS	LM KAMBUNI & CO. ADVOCATES	MAY 2016	ONGOING	464,000	464,000
28	NAIROBI HCPT NO. 149 & HCPT NO. 148 OF 2016 COUCIL FOR LEGAL EDUCATION & ANOTHER V MOUNT KENYA UNIVERSITY	TOM OJIENDA & ASSOCIATES	APRIL 2016	FINALISED	700,000	NIL
29	NAIROBI HCPT NO. 425 OF 2015 MOI UNIVERSITY V COUNCIL OF LEGAL EDUCATION & OTHERS	TOM OJIENDA & ASSOCIATES	OCTOBER 2015	FINALISED	680,000	NIL
30	NAIROBI HCPT NO. 377 OF 2015 NABULIME MIRIAM & OTHERS V COUNCIL OF LEGAL EDUCATION & OTHERS	TOM OJIENDA & ASSOCIATES	OCTOBER 2015	FINALISED	700,000	
31	NAIROBI HCPT NO. 93 OF 2015 PETER NGATIA MATU V SPEAKER OF THE NATIONAL ASSEMBLY	LM KAMBUNI & CO. ADVOCATES	MAY 2015	FINALISED	3,750,000 ALL INC.	
32	NAIROBI HCPT NO. 28 OF 2015 ELSEK AND ELSEK CONSTRUCTION V PUEA & ANOTHER	LM KAMBUNI & CO. ADVOCATES	MAY 2015	FINALISED		
33	NAIROBI HCPT NO. 132 OF 2015 KENAPCO V ATTORNEY GENERAL & 3 OTHERS	LM KAMBUNI & CO. ADVOCATES	MAY 2015	FINALISED		
34	NAIROBI HCPT NO. 138 OF 2015 REP V CS, MOE & OTHERS	LM KAMBUNI & CO. ADVOCATES	MAY 2015	FINALISED		

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. EVENTS AFTER THE REPORTING PERIOD

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

32. ULTIMATE AND HOLDING ENTITY

The Commission is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

33. CURRENCY

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

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The Commission had no outstanding matters from the previous audit

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

The Commission has no projects under implementation

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30th June, 2018

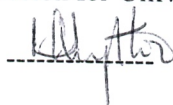
APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:		Commission For University Education		
Break down of Transfers from the State Department of University Education				
FY 17/18				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			18,958,096.90	FY 17/18
			18,958,096.90	FY 17/18
			18,958,096.00	FY 17/18
			18,958,097.00	FY 17/18
			18,958,097.00	FY 17/18
			18,958,097.00	FY 17/18
			18,958,097.00	FY 17/18
			18,958,097.00	FY 17/18
			18,958,097.00	FY 17/18
			18,958,097.00	FY 17/18
			18,958,097.00	FY 17/18
			18,958,097.00	FY 17/18
			18,958,096.00	FY 17/18
		Total	227,497,161.90	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
		Total	-	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
		Total	-	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
		Total	-	

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

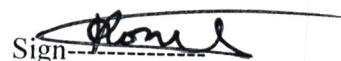
Head of Finance
 Commission for University Education

Sign



Head of Accounting Unit
 Ministry of Education

Sign



Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2018


APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Education	Various	Recurrent	227,497,163	1	-	-	-	-	227,497,163
Ministry of Planning and Devolution	-	Development	-	-	-	-	-	-	-
USAID	-	Donor Fund	-	-	-	-	-	-	-
Ministry of Planning and Devolution	-	Direct Payment	-	-	-	-	-	-	-
			-	-	-	-	-	-	-
Total			227,497,163	-	-	-	-	-	227,497,163

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

 THE NATIONAL ASSEMBLY PAPERS LAID	
REPORT 25 APR 2019	
DAY. Thursday	
TABLED BY:	LOM
CLERK OF THE TABLE	Gebinde Chebet

PARLIAMENT OF KENYA LIBRARY

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA TECHNICAL TRAINERS
COLLEGE**

**FOR THE YEAR ENDED
30 JUNE 2018**





KENYA TECHNICAL TRAINERS COLLEGE

P.O.Box44600-00100,KEBSISO9001:2015CERTIFIEDNairobi, Kenya.

Phone: +254-20-7120212/3/4, Fax+254-20-7120088.



KENYA TECHNICAL TRAINERS COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE, 2018**

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

Annual Report and Financial Statements For the year ended 30 June, 2018

Table of Contents

Page

I. KEY ENTITY INFORMATION AND MANAGEMENT	i
Key Management	ii
Audit committee activities	iv
Government oversight activities	v
II. THE GOVERNING COUNCIL	vi
III. MANAGEMENT TEAM	viii
IV. CHAIRMAN'S STATEMENT	x
V. REPORT OF THE CHIEF PRINCIPAL	xii
VI. CORPORATE GOVERNANCE STATEMENT	xv
VII. MANAGEMENT DISCUSSION AND ANALYSIS	xvii
VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	xx
IX. REPORT OF THE GOVERNING COUNCIL	xxii
X. STATEMENT OF THE GOVERNING COUNCIL'S RESPONSIBILITIES	xxiii
XI. REPORT OF THE INDEPENDENT AUDITORS ON THE <i>KENYA TECHNICAL TRAINERS COLLEGE</i>	xxiv
XII. STATEMENT OF FINANCIAL PERFORMANCE	1
XIII. STATEMENT OF FINANCIAL POSITION	2
XIV. STATEMENT OF CHANGES IN NET ASSETS	3
XV. STATEMENT OF CASH FLOWS	4
XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018	5
XVII. NOTES TO THE FINANCIAL STATEMENTS	7
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	47
APPENDIX II: INTER-ENTITY TRANSFERS	49
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES	50

Annual Report and Financial Statements For the year ended 30 June, 2018

I. KEY ENTITY INFORMATION AND MANAGEMENT

Background information

The Kenya Technical Trainers College (KTTC) has a long history as a College for Technical Teachers. It was started in 1978 when it enrolled its first students. Since its inception, the College has continued to train Technical Teachers and it is among the leading Institutions of this kind in Eastern and Central Africa. KTTC derives its authority from the Education Act Cap. 211 (revised in 1980) and Legal Notice no. 242 of 1978. In the Year 2013 an act (TVET Act 2013) was passed to govern the Technical Training in Kenya. These policy documents mandate(KTTC) to train Technical Trainers for Technical and other Institutions of learning in the Country.

In July 2014, the Institution acquired a National Polytechnic status. This was done through a legal order Number 115 of July 2014.

Currently the College has 204 administrative and support staff, 98 teaching staff establishment and a student population of 3200.

Kenya Technical Trainers College is a public institution under the State Department of Vocational and Technical Training in the Ministry of Education. The overall management of the college is vested in the Governing Council appointed by the Cabinet Secretary in accordance with the law. The Teachers Service Commission of Kenya as mandated by the Constitution deploys key administrative and academic members of staff to run the College programmes. One of the functions of the Governing Council is to appoint qualified persons to hold or to act in offices within the college establishment. The Council executes its mandate through committees responsible for various functions. The Principal is the Chief Executive Officer and is assisted in the day-to-day running of the college by two Deputy Principals, various Heads of Departments (HODs) and section heads.

In the wider democratic dispensation, the Principal incorporates elected Students' Representative Council in an all inclusive College management structure. Governed by an organized Students' Code of Regulations, the Student Representative Council (SKETTCO) forms an appropriate management link that facilitates harmony of communication and discharge of duties and responsibilities in both curriculum and co-curriculum matters.

As part of the wider organization and administrative structure, the Principal also includes elected leadership from both the Teaching and the Non-Teaching staff.

Principal Activities

The principal activity/mission of the *College* continues to be, to Train Technical Teachers and Technologists.

Annual Report and Financial Statements For the year ended 30 June, 2018

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Key Management

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

- Chief Principal
- Director of Planning & Quality Assurance
- Deputy Principal Planning, Administration & Finance
- Deputy Principal Academic Affairs
- Registrar
- Deans of Students
- Senior Finance Officer
- Heads of Departments

Fiduciary Management

The key management personnel who held office during the financial Quarter ended 30th June 2018 and who had direct fiduciary responsibility were:

<u>No.</u>	<u>Designation</u>	<u>Name</u>
1.	Chairman of the Council	Mathew Adams Karauri
2.	Chief Principal	Jamleck Maina (Up to 11.06.2018)
		Hilda Omwoyo (From 11.06.2018)
3.	Finance Officer	Julius Guto (Up to 24.04.2018)
		Elizabeth Wangaruro (From 25.04.2018)
4.	Director of Planning & Quality Assurance	Florence Kaibi-Kubai (Up to 30.04.2018)
5.	Deputy Principal Planning, Administration & Finance	Thomas Mweu Kitonyi (From 01.05.2018)

Annual Report and Financial Statements For the year ended 30 June, 2018

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Fiduciary Oversight Arrangements

Finance & General Purposes committee activities

The Committee shall exercise all the powers of Council in financial matters except in relation to the items which are reserved to Council in these Standing Orders, on which the Committee shall advise Council.

Terms of Reference

The role of the Committee shall be to monitor the financial status of the College on behalf of Council. In addition to advising Council on those matters referred to above, the Committee's responsibilities shall include:

- a) To monitor and facilitate the implementation of the College's strategy with regard to financial matters.
- b) To receive reports from the Chief Principal and the Senior Finance Officer.
- c) To monitor implementation of the strategy for the College estate.
- d) To receive reports of the extent and condition of the College estate including the efficiency of space utilisation, the consumption of energy and the adequacy of property insurance arrangements.
- e) To consider the adequacy of the College estate and proposals for its maintenance and development, including opportunities to dispose of and acquire new properties.
- f) To determine the fees and charges made for College services and facilities.
- g) To supervise the financial administration of the College and make recommendations to Governing Council where appropriate.
- h) To supervise the arrangements for safeguarding the College's assets.
- i) To ensure the proper financial evaluation and control of projects.
- j) To supervise the arrangements for investing the College's funds, including monitoring the performance of investments.
- k) To ensure the appropriate exploitation of the College's intellectual property.
- l) To make recommendations to Governing Council on the financing of projects.
- m) To supervise the effective and efficient procurement and use of resources in accordance with the objectives of the College.
- n) To supervise the College's purchasing procedures and practices.
- o) To submit an annual statement on its activities to Governing Council.
- p) To keep under review the activities of the College's various departments.

Annual Report and Financial Statements For the year ended 30 June, 2018

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Audit committee activities

Some detailed audit committee responsibilities include:

- a. Ensuring that financial statements are understandable, transparent, and reliable.
- b. Ensuring the risk management process is comprehensive and ongoing, rather than partial and periodic.
- c. Helping achieve an organization wide commitment to strong and effective internal controls, emanating from the tone at the top.
- d. Reviewing corporate policies relating to compliance with laws and regulations, ethics, conflicts of interest, and the investigation of misconduct and fraud.
- e. Reviewing current and pending corporate-governance-related litigation or regulatory proceedings to which the institution is a party.
- f. Continually communicating with senior management regarding status, progress, and new developments, as well as problematic areas.
- g. Ensuring the internal auditors' access to the audit committee, encouraging communication beyond scheduled committee meetings.
- h. Reviewing internal audit plans, reports, and significant findings.
- i. Establishing a direct reporting relationship with the external auditors.

Senior Management Activities

The main purpose of the Senior Management Team is to:

- 1) Ensure that KTTC's Governing Council is able to take strategic decisions relating to KTTC's activities
- 2) Provide leadership in communicating KTTC's mission, values, plans and achievements effectively and consistently to Governing Council Members, staff, Government, the voluntary and community sector, the general public and other stakeholders;
- 3) Be accountable for the development and implementation of KTTC's strategic, corporate and business plans in line with the mission and values;
- 4) Take a strategic overview of performance in all areas of KTTC's activities.

Specifically the Senior Management Team:

- 1) Makes recommendations to the Council on the implementation and achievement of the Governing Council's Strategic Framework;
- 2) Agrees KTTC's Corporate Plan, and monitor delivery through appropriate key management and performance information reporting to the Governing Council as appropriate.
- 3) In the light of income projections and forecasts, considers the annual grants and operational expenditure and monitors such expenditure;
- 4) Develops, agrees, monitors and reviews strategies relevant to the effective and efficient operation of KTTC, making recommendations as appropriate to the Governing Council and/or its relevant Committees;
- 5) Determines strategic issues arising from the introduction of new policies or process, including actively managing risk across the organisation and regularly reviewing the corporate risk register;
- 6) Oversees and monitors KTTC's joint work with the other stakeholders
- 7) Considers the impact of external factors and developments, including specific political initiatives and the response to key consultation documents and where appropriate make recommendations to the Governing Council and/or its relevant Committees.
- 8) Leads all senior managers in motivating and developing KTTC staff to deliver the highest standards of performance and customer service.

Annual Report and Financial Statements For the year ended 30 June, 2018

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Government oversight activities

The government of Kenya's oversight role include provision of Grants for both Operations and Development as well as provision of the regulatory framework.

College Location and address

(a) College Headquarters

P.O. Box 44600-00100
 United Nations Avenue
 Limuru Road
 Nairobi, KENYA

(b) College Contacts

Telephone : (+254) 020 7120213
 Telefax : (+254) 020 7120088
 E-mail : info@kttc.ac.ke
 Website : www.kttc.ac.ke

College Bankers

- | | |
|--|--|
| <ol style="list-style-type: none"> 1. Kenya Commercial Bank of Kenya Limited
Village Market Branch
Nairobi 3. Equity Bank Limited
Gigiri Square,
United nations Avenue
Nairobi | <ol style="list-style-type: none"> 2. Barclays Bank of Kenya Limited
Muthaiga Branch
Nairobi, Kenya 4. Cooperative Bank of Kenya Limited
Gigiri Square
United nations Avenue
Nairobi |
|--|--|

College Auditors and Legal Advisor

(a) Independent Auditors







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

(b) Principal Legal Adviser

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

Annual Report and Financial Statements For the year ended 30 June, 2018

II. THE GOVERNING COUNCIL

Governor	Title	Photograph	Date of birth, key qualifications and work experience		Committee Membership
			Date of Birth	Qualifications	
1. Mathew Adams Karauri	Chairman		Date of Birth	16.11.1947	Full Council, Executive
			Qualifications	Masters of Literature	
			Experience	30 Years	
2. Ugas Mohamed	Member		Date of Birth	17.05.1972	Full Council, Audit
			Qualifications	Msc Project Mgt	
			Experience	22 Years	
3. Elizabeth Kithinji	Member		Date of Birth	31.12.1957	Full Council, Finance & General Purposes
			Qualifications	MBA FINANCE	
			Experience	15 Years	
4. C. T. Akumu Owuor	Member		Date of Birth	01.02.1952	Full Council, Finance & General Purposes, Education
			Qualifications	MA	
			Experience	40 Years	
5. Athony Lubulella h	Member		Date of Birth	10.07.1957	Full Council, Executive
			Qualifications	Advocate, LLB,LLM, Fellow of CIARB	
			Experience	34 Years	
6. Joseph Vincent Onyango	Member		Date of Birth	10.08.1971	Full Council, Finance & General Purposes
			Qualifications	MBA-Strategic Mgt, H Dip HRM,B.A	
			Experience	16 Years	







Annual Report and Financial Statements For the year ended 30 June, 2018

7. Daniel Mutua	Member		Date of Birth	13.03.1963	Full Council, Audit
			Qualifications	Masters-MA	
			Experience	34 Years	
8. Margaret Nduhiu (Up to January 2018)	Member		Date of Birth	01.06.1964	Full Council, Education
			Qualifications	Master of Education Planning	
			Experience	27 years	
9. Andelina Mugure (From February 2018)	Member		Date of Birth	18.12.1967	Full Council, Education
			Qualifications	B-ED, M-ED	
			Experience	Educationist, County Director of TVET-Nairobi Region	
10. Jamleck Maina (Up to May 2018)	Secretary (Not a member of ICPSK)		Date of Birth	20.02.1960	Membership to all Committees of the Council
			Qualifications	Bachelor of Science	
			Experience	Overall in Charge of College Affairs	
11. Hilda Omwoyo (From June 2018)	Secretary (Not a member of ICPSK)		Date of Birth	15.11.1960	Membership to all Committees of the Council
			Qualifications	Master of Education	
			Responsibility	Overall in Charge of College Affairs	

Annual Report and Financial Statements For the year ended 30 June, 2018
III. MANAGEMENT TEAM

Manager	Title	Photograph	Qualifications & Responsibility	
1. Jamleck Maina Up to May 2018	Chief Principal		Qualifications	Bachelor of Science
			Responsibility	Overall in Charge of College Affairs
2. Hilda S. Omwoyo From June 2018	Principal		Qualifications	Master of Education
			Responsibility	Overall in Charge of College Affairs
3. Thomas Mweu Kitonyi From May 2018	Deputy Principal Planning, Administration & Finance		Qualifications	BSC- Mech. Eng. MSC-Energy Mgt.
			Responsibility	Planning, Finance and Administration
4. Florence Kaibi-Kubai Up to 30 th April 2018	Director of Planning & Quality Assurance		Qualifications	Doctorate in Food Security
			Responsibility	Planning & Quality Assurance
5. Jeremiah Agira	Dean of Students		Qualifications	Master of Education
			Responsibility	Dean of Students

Annual Report and Financial Statements For the year ended 30 June, 2018

6. Julia W.R. Muriithi	Academic Registrar		Qualifications	Master of Education
			Responsibility	Academic Registrar
7. Julius Guto Up to 24 th April 2018	Finance Officer		Qualifications	CPA (K), MBA
			Responsibility	Financial Management
8. Elizabeth Wangaruro From 25.04. 2018	Finance Officer		Qualifications	BCOM, CPA (K), MBA
			Responsibility	Overall in charge of Financial Management
9. Patrick Ngaira	Estates Officer June 2016		Qualifications	Grade I electrician
			Responsibility	Estates Management
10. Boniface Munguti	Internal Auditor		Qualifications	B-Com., CPA
			Responsibility	Internal Audit Affairs
11. Catherine Musuku	Guidance and Counselling		Qualifications	Master of Education
			Responsibility	Represents the interests of the Teaching Staff in the Senior Management

Annual Report and Financial Statements For the year ended 30 June, 2018

IV. CHAIRMAN'S STATEMENT

It has been my pleasure to serve as the Chairman of Council of this College Since April 2015. The year under review holds immense significance for me. It is the year in which I joined the institution as Chairman of the Governing Council. It therefore serves as a bench mark by which my successes and failures shall be measured. The College has come a long way in the past three and a half decades, going through successive stages of transformation, overcoming obstacles and continuously reinventing itself to become Kenya's preferred training institution for technical education. The Institution began humbly in 1978 as Kenya Technical Teachers College. Since then, it has grown hand in hand with Kenya, experiencing the same ups and downs.

The years since then have seen even more remarkable and rapid growth, and in July 2014, the Institution acquired a National Polytechnic status and the entire staff, student body and supporters are in agreement that this elevation was long overdue. This was done through a legal order Number 115 of July 2014. With this elevation the institution changed its name to "Kenya Technical Trainers College". With this change too, came the mandate to offer Bachelor of Technology Degrees in collaboration with any of the Technical Universities. Although the College has gone through enormous changes over these years, its mission and vision have remained the same — to offer quality application-oriented education to the young men and women of Kenya.

We have remained faithful to our objective to provide a diverse array of programmes with flexibility, using the most up-to-date knowledge and support hardware to equip the young people of Kenya with the right professional knowledge and skills. Our students are given the nurturing environment to help them excel in a number of areas and make substantial contributions to their respective sectors upon graduation. Education has always been one of the Government's top priorities, and our educational system is undergoing an unprecedented level of reform in every sector.

The College is determined in its ambition to provide the most for its students within a prudent budget. KTTC has a Strategic Plan that is doing exactly what it was designed to do — to outline a set of clear objectives for the future and chart a course of action. Early in the Year 2018, the Governing Council revised the KTTC Strategic Plan to ensure that its activities are in tandem with the changing market demand and to incorporate the Big Four agenda of the Government. We will adhere steadfastly to our goal of providing an all-round education for grooming talent demanded by the new economic order of a knowledge based society. Everything culminates in the objective to help our students to achieve all-round personal growth and to acquire a global outlook.

Annual Report and Financial Statements For the year ended 30 June, 2018

Towards the achievement of its enhanced mandate, the college administration at an advanced stage of discussion with the Jomo Kenyatta University of Agriculture and Technology (JKUAT), with the aim of offering the Bachelor of Technology Degrees. It is anticipated that this will be actualized during the Financial Year 2018/2019.

It is significant to note at this point that there were major changes in the management of the college during the year under review. In the Month of August 2017, the Deputy Principal Planning, Administration and Finance (Mr. Benedict K. Okoth) retired, while in April 2018, the Director of planning and Quality Assurance (Dr. Florence Kaibi) resigned from TSC to join the Public Service in the Ministry of Agriculture and in the Month of May 2018 the Chief Principal (Mr. Jamleck Maina) took early retirement to join the County Government of Nakuru. The replacements for the Chief Principal and the Deputy Principal have been made by TSC. However, the council have not yet filled the position of the Director of Planning and Quality assurance.

On behalf of the Council, I extend my sincere thanks to the Government, the community, partners, parents, students and the entire staff of the College for their unyielding support. I want to especially thank the Principal for leading the College through the trying times we experience now. Together, I am sure the KTTC community can forge ahead with confidence and faith and rise to the many challenges ahead.

HON. MATHEW ADAMS KARAURI
COUNCIL CHAIRMAN

SIGNATURE 

DATE: 02/04/2019

Annual Report and Financial Statements For the year ended 30 June, 2018

V. REPORT FROM THE CHIEF PRINCIPAL

It is with tremendous pride in the work and achievements of the staff and students that I am writing the introduction to the Annual Report for The Kenya Technical Trainers College for the period of 1st July 2017 to 30th June 2018. I take this opportunity to extend a warm tribute to this Institution's Council Members and past Principals for having played their part in achieving KTTC's unique position in encompassing "academic excellence in a professional context". The pages that follow this introduction provide statistics and examples of attainment which reflect not only talent and commitment, but also a determination to focus our resources on our core values. The Kenyan economy is painstakingly undergoing a major restructuring. Nevertheless, I firmly believe that Kenya will get back on the growth track by pooling its talents and resources.

We have not achieved our targeted income levels due to unpredictable changes in student recruitment. This was occasioned by a change in policy by the TSC (one of the main employer for the Technical Teachers) which raised the bar at KCSE from C- to C+ for employment eligibility. This has resulted in a majority of our would be students (who are products of Technical Training Institutes and like to be trained as technical teachers) missing employment in TSC as Technical Trainers. Another main concern that has been of great hindrance to our student population is the fact that our current hostel facilities are not sufficient for the demand from the students. We have a capacity of 770 rooms against a student population of 3200. This has led some new students to suspend their training once they are unable to secure accommodation within the college. However, what really matters is the work behind these figures that are presented in the report. The quality of our training and the experience of our students went from strength to strength over 2017-18, and we were pleased to attain real successes in the performance levels in the various Technical skill areas.

Working in partnership with students is indeed a key theme of the period covered by this Annual Report, and reflects the fact that students at Kenya Technical Trainers College are far more than simply consumers of a College education. Our students are rather a vital part of our College from its governance to the daily workings of ensuring that we continually improve against our own rigorous standards of education and scholarship, challenging us to avoid complacency and to constantly address the needs of a changing society in ways which are relevant. To make our aspirations a reality, however, our College must be both financially secure and alert to the many challenges we face in the wider Tertiary Education environment. Our achievements have a powerful purpose. They are essential if we are to make a difference in the world, and to have the freedom to shape our own future.

Our vision is to be a first class institution in Technical Teacher Education and Technology. This enquiring spirit informs our entire approach to scholarship and the quality of willingness to learn and challenge which is common to KTTC students and graduates from every discipline. Our students also have the potential to progress on to undergraduate and postgraduate study at our Technical Universities. Being the first Technical Trainers College naturally means that we face the challenge of considering how our own structures should adapt and fit into the Higher education system. However, it also allows us the invigorating opportunity to shape the education we offer to meet the real need,

Annual Report and Financial Statements For the year ended 30 June, 2018

and to learn lessons along the way which have the potential to be translated into other areas such as undergraduate and postgraduate scientific technical training or the skills required to support the very latest technologies.

As we face these challenges, we know that we are most at risk if we ignore realities and fail to innovate. For this reason, our willingness to work closely together, to partner with others and to challenge received wisdoms about how a Technical Institution of Higher Learning works in the world are more than an expression of firmly held values – they are crucial to our future.

As the only Technical Trainers Institution in the country, KTTC is well positioned to offer for the benefit of our nation talent with an international outlook and dynamic skills. At KTTC, we feel it is our duty to build on our foundations and strive for continuous progress in this direction. Overcoming challenges in higher education for more than a decade, the Government has placed much emphasis on developing the tertiary education sector. I fully support the principal goals of educational reform and understand that funding must be used prudently.

As Principal, I am aware that I am carrying a baton passed to me by other generations who worked hard to build our College to one of national and international standing, and I am the recipient of a tradition of excellent teaching. Fortunately, this is not a responsibility I carry alone. I believe our founders would be proud of the way in which our students and staff are working together with others to write the next chapter of the history of The Kenya Technical Trainers College. It has been a great pleasure and honour to guide and work with such talented staff and students over the period covered by this report. And despite the undoubted challenges ahead, I am confident that we are doing the right things for both our own future and that of the wider society we exist to serve.

It is significant to note that during the period covered by this report (1st July 2017 and 31st May 2018), I had the honour and privilege to serve as Deputy Principal Academic Affairs which is the core mandate of KTTC. During that period I had the responsibility of guiding the academic growth of the students. The period saw a growth in the number of graduating students from 772 in the year 2017 to 850 in the year 2018. On 11th June 2018, I took the mantle of leadership of the KTTC as Chief Principal from the Mr. Jamleck Maina who retired on 31st May 2018.

During the year under review, KTTC managed to successfully mentor to completion the construction of North Horr TTI in the Marsabit County which has now been handed over by the Contractor. The registration of the Institution with TVETA and staffing is underway. In the same period, the mentorship of the Heroes TTI in Bahati-Nakuru was started and is at 75% completion. The speed of construction has been slowed by the slow pace at which funds are released by the Government. By the time of preparing this report the contractor had stopped working and abandoned site due to non-payment.

In terms of growth, KTTC has managed to increase the student population for 2300 in the last financial year to the current 3200. During the year under review KTTC successfully completed the refurbishment of the TSC building. KTTC also successfully undertook and completed the skill

Annual Report and Financial Statements For the year ended 30 June, 2018

upgrading project for artisans on behalf of NITA and funded by the World Bank. KTTC also undertook training of driver instructors on behalf of NTSA. This growth in the revenue streams has assisted KTTC to bridge the deficit in the operations from KSh. 110m in the year ended 30.06.2017 to KSh. 41m in the year under review.

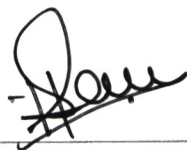
Despite this assuring picture in her operations, KTTC had her down times during the year under review. Firstly, the operations grants expected from the government of 125m were reduced to 102m in the year. At the same time the development grants expected from the government for the construction and completion of the IM Training Centre was reduced from Ksh. 45M as budgeted to Ksh. 9.5m in the Year. During this year under review, probably owing to the disruption in economic activities during the electioneering period, the ability of the students to pay and clear their fees was reduced to the extent that at the close of the financial year they owed the institution a sum of Ksh. 32m. This reduction the revenue streams severely hampered the operation of the institution to the extent that some activities like staff training and refurbishment of buildings as well as purchase of library materials and machinery for the workshops was not done.

In the same year Key members of the Management exited from the institution. In the Month of August 2017, the Deputy Principal Planning, Administration and Finance (Mr. Benedict K. Okoth) retired, while in April 2018, the Director of planning and Quality Assurance (Dr. Florence Kaibi) resigned from TSC to join the Public Service in the Ministry of Agriculture and in the Month of May 2018 the Chief Principal (Mr. Jamleck Maina) took early retirement to join the County Government of Nakuru. Despite their exit, the operations of the institution were, to a greater extent, not interfered with since their replacements were sourced from among the members of staff in the institution. This ensured continuity due to use of institutional memory.

Looking ahead, I remain confident that guided by a shared vision, the KTTC community will stay united as we brave the storms ahead together.

HILDA J. S. OMWOYO
PRINCIPAL

SIGNATURE _____



DATE: _____

02/04/2019

Annual Report and Financial Statements For the year ended 30 June, 2018

VI. CORPORATE GOVERNANCE STATEMENT

Kenya Technical Trainers College (KTTC) is committed to demonstrating best practice in corporate governance. The College has a duty to conduct affairs in a responsible and transparent way, and to take into account the requirements of funding bodies and the Government of Kenya requirements. KTTC has an effective Governing Council supported by a highly committed, focused and dynamic management. The college corporate values and ethics are entrenched in the strategic and quality objectives and are focused on providing quality Technical Education for National development.

The Governing Council is responsible for ensuring a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which the Governing Council is responsible. The College has applied the principles of governance in the year and up to the date of the approval of the financial statements by the Governing Council. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness against material misstatement or loss.

The Governing Council has adopted a statement of primary responsibilities, which is published on the college policy documents and as stipulated in the KTTC legal order No.115 of July 2014 and the Mwongozo code of Conduct for Public Officers. These policy documents set out the councils responsibilities in respect of the proper conduct of public business, strategic planning, monitoring effectiveness and performance, finance, audit, estate management, human resource management, equality and diversity and student welfare

The Governing Council has a formal schedule of matters reserved for it. The Council receives appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance matters. Ultimately, the Council determines the college's strategic objectives, values, key policies and procedures in accordance with best practice. It is responsible for establishing and maintaining the overall internal controls of financial, operational and compliance functions as well as monitoring performance of the college management. The council has delegated the authority for day-to-day management of the

Annual Report and Financial Statements For the year ended 30 June, 2018

college to the Principal. However, it retains overall responsibility for the college financial performance, compliance with laws and regulations, and monitoring of its operations as well as ensuring competent management of the institution.

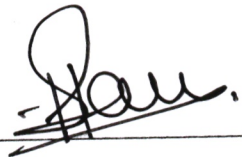
The Governing Council meets at least four times per year and has a number of committees including: the Executive Committee; Audit Committee; Finance and General purpose Committee and Academic Committee. All of these Committees are formally constituted with terms of reference and are comprised mainly of independent members. Each Committee is chaired by an independent member. All committees review and reflect on their work and provide a report to the Governing council.

The functions of the various committees are described in detail under the section on the Key entity information and management.

The Governing Council's review of the effectiveness of the system of internal control is also informed by the work of the senior management within the college, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter.

HILDA J. S. OMWOYO
PRINCIPAL

SIGNATURE _____



DATE: 02/04/2019

Annual Report and Financial Statements For the year ended 30 June, 2018

VII. MANAGEMENT DISCUSSION AND ANALYSIS

Operational Grants

During the year under review, the institution had expected to receive Ksh.125, 000,000.00 according to the budget for that year. However, we only received Ksh. 102,000,000.00. The reduction of the budgeted grant by Ksh23, 000,000.00 stifled the operations of the institution very much.

By the end of the financial year under review the college had accumulated a total operational debt of Ksh. 25 million to suppliers and resource persons.

Development Grants

The government has been slow in releasing the grants for the construction of the Institutional Management Training Centre.

At the end of the Financial Year under review, the college only received Ksh. 9.5million against a budgeted figure of Ksh.45million. As a result the completion of the project has stalled.

Student Population

In the last three years, the institution has been experiencing a reduction in the student intake. This was occasioned by the TSC policy on employment of only graduates teachers who had attained a C+ and above in their KSCE examinations.

However, the trend is changing owing to rigorous publicity campaigns for training of the non-teacher students and the assistance received from KUCCPS in sourcing for students to the Kenya Technical Trainers College. This campaign has led to a significant increase in the student population during the year under review from 2300 in the last financial year to 3200 at the end of this financial year.

Infrastructure

During the year under review, the college managed to increase the bed capacity from 512 to 700 by converting some of the occupancy in the hostels from two to four by use of double Decker beds. The Council is determined to convert all the rooms into four occupants during the year 2018/2019. This will bring the total hostel occupancy to 1024. The college increased the sitting capacity by purchasing 500 seats for students.

During the year, the college received machines and equipment for the mechanical workshop from the government of china.

Annual Report and Financial Statements For the year ended 30 June, 2018

VII. MANAGEMENT DISCUSSION AND ANALYSIS

Operational Grants

During the year under review, the institution had expected to receive Ksh.125, 000,000.00 according to the budget for that year. However, we only received Ksh. 102,000,000.00. The reduction of the budgeted grant by Ksh23, 000,000.00 stifled the operations of the institution very much.

By the end of the financial year under review the college had accumulated a total operational debt of Ksh. 25 million to suppliers and resource persons.

Development Grants

The government has been slow in releasing the grants for the construction of the Institutional Management Training Centre.

At the end of the Financial Year under review, the college only received Ksh. 9.5million against a budgeted figure of Ksh.45million. As a result the completion of the project has stalled.

Student Population

In the last three years, the institution has been experiencing a reduction in the student intake. This was occasioned by the TSC policy on employment of only graduates teachers who had attained a C+ and above in their KSCE examinations.

However, the trend is changing owing to rigorous publicity campaigns for training of the non-teacher students and the assistance received from KUCCPS in sourcing for students to the Kenya Technical Trainers College. This campaign has led to a significant increase in the student population during the year under review from 2300 in the last financial year to 3200 at the end of this financial year.

Infrastructure

During the year under review, the college managed to increase the bed capacity from 512 to 700 by converting some of the occupancy in the hostels from two to four by use of double Decker beds. The Council is determined to convert all the rooms into four occupants during the year 2018/2019. This will bring the total hostel occupancy to 1024. The college increased the sitting capacity by purchasing 500 seats for students.

During the year, the college received machines and equipment for the mechanical workshop from the government of china.

Annual Report and Financial Statements For the year ended 30 June, 2018

Mentoring Institutions

During the year under review, KTTC managed to successfully mentor to completion the construction of North Horr TTI in the Marsabit County which has now been handed over by the Contractor. The registration of the Institution with TVETA and staffing is underway. In the same period, the mentorship of the Heroes TTI in Bahati-Nakuru was started and is at 75% completion. The speed of construction has been slowed by the slow pace at which funds are released by the Government. By the time of preparing this report the contractor had stopped working and abandoned site due to non-payment.

Workload analysis and its significance

During the year under review, the Governing Council approved for a workload analysis to be undertaken on the Non-Teaching Staff establishment. This was done and a report of the findings presented to the Council.

Among the findings was that KTTC had an over-establishment in the workforce. One of the recommendations was the right-sizing of the establishment.

Financial and Management risks

1. Standard Workshops

As 30th June 2018, more than 5 years after the completion period, the contractor had been paid Kshs.50,335,791 or 95% for the Standard Workshops but with a variation claim of Kshs.21,269,341 arising out of a dispute over alterations to the original bill of quantities which were done without authority from the procurement committee for the variations or extension of contract period. The contractor has already sought for legal redress while the building is yet to be handed over to the client. This matter has been disclosed as a contingent liability.

2. The Institutional Management Training Centre.

As at 30th June 2018, the Contractor for the Institutional Management Training Centre had been paid a sum of Ksh. 223,963,643.30. Has a retention amount of Ksh. 18,844,069.20

The contract sum for the Project is Ksh. 231,760,100.00

Annual Report and Financial Statements For the year ended 30 June, 2018

However, he still has a claim for variation amounting to Ksh. 56 Million which has still not been approved.

Once the claim has been approved, then the Government will be required to inject more funds into the project to enable its successful completion. The Project is a hotel complex with 50 executive rooms and a training centre for the Food Technology Department.

The Completion and commissioning of this project will go a long way in generating more revenue to the Institution.

3. Recommendations from the workload analysis.

Among the recommendations of the workload analysis was the downsizing of the staff to the acceptable level of 125 from the current level of 204.

Another recommendation was the training or re-training of the staff to meet the job requirements.

These two recommendations will certainly require financial commitment from the Governing Council. Given the current level of funding, this is likely to be a source of strain of the finances of the Institution.

The management is in the process of working out the modalities of implementing these recommendations and the likely financial commitment that may be required with the view of engaging the Treasury, through the Ministry of Education, for funding in order to implement these recommendations.

4. Staff union agitation for salary increase through signing of CBA.

As at the time of writing this report, the workers union through its umbrella body (KUDHEIHA) has gone to court to agitate for the signing of a Collective Bargaining Agreement (CBA). Discussion is underway to have the matter settled amicably.

While it is not yet clear which way the court will rule on this matter, the issue has already put a strain on the finances in terms of legal fees. Should the court rule in favour of the union, then there will definitely be an increase in the financial commitment towards the increased salaries.

Annual Report and Financial Statements For the year ended 30 June, 2018

5. Suits from Contractors – Bahati and IM

With the delay in payment to the Contractors of the Heroes TTI in Bahati and the Institutional Management Training Centre at KTTC, there is a likelihood of the College being sued for the payment.

6. Suits from operational Creditors due to non payment

As at the time of writing this report (30.06.2018), the college had a total outstanding creditors of Ksh. 20,529,562.00 some of them dating back to February 2018. It is therefore likely that some of them may resort to legal redress to have their payments made.

7. Delayed payment of staff salaries due to delay in release of operational grants.

During the year under review, the Management experienced delays in the payment of staff salaried in some months due to non-availability of funds occasioned by delays in the release of operational grants from the Government.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Corporate Social Responsibility Policy

- a) Kenya Technical Trainers college (KTTC) formally *Kenya Technical Teachers College* was founded for public benefit, to promote education and training in Technical Teacher Education and Technology, and to provide an institution open to all, irrespective of race, creed or political belief.
- b) The College endeavours to conduct its business in accordance with its core values stipulated in the 2018-12 Strategic Plan thus:
 - a. Innovation
 - b. Professionalism,
 - c. Teamwork,
 - d. Inclusivity,
 - e. Accountability,
- c) The Kenya Technical Trainers College Corporate Social Responsibility (CSR) Policy sets out the guiding principles by which the organization is run in order to fulfil its core mission. This Policy brings together the ways in which the college ensures, at corporate level, that its activities are carried out ethically, sustainably and for the public benefit.
- d) The CSR Policy is made up of three central pillars: people and community, finance and economic activity, environmental sustainability.

Annual Report and Financial Statements For the year ended 30 June, 2018

People and Community

The College as an employer

- i)** KTTC is committed to being a good employer, and to contributing positively to the local community, the education sector in the Kenya, and the global community.
- ii)** As an employer the College is committed to ensuring that all staff are fully supported in their work, have a decent working environment, are fairly rewarded, and maintain a good work-life balance. The College engages with recognized Trade Unions that represent and protect the interests of its staff. The College offers competitive terms and conditions to its directly employed staff.
- iii)** The college also encourages and supports staff to engage in activities that benefit the wider community and society.
- iv)** In order to achieve this, the College commits to:
- v)** Embedding equality and diversity into all operations
- vi)** Ensuring staff can achieve their full potential through training, mentoring and other staff development activities.

Local Community

- i)** The college supports the local primary school and slums. It opens up events and facilities to the public and participates in specific community engagement projects. The college provides subsidized early childhood education to children of its employees and the community.

Finance and Economic Activity

- i.** The College recognizes the way in which it conducts its activity financially has a bearing on those with an interest in its work. The College Financial Regulations ensure fair and ethical financial practice.
- ii.** The College financial and economic activity is undertaken with reference to the following guidance and policies:
- iii.** Ethics and Anti-Corruption Commission Act No. 22 of 2011 and the Leadership and Integrity Act of 2012)
- iv.** Chapter 6 and Article 10 of the Constitution of Kenya 2010.
- v.** As part of their conditions of employment all staff are required to follow such policies to ensure the college conducts its activity in appropriate fashion.
- vi.** The college commits to providing clear information where required to organizations with whom we engage financially.

Environmental Sustainability

KTTC recognizes environmental sustainability as the greatest challenge of the 21st century and commits to ensuring that all of its major strategies and operations consider their environmental and ecological aspects and impacts. The College will ensure that sustainable development is understood by staff and students and is an integral part of all aspects of major college plans, activities and strategy

Annual Report and Financial Statements For the year ended 30 June, 2018

IX. REPORT OF THE GOVERNING COUNCIL

The Governing Council submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the *KTTC*'s affairs.

Principal activities

The principal activities of the entity continue to be Training of Technical Trainers and Technologists

Results

The results of the entity for the year ended June 30, 2018 are set out on page 1

Directors

The members of the Governing Council who served during the year are shown on page viii. During the year 2018 Margaret Nduhiu (who sat in the Council being the County Director of TVET in Nairobi) exited the Council and Anelina Mugure was appointed (being the new County Director of TVET in Nairobi) with effect from February 2018.

Auditors

The Auditor General is responsible for the statutory audit of the *Kenya Technical Trainers College* for the year ended 30th June 2018 in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015, and in accordance with section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

The Auditor general did not nominate any other auditor to carry out the audit on his behalf.

By Order of the Council

HILDA J. S. OMWOYO
PRINCIPAL/SECRETARY TO THE GOVERNING COUNCIL

SIGNATURE - 

Nairobi
Date: 02/04/2019

Annual Report and Financial Statements For the year ended 30 June, 2018

X. STATEMENT OF THE GOVERNING COUNCIL'S RESPONSIBILITIES

Section 81(1) of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Governing Council to prepare financial statements in respect of that College, which give a true and fair view of the state of affairs of the College at the end of the financial year and the operating results of the College for that year. The Governing Council are also required to ensure that the College keeps proper accounting records which disclose with reasonable accuracy the financial position of the College. The Governing Council are also responsible for safeguarding the assets of the College.

The Governing Council are responsible for the preparation and presentation of the College's financial statements, which give a true and fair view of the state of affairs of the College for and as at the end of the financial year ended on 30 June 2018. 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 College;
- 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 College;
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

The Governing Council accept responsibility for the College'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 the State Corporations Act. The Governing Council are of the opinion that the College's financial statements give a true and fair view of the state of College's transactions during the financial year ended June 30, 2018, and of the College's financial position as at that date. The Governing Council further confirm the completeness of the accounting records maintained for the College, which have been relied upon in the preparation of the College's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Governing Council to indicate that the *College* 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 College's financial statements were approved by the Council on 28/09/2018 and signed on its behalf by:


Hon. Mathew Adams Karauri,
Chairman of Governing Council

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA TECHNICAL TRAINERS COLLEGE FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Technical Trainers College set out on pages 1 to 50 which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amount 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, the financial statements present fairly, in all material respects, the financial position of Kenya Technical Trainers College as at 30 June 2018, 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 Kenya Technical Trainers College Order, 2014.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Technical Trainers College in accordance with ISSAI 30 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 opinion.

Emphasis of Matter

Going Concern

I draw attention to note 39 to the financial statements which describes the rationale upon which the Council members have prepared the financial statements on a going concern basis. The College registered a deficit of Kshs.50,388,865 (2017 deficit: Kshs.101,414,756) thereby reducing revenue reserves from negative Kshs.86,036,534 to negative Kshs.136,425,400 as at 30 June 2018. Further, the total current liabilities of Kshs.85,101,369 exceeded the current assets of Kshs.71,215,294 resulting in a negative working capital of Kshs.13,886,075 as at the same time. The management has however,

Report of the Auditor-General on the Financial Statements of Kenya Technical Trainers College for the year ended 30 June 2018

attributed the negative working capital to third party liabilities in respect of construction projects being carried out, on behalf of the parent Ministry and depreciation charge for the year of assets that were valued in 2016/2017. If the Ministry fails to pay the third party liabilities, then there may be doubt about the College's ability to continue as a going concern. Consequently, these financial statements have been prepared on a going concern basis on the assumption of financial support from the Ministry of Education-State Department of Technical and Vocational Training.

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. I have determined that there are no Key Audit Matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

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 ON 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

9760

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless the management either intends to liquidate the College or to cease operations, or have no realistic alternative but to do so. 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 financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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 in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 College's 9760 policies and procedures may deteriorate.

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College's to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

09 April 2019

Annual Report and Financial Statements For the year ended 30 June, 2018

XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

		2018 Kshs	2017 Kshs
REVENUE	Note		
Revenue from non-exchange transactions	9	102,000,000	112,000,000
Revenue from exchange transactions	10	146,426,520	102,527,487
Revenue from Facilities & Equipment	11	15,323,714	14,074,180
Finance Income from External Investments	12	148,958	294,209
Other Incomes	13	64,256,582	18,283,975
Total revenue		328,155,774	247,179,851
EXPENSES			
Bulk Purchases of Water & Electricity	14	17,222,545	16,605,005
Staff Costs	15	109,152,729	99,504,681
Council Members Expenses	16	2,957,000	3,046,900
Provision for Depreciation	17	77,320,375	76,529,338
Repairs and Maintenance	18	6,924,816	11,127,756
Contracted Professional Services	19	4,969,849	5,263,788
Grants and Subsidies	20	1,550,000	718,000
Operating Expenses	21	85,743,080	85,562,709
Administrative Expenses	22	70,868,704	48,810,709
Finance Costs	23	835,539	925,721
Audit Fees	24	1,000,000	500,000
Total Expenses		378,544,639	348,594,607
Surplus (Deficit) for the Period		(50,388,865)	(101,414,756)

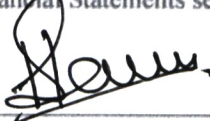
The notes set out on pages 7 to 46 form an integral part of these Financial Statements

Annual Report and Financial Statements For the year ended 30 June, 2018

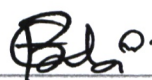
**III. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Note	2018 Kshs	2017 Kshs
Assets			
Current assets			
Cash and cash equivalents	25	19,417,798	43,004,418
Receivables from exchange transactions	26	50,797,496	3,504,100
Refundable Deposits	31	1,000,000	-
Total Current Assets		71,215,294	46,508,518
Non-current assets			
Property, plant and equipment	28	26,737,435,591	26,802,967,581
Work in Progress	29	385,749,374	362,991,656
Total Non-Current Assets		27,123,184,965	27,165,959,237
Total Assets		27,194,400,259	27,212,467,755
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	30	44,662,750	39,044,173
Retentions	32	28,653,735	34,435,774
Deferred Income	33	6,488,621	12,797,930
Payables for Construction Contracts	36	5,296,263	5,105,679
Total liabilities		85,101,369	91,383,556
Capital Reserves & Surpluses			
Revenue Reserves	34	(136,425,400)	(86,036,534)
Capital Reserves	35	27,245,724,290	27,207,120,733
Total Capital Reserves & Surpluses		27,109,298,890	27,121,084,199
Total Reserves and liabilities		27,194,400,259	27,212,467,755


The Financial Statements set out on pages 1 to 6 were signed on behalf of the Governing Council by:



Hilda Omwoyo
Chief Principal



Elizabeth Wangaruro
Chief Finance Officer
ICPAK Member Number: 12511



Hon. Mathew Adams Karauri
Chairman /Governing Council

Date: 02/04/2019

Date: 02/04/2019

Date: 02/04/2019



Annual Report and Financial Statements For the year ended 30 June, 2018

IV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

Reserves	Revenue Reserves	Capital Reserves	Deferred Income	Total
	Kshs	Kshs		Kshs
Balance as at 1 July 2016	15,378,221	260,685,260	51,138,043	327,201,524
Additions for the Year				
Surplus (Loss) for the Year	(101,414,755)			(101,414,755)
Valuations During the Year		26,862,122,000		26,862,122,000
Development Funds		73,034,375		73,034,375
Transfers to accumulated Fund		84,517,202		84,517,202
Deferred Income (reductions in Year)			(38,340,113)	(38,340,113)
Balance as at 30 JUNE 2017	(86,036,534)	27,280,358,837	12,797,930	27,207,120,233
Balance as at 1 July 2017	(86,036,534)	27,207,120,733	12,797,930	27,133,882,129
Additions for the Year				
Surplus (Loss) for the Year	34	-50,388,866		-50,388,866
Valuations During the Year				
Development Funds	9b	17,739,462		17,739,462
Increase in the Year			4,113,500	4,113,500
Adjustments during the Year accumulated Fund	35	20,864,093		20,864,093
Deferred Income (reductions in Year)			-10,422,809	-10,422,809
Balance as at 30 JUNE 2018	-136,425,400	27,245,724,290	6,488,621	27,115,787,509

Annual Report and Financial Statements For the year ended 30 June, 2018

XV. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	Current Year	Actual Audited
		2017/2018	Prior Year 2016/2017
Cash flows from operating activities			
Receipts			
Government grants and subsidies	9a	102,000,000	185,034,375
Cash flows from Exchange Transactions	10	146,426,520	102,527,487
Cash flow from Rents facilities and equipment	11	15,323,714	14,074,180
Cash flow from external investments	12	148,958	294,209
Cash flows from other transactions	13	64,256,581	18,283,975
		328,155,773	320,214,226
Payments			
Bulk Purchases of Water & Electricity	14	17,222,545	16,605,005
Staff Costs	15	109,152,729	99,504,681
Council Members Expenses	16	2,957,000	3,046,900
Repairs and Maintenance	18	6,924,816	11,127,756
Contracted Professional Services	19	4,969,849	5,263,788
Grants and Subsidies	20	1,550,000	718,000
Operating Expenses	21	85,743,080	85,562,709
Administrative Expenses	22	68,630,862	48,626,283
Finance Costs	23	835,539	925,721
Audit Fees	24	500,000	
		298,486,422	271,380,843
Net cash flows from operating activities		29,669,352	48,833,383
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	28	(11,788,385)	(2,612,439)
Construction of Buildings (Work in Progress)	29	(31,992,564)	(104,689,417)
Proceeds from sale of property, plant and Equipment		-	-
Decrease/(Increase) in investments		4,978,738	-
Net cash flows used in investing activities		(38,802,211)	(107,301,856)
Cash flows from financing activities			
Grants for development		17,739,462	
Repayment of borrowings			
Increase/ (Decrease) in Other Payables	37b	5,979,668	(2,585,449)
Increase in Payables to Contractor (IM)	36	5,296,263	5,105,679
(Increase)/ Decrease in Receivables	37a	(49,782,522)	(143,864)
Decrease in Deferred Income	33	6,309,309	38,340,113
Net cash flows used in financing activities		(14,457,820)	40,716,479
Cash and cash equivalents at the beginning of the Year		43,004,418	60,756,411
Net increase/(decrease) in cash and cash equivalents		(23,586,621)	(17,751,993)
Cash and cash equivalents at end of the year	25	19,417,797	43,004,418

Annual Report and Financial Statements For the year ended 30 June, 2018
XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

	Original budget 2017-2018	Adjust. 2017-2018	Final budget 2017-2018	Actual on comparable basis 2017-2018	Performance difference	% Change
REVENUE						
Revenue from exchange transactions	123,193,100	-	123,193,100	146,426,520	23,233,420 ¹	19
Revenue from NON- exchange transactions	125,000,000	-	125,000,000	102,000,000	23,000,000 ²	(18)
Revenue from Facilities & Equipment	16,072,000	-	16,072,000	15,323,714	748,286	(5)
Finance Income from External Investments	-	-	-	148,958	148,958 ³	
Other Incomes	24,184,568	-	24,184,568	64,256,581	40,072,013 ⁴	166
Total revenue	288,449,668	-	288,449,668	328,155,773	39,706,105	
EXPENSES						
Bulk Purchases of Water & Electricity	14,022,000	-	14,022,000	17,222,545	3,200,545 ⁵	(22.83)
Staff Costs	102,078,898	-	102,078,898	110,170,729	8,091,831 ⁶	(7.93)

¹ There was a significant increase in the revenue from students due to the students received from NYS who were not factored in the original budget.

² There was an un-expected reduction in operational grants

³ The revenue from external investments was not factored in the budget

⁴ This significant increase in revenue on in other incomes was realized from the Consultancies for NTSA and Meals (PAYE) which was not originally in the budget.

⁵ The cost of water and electricity went up slightly due to the extended drought which necessitated the use of water from the Nairobi Water Company instead of the College Bore Hole. The cost of Electricity also went up.

⁶ The staff costs went up due to hiring of part time lecturers to fill the gaps in teaching

Council Members Expenses	3,493,000	-	3,493,000	2,957,000	536,000⁷	15.34
Repairs and Maintenance	7,335,342	-	7,335,342	6,924,816	410,526 ⁸	5.59
Provision for Depreciation	-	-	-	77,320,375	77,320,375 ⁹	
Contracted Professional Services	5,700,000	-	5,700,000	4,969,849	730,151 ¹⁰	12.8
Operating Expenses	77,020,000	-	77,020,000	85,743,080	(8,723,080) ¹¹	(11.32)
Administrative Expenses	72,049,000	-	72,049,000	70,868,704	1,180,296 ¹²	1.64
Grants and Subsidies	1,200,000	-	1,200,000	1,550,000	350,000 ¹³	(29)
Finance Costs	1,091,700	-	1,091,700	835,539	256,161 ¹⁴	23
Audit Fees	-	-	-	1,000,000	1,000,000 ¹⁵	
Total Expenditure	283,989,940	-	283,989,940	379,562,637	84,032,430	

⁷The number of Council meetings was more than anticipated due to the change of the principal and Deputy Principal as well as a training of the Council Members which was not in the budget.

⁸The repairs and maintenance was not carried out as planned due to reduction in operational grants.

⁹The cost of depreciation was not in the budget.

¹⁰This item of budget was not fully utilized due to lack of funds.

¹¹The operating expenses was significantly raised by the cost of running the consultancies like NTSA and the cost of operating the Kitchen on a Pay As You Eat basis which were not in the budget. However, this cost was fully covered by the revenues from these items.

¹²The budget item of Administrative expenses was not fully utilized due to lack of funds.

¹³This item was raised to cater for the rising number of needy students. The venue was realized from the production units.

¹⁴The finance costs went down since only the main account was in operational for a larger part of the year while the College Fund and the Cep accounts were partially dormant.

¹⁵The Audit fees were not in the budget.

Annual Report and Financial Statements For the year ended 30 June, 2018

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Technical Trainers College (KTTC) is established by and derives its authority and accountability from Education Act Cap. 211 (revised in 1980) and Legal Notice no. 242 of 1978 coupled with the TVET Act 2013, which mandates it to train Technical Teachers for Technical and other Institutions of learning in the Country. In the Year 2014, a Legal Order No. 115 was issued which elevated the institution to a National Polytechnic. This Legal Notice mandates KTTC to offer Bachelor of Technology Degrees in collaboration with a University. KTTC is wholly owned by the Government of Kenya and is domiciled in Kenya.

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 where applicable. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies.

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

The financial statements have been prepared in accordance with the PFM Act No. 18 of 24th July 2012, the State Corporations Act, the TVET Act 2013, Legal Order No. 115 (July 2014), and International Public Sector Accounting Standards (IPSAS). The Institution adopted IPSAS in the year 2016 following elevation into a SAGA. The accounting policies adopted have been consistently applied to all the years presented.

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	<p>Applicable: 1st January 2018</p> <p>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p> <p><i>(The Kenya Technical Trainers College did not have a defined benefit Scheme as at 30.06.2018 and therefore the Standard is not applicable)</i></p>

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 2017

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	<p>Applicable: 1st January 2019:</p> <p>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.</p> <p><i>(The Kenya Technical Trainers College does not have interests in other entities and therefore the standard does not apply)</i></p>

- iii. Early adoption of standards

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

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Budget information

The original budget for FY 2017-2018 was approved by the Governing Council on 25th September 2016. No subsequent revisions were made during the year to the original budget.

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

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

c) Taxes

Current income tax

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

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

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Sales tax

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

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

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

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

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

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

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Property, plant and equipment

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

f) Leases

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

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

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

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

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Intangible assets

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

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

h) Research and development costs

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

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

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

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) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Entity.

j) Provisions

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

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

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



Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Contingent liabilities

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

Contingent assets

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

l) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Kenya Technical Trainers College has not maintained any specific reserves during the year under review.*

m) Changes in accounting policies and estimates

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

n) Employee benefits

Retirement benefit plans

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

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit plans (Continued....)

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

o) Foreign currency transactions

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

p) Borrowing costs

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

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

q) Related parties

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

r) Service concession arrangements

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

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Cash and cash equivalents

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

t) Budget information

The original budget for FY 2017-2018 was approved by the Governing Council on 25th September 2016. There was no subsequent revision to the budget during the year under review.

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

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) Comparative figures

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

v) 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, 2018.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Annual Report and Financial Statements For the year ended 30 June, 2018

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Provisions

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

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

The college has made a provision of 5% towards bad debts from receivables.

6 PROPERTY TAXES REVENUE

Description	2017-2018	2016-2017
	KShs	KShs
Actual	-	-
Taxable land and buildings	-	-
Residential	-	-
Commercial	-	-
State	-	-
Penalties	-	-
Income forgone	-	-
Total property taxes revenue	-	-

(KTTC does not generate taxable revenues from its properties)

7 PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2017-2018	2016-2017
	KShs	KShs
E.g, The Green Belt Movement	-	-
Other	-	-
Total transfers and sponsorships	-	-
Reconciliation of public contributions and donations	-	-
Balance unspent at beginning of quarter	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions to be met - remain liabilities	-	-

(KTTC has not made any public contributions and donations during the year under review)

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 FINES, PENALTIES AND LEVIES

Description	2017-2018	2016-2017
	KShs	KShs
Fuellevy	-	-
Fines	-	-
Total	-	-

(KTTC has not received any revenue from this source during the year under review)

9 TRANSFERS FROM OTHER GOVERNMENTS

Description	2017-2018	2016-2017
	KShs	KShs
Unconditionalgrants		
Operationalgrant	102,000,000	112,000,000
Other	-	-
	102,000,000	112,000,000
Conditionalgrants		
Government Grants – IM Training Centre	13,613,500	49,175,000
Government Grants – Heroes TTI	4,125,962	13,859,375
Constituency Grants – Heroes TTI	-	10,000,000
Totalgovernmentgrantsandsubsidies	119,739,462	185,034,375

9b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2017-2018
			KShs	KShs	KShs
State Department for Technical and Vocational Training	102,000,000	4,113,500	13,625,962	119,939,462	185,034,375
Total	102,000,000	4,113,500	13,625,962	119,939,462	185,034,375

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 REVENUE FROM EXCHANGE TRANSACTIONS

	2018	2017
	KShs	KShs
Accommodation Subsidy	21,294,481	36,348,550
Activity Fees	3,840,425	3,321,255
Application Fees	1,167,100	893,600
Attachment Fees Income	3,630,219	2,787,185
Ict Fees	3,539,823	3,254,735
Library Fees	2,325,873	2,044,865
Maintenance Fees	3,601,090	3,528,539
Medical Fees	3,282,240	2,883,485
Teaching Practice Fees	5,070,635	8,545,670
Registration Fees	2,550,925	2,028,650
Tuition Fees	96,123,709	36,890,953
Total revenue from exchange transactions	146,426,520	102,527,487

11 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

	2018	2017
	KShs	KShs
Bill Boards	5,323,762	6,800,466
Rental From staff Houses	8,061,452	5,536,214
Hire of College Facilities	1,938,500	1,737,500
	15,323,714	14,074,180

12 FINANCE INCOME - EXTERNAL INVESTMENTS

	2018	2017
	KShs	KShs
Interest From Savings and Investments	148,958	294,209
	148,958	294,209

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 OTHER INCOME

	2018	2017
	KShs	KShs
Disposal of idle items	1,256,495	-
Tenders	8,000	29,000
Material Practical Fees	1,148,654	
Consultancy & Trainings	29,957,510	
Insurance Cover	36,100	184,000
Laboratory Charges	270,000	
Meals (PAYE)	13,080,072	
Production Units Revenue	18,499,750	18,070,975
Total Other Incomes	64,256,581	18,283,975

14 USE OF GOODS AND SERVICES

	2018	2017
	KShs	KShs
Electricity Expenses	12,578,465	12,741,468
Water, Fuel And Conservancy	4,644,080	3,863,537
	17,222,545	16,605,005

15 STAFF COSTS

	2018	2017
	KShs	KShs
Commuter Allowance	8,747,500	7,751,332
Gratuity And Pensions	13,447,348	10,423,583
Honoraria To Administration Staff	15,315,872	11,623,737
House Allowance	12,451,450	11,395,679
Medical Allowances	1,704,458	2,126,644
Passage And Leave Expenses	830,400	962,250
Personal Emoluments	54,716,702	53,723,456
Responsibility Allowance	1,939,000	1,498,000
Total Staff Costs	109,152,729	99,504,681

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 COUNCILMEMBERS' EXPENSES

	2018	2017
	KShs	KShs
Chairman's Honoraria	720,000	720,000
Sitting Allowance	1,815,000	1,653,000
Transport	270,000	284,000
Accommodation	144,000	367,500
Lunches	8,000	22,400
Total Council Members' Remuneration	2,957,000	3,046,900

17 DEPRECIATION AND AMORTIZATION EXPENSE

	2018	2017
	KShs	KShs
Buildings	55,614,450	55,500,000
Property, plant and equipment	3,129,573	2,970,518
Motor Vehicles	4,916,250	4,916,250
Computers	9,939,600	9,939,600
Intangible Assets	1,473,000	1,368,000
Furniture	2,247,502	1,834,970
	77,320,375	76,529,338

18 REPAIRS AND MAINTENANCE

	2018	2017
	KShs	KShs
Maint. Of Buildings And Furniture	2,551,187	6,486,167
Maint. Of Plant M. & Equipment	4,328,729	2,204,081
Maintenance Of Water Supplies	16,500	704,224
Refurbishment of Buildings	28,400	1,733,284
	6,924,816	11,127,756

19 CONTRACTED PROFESSIONAL SERVICES

	2018	2017
	KShs	KShs
Consultancies for Projects	4,969,849	4,663,788
Property Valuations	-	600,000
	4,969,849	5,263,788

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 GRANTS AND SUBSIDIES

	2018 KShs	2017 KShs
Bursaries to Needy Students	1,550,000	718,000

21 OPERATING EXPENSES

	2018 KShs	2017 KShs
Teaching Practice Expenses	25,794,827	20,298,120
Purchase Of Food and rations	26,217,778	45,035,754
Purchase Tuition Materials	12,905,220	13,739,637
Graduation	1,763,811	1,153,348
IITC Project	-	790,000
Attachment Expenses	2,169,300	4,545,850
Catering Production Unit	16,892,145	
Total Operating Expenses	85,743,080	85,562,709

22 ADMINISTRATIVE EXPENSES

Transport Operating Expenses	11,528,079	10,496,161
Grants For Staff Training	815,600	4,793,883
Farewell And Special Events	602,850	1,132,415
International Trips (Capa & Others)	1,870,015	2,377,381
Library Expenses	371,825	1,145,918
Insurance for Vehicles	417,403	770,969
Payment Of Rents And Rates (nr)	-	
Postal And Telegrams Expenses	78,450	96,960
Publishing And Printing Expenses	252,870	117,298
Purchase Of Uniform And Clothing	1,447,056	1,377,286
Telephone Expenses	676,971	836,623
Advertising And Publicity	3,818,652	3,246,363
Hire Of College Facilities Expenses	511,165	794,792
Research Innovation & Incubation	1,622,571	2,187,160
Student Activities	11,045,463	14,420,288
Fees Commission And Honoraria	4,483,244	1,159,790
Official Entertainment	1,097,200	355,008
Purchase Of Stationery	142,480	49,900
Ict Expenses	3,626,295	3,268,089
Consultancy and Trainings	24,222,673	
	68,630,862	48,626,283
Provision for Doubtful Debts (5%)	2,237,842	184,426
Total Administrative Expenses	70,868,704	48,810,709

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 FINANCE COSTS

Finance costs	2018 KShs	2017 KShs
College Fund Account BARCLAYS	129,320	59,048
Continuing Education Program _ BARCLAYS	32,511	35,493
Main Account _ KCB	583,542	562,030
ESP Account _ KCB	63,536	9,910
KESSP Account_KCB	26,631	22,245
Fees Collection - Cooperative Bank	-	228,478
Fees Collection - Equity Bank	-	8,517
Total finance costs	835,539	925,721

24 AUDIT FEES

	2018 KShs	2017 KShs
- Provision for Year 2016/2017		500,000
- Paid for Year 2016/2017	500,000	
- Provision for Year 2017/2018	500,000	
Total Audit Fees	1,000,000	500,000

25 CASH AND CASH EQUIVALENTS

	2018 KShs	2017 KShs
Main Account	4796740	14,025,331
College Fund Account	3,760,324	2,532,056
Continuing Education Programme Account	4,793,096	609,886
Esp (Economic Stimulus Package) Account	1,580,789	64,409
Kessp (Kenya Education Sector Support Prg) Account	3,048,163	18,540,405
A	17,979,111	35,772,087

Investments - Note 27

Investments as at 30.06.2018		
Barclays Bank of Kenya Limited (Production Units)		891,325
Diamond Trust Kenya Limited (Caution Money)	461,307	436,096
National Bank of Kenya	0	4,978,738
Old Mutual Investments	977,379	926,173
Total investments At 30 June 2017	B	7,232,331

Total Cash and Cash Equivalents	(A+B)	19,417,798	43,004,418
--	--------------	-------------------	-------------------

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Current receivables	2018	2017
	KShs	KShs
Staff Advance	245,094	634,984
Staff Imprest	14,000	14,000
Students Fees Debtors	35,441,913	4000
Rent Debtors	2,171,101	
Bursar's Imprest		103,051
Kenya Alliance Insurance	13,087	13,087
Examination Fees	2,168,274	702,744
KTTC IITC	2,217,500	
HELB Control Account	530,830	534,780
National Industrial Training Auth. (NITA)	9,777,924	
Students Union (SKETTCO)	891,325	681,880
Barclays Bank of Kenya (Production Units)		
Deposits - Total Kenya Limited		1,000,000
Total Receivables	53,471,048	3,688,526
Less: 5% Provision for bad and doubtful debts	2,673,552	184,426
Net Receivables from Exchange transactions	50,797,496	3,504,100

**Annual Report and Financial Statements For the year ended 30 June, 2018****NOTES TO THE FINANCIAL STATEMENTS (Continued)****27 INVESTMENTS**

	INVESTMENTS		2017/2018	
	Balance b/f	Increase	Decrease	Balance C/f
Diamond Trust Bank Limited	436,096	25,211		436,096
National Bank of Kenya	4,691,462	68,355	-4,759,817	0
	287,276	4,186	-291,462	0
	4,978,738	72,541	-5,051,279	0
Old Mutual	926,173			926,173
	926,173	51,206		926,173
Production Units	891,325		-891,325	0
	891,325			0
Total Investments	7,232,331	148,958	-5,051,279	1,438,686

Annual Report and Financial Statements For the year ended 30 June, 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment	Land	Buildings	Plant, Machinery and Equipment	Motor Vehicles	Computers	Intangible Assets	Furniture	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
		2.00%	10.00%	25%	30%	30%	10.00%	
COST								
Cost as at 1st July 2016	-	-	5,467,740	-	-	-	3,681,829	9,149,569
Additions								-
for the Year		-	2,612,439	-	-	4,560,000	1,967,868	9,140,307
Valuations for the Year	24,000,000,000	2,775,000,000	21,625,000	19,665,000	33,132,000		12,700,000	26,862,122,000
Cost as at 30 June 2017	24,000,000,000	2,775,000,000	29,705,179	19,665,000	33,132,000	4,560,000	18,349,697	26,880,411,876
Depreciation As at 1st July 2016		-	546,774	-	-		368,183	914,957
Charge for the year	-	55,500,000	2,970,518	4,916,250	9,939,600	1,368,000	1,834,970	76,529,338
Depreciation as at 30 June 2017	-	55,500,000	3,517,292	4,916,250	9,939,600	1,368,000	2,203,153	77,444,295
Book Value as at 30th June 2017	24,000,000,000	2,719,500,000	26,187,887	14,748,750	23,192,400	3,192,000	16,146,544	26,802,967,581
Net Book Value as at 30 June 2016	-	-	3,313,646	-	-	-	4,920,966	8,234,612

Annual Report and Financial Statements For the year ended 30 June, 2018

Property, Plant and Equipment	Land	Buildings	Plant, Machinery and Equipment	Motor Vehicles	Computers	Intangible Assets	Furniture	Total
COST								
Cost as at 1st July 2017	24,000,000,000	2,775,000,000	29,705,179	19,665,000	33,132,000	4,560,000	18,349,697	26,880,411,876
Additions in the Year		5,722,510	1,590,555		-	350,000	4,125,320	11,788,385
Valuations in the Year								
Cost as at 30 June 2018	24,000,000,000	2,780,722,510	31,295,734	19,665,000	33,132,000	4,910,000	22,475,017	26,892,200,261
Depreciation as at 1st July 2017	-	55,500,000	3,517,292	4,916,250	9,939,600	1,368,000	2,203,153	77,444,295
Charge for the Year	-	55,614,450	3,129,573	4,916,250	9,939,600	1,473,000	2,247,502	77,320,375
Depreciation as at 30 June 2018	-	111,114,450	6,646,865	9,832,500	19,879,200	2,841,000	4,450,654	154,764,670
Net Book Value as at 30 June 2018	24,000,000,000	2,669,608,060	24,648,869	9,832,500	13,252,800	2,069,000	18,024,363	26,737,435,591
Net book value as at 30 June 2017	24,000,000,000	2,719,500,000	26,187,887	14,748,750	23,192,400	3,192,000	16,146,544	26,802,967,581

Annual Report and Financial Statements For the year ended 30 June, 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

INTANGIBLE ASSETS-SOFTWARE

Description	2017-2018 KShs	2016-2017 KShs
Cost		
At beginning of the year	3,192,000	-
Additions	350,000	4,560,000
At end of the year	3,542,000	4,560,000
Additions—internal development	-	-
At end of the year	3542000	4,560,000
Amortization and impairment		
At beginning of the year	-	-
Amortization	1,473,000	1,368,000
At end of the year	2,841,000	1,368,000
Impairment loss	-	-
At end of the year	2,841,000	1,368,000
NBV	2,069,000	3,192,000

(The values in this note tie up with the values shown in Note 28)

29 WORK IN PROGRESS (See Schedule Below)

	2018 KShs	2017 KShs
Institutional Training Centre	238,313,286	238,313,286
Standard Workshops	52,352,441	52,352,441
North Horr Technical Training Institute	48,315,489	43,487,326
Heroes Technical Training Institute	46,768,158	28,838,603
	385,749,374	362,991,656

Work In Progress Schedule

Work in Progress as at 01.07.2017	IM TC	STD WORKSHOPS	North HERR TTI	Heroes TTI	Total
	238,313,286	52,352,441	43,487,326	28,838,603	362,991,656
Additions during the year		-	4,828,163	17,929,555	22,757,718
Disposals in the Year					
Work in Progress as at 30.06.2018	238,313,286	52,352,441	48,315,489	46,768,158	385,749,374

Annual Report and Financial Statements For the year ended 30 June, 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2018	2017
	KShs	KShs
Trade & Other Payables		
Trade Payables	11,075,056	23,208,935
Other Payables		
Gratuity	5,255,400	7,973,995
Resource Persons Claims	14,309,743	2,387,387
Project Fees	594,272	586,297
Students Creditors	20,500	19,500
ID Card Fees	1,903,305	1,253,540
Elimu Sacco Limited	15,983	15,983
Madison Insurance Limited	21,075	20,575
Caution Money	3,178,951	2,835,251
COTU	7,950	7,950
KUDHEIHA	23,100	23,100
PIONEER INSURANCE	1,500	1,500
KTTC B/F	26,281	7,718
ICEA Limited	13,230	13,230
PERSONAL LOANS EQUITY	95,699	95,699
Deferred Tax	216,000	216,000
Over recovery of Salaries	332,867	305,676
Platinum Credit	2,293	2,293
Eft Disbursements	69,545	69,545
Audit fees for Year 2018	500,000	
Transfer from Kesep	7,000,000	
	44,662,750	39,044,174

31 REFUNDABLE DEPOSITS FROM CUSTOMERS

REFUNDABLE DEPOSITS FROM CUSTOMERS

Deposits - Total Kenya Limited 1,000,000

Total Deposits

1,000,000	0
------------------	----------

Annual Report and Financial Statements For the year ended 30 June, 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 RETENTIONS

	2018	2017
	KShs	KShs
IM Training Centre	17,508,680	23,844,070
North Horr TTI	1,214,998	2,454,601
Standard Workshops	5,253,243	5,253,243
Heroes TTI	4,676,815	2,883,860
Total Retentions	28,653,735	34,435,774

33 DEFERRED INCOME

	2018	2017
	KShs	KShs
Im Training Centre	4,113,500	-
Bahati TTI	0	5,021,484
Marsabit Campus	1,286,083	6,687,408
Standard Workshops	1,089,038	1,089,038
	6,488,621	12,797,930

The deferred income movement is as follows:

	National government	Total
Balance brought forward	12,797,930	12,797,930
Additions	4,113,500	4,113,500
Transfers to WIP	(10,228,735)	(10,228,735)
Balance carried forward	6,488,621	6,488,621

34 REVENUE RESERVES

	2018	2017
	KShs	KShs
Revenue Reserves		
Reserves brought forward	(86,036,534)	15,378,221
(Deficit) / Surplus for the Year	(50,388,866)	(101,414,755)
Reserves carried forward	(136,425,400)	(86,036,534)

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 CAPITAL RESERVES

	2018	2017
	KShs	KShs
Capital Reserves		
Reserves brought forward	27,207,120,733	187,447,156
Valuation of Assets During the Year		26,862,122,000
Conditional Grants Received	17,739,464	73,034,375
Adjustments during the Year	20,864,093	84,517,202
Reserves Carried forward	27,245,724,290	27,207,120,733

36 PAYABLES TO CONTRACTORS

Payables to Contractors

Im Training Centre

Amount as per Certificate No. 10		35,311,866
Less: Partial Payments		(26,675,000)
Less: Retentions on Certificate No. 10		(3,531,187)
Payables to Contractors as at 30 June 2017	0	5,105,679

Heroes TTI - Bahati Nakuru

Amount as per Certificate No. 4	17,929,555	
Less: Partial Payments	(10,840,337)	
Less: Retentions on Certificate No. 4	(1,792,955)	
Payables to Contractors as at 30 June 2018	5,296,263	

37 RECONCILIATION OF RECEIVABLES AND PAYABLES

a. Receivables

Opening Balance	3,688,526	3,832,390
Movement During the Year	47,565,022	(143,864)
Closing Balance	51,253,548	3,688,526

b. Payables

Opening Balance as at 01.07.2017	39,882,580	37,297,131
Movement During the Year	3,762,169	2,585,449
Closing Balance as at 30 June 2018	43,644,749	39,882,580

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

38 CASH GENERATED FROM OPERATIONS

	NOTE	2018 KShs
Net Profit (Loss) for the Year		(51,406,866)
Adjusted for		
Depreciation	17	77,320,375
Increase in Provision for Doubtful Debts	26	2,237,842
Decrease in Payables	38	(7,000,000)
Increase in Provision relating to Employee Costs (Gratuity)	31	5,255,400
Finance Income	12	(148,958)
Finance Costs	23	835,539
Increase in Provision for Audit Fees	31	500,000
Decrease in Investments	27	4,978,738
Increase in Receivables	26	(68,176,953)
Increase in other Incomes	13	64,256,581
Net cash flows from operating activities		29,669,352

39 Going Concern

The deficit for the year of Kshs. 50,388,866 and negative working capital of Kshs. 13,494,932 from a deficit of Kshs. 101,414,755 and negative working capital of Kshs. 44,875,039 in 2016/17 respectively arose due to the following:

- a. Depreciation charge of 77 million on the assets that were valued in the last Financial Year 2016/2017 and had not been include in the budget for the Year 2017/2018.
- b. Liabilities incurred for construction and monitoring projects at Heroes TTI in Bahati and the North Horr TTI, whose costs had not been paid by the Ministry by 30 June 2018.
- c. During the year the revenue from other activities significantly increased from 18 Million to 64 Million owing to the deliberate efforts made my the College Management to increase revenue. With this positive trend, the college intends to reverse the deficit and negative working capital posted in the year ended 30 June 2019.

The college has handed over the North Horr TTI and its retention fee paid and deferred income utilised in 2018/19. Other Ministry liabilities are being pursued for payment.

Annual Report and Financial Statements For the year ended 30 June, 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

40 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

Annual Report and Financial Statements For the year ended 30 June, 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

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

		Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2018					
Receivables from exchange transactions		51,253,548	51,253,548	-	-
Receivables from non exchange transactions	Operational Grants	23,000,000	0	23,000,000	23,000,000
	Development Grants	35,500,000	0	35,500,000	35,500,000
Bank balances		10,532,720	10,532,720	-	-
Total		120,286,268	61,786,268	58,500,000	58,500,000
At 30 June 2017					
Receivables from exchange transactions		3,688,526	3,688,526	0	0
Receivables from non exchange transactions	Operational Grants	127,020,500	0	127,020,500	127,020,500
	Development Grant	55,825,000	0	55,825,000	55,825,000
Bank balances		43,004,418	43,004,418	0	0
Total		229,538,444	46,692,944	182,845,500	182,845,500

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

The entity has significant concentration of credit risk on amounts due from the **Government of the Republic of Kenya**

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

Annual Report and Financial Statements For the year ended 30 June, 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Trade payables	5,675,367	5,099,689	300,000	11,075,056
Resource Personnel Claims	0	1,478,794	12,830,949	14,309,743
Provisions	0	0	0	0
Deferred income	4,113,500	0	2,375,121	6,488,621
Employee Gratuity	0	2,365,560	2,889,840	5,255,400
Total	9,788,867	8,944,043	18,395,910	37,128,820
At 30 June 2017				
Trade payables	7,073,709	6,856,687	9,278,538	23,208,934
Resource Personnel Claims		1,040,996	1,346,390	2,387,386
Deferred income		6,714,375	6,083,555	12,797,930
Gratuity		4,616,990	3,657,005	7,973,995
Total	7,073,709	19,229,048	20,365,488	46,368,245

Annual Report and Financial Statements For the year ended 30 June, 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

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

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

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

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

(KTTC did not make any foreign currency transactions during the year under review)

b) Interest rate risk

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

Management of interest rate risk

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

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

(KTTC did not hold any financial instruments during the year under review)

Annual Report and Financial Statements For the year ended 30 June, 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

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

	2017-2018	2016-2017
	Kshs	Kshs
Revaluation reserve	-	26,852,972,341
Retained earnings	0	0
Capital reserve	27,193,866,024	343,028,587
Total funds	27,193,866,024	27,196,000,928
Total borrowings	-	-
Less: cash and bank balances	19,417,798	43,004,418
Net debt/(excess cash and cash equivalents)	27,174,448,226	27,152,996,510
Gearing	0.0.07%	0.0016%

41 RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Teachers Service Commission;
- iv) National Industrial Training Authority;
- v) Governing Council
- vi) NTSA

Annual Report and Financial Statements For the year ended 30 June, 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

47. RELATED PARTY BALANCE (Continued)

	2018	2017
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of services to TSC	21,068,316	9,665,229
Sales of services NITA	17,787,640	-
Sales of services NTSA	9,760,435	-
Total	48,616,391	9,665,229
b) Grants from the Government		
Grants from National Govt	119,739,462	175,034,375
Grants from County Government	-	10,000,000
Donations in kind	-	-
Total	119,739,462	185,034,375
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total		
d) Key management compensation		
Allowances to the Governing Council	2,957,000	3,046,900
Compensation to the CEO	258,000	-
Compensation to key management	262,000	-
Total	3,477,000	3,046,900

Annual Report and Financial Statements For the year ended 30 June, 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

42 EVENTS AFTER THE REPORTING PERIOD

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

43 ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

44 Currency

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

Annual Report and Financial Statements For the year ended 30 June, 2018
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

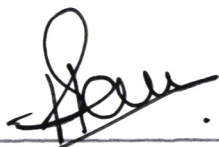
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Emphasis of Matter	<p>Going Concern. Attention was drawn to Note 30 of the Financial Statements for the Period ended 30th June 2017 which describes the rationale upon which the Council members have prepared the financial statements on a going concern basis. The college registered a deficit of Ksh. 101,414,755 (2016 surplus: Ksh. 15,378,221) thereby reducing revenue reserves from Ksh. 15,378,221 to negative Ksh. 86,036,534 as at 30 June 2017. The total current liabilities of Ksh. 91,383,556 exceeded the current assets of Ksh. 46,508,517 resulting in a negative working capital of Ksh. 44,875,039 as at the same time. The college has attributed the negative working capital to third party liabilities in respect of construction projects being carried out on behalf of the parent Ministry. If the Ministry fails to pay the third party liabilities then there may be doubt about the college's ability to continue as a going concern.</p>	<p>The college has engaged the ministry for funding to pay the liabilities. At the same time the Depreciation expense that was not factored in the budget for the Year 2016/2017 and the year 2017/2018 shall be factored in the Year 2018/2019 by a revision of the budget. The college has also embarked on a rigorous advertising exercise to popularize the courses offered in order to increase the number of students.</p>	<p>Hilda Omwoyo–The Principal and Elizabeth Wangaruro -The Chief Finance Officer</p>	<p>Not Yet resolved (However the deficit has been reduced from 101 million (2017) to 50 million in the year 2018.</p>	<p>To be resolved in The Year 2018/2019</p>

Annual Report and Financial Statements For the year ended 30 June, 2018

Guidance Notes:

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



HILDA J. S. OMWOYO
Principal/Secretary to the Governing Council

Date: 02/04/2019



MATHEW ADAMS KARAURI
Chairman of the Council

Date: 02/04/2019

Annual Report and Financial Statements For the year ended 30 June, 2018


APPENDIX II: INTER-ENTITY TRANSFERS

ENTITY NAME:			
Break down of Transfers from the State Department of Technical and Vocational Training			
FY 17/18			
a. Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	16.10.2017	25,500,0000.00	2017/2018
	15.12.2018	25,500,000.00	2017/2018
	27.03.2018	25,500,000.00	2017/2018
	30.04.2018	25,500,000.00	2017/2018
	Total	102,000,000.00	
b. Development Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	13.12.2017	4,125,962.00	2017/2018
	13.12.2017	9,500,000.00	2017/2018
	14.06.2018	4,113,500.00	2017/2018
	Total	17,739,462	
c. Direct Payments	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
	Total	-	
d. Donor Receipts	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
	Total	-	

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

Finance Manager
Kenya Technical Trainers College

Head of Accounting Unit
State Department for Technical and Vocational Training

Sign 

Sign-----

Annual Report and Financial Statements For the year ended 30 June, 2018

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Planning and Devolution	-	Recurrent	-	-	-	-	-	-	-
Ministry of Planning and Devolution	-	Development	-	-	-	-	-	-	-
USAID	-	Donor Fund	-	-	-	-	-	-	-
Ministry of Planning and Devolution	-	Direct Payment	-	-	-	-	-	-	-
Total	-		-	-	-	-	-	-	-