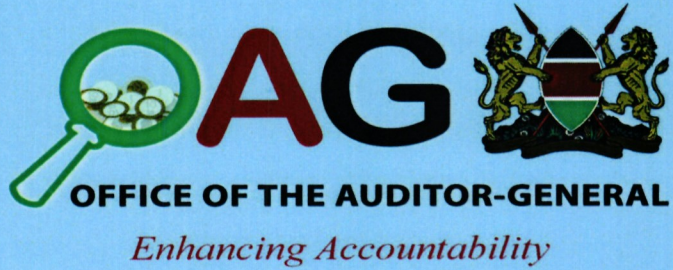


REPUBLIC OF KENYA



PARLIAMENT  
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LIBRARY

# REPORT

THE NATIONAL ASSEMBLY	
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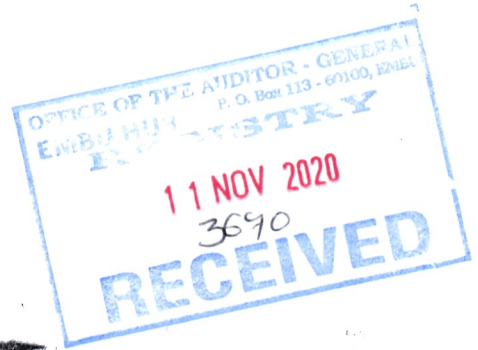
OF

THE AUDITOR-GENERAL

ON

**KIIRUA TECHNICAL TRAINING  
INSTITUTE**

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



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# KIIRUA TECHNICAL TRAINING INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2020

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

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TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)  
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**KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

Kiirua Technical Training institute was registered in 1999 under ministry of Research, Technical Training and Technology and accredited in 2011 under ministry of Higher Education, Science and technology as TIVET institution but currently operating under Ministry of Education, Directorate of Technical Education. Kiirua T.T.I is headed by the principal, who is responsible for the day running and general policy implementation in the institute. The principal is supported by the Board of Governors, Top management team, Heads of Departments and Heads of Sections.

**(b) Principal Activities**

The principal activity for Kiirua Technical Training Institute is to offer Technical and Vocational Education under TVETA Act 2013.

**Vision**

To Be the Regional Leader in Technical Training Research and Innovation for Sustainable National Development and Global Competitiveness

**Mission**

To Offer Technical Industrial Vocational and Entrepreneurial Training and Undertake Research to Produce Skilled, Innovative and Market Relevant Human Resource

**Core values**

Kiirua Technical Training Institute is guided by the following Core Values and Competences:

- Integrity
- Team work
- Hard work
- Responsibility
- Innovativeness
- Self-Development
- Courtesy

**(c) Key Management**

Kiirua Technical Training Institute day-to-day management is under the following key organs:

- Board of Governors
- Accounting officer/ Principal
- Top Management
- Heads of Departments
- Heads of Sections

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**KEY ENTITY INFORMATION AND MANAGEMENT (continued)**

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Principal	Anne M.Mbogo
2.	Deputy Principal	Tabitha N.Mweti
3.	Registrar	David Gituma
4.	Dean of Students	Gregory Murithi
5.	Guidance & Counselling	Jeremiah Kavyu
6.	Head of Finance	Joshua Kiumbe
7.	Head of Procurement	Agnes Kajuju

**(e) Fiduciary Oversight Arrangements**

Kiirua Technical Training Institute is over sighted by the Development, finance and Internal committee, which approves quarter financial statements and reports before they are presented to the fully board for approval and the committee is also charged with the responsibility of approving all development to be undertaken in the institute and submitting of quarterly financial reports and statements to the board of Governors and relevant government agencies such as National Treasury, Auditor General, Controller of Budgets and Commission of Revenue Allocation.

- Finance, Development & Procurement committee: activities includes planning and budgeting, evaluation, monitoring and implementation of planned activities.
- Finance & Internal Audit committee: activities includes checking internal control and ensuring that are implemented in the institute.
- Human Resource, Academic & Publicity Committee: activities includes overseeing welfare of Students, Staff, Board Members, Institute Publicity & academic performance.

**(f) Entity Headquarters**

Kiirua Technical Training Institute  
 Located off Meru/Nanyuki Road,  
 P.O. Box 1931- 60200  
 Meru, Kenya

**(g) Entity Contacts**

Kiirua Technical Training Institute  
 P.O. Box 1931- 60200  
 Meru, Kenya  
 Telephone: +254718621864  
 E-mail: [kiiruatti@yahoo.com](mailto:kiiruatti@yahoo.com)  
 Website: [www.kiiruatti.ac.ke](http://www.kiiruatti.ac.ke)

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**(h) Entity Bankers**

1. Co-operative Bank of Kenya  
Meru Branch  
P.O. Box  
City Square 00200  
Nairobi, Kenya

2. Equity Bank Limited  
Makutano – Meru Branch

**3. Independent Auditors**









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

**4. Principal Legal Adviser**

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







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**THE COUNCIL/BOARD OF GOVERNORS**

Name	Designation	Photos	Date of Birth & Qualification
1. Anne.M.Mbogo	Principal / Board Secretary		Born:10/10/1972 Masters of science in food, nutrition & dietetics
2. Mworira S.Karani	Board Chairman		Born:07/09/1956 Bachelor of Architecture
3. Charles Kinyua Ikiara	Board Member		Born:14/09/1960 Masters - Banker
4. Fatuma Abdi	Board Member		Born:01/07/1973 Bachelor of education & counselling - Teacher
5. Rev.Daniel Lilah	Board Member		Born:10/08/1970 Bachelor of Education
6. Stella K.Wambeti	Board Member		Born:02/07/1978 Bachelor in computer science
7. Paul Wanyeki	Board Member		Born:31/03/1984 PHD – Mechanical Technology
8. Jennifer Murogocho	Board Member		Born:27/03/1957
9. Margaret Nduhiu	County Director TVET		Born:06/06/1964 Masters in educational planning

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**MANAGEMENT TEAM**

Name of the Staff	Responsibility	Photos	Date of birth & Qualifications
1. Anne.M. Mbogo	Principal		Born:10/10/1972 Masters of science in food, nutritions & dietetics
2. Tabitha Mweti	Deputy Principal		Born:2/2/1966 M.E.D Management
3. David Gituma	Registrar		Born:15/5/1968 BED - Business
4. Gregory Murithi	Dean of Students		Born:28/08/1976 MBA - Project Management
5. Jeremiah Kavyu	Guidance & Counselling		Born:09/01/1984 Higher Dip in electrical
6. Joshua Kiumbe	Accountant		Born:19/5/1979 KATC, CPA1, DBA&BCOM (Finance option) Continuing

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**CHAIRMAN'S STATEMENT**

Kiirua Technical Training Institute mandate remains that of offering technical Training, Research and Innovation by offering high quality Technical, Vocational Education that meets customer requirements and exceeds their expectations as per our quality policy statement.

We look forward for continued support from our stakeholders especially the ministry of education for timely and adequate resources support to be able to meet the needs of our customers and achieve the government policies on TVET as a sector.

The board has three BoG Sub committees that is the finance, procurement and development committee and the academic, human resource and publicity committee. The board is engaging the stakeholders to follow up the issue of relocating the Kiirua Vocational Training Centre to create room for expansion of the Institute because once the Vocational Training Centre relocates will give us more facilities which will be used as training workshops and students accommodation.

Members of the board comprises of:

- |                          |                             |
|--------------------------|-----------------------------|
| 1. Margaret Nduhiu       | Regional TVET Director      |
| 2. Mworira S. Karani     | BoG Chairman                |
| 3. Charles Kinyua Ikiara | BoG Member                  |
| 4. Fatuma Abdi           | BoG Member                  |
| 5. Daniel Lilah          | BoG Member                  |
| 6. Stella K. Wambeti     | BoG Member                  |
| 7. Paul Wanyeki          | BoG Member                  |
| 8. Jennifer Murogocho    | BoG Member                  |
| 9. Anne M. Mbogo         | Principal / Board Secretary |

**Key Activities of the Board are;**

1. Development of human resource policy
2. Recruitment of additional staff
3. Performance Contracting setting of targets, evaluation and negotiations
4. Mobilizing for resources from the government and other development partners
5. Improvement infrastructure in the institute for example renovation of board room to hostels
6. Ensure implementation government policies by the institute
7. Completion of construction for Masonry and Plumbing workshop

**Challenges**

1. Inadequate infrastructure such as tuition rooms, workshops, students Hostels and student dining hall
2. Space for expansion due to limited shared land
3. Inadequate trained staff both trainers and support
4. Inadequate resources to be able meet the needs of our customers
5. Delayed fees payment by NYS and GoK capitation.
6. General face of the institute does not attract access by the youth due the incomplete Library complex.

Prepared by

  
Arch. Karani S. Mworira

Date

10/11/2020

## **REPORT OF THE PRINCIPAL**

Kiirua Technical Training institute is the only TVET institution located in Naari location, Buuri East Sub County, Meru County. It is about 13km from Meru town and 2km from Kiirua Market off Meru Nanyuki highway. The Institution was established in 1990 under a Youth Support Training Programme (YSTP) built by European Economic Commission (EEC), Voluntary Service Overseas (VSO), and the Government of Kenya through a joint funding scheme. In 1993, the physical facility was handed over to the Government and in 1999, it was registered as a public technical training institute under the Ministry of Education, Science and Technology (MoEST) to offer certificate and diploma courses. In the year 2011 Kiirua TTI was accredited under ministry of Higher Education, Science and technology as TIVET institution but currently operating under Ministry of Education, State department of Vocational and Technical Training. Kiirua T.T.I is headed by the Principal, who is responsible for the day running and general policy implementation in the institute. The principal is supported by the Board of Governors, Top management team and Heads of Departments. Currently the students' population is at 640 expecting to be 800 by June 2021. The staff establishment is as follows, 59 lecturers and 20 non-teaching staff. We offer a total of 18 Diploma courses and 11 Craft and Artisan courses across the 6-academic department. The Institute has a new Board Inaugurated in the month of December 2019. The management is engaging the stakeholders to follow up the issue of relocating the Kiirua Vocational Training Centre to create room for expansion of the Institute because once the Vocational Training Centre relocates will give us more facilities which will be used as training workshops and students accommodation. The institute has a stable financial performance for the financial year ending 30/06/2020 thus it is a going concern, The institute has been able settle down all its legal and statutory obligations such PAYE, NHIF and NSSF during the FY 2019-2020 thus no outstanding obligation for the year under review.

### **Academic Departments**

The departments in the institute includes:

1. Electrical & Electronics department with
2. Automotive Engineering department
3. Business Department
4. Building and civil engineering department
5. Information communication technology department
6. Institutional Management

Kiirua TTI has a total of 40 Public Service Commission (PSC) trainers and 15 BoG trainers distributed across the 6-academic department. The institute's 640 student population is composed of Self Sponsored students, Government sponsored, National Youth Service (NYS) Sponsored and those sponsored by other organizations such as CDF, Compassion International and Lewa Conservancy.

Due to limited hostel space the institute has partnered with the community for the provision student's accommodation.

### **Sources of Funds**

1. Students Fees
2. Development grants from the government
3. Hire of institute facilities – Bus and Seminar halls.

### **Challenges**

1. Incomplete Library complex housing the administration block and key offices posing a poor face of the institute.

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2. Inadequate infrastructure such as tuition rooms, workshops, students Hostels and student dining hall
3. Lack of modern equipment for training in Building and Automotive departments.
4. Lack of space for expansion due to limited shared land
5. Insecurity leading to theft and vandalism of institute facilities, due to inadequate fencing of the institute due to lack of funds.
6. Inadequate trained staff both trainers and support
7. Inadequate resources to be able meet the needs of our customers
8. Delayed fees payment by NYS and GoK student capitation.
9. Low students Enrolment
10. Dry well road to the institute which becomes impassable during rainy seasons
11. Inadequate water supply.
12. Competition from well-established Institutes which students prefer compared to our institution.
13. Extreme cold weather seasons which make it impossible for students from hot weather areas to stay in the institute once posted by KUCCPS but they seek transfer immediately after admission thus affecting our student's enrolment.

Prepared by *Ambe* Date 10/11/2020  
For: Anne M. Mbogo (Mrs)

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**REVIEW OF KIIRUA TECHNICAL TRAINING INSTITUTE PERFORMANCE FOR FY 2019/2020**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the Accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

*Kiirua Technical Training Institute* has 6 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

- i. To provide adequate facilities for the Institute
- ii. To increase student enrolment
- iii. Increase the Number of staff in the institute
- iv. To acquire modern equipment for the various departments
- iv. To develop Knowledge Management Information System and integrate ICT in training and Technical Education
- v. To mobilize adequate resources for the development programs in the Institute

**Pillar 2:**

*Kiirua T.T.I* develops its annual work plans based on the above 6 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *Kiirua T.T.I* achieved its performance targets set for the FY 2019/2020 period for its 6 strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar</b>		<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar 1:	To provide adequate facilities for the Institute	More facility for training	Number of workshops increased	Construction of Masonry & Plumbing workshop	2 workshops constructed
Pillar 2:	To increase student enrolment	More students enrolled	Number of students increased	Enrolling of more students	161 new students enrolled
Pillar 3:	Increase the number of staff in the institute	Recruit more B.O.G staff	No. of staffs recruited	Recruit more B.O.G staff	10 B.O.G Staffs recruited
Pillar 4:	To acquire modern equipment for the various departments	Purchase Equipment	No.of Equipment purchased	More Equipment Purchased	Not achieved during the year
Pillar 5:	To develop Knowledge Management Information System and integrate ICT in training and Technical Education	MIS Software Procure	No. of Software(s) purchased	Procure of MIS Software services	8 MIS Software Purchased

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Pillar 6:	To mobilize adequate resources for the development programs in the Institute	Mobilize Resources	Amount Mobilized	More Available Resources	Not achieved during the year
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**CORPORATE GOVERNANCE STATEMENT**

During the FY 2019/2020, the table below shows the number of board and committee meetings held

Meetings	No.of Board Meetings	Meetings held	
Full Board	4	8	
Finance & Development	4	4	
HR, Academic & Publicity	4		
<b>Total</b>	<b>12</b>	<b>12</b>	

- The board of governors is proposed by the panel as guided by a secular from the ministry of education composing of 5 members as per TVET Act 2013.
- The functions of the board are guided by the TVET ACT 2013
- The board is remunerated as stated below;
  1. Board Chairman – board sitting allowance ksh.15,000.00
  2. Board members – board sitting allowance ksh.12,000.00
- After nomination the panel forwards proposed names to the principal Secretary for Vocational Technical Training for initial approval and onward transmission to the Cabinet Secretary for Education, who is not bound to appoint any or all of the persons submitted by the nominating panel.
- There is no governance issues among the Board or member(s) of the Board and the top management including conflict of interests
- The board serves for a period of three years after which a new board is appointed either retaining all old members, appointing new board members and retaining a few old members in the board or completely appointing new members this is the discretion of Cabinet Secretary for Education.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

Kiirua Technical Training Institute financial performance has shown a marked improvement due to increase in student enrolment thus raising our A-A. To cater for the increased student enrolment, we received 10 PSC trainers during the FY 2019/2020. In addition, the Board has recruited 15 BoG trainers to cover up the gap of government employed trainer's deficit. This has caused a financial strain on our budget due to low number of students.

The Institutes 'student's population is growing due the increase access by the GoK through sponsorship of trainees through capitation. In addition, Kiirua TTI receives National Youth Service (NYS) sponsored students; thus, causing a shortage in lecture rooms, trainers, lecture chairs and accommodation facilities. The institute cannot be able to put up more facilities due limited land space and finances.

The institute is taking advantage of the large number of students who have cleared KSCE and are not able to access university education by employing robust advertisement activities through the media, local administration personal selling among others. This is to ensure more students from the surrounding area enrol to undertake different courses. Kiirua TTI has also introduced new courses to increase enrolment such Agriculture, Plumbing, Hair and Beauty Therapy.

The management has aggressively invested in the installation Management Information Software for efficiency and effectiveness in management process and data processing. In addition, we are refurbishing the institute website for marketing and for effective communication to all our stakeholders. Marketing of courses both locally and nationally to attract trainees to equip them with hand on skills for employability and self-employment. The institute's location in a low settlement area with adverse cold climatic weather conditions has affected its growth. The management is committed to continual improvement of the face of the institute by constructing a modern gate, paving the pathways to improve cleanliness as well securing the facility by proper fencing.

Kiirua Technical Training Institute is constructing a library complex which is an ongoing project which was started in 2012 but it is not yet complete due financial challenges and it is financed by the national government through Ministry of education, Directorate of Technical Education.

The institute upholds section 6 of the constitution of Kenya for all of the officers while on duty. The management has continually sensitized both staff and students on corruption prevention matters. The service charter in English and Swahili has clearly been displayed at the main gate and at strategic service points such as the cash office, library, registrar's office, dean's office, Guidance and counselling office, dining hall and procurement office.

The institute is mentoring three technical institutions in different constituencies i.e.

1. Merti T.T.I in Isiolo North Constituency in Isiolo County which is complete, its furniture has been delivered to the institute and a Principal has been posted to the institute.

2. Laikipia west T.T.I in Laikipia west Constituency in Laikipia county at 55 % completion status.

3. Igembe South T.T.I in Igembe at South constituency in Meru County and the furniture is already delivered in the mentoring Institution at 45% completion status.

The latter two are in different stages of construction and they are financed by the National Government through Ministry of Education, Directorate of Technical Education and in partnership with respective constituencies in which these institutions are being constructed.

The management has implemented policy on planting of trees under the green economy for sustainable environment. In addition, we have improved our environment by planting flowers along designated

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pathways and gardens for general aesthetics. The Institute disposes its wastes appropriately both the WC waste and waste waters through the sewerage system. Adequate sanitation areas with hand wash have been provided for maintenance of hygiene. Provision of clean water for consumption and for general cleaning through collaborations with water companies in the locality. Need for increase water reservoirs and connectivity for treated water systems to prevent water borne diseases.

Most at times the demands to equip the institute with modern facilities is not possible due finance challenges thus making the entity to constrain financially to meet these demands to offer quality services with limited resources and at times these demands are not meet. This is in reference to Building and Automotive department.

Our institute as an upcoming institute faces the risk of markets because the students prefer neighbouring institutions with have adequate facilities and human resource hence, we might end up losing students due competition from well-established and high-level institutions in the area.

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Kiirua T.T.I exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on 5 pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

### **1. Sustainability strategy and profile**

Kiirua Technical Training Institute has established several strategies to ensure sustainability of its programs amidst many challenges facing the management. The Board has engaged collaborations with the National Government through MoE under the State Department of Vocational and Technical Training for policy direction and funding on major projects. In addition; we have also enhanced collaborations with the County Government through the CDF of Buuri Sub –County for students' sponsorships and community mobilization in development activities. Kiirua TTI will strive to acquire additional land for expansion of the institute as well seek amicable solutions for relocation of the Kiirua VTC for growth and identity. We intend to set up a campus at Timau to offer new market driven courses such as Agriculture to supply labour force for the flower and horticulture farms at Nanyuki.

The management has aggressively invested in the installation Management Information Software for efficiency and effectiveness in management process and data processing. In addition, we are refurbishing the institute website for marketing and for effective communication to all our stakeholders. Marketing of courses both locally and nationally to attract trainees to equip them with hand on skills for employability and self-employment. The institute's location in a low settlement area with adverse cold climatic weather conditions has affected its growth. The management is committed to continual improvement of the face of the institute by constructing a modern gate, paving the pathways to improve cleanliness as well securing the facility by proper fencing.

### **2. Environmental performance**

The management has implemented policy on planting of trees under the green economy for sustainable environment. In addition, we have improved our environment by planting flowers along designated pathways and gardens for general aesthetics. The Institute disposes its wastes appropriately both the WC waste and waste waters through the sewerage system. Adequate sanitation areas with hand wash have been provided for maintenance of hygiene. Provision of clean water for consumption and for general cleaning through collaborations with water companies in the locality. Need for increase water reservoirs and connectivity for treated water systems to prevent water borne diseases.

### **3. Employee welfare**

The management recruits BoG staff both trainers and support staff equity based on the need. The recruitment is guided by an MoU which details the terms and references of engagement of staff. The management observes integrity, professionalism, gender and disability inclusivity, as well as stakeholder involvement. The Board is in the process of developing staff establishment and career progression policy for Kiirua TTI BoG staff. We undertake annual staff appraisal and training Needs assessment to establish gap for capacity building. Kiirua TTI Occupational Safety and Health Act of 2007, (OSHA) regulations by providing protection clothing to our staff while on duty.

### **4. Market place practices-**

Kiirua TTI has outlined its efforts to:

a) Responsible competition practice.

The institute upholds section 6 of the constitution of Kenya for all of the officers while on duty. The management has continually sensitized both staff and students on corruption prevention matters. The service charter in English and Swahili has clearly been displayed at the main gate and at strategic service points such as the cash office, library, registrar's office, dean's office, Guidance and counselling office, dining hall and procurement office.

b) Responsible Supply chain and supplier relations – The management implement the Public Procurement and Disposal Act of 2015 and its Regulations of 2020 in all its procurement for goods, services and contracts.

c) Kiirua TTI advertises our training programs through our website, the media, door to door marketing strategies through the Local administration and Personal selling through good examination performance and quality services and customer focus.

d) Product stewardship - Our customer rights and interests have been safe guarded by clear communications to our customers through relevant offices the dean's office. We also provide newsletters to convey crucial and authentic information to our customers. We used authorised communication channels the official addresses, mobile numbers and emails.

### **5. Community Engagements-**

Kiirua TTI engages in social corporate responsibility activities by provision of face masks and hand wash detergents to the local administration nearby. We also visit childrens homes in our locality through the Christian movement in the institute and support them with food and clothing. We undertake annual cleaning up of the Kiirua Market and its environs and sensitise them on the government policies in relation to access to TVET courses, Procurement opportunities among others.

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**REPORT OF THE BOARD OF GOVERNORS**

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

**Principal Activities:**

The principal activities of the entity are:

- a. To conduct training at tertiary level in technical and vocational education and training fields.
- b. To foster linkages with industry and other institutions for the promotion of quality and relevant training
- c. To promote and include Entrepreneurial skills and culture within the institute's staff and students.
- d. To conduct Applied Research and Innovation.
- e. To income generating activities through production, consultancy and tailor-made short courses.
- f. Foster spiritual growth among community members both staff and students.
- g. Collaborating with the local community.

**Results**

The results of Kiirua Technical Training Institute for the year ended June 30, 2020 are set out on page 1 to 5

**BOARD OF GOVERNORS**

The members of the Board who served during the year are shown on page iv. During the Financial Year 2019/2020 no member(s) of board of Governors retired/ resigned.

**Auditors**

The Auditor General is responsible for the statutory audit of Kiirua Technical Training Institute in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or appoint an auditor for the period ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

ANNE M. MBOGO.....

Principal/ BOG Secretary

*ANNE M. MBOGO*.....

Sign

10/11/2020

Date

**STATEMENT OF BOARD OF GOVERNORS MEMBERS' RESPONSIBILITIES**

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

The board members are responsible for the preparation and presentation of Kiirua T.T.I financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2020.

**This responsibility includes:**

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of Kiirua T.T.I;
- (v) Selecting and applying appropriate accounting policies and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for Kiirua T.T.I financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013 - require the board members to prepare financial statements in respect of Kiirua T.T.I.

The board members are of the opinion that the entity's financial statements give a true and fair view of the state of Kiirua T.T.I transactions during the financial year ended June 30, 2020, and of Kiirua T.T.I financial position as at that date. The board members further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the board members to indicate that the Kiirua T.T.I 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 Kiirua Technical Training Institute financial statements were approved by the Board on **09/07/2020** and signed on its behalf by:

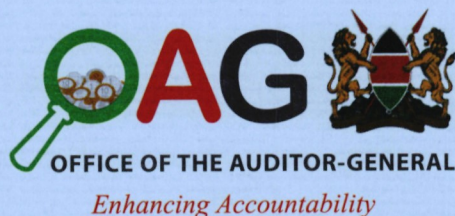
  
\_\_\_\_\_  
Board Member

  
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Board Member

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Board Member

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

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### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of Kiirua Technical Training Institute set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Kiirua Technical Training Institute as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Technical and Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012.

#### Basis for Adverse Opinion

##### 1.0 Inaccuracies in the Financial Statements

##### 1.1 Unbalanced Statement of Financial Position

The statement of financial position as at 30 June, 2020 reflects total assets balance of Kshs.283,089,408 and total net assets and liabilities balance of Kshs.351,519,335 resulting to an unexplained variance of Kshs.68,429,927. In addition, the statement reflects a comparative reserves balance of Kshs.127,683,849 and a nil balance in the year under review. The variance of Kshs.127,683,849 between the balances had not been explained or reconciled.

In the circumstances, the accuracy and completeness of the statement of financial position as at 30 June, 2020 could not be confirmed.

## 1.2 Statement of Changes in Net Assets

The statement of changes in net assets for the year ended 30 June, 2020 reflects Kshs.229,512,503 in respect to capital/development Fund. However, the 2018/2019 audited financial statements reflect capital/development Fund balance of Kshs.54,774,155 resulting to unreconciled variance of Kshs.174,738,348.

In the circumstances, the accuracy, completeness and validity of the statement of changes in net assets could not be confirmed.

## 1.3 Variances Between the Statement of Comparison of Budget and Actual Amounts and the Statement of Financial Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects a total actual expenditure of Kshs.22,859,369 in respect to twelve (12) items which vary with amounts reflected in the statement of financial performance totalling to Kshs.19,090,872 on the same items resulting to an unreconciled variance of Kshs.3,768,497 as detailed below;

Items	Statement of Financial Performance (Kshs.)	Statement of Budget and Actual Amounts (Kshs.)	Variance (Kshs.)
Use of Goods and Services	17,823,460	17,756,454	67,006
Tuition	0	1,688,476	(1,688,476)
Co-Curriculum Activities	0	881,526	(881,526)
Students Attachment and Insurance	0	191,288	(191,288)
Advertisement	0	418,800	(418,800)
Research and Innovation	0	608,275	(608,275)
ISO,PC, Surveys and Policies	0	1,314,550	(1,314,550)
HELB	7,450	0	7,450
Timau Campus	563,904	0	563,904
Ujuzi Manyattani	76,000	0	76,000
Library Complex	12,000	0	12,000
Merti T.V.C.	608,058	0	608,058
<b>Total Expenditure</b>	<b>19,090,872</b>	<b>22,859,369</b>	<b>(3,768,497)</b>

In the circumstances, the accuracy of the two statements for the year ended 30 June, 2020 could not be confirmed.

## 2.0 Inaccuracies of Property, Plant and Equipment Balance

The statement of financial position and as disclosed in Note 31 to the financial statements reflects a balance of Kshs.155,737,717 in respect to property, plant and equipment.

However, recasting of the balances in the Note reflects a balance Kshs.155,673,717 resulting to unreconciled variance of Kshs.64,000.

Further, the property, plant and equipment balance was not depreciated contrary to Paragraph 88 of the International Public Sector Accounting Standards (IPSAS) 17 which states that the financial statements shall disclose, for each class of property, plant and equipment recognized in the financial statements the measurement bases used for determining the gross carrying amount, the depreciation methods used, the useful lives or the depreciation rates used and the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period and a reconciliation of the carrying amount at the beginning and end of the period showing depreciation.

In addition, the balance Kshs.155,737,717 excludes land and buildings of unknown value where the Institute is located and whose ownership documents were not provided. Further, the fixed assets register provided for audit review lacked the necessary information on cost, date purchased, asset coding and serial numbers of the assets.

In the circumstances, the accuracy, valuation, ownership and existence of the property, plant and equipment balance of Kshs.155,737,717 could not be confirmed.

### **3.0 Unconfirmed Fees from Students**

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects rendering of services - fees from students balance of Kshs.35,962,551 which includes an amount of Kshs.4,524,333 in respect to tuition fees which further includes an amount of Kshs.249,550 in respect to fees paid for thirty-two (32) students inform of bursaries from various Constituency Development Funds, County Government and Non-Governmental Organizations. However, the bursaries had not been posted to the students' fees accounts contrary to Section 29(1) of the Second Schedule of the Technical and Vocational Education and Training Act, 2013 which stipulates that the Board of Governors of a public institution shall cause to be kept all proper books and records of accounts of the income, expenditure and assets of the institution.

In the circumstances, the completeness and accuracy of the balance of Kshs.35,962,551 in respect to rendering of services - fees from students could not be confirmed.

### **4.0 Rental Revenue from Facilities and Equipment**

The statement of financial performance and as disclosed in Note 12 to the financial statements, reflects an amount of Kshs.14,398,250 in respect to rental revenue from facilities and equipment. The amount includes Kshs.12,169,750 in respect to Pay As You Eat which relates to fees received from National Youth Service (NYS) sponsored students. However, a review of receipt books, kitchen sales register and NYS registers revealed that the same did not indicate the students unique service numbers. In addition, meal cards, food consumed returns, amount paid and the reconciliation between the food consumed, amount paid, cost of the food and total expected sales were not provided.

In addition, while the NYS sponsored students should have been invoiced per term, Management only recognized actual amount received from NYS contrary to accrual basis of accounting which stipulates that revenue is recognized when earned and not when received.

Further, there was lack of segregation of duties as the same officer draws the cash receipts, receives cash, updates the kitchen sales register and does the banking before the same is surrendered to the finance department.

In the circumstances, the accuracy and completeness of the balance of Kshs.12,169,750 in respect to rental revenue from facilities could not be confirmed.

## **5.0 Current Liabilities**

### **5.1 Unconfirmed Current Liabilities**

The statement of financial position reflects comparative balances on development fund, bus project, jua kali project and production unit balance of Kshs.503,218, Kshs.1,174,200, Kshs.504,915 and Kshs.18,821 respectively all totalling to Kshs.2,201,154, however nil balances were reflected for the year ended 30 June, 2020. Records indicating how the balances totalling to Kshs.2,201,154 were cleared from the Institute's books were provided.

In the circumstances, the accuracy of the nil balances could not be confirmed.

### **5.2 Unsupported Trade and Other Payables from Exchange Transactions**

The statement of financial position and as disclosed in Note 34 to the financial statements, reflects trade and other payables from exchange transactions balance of Kshs.16,139,392 which includes an amount of Kshs.5,576,705 in respect to trade payables which further includes an amount of Kshs.1,749,521 whose supporting documents including schedules, invoices, contracts and local purchase orders were not provided.

In the circumstances, the accuracy of the balance of Kshs.1,749,521 in respect to trade payables could not be confirmed.

## **6.0 Inaccuracies in Cash and Cash Equivalents**

The statement of financial position and as disclosed in Note 26 to the financial statements reflects cash and cash equivalents balance of Kshs.107,931,334 which includes an amount of Kshs.28,507,047 in respect to cash held in a bank. However, the bank reconciliation statement for the month of June, 2020 reflects receipts in bank not receipted, unrepresented cheques, Higher Education Loans Board (HELB), NYS and bank charges of Kshs.1,523,952, Kshs.257,273, Kshs.1,394,400, Kshs.7,107,900 and Kshs.30,840 respectively, all totalling to Kshs.10,314,365 whose supporting documents were not provided.

Further, documents provided for audit review revealed twelve (12) instances of cash withdrawals totalling to Kshs.5,184,615 which exceeded the Kshs.3,600,000 (at a rate of

Kshs.300,000 per withdrawal) by Kshs.1,584,615 contrary to the Ministry of Education Circular on financial management guidelines which limits weekly cash withdrawals from the bank to Kshs.300,000 for Technical and Vocational Education and Training (TVETS).

In addition, the cash and cash equivalents balance includes an amount of Kshs.160 in respect to a bank account whose bank statements, bank certificate and cash books were not provided.

Consequently, the accuracy of cash and cash equivalent balance of Kshs.28,507,047 could not be confirmed.

## **7.0 Unsupported Receivables from Exchange Transactions**

The statement of financial position and as disclosed in Note 27(a) to the financial statements reflects receivables from exchange transactions balance of Kshs.19,201,814 which includes an amount of Kshs.18,971,814 in respect to student debtors. However, the debtors aging analysis as at 30 June, 2020 was not provided. It was therefore not possible to determine for how long the debt had remained outstanding. In addition, the Institute does not have a debt management policy.

In the circumstances, the accuracy and recoverability of Kshs.18,971,814 in respect to student debtors could not be confirmed.

## **8.0 Remuneration of Directors**

The statement of financial performance and as disclosed in Note 17 to the financial statements, reflects remuneration of Directors' balance of Kshs.1,805,765. However, the attendance registers, approved rates and invitation letters were not provided in support of the expenditure. In addition, the Directors schedule of payment provided reflects a balance of Kshs.1,787,765 resulting to an unexplained variance of Kshs.18,000.

In the circumstances, the accuracy of the remuneration of Directors balance of Kshs.1,805,765 could not be confirmed.

## **9.0 Use of Goods and Services**

The statement of financial performance and as disclosed in Note 15 to the financial statements reflects use of goods and services balance of Kshs.17,823,460. However, the following unsatisfactory matters were noted:

### **9.1 Unsupported Bus Expenses**

The balance includes an amount of Kshs.591,291 in respect to bus expenses which further includes an expenditure of Kshs.383,941 whose supporting documents including register for repairs and approval letters were not provided.

In the circumstances, the accuracy of bus expenditure amount of Kshs.383,941 could not be confirmed.

## **9.2 Unsupported Consumables - Training Materials**

The balance of Kshs.17,823,460 further includes an amount of Kshs.1,688,476 in respect to consumables - training materials which further includes an amount of Kshs.382,800 used to pay trainers as transport and subsistence for assessment of trainees. However, work tickets, bus tickets, authority to use own vehicle and the assessment report in support of the expenditure were not provided.

In the circumstances, the accuracy and validity of Kshs.382,800 expenditure for consumables could not be confirmed.

## **9.3 Unconfirmed Activity Expenses**

The balance includes an amount of Kshs.881,526 in respect to activity which further includes Kshs.127,825 paid to Kenya Association of Technical Training Institutions (KATTI), Mt Kenya Region, being participation fee for the regional athletics championship held between 11 to 15 February, 2020. However, the payment was not supported by acknowledgement receipt and invoice from KATTI.

In the circumstances, the accuracy of the expenditure of Kshs.127,825 could not be confirmed.

## **9.4 Training Expenses - Commonwealth Association of Technical Universities and Polytechnics in Africa (CAPA) 2019 International Conference in Kigali Rwanda**

The balance of Kshs.17,823,460 in respect to use of goods and services includes Kshs.776,773 in respect to training expenses - staff training and capacity building which further includes an amount of Kshs.237,658 in respect to subsistence allowance, Kshs.36,780 in respect to air fare and Kshs.3,000 in respect to travelling allowance to Nairobi all totalling to Kshs.277,438 paid to the Principal of the Institute to attend CAPA Conference in Kigali, Rwanda. The participants were expected to travel on Sunday 25 August, 2019 and travel back on Saturday 31 August, 2019 thus were entitled to a six (6) night outs payment of Kshs.203,706 at Kshs.33,951 per night (328 US dollars). The Principal was therefore overpaid by Kshs.33,952 in respect to subsistence allowances without justification. Further, documents provided for audit review shows that the Principal was paid Kshs.377,438 instead of Kshs.277,438 resulting to a variance of Kshs.100,000 that was not accounted for.

In the circumstances, the accuracy and value for money for expenditure totalling Kshs.133,952 could not be confirmed.

## **9.5 Unsupported Laikipia West Technical Training Institute Expenditure**

The use of goods and services balance include an amount of Kshs.367,500 in respect to Laikipia West Technical Training Institute which further includes an amount of Kshs.248,500 whose supporting documents were not provided.

In addition, the balance of Kshs.367,500 further includes Kshs.57,400 purportedly paid to a firm for provision of transport services to Laikipia West Technical Training Institute.

However, a further review of the supporting documents revealed that included in the Kshs.57,400 was Kshs.35,000 to facilitate a meeting at the Institute comprising of Kshs.30,000 paid to the Principal and Kshs.5,000 paid to the Principal's driver and not to the said firm. The supporting documents for the said meeting including minutes and work tickets were not provided.

Further, the balance of Kshs.367,500 also includes an amount of Kshs.75,000 paid for facilitation of an activity said to be official. However, details of the activity including the intended purpose of the expenditure were not provided.

In the circumstances, the accuracy and value for money for the expenditure of Kshs.358,500 could not be confirmed.

## **10.0 Unsupported Hostels Rent and Other Expenses**

The statement of financial performance reflects a balance of Kshs.1,017,200 in respect to hostels rent paid and other expenses which includes Kshs.971,500 in respect to payment to various suppliers of the hostels. However, quotations, evaluation minutes, professional opinion, notification of award and contract agreements between the suppliers and the Institution were not provided for audit review. In addition, included in the expenditure of Kshs.971,500 is an amount of Kshs.330,000 paid to a hotel owner for hostel rent of one hundred and five (105) students for three semesters ending 30 July, 2019, 31 March, 2020 and 30 November, 2019 respectively. However, a signed list of the students hosted in the hostels was not provided for audit review.

Further, there was no evidence provided to confirm the service was competitively procured. It was therefore not possible to establish how Kshs.971,500 was arrived at and why the supplier was single sourced without justification contrary to Section 103(1) of the Public Procurement and Asset Disposal Act, 2015 which stipulates that a procuring entity may use direct procurement as allowed under sub-section (2) as long as the purpose is not to avoid competition.

In the circumstances, the accuracy and value for money for the expenditure of Kshs.971,500 in respect to hostels rent could not be confirmed.

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

### **Key Audit Matters**

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

## **Other Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.71,695,006 and Kshs.58,653,301 respectively resulting to under-funding of Kshs.13,041,705 or 18% of the budget. Similarly, the Institution expended Kshs.43,146,506 against an approved budget of Kshs.80,015,539 resulting to under-expenditure of Kshs.36,869,033 or 46% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the Public.

In addition, the statement reflects approved revenue budget and expenditure of Kshs.71,695,006 and Kshs.80,015,539 respectively resulting to a variance of Kshs.8,320,533. No supplementary approval was availed for audit review for the Kshs.8,320,533 over expenditure contrary to Section 40(5) of the Public Finance Management (National Government) Regulations, 2015 which states that accounting officers may seek supplementary budget if the expenditure cannot be met by budget reallocation under Section 43 of the Act. Further no explanation was provided as to why the Institution's Board approved the unbalanced budget contrary to Regulation 33 (c) of the Public Finance Management (National Government) Regulations, 2015 which requires the budget to be balanced.

In the circumstances, the Management is in breach of the law.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1.0 Stalled Project in Laikipia West Technical Training Institute**

Note 31 to the financial statements reflects a balance of Kshs.155,737,717 in respect to property, plant and equipment which includes an amount of Kshs.150,420,586 in respect to work in progress which further include an amount of Kshs.26,799,266 in respect to construction works at Laikipia West Technical Training Institute (TTI). A review of the records provided for audit review indicated that the contract for erection and completion of twin workshop, classrooms and offices awarded to a firm was signed on 17 May, 2016. The contract was awarded at a contract sum of Kshs.55,471,853, with a contract period of 52 weeks and contract completion date of 19 June, 2017.

Further review of documents provided revealed that the contract period was extended by the Board of Governors by twenty-two (22) weeks from 19 June, 2017 to 19 December, 2017. However, as at 23 September, 2020 which is 173 weeks since the project commenced, the project had stalled and was reported to have been terminated due to fundamental breach by the contractor. Further, the Institute had not sought compensation in the form of liquidated damages in line with Clause 27.1 of the contract, which provides for liquidated damages in case of delay in completion of the project.

In the circumstances, the completion of the project is doubtful and value for money for the project expenditure of Kshs.26,799,266 could not be confirmed.

## **2.0 Irregular Award of Tender**

Note 31 to the financial statements reflects a balance of Kshs.155,737,717 in respect to property, plant and equipment which includes an amount of Kshs.7,215,539 in respect to additions during the year which further include Kshs.990,000 paid for the installation of six (6) solar water heaters procured through request for quotations.

Examination of evaluation committee reports revealed that the contract was awarded to the 5<sup>th</sup> lowest bidder at Kshs.990,000 with the evaluation committee citing technical capability and past experience as qualification for awarding the tender to the firm. However, the two qualifications were not stated in the quotations and therefore not clear how the evaluation committee obtained the information. The lowest bidder had quoted Kshs.553,240 resulting to Kshs.436,760 difference between the lowest bidder and the firm that was awarded the tender contrary to Section 86(1)(a) of the Public Procurement and Assets Disposal Act, 2015 which states that the successful tender shall be the one with the lowest evaluated price.

In addition, the supplier who won the tender did not provide a warranty for the solar heaters and no testing report was provided for audit review contrary to Section 48(3)(a) of the Public Procurement and Asset Disposal Act, 2015 which stipulates that the inspection and acceptance committee shall immediately after the delivery of the goods, works or services inspect and where necessary test the goods received. Further, there was no defect liability period given and therefore the Institute would lose in the event the system failed.

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

## **3.0 Delayed Completion of Igembe South Technical Training Institute**

Note 31 to the financial statements reflects a balance of Kshs.155,737,717 in respect to property, plant and equipment which includes an amount of Kshs.150,420,586 in respect to work in progress which further include an expenditure of Kshs.14,789,700 in respect to construction of Igembe South Technical Training Institute. Examination of records provided revealed that the works was awarded to a firm at a contract sum of Kshs.57,520,415. The agreement was signed on 22 January, 2016 for a contract period of 52 weeks starting on 24 February, 2016. Therefore, the expected contract completion time was 24 February, 2017. However, as at the time of audit in September, 2020 which

is approximately 220 weeks since project commencement, the project was not complete and no evidence on action the Institute has taken against the firm contrary to Section 140 (b) of the Public Procurement and Asset Disposal Act, 2015 which provides that the contractor shall be liable to liquidated damages for delayed performance.

In addition, and as previously reported, a review of the respective project file revealed that twelve firms had bided. However, the firm with the lowest bid of Kshs.51,664,330 which was Kshs.5,856,085 lower than the awarded bidders sum was not awarded. The tender processing committee minutes did not justify the award to the higher bidder. The procurement process was therefore not fair, equitable, transparent, competitive and cost-effective.

Consequently, the value for money for the expenditure of Kshs.14,789,700 for the year ended 30 June, 2020 could not be confirmed and the Institute was in breach of the law.

#### **4.0 Employee Costs**

##### **4.1 Lack of Staff Establishment**

Review of the Institute's human resource function revealed that the Institute had thirty-five (35) employees as at the end of the financial year with twenty (20) of the officers being non-teaching staff while fifteen (15) were lecturers employed by the Board of Governors. However, the Institute did not have an approved staff establishment contrary to the Ministry of Education: State Department of Vocational and Technical Education Circular Ref No: MST/DTE/1/1 on staff establishment and justification for TVET institutions, which requires TVET institutions to develop a staff establishment with clear justifications for consideration and approval by the Public Service Commission. In the circumstances, the Management is in breach of the law.

##### **4.2 Staff Ethnic Composition**

An analysis of the ethnic composition of the Institute in the year under review revealed the Institute had 35 employees out of which twenty-eight (28) or (80%) of the employees are from the dominant ethnic community contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstances, Management is in breach of the law.

#### **5.0 Non-Submission of Financial Statements**

As reported in the previous year, the Institute's Board of Governors has not submitted its financial statements for audit by the Auditor-General for the four (4) financial years ended 30 June, 2014 to 30 June, 2017 contrary to Section 29(2) of the Technical and Vocational Education and Training Act, 2013 which stipulates that a Board of Governors of a public institution shall within a period of four months from the end of each financial year, submit to the Auditor-General the accounts of the institution together with a statement of income and expenditure of the institution during that year and balance sheet of the institution on the last day of that year.

In the circumstances, the Management is in breach of the law.

## **6.0 Errors in Presentation of the Financial Statements**

The Institute's financial statements provided for audit reflects the following anomalies;

- i) Several pages in the financial statements reflects "xxxx" as part of the financial statements information instead of information relevant to the Institute.
- ii) Several Notes to the financial statements and appendix I to the financial statements reflects blank tables without the relevant data and information.
- iii) Note 15 to the financial statements reflects "electricity and electricity" instead of "electricity and water".
- iv) Page 1 to the financial statements indicates "statement of financial performance" for the year ended 30 June, 2020 instead of "statement of financial performance".

Consequently, the annual report and the financial statements for the year ended 30 June, 2020 are not in the format prescribed by the Public Sector Accounting Standard Board (PSASB).

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1.0 Lack of Internal Audit Department**

As reported in the previous year, the Institute had not established an internal audit unit as at 30 June, 2020 as required by Section 73(1)(a) of the Public Finance Management Act, 2012 which stipulates that every National Government entity shall ensure that it has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board. The internal audit would have performed

various roles stipulated by Section 73(3) of the Public Finance Management Act, 2012 including risk assessment, putting in place a risk register, assessing the internal controls mechanism.

In the circumstances, the risks may have remained unidentified hence no mitigation policies in place.

## **2.0 Non-Establishment of Audit Committee**

As reported in the previous year, the Institute had not established an Audit Committee as required by Section 73(5) of the Public Finance Management Act, 2012 which stipulates that every national government public entity shall establish an audit committee whose composition and functions shall be as prescribed by the regulations. The audit committee would have performed various functions stipulated by Section 175 of Public Finance Management (National Government) Regulations, 2015 including supporting the Accounting Officer with regard to their responsibilities for issues of risk, control and governance and associated assurance but the responsibility over the management of risk control and governance processes remains with the Management of the concerned entity and follow up on the implementation of the recommendations of internal and external auditors.

In the circumstances, oversight and overall governance of the Institute could not be confirmed.

## **3.0 Information, Communication and Technology (ICT) Environment**

As reported in the previous year, a review of the Institute's ICT environment revealed that there was no formal approved ICT policy in place during the year under review which includes data security policy and disaster recovery plans. Further, the Institute's ICT structure was not provided for audit review. In addition, during the year under review, the Institute did not have an Information Technology (IT) steering committee for ensuring effective IT controls and strategies.

In the circumstances, the security and reliability of the Institute's data including its management information system could not be ascertained.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness

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

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


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

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

- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

16 February, 2022

IV. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019-2020 Kshs	2018-2019 Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the National Government – grants/ gifts in kind	6	8,110,000.00	10,760,000.00
Grants from donors and development partners			
Transfers from other levels of government			
Public contributions and donations			
		<b>8,110,000.00</b>	<b>10,760,000.00</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Fees from students	10	35,962,551.00	31,392,885.00
Rental revenue from facilities and equipment	12	14,398,250.00	12,060,168.00
Other income	14	182,500.00	
<b>Revenue from exchange transactions</b>		<b>50,543,301.00</b>	<b>43,453,053.00</b>
<b>Total revenue</b>		<b>58,653,301.00</b>	<b>54,213,053.00</b>
<b>Expenses</b>			
Use of goods and services	15	17,823,460.00	1,259,753.00
Employee costs	16	6,390,443.00	6,832,929.00
Remuneration of directors	17	1,805,765.00	1,945,032.00
Repairs and maintenance	19	216,210.00	160,325.00
Pay as You Eat (PAYE) – Kitchen Expenses		4,523,260.00	5,837,151.00
General Expenses			23,399,630.00
Hostels Rent Paid & Other Expenses		1,017,200.00	836,970.00
Hairdressing Training Materials			72,500.00
Timau Campus			125,750.00
Lighting spotlight			30,000.00
HELB		7,450.00	417,525.00
Timau Campus		563,904.00	
Ujuzi Manyattani		76,000.00	
Library Complex		12,000.00	
Merti T.V.C		608,058.00	
<b>Total expenses</b>		<b>33,043,750.00</b>	<b>40,917,592.00</b>
<b>Other gains/(losses)</b>			
Gain on sale of assets			
<b>Total other gains/(losses)</b>			
<b>Net Surplus for the year</b>		<b>25,609,551.00</b>	<b>13,295,461.00</b>
Attributable to:			
Surplus/(deficit) attributable to minority interest			
Surplus attributable to owners of the controlling entity			

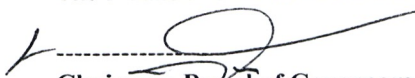
The notes set out on pages 7 to 44 form an integral part of the Annual Financial Statements.


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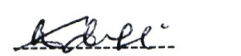
**V. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

		2019-2020	2018-2019
		KSh	KSh
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	26(a)	107,931,334.00	89,537,322.00
Receivables from exchange transactions	27(a)	19,201,814.00	30,817,217.00
Receivables from non-exchange transactions	28		1,448,639.00
Inventories		218,543.00	
		<b>127,351,691.00</b>	<b>121,803,178.00</b>
<b>Non-current assets</b>			
Property, plant and equipment	31	155,737,717.00	148,458,178.00
Investment property			
<b>Total assets</b>		<b>283,089,408.00</b>	<b>270,261,356.00</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	34	16,139,392.00	4,914,413.00
Refundable deposits from customers	35	117,333.00	135,500.00
Development Fund			503,218.00
Bus Project			1,174,200.00
Jua Kali Project			504,915.00
Production Unit			18,821.00
<b>Construction Projects Retention</b>			
<b>Mentored Institutions</b>			
Laikipia West T.T.I		2,679,875.00	2,608,793.00
Merti T.V.C		5,213,844.00	5,213,844.00
Igembe South T.T.I		1,478,970.00	1,291,985.00
<b>Library Complex</b>			
Corban Construction LTd		2,759,285.00	2,759,285.00
Famous general Contractors LTD		674,412.00	1,344,208.00
			20,469,182.00
<b>Non-current liabilities</b>			
Non-current employee benefit obligation			
<b>Total liabilities</b>		<b>29,063,111.00</b>	<b>20,469,182.00</b>
<b>Reserves, Surplus &amp; Capital Fund</b>			
Reserves			127,683,849.00
Accumulated surplus		92,943,721.00	67,334,170.00
Capital Fund		229,512,503.00	54,774,155.00
<b>Total net assets and liabilities</b>		<b>351,519,335.00</b>	<b>270,261,356.00</b>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Institute Council/ Board of Governors by:

  
 Chairman Board of Governors  
 Date.....10/11/2020

  
 Finance Officer  
 ICPAK No.25435  
 Date...10/11/2020

  
 Principal  
 Date...10/11/2020

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

	Revaluation Reserve	Fair value adjustment Reserve	Retained earnings	Capital/Development Grants/Fund	Total
<b>At July 1, 2019</b>	-	-	67,334,170.00	229,512,503.00	296,846,673.00
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	-	-	-
Capital/Development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-
<b>At June 30, 2019</b>	-	-	67,334,170.00	229,512,503.00	296,846,673.00
<b>At July 1, 2019</b>	-	-	67,334,170.00	229,512,503.00	296,846,673.00
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	25,609,551.00	-	25,609,551.00
Capital/Development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-
<b>At June 30, 2020</b>	-	-	92,943,721.00	229,512,503.00	322,456,224.00

Note:

1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustments should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.

VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other Government entities/Govt. grants	6	8,110,000.00	10,760,000.00
Rendering of services- Fees from students	10	35,962,551.00	31,392,885.00
Sale of goods			
Rental revenue from facilities and equipment	12	14,398,250.00	12,060,168.00
Other income	14	182,500.00	
<b>Total Receipts</b>		<b>58,653,301.00</b>	<b>54,213,053.00</b>
<b>Payments</b>			
Compensation of employees	16	6,390,443.00	6,832,929.00
Use of goods and services	15	17,823,460.00	1,259,753.00
Remuneration of directors and Meals	17	1,805,765.00	1,945,032.00
Repair & Maintenance	19	216,210.00	160,352.00
Rent paid & Other expenses		1,017,200.00	836,970.00
General Expenses		0	23,399,630.00
PAYE (Pay as You Eat) – Kitchen Expenses		4,523,260.00	5,837,151.00
Hair dressing Training materials			72,500.00
Timau Campus		563,904.00	125,750.00
Lighting spotlight			30,000.00
HELB		7,450.00	417,525.00
Ujuzi Manyattani		76,000.00	
Merti T,V,C		608,058.00	
Library Complex		12,000.00	
Other payments			
<b>Total Payments</b>		<b>33,043,750.00</b>	<b>40,917,592.00</b>
<b>Net cash flows from operating activities</b>		<b>25,609,551.00</b>	<b>13,295,461.00</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(7,215,539.00)	(48,409,234.00)
Increase in investments			
<b>Net cash flows used in investing activities</b>		<b>(7,215,539.00)</b>	<b>(48,409,234.00)</b>
<b>Cash flows from financing activities</b>			
Increase in deposits			709,368.00
<b>Net cash flows used in financing activities</b>		<b>18,393,852.00</b>	<b>(35,113,773.00)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>18,394,012.00</b>	<b>(35,823,141.00)</b>
Cash and cash equivalents at 1 JULY 2019		89,537,322.00	53,714,181.00
<b>Cash and cash equivalents at 30 JUNE</b>		<b>107,931,334.00</b>	<b>89,537,322.00</b>

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

	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Revenue</b>					
Transfers from other Govt entities Govt grants	14,000,000.00		14,000,000.00	8,110,000.00	5,890,000.00
Rendering of services- Fees from students	45,704,000.00		45,724,000.00	35,962,551.00	9,741,449.00
Revenue from facilities & Equipment	11,971,006		11,971,006	14,398,250.00	-2,427,244.00
Other Income				182,500.00	-182,500.00
<b>Total income</b>	<b>71,695,006.00</b>		<b>71,695,006.00</b>	<b>58,653,301.00</b>	<b>13,021,705.00</b>
<b>Expenses</b>					
Compensation of employees	9,916,152.00		9,916,152.00	6,390,443.00	3,525,709.00
Use of Goods and services	12,501,099.00		12,501,099.00	17,756,454.00	-5,255,355.00
Hostel Rent and other Expenses	800,000.00		800,000.00	1,017,200.00	-217,200.00
Remuneration of directors	3,082,525.00	-	3,082,525.00	1,805,765.00	1,276,760.00
Tuition	5,792,736.00	-	5,792,736.00	1,688,476.00	4,104,260.00
Co-Curriculum Activities	1,575,138.00		1,575,138.00	881,526.00	693,612.00
Students Attachment and Insurance	700,000.00		700,000.00	191,288.00	508,712.00
Advertisement	2,292,814.00		2,292,814.00	418,800.00	1,874,014.00
Research & Innovation	1,910,810.00		1,910,810.00	608,275.00	1,302,535.00
ISO,PC, Surveys & Policies	3,129,995.00		3,129,995.00	1,314,550.00	1,815,550.00
Development Account – Library Complex	10,000,000.00		10,000,000.00	1,695,978.00	8,304,022.00
Repairs & Maintenance	613,650.00		613,650.00	216,210.00	397,440.00
Pay as You Eat (PAYE)	8,520,620.00		8,520,620.00	4,523,260.00	3,997,360.00
Tablets	60,000.00		60,000.00	49,700.00	10,300.00
Generator Operationalization	500,000.00		500,000.00	203,581.00	296,419.00
Photocopier Machine	400,000.00		400,000.00	385,000.00	15,000.00
Gate, Guard house, Ablution block and Fencing	2,500,000.00		2,500,000.00	2,500,000.00	-
Management System Installation	1,500,000.00		1,500,000.00	1,500,000.00	-
Development	600,000.00		600,000.00		600,000.00

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IFMS – Training & Certification	1,000,000.00		1,000,000.00		1,000,000.00
Solar Panels & their Batteries	300,000.00		300,000.00		300,000.00
Kitchen Expansion & Equipment	4,000,000.00		4,000,000.00		4,000,000.00
Purchase of Land	4,000,000.00		4,000,000.00		4,000,000.00
Basket Ball Court	1,000,000.00		1,000,000.00		1,000,000.00
Lecture chairs	1,320,000.00		1,320,000.00		1,320,000.00
Four Teachers House	2,000,000.00		2,000,000.00		2,000,000.00
<b>Total expenditure</b>	<b>80,015,539.00</b>		<b>80,015,539.00</b>	<b>43,146,506.00</b>	<b>36,869,138.00</b>
<b>Surplus for the period</b>	<b>(8,320,533.00)</b>		<b>(8,320,533.00)</b>	<b>15,506,795.00</b>	<b>(23,847,433.00)</b>

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**IX. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

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

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

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

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

**3. ADOPTION OF NEW AND REVISED STANDARDS**

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

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

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

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

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<b>IPSAS 42:</b> Social Benefits	<b>Applicable: 1<sup>st</sup> January 2022</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ol>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<b>Applicable: 1st January 2022:</b> <ol style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for</li> </ol>

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Standard	Effective date and impact:
	<p>accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.  Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.  Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).  Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

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**iii. Early adoption of standards**

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

**Rendering of services**

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

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

**Sale of goods**

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

**Interest income**

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

**Dividends**

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

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**a) Revenue recognition (Continued)**

**ii) Revenue from exchange transactions (continued)**

**Rental income**

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

**b) Budget information**

The original budget for FY 2019/2020 was approved by the Council or Board on **06/09/2019**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of **xxxx** on the FY 2019/2020 budget following the Council/ Board's approval.

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

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

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

**c) Taxes**

**Current income tax**

The entity is exempt from paying taxes.

**Sales tax/ Value Added Tax**

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

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

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

**TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d) Investment property**

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

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

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

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

**e) Property, plant and equipment**

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

**f) Leases**

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

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

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

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

**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.

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.

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Held-to-maturity***

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

***Impairment of financial assets***

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

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**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Financial instruments (Continued)**

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

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

*Financial liabilities*

*Initial recognition and measurement*

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

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

*Loans and borrowing*

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

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

**i) Inventories**

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

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

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

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Inventories (Continued)**

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

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

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

**j) Provisions**

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

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

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

***Contingent liabilities***

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

***Contingent assets***

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

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k) Nature and purpose of reserves**

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

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

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

**m) Employee benefits**

**Retirement benefit plans**

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

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

**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

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

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**p) Related parties**

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

**q) Service concession arrangements**

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

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

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

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

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

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

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**6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

Description	2019-2020	2018-2019
	KShs	KShs
<b>Unconditional grants</b>		
Operational grant		4,500,000.00
Capitation Grants	7,110,000.00	4,260,000.00
Merti T.V.C Grants	1,000,000.00	2,000,000.00
<b>Total Unconditional grants</b>	<b>8,110,000.00</b>	<b>10,760,000.00</b>
<b>Conditional grants</b>		
Library grant	-	2,547,250.00
Igembe South T.T.I	-	23,394,453.00
Laikipia West T.T.I	-	16,880,528.00
<b>Total conditional grants</b>	<b>0</b>	<b>42,822,231.00</b>

**6b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES**

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in current fund	Total grant income during the year	2019-2020
	KShs	KShs	KShs	KShs	KShs
Ministry/State Department	8,110,000.00	0	0	8,110,000.00	8,110,000.00
Ministry	0	0	0	0	0
<b>Total</b>	<b>8,110,000.00</b>	<b>0</b>	<b>0</b>	<b>8,110,000.00</b>	<b>8,110,000.00</b>

*(Ensure that the amount recorded above as having been received from the Ministry fully reconciles to the amount recorded by the sending Ministry. An acknowledgement note/receipt should be raised in favour of the sending Ministry. The details of the reconciliation have been included under appendix xxx)*

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**7 GRANTS FROM DONORS AND DEVELOPMENT PARTNERS**

Description	2019-2020 KShs	2018-2019 KShs
JICA- Research grant	0	0
World Bank grants	0	0
Other grants	0	0
<b>Total grants from development partners</b>	<b>0</b>	<b>0</b>

**Reconciliations of grants from donors and development partners**

Description	2019-2020 KShs	2018-2019 KShs
<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>
Current year receipts	0	0
Conditions met - transferred to revenue	0	0
<b>Conditions to be met - remain liabilities</b>	<b>0</b>	<b>0</b>

**8 TRANSFERS FROM OTHER LEVELS OF GOVERNMENT**

Description	2019-2020 KShs	2018-2019 KShs
Transfer from County xxx	0	0
Transfer from xxx University	0	0
Transfer from xxx institute	0	0
<b>Total Transfers</b>	<b>0</b>	<b>0</b>

**9 PUBLIC CONTRIBUTIONS AND DONATIONS**

Description	2019-2020 KShs	2018-2019 KShs
Public donations	0	0
Donations from local leadership	0	0
Donations from religious institutions	0	0
Donations from alumni	0	0
Other donations	0	0
<b>Total donations and sponsorships</b>	<b>0</b>	<b>0</b>

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**10 RENDERING OF SERVICES**

Description	2019-2020	2018-2019
Tuition fees	4,524,333.00	5,032,667.00
Activity fees	1,600,867.00	1,126,667.00
Examination fees	6,483,148.00	4,599,740.00
Exams Practical Materials	1,985,590.00	
Personal Emoluments	5,556,480.00	7,392,600.00
Students Insurance		409,910.00
Registration fees	117,333.00	163,167.00
Administration cost	1,447,000.00	1,496,000.00
ICT Fund	1,447,000.00	991,600.00
PTA		196,000.00
BoG Teacher Levy	2,170,500.00	1,126,667.00
Students Welfare	1,465,333.00	1,231,867.00
Local, Transport & Travel	2,170,500.00	1,126,667.00
Repair, Maintenance & Improvement	1,447,000.00	901,333.00
Contingency		300,333.00
Electricity, Water & Conservancy	1,491,000.00	1,652,667.00
Bus Project		1,802,000.00
Development	1,447,000.00	1,834,000.00
Industrial Attachment & Insurance	1,311,467.00	9,000.00
HELB	98,000.00	
Ujuzi Manyattani	1,200,000.00	
<b>Total revenue from the rendering of services</b>	<b>35,962,551.00</b>	<b>31,392,883.00</b>

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

**11 SALE OF GOODS**

Description	2019-2020 KShs	2018-2019 KShs
<b>Sale of goods</b>		
Sale of books	0	0
Sale of publications	0	0
Sale of farm produce	0	0
Other (include in line with your organisation)	0	0
<b>Total revenue from the sale of goods</b>	<b>0</b>	<b>0</b>

**12 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT**

Description	2019-2020 KShs	2018-2019 KShs
Bus Hire	265,500.00	397,800.00
Pay as You Eat (Kitchen Income)	12,169,750.00	9,892,418.00
Hostels	1,963,000.00	1,769,950.00
<b>Total rentals</b>	<b>14,398,250.00</b>	<b>12,060,168.00</b>

**13 FINANCE INCOME**

Description	2019-2020 KShs	2018-2019 KShs
Cash investments and fixed deposits	0	0
Interest income from Treasury Bills	0	0
Interest income from Treasury Bonds	0	0
Interest from outstanding debtors	0	0
<b>Total finance income</b>	<b>0</b>	<b>0</b>

**14 OTHER INCOME**

Description	2019-2020 KShs	2018-2019 KShs
Insurance recoveries	0	0
Consultancy fees	0	0
Income from sale of tender	175,000.00	0
Library Charges	7,500.00	0
Services concession income	0	0
Skills development levy	0	0
Income from disposal of assets	0	0
<b>Total other income</b>	<b>182,500.00</b>	<b>0</b>

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

**15 USE OF GOODS AND SERVICES**

Description	2019-2020 KShs	2018-2019 KShs
Electricity & Electricity	897,578.00	1,259,753.00
Advertising	418,800.00	44,500.00
Admin fees	2,675,557.00	3,103,822.00
Local, Transport & Travel	3,205,429.00	1,750,159.00
ISO,PC, Surveys & Policies	1,314,445.00	879,548.00
Registration	7,000.00	40,080.00
Students Insurance	163,388.00	77,571.00
Students Welfare	267,715.00	396,856.00
Research & Innovation	608,275.00	1,503,961.00
Bus Expense	591,291.00	536,262.00
Graduation	-	1,238,490.00
Bank charges		1,500.00
ICT Fund	204,182.00	135,019.00
Examination Fees	3,513,425.00	4,166,590.00
Hostel Renovation	-	1,952,500.00
Activity	881,526.00	1,246,044.00
Consumables – Training Materials	1,688,476.00	4,342,524.00
Training expenses – Staff Training & Capacity building	776,773.00	1,984,204.00
KATTI, ICPAK & CAPA Membership	214,200.00	-
Attachment	27,900.00	
Laikipia West T.T.I	367,500.00	
<b>Total good and services</b>	<b>17,823,460.00</b>	<b>24,659,383.00</b>

NOTE: The total for FY 2018-2019 has increased with **kshs.1,259,753.00** from **ksh.23,399,630.00** to **kshs.24,659,383.00** because in FY 2018-2019 the vote head of use of Goods and Services and General Expenses were separate vote heads but in FY 2019-2020 is under one vote head Use of Goods and Services

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**16 EMPLOYEE COSTS**

	2019-2020 KShs	2018-2019 KShs
Salaries and wages	6,390,443.00	6,832,929.00
Employee related costs - contributions to pensions and medical aids	0	0
Travel, motor car, accommodation, subsistence and other allowances	0	0
Housing benefits and allowances	0	0
Overtime payments	0	0
Performance and other bonuses	0	0
Social contributions	0	0
<b>Employee costs</b>	<b>6,390,443.00</b>	<b>6,832,929.00</b>

**17 REMUNERATION OF DIRECTORS**

Description	2019-2020 KShs	2018-2019 KShs
Chairman's Honoraria	0	0
Directors emoluments	1,805,765.00	1,945,032.00
Other allowances	0	0
<b>Total director emoluments</b>	<b>1,805,765.00</b>	<b>1,945,032.00</b>

**18 DEPRECIATION AND AMORTIZATION EXPENSE**

Description	2019-2020 KShs	2018-2019 KShs
Property, plant and equipment	0	0
Intangible assets	0	0
Investment property carried at cost	0	0
<b>Total depreciation and amortization</b>	<b>0</b>	<b>0</b>

**19 REPAIRS AND MAINTENANCE**

Description	2019-2020 KShs	2018-2019 KShs
Property	0	0
Investment property – earning rentals	0	0
Equipment and machinery	0	0
Vehicles	0	0
Furniture and fittings	0	0
Computers and accessories	0	0
General Repairs	216,210.00	160,352.00
<b>Total repairs and maintenance</b>	<b>216,210.00</b>	<b>160,352.00</b>

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20 CONTRACTED SERVICES

Description	2019-2020 KShs	2018-2019 KShs
Actuarial valuations	0	0
Investment valuations	0	0
Property valuations	0	0
<b>Total contracted services</b>	<b>0</b>	<b>0</b>

21 GRANTS AND SUBSIDIES

Description	2019-2020 KShs	2018-2019 KShs
Community development	0	0
Education initiatives and programs	0	0
Social development	0	0
Community trust	0	0
Sporting bodies	0	0
<b>Total grants and subsidies</b>	<b>0</b>	<b>0</b>

22 FINANCE COSTS

Description	2019-2020 KShs	2018-2019 KShs
Borrowings (amortized cost)*	0	0
Finance leases (amortized cost)	0	0
Unwinding of discount	0	0
Interest on Bank overdrafts	0	0
Interest on loans from commercial banks	0	0
<b>Total finance costs</b>	<b>0</b>	<b>0</b>

23 GAIN ON SALE OF ASSETS

Description	2019-2020 KShs	2018-2019 KShs
	0	0
Property, plant and equipment	0	0
Intangible assets	0	0
Other assets not capitalised	0	0
<b>Total gain on sale of assets</b>	<b>0</b>	<b>0</b>

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**24 UNREALIZED GAIN ON FAIR VALUE INVESTMENTS**

Description	2019-2020 KShs	2018-2019 KShs
Investments at fair value	0	0
<b>Total gain</b>	<b>0</b>	<b>0</b>

**25 IMPAIRMENT LOSS**

Description	2019-2020 KShs	2018-2019 KShs
Property, plant and equipment	0	0
Intangible assets	0	0
<b>Total impairment loss</b>	<b>0</b>	<b>0</b>

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**26 CASH AND CASH EQUIVALENTS**

Description	2019-2020 KSh	2018-2019 KSh
Current account	0	0
On - call deposits	0	0
Fixed deposits account	0	0
Staff car loan/ mortgage	0	0
Others(specify)	0	0
<b>Total cash and cash equivalents</b>	<b>0</b>	<b>0</b>

*(The amount should agree with the closing and opening balances as included in the statement of cash flows)*

**26 (a). DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS**

Financial institution	Account number	2019-2020 KSh	2018-2019 KSh
<b>a) Current account</b>			
Co-operative Bank - Operations	01139020668101	4,071,356.00	42,657,637.00
Co-operative Bank - Development	01139020668100	68,997,191.00	24,149,100.00
Co-operative Bank – Merti T.V.C	01141437222600	6,316,757.00	4,617,717.00
Equity Bank – Institute fund	1040298395060	28,507,047.00	7,284,508.00
Equity Bank – Laikipia west T.T.I	1040273638568	160.00	10,000,000.00
<b>Sub- total</b>		<b>107,892,511.00</b>	<b>88,708,962.00</b>
<b>b) On - call deposits</b>			
Kenya Commercial bank		0	0
Equity Bank – etc		0	0
<b>Sub- total</b>		<b>0</b>	<b>0</b>
<b>c) Fixed deposits account</b>			
Kenya Commercial bank		0	0
Bank B		0	0
<b>Sub- total</b>		<b>0</b>	<b>0</b>
<b>d) Staff car loan/ mortgage</b>			
Kenya Commercial bank		0	0
Bank B		0	0
<b>Sub- total</b>		<b>0</b>	<b>0</b>
<b>e) Others(specify)</b>			
Cash in transit		0	0
cash in hand		28,323.00	83,635.00
M pesa		10,500.00	744,725.00
<b>Sub- total</b>		<b>38,823.00</b>	<b>828,360.00</b>
<b>Grand total</b>		<b>107,931,334.00</b>	<b>89,537,322.00</b>

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**27 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

**27(a) RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Description	2019-2020 KShs	2018-2019 KShs
<b>Current receivables</b>		
Student debtors	18,971,814.00	30,817,217.00
Employees Advances	230,000.00	
Rent debtors	0	0
Consultancy debtors	0	0
Other exchange debtors	0	0
Less: impairment allowance	0	0
<b>Total current receivables</b>	<b>19,201,814.00</b>	<b>30,817,217.00</b>

**27(b) RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Description	2019-2020 KShs	2018-2019 KShs
<b>Non-current receivables</b>		
Refundable deposits	0	0
Advance payments	0	0
Public organizations	0	0
Less: impairment allowance	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
Current portion transferred to current receivables	0	0
<b>Total non-current receivables</b>	<b>0</b>	<b>0</b>
<b>Total receivables</b>	<b>0</b>	<b>0</b>

**28 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Description	2019-2020 KShs	2018-2019 KShs
<b>Current receivables</b>		
Transfers from other govt. entities	0	0
Undisbursed donor funds	0	0
<b>Other debtors (non-exchange transactions)</b>		
Laikipia west T.T.I	0	758,640.00
Igembe South T.T.I	0	295,000.00
Merti T.V.C	0	348,000.00
Library Complex	0	46,999.00
Less: impairment allowance	0	0
<b>Total current receivables</b>	<b>0</b>	<b>1,448,639.00</b>

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**29. INVENTORIES**

Consumable stores	0	0
Maintenance stores	0	0
Health Unit stores	0	0
Electrical stores	0	0
Cleaning materials stores	0	0
Catering stores	0	0
<b>Total inventories at the lower of cost and net realizable value</b>	<b>0</b>	<b>0</b>

**30. INVESTMENTS**

<b>a) Investment in Treasury bills and bonds</b>		
<b>Financial institution</b>		
CBK	0	0
CBK	0	0
<b>Sub- total</b>	<b>0</b>	<b>0</b>
<b>b) Investment with Financial Institutions/ Banks</b>		
Bank x	0	0
Bank y	0	0
<b>Sub- total</b>	<b>0</b>	<b>0</b>
<b>c) Equity investments (specify)</b>		
Equity/ shares in company xxx	0	0
<b>Sub- total</b>	<b>0</b>	<b>0</b>
<b>Grand total</b>	<b>0</b>	<b>0</b>

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**d) Shareholding in other entities**

For investments in equity share listed under note 30 (c) above, list down the equity investments under the following categories:

Name of entity where investment is held	No of shares			Nominal value of shares	Fair value of shares - Current year	Fair value of shares - Prior year
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%	Shs	Shs	Shs
Entity A	0	0	0	0	0	0
Entity B	0	0	0	0	0	0
Entity C	0	0	0	0	0	0
Entity D	0	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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**31. PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings	Plant and equipment	Other assets	Intangible assets	Accumulated depreciation	Accumulated impairment	At 30 <sup>th</sup> June 2020	At 30 <sup>th</sup> June 2019
At 1 July 2019	0	0	547,500.00	1,401,600.00	581,500.00	0	145,927,578.00	148,458,178.00
Additions			-	248,200.00	1,280,750.00	1,193,581.00	4,493,008.00	7,215,539.00
Disposals								
Transfers/adjustments								
At 30 <sup>th</sup> June 2020			0	1,649,800.00	1,862,250.00	1,193,581.00	150,420,586.00	155,737,717.00
Additions								
Disposals								
Transfer/adjustments								
At 30 <sup>th</sup> June 2020			0	1,649,800.00	1,862,250.00	1,193,581.00	150,420,586.00	155,737,717.00
Depreciation and impairment								
Depreciation								
Impairment								
At 30 <sup>th</sup> June 2020			0	1,649,800.00	1,862,250.00	1,193,581.00	150,420,586.00	155,737,717.00
Depreciation								
Disposals								
Transfer/adjustment								
At 30 <sup>th</sup> June 2020			0	1,649,800.00	1,862,250.00	1,193,581.00	150,420,586.00	155,737,717.00
Net book values								
At 30 <sup>th</sup> June 2020			0	1,649,800.00	1,862,250.00	1,193,581.00	150,420,586.00	155,737,717.00
At 30 <sup>th</sup> June 2020			0	1,649,800.00	1,862,250.00	1,193,581.00	150,420,586.00	155,737,717.00
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**32. INTANGIBLE ASSETS-SOFTWARE**

Description	2019-2020 KShs	2018-2019 KShs
<b>Cost</b>		
<b>At beginning of the year</b>	0	0
Additions	0	0
<b>At end of the year</b>	0	0
Additions-internal development	0	0
<b>At end of the year</b>	0	0
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	0	0
Amortization	0	0
<b>At end of the year</b>	0	0
Impairment loss	0	0
<b>At end of the year</b>	0	0
<b>NBV</b>	0	0

**33. INVESTMENT PROPERTY**

Description	2019-2020 KShs	2018-2019 KShs
<b>At beginning of the year</b>		0
	0	
Additions	0	0
Fair value gain	0	0
Depreciation(where investment property is at cost)	0	0
<b>At end of the year</b>	0	0

**34. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Description	2019-2020 KShs	2018-2019 KShs
Trade payables	5,576,705.00	4,205,045.00
Fees paid in advance	9,356,687.00	709,368.00
Hostels Income paid in advance	1,206,000.00	
Third-party payments	0	0
Other payables	0	0
<b>Total trade and other payables</b>	<b>16,139,392.00</b>	<b>4,914,413.00</b>

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**35. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS**

Description	2019-2020 KShs	2018-2019 KShs
Consumer deposits	0	0
Caution money	117,333.00	135,000.00
Other refundable deposits	0	0
<b>Total deposits</b>	<b>117,333.00</b>	<b>135,000.00</b>

**36. CURRENT PROVISIONS**

Description	Lease provision KShs	Contingent provision KShs	Other provision KShs	Total KShs
<b>Balance at the beginning of the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Additional Provisions	0	0	0	0
Provision utilised	0	0	0	0
Change due to discount and time value for money	0	0	0	0
Transfers from non-current provisions	0	0	0	0
<b>Total provisions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**37. FINANCE LEASE OBLIGATION**

Description	Minimum lease payments	Finance charges	Present value of minimum lease payments	20xx-20xx
	KShs	KShs	KShs	KShs
Within current year	0	0	0	0
Long term portion of lease payments	0	0	0	0
<b>Total provisions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**38. DEFERRED INCOME**

Description	2019-2020 KShs	2018-2019 KShs
National government	0	0
International funders	0	0
Public contributions and donations	0	0
<b>Total deferred income</b>	<b>0</b>	<b>0</b>

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The deferred income movement is as follows:

	National government	International traders/donors	Public contributions and donations	Total
Balance brought forward	0	0	0	0
Additions during the year	0	0	0	0
Transfers to Capital fund	0	0	0	0
Transfers to income statement	0	0	0	0
Other transfers	0	0	0	0
Balance carried forward	0	0	0	0

**39. EMPLOYEE BENEFIT OBLIGATIONS**

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2019-2020	2018-2019
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	0	0	0	0	0
Non-current benefit obligation	0	0	0	0	0
<b>Total employee benefits obligation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The entity does not operate a defined benefit scheme for all full-time employees.

	2019-2020	2018-2019
	KShs	KShs
Valuation at the beginning of the year	0	0
Changes in valuation during the year	0	0
Valuation at end of the year	0	0

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at **Kshs.400.00** per employee per month.

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**40. NON-CURRENT PROVISIONS**

Description	Long service leave	Other provisions	Total
	KShs	KShs	KShs
Balance at the beginning of the year	0	0	0
Additional Provisions	0	0	0
Provision utilised	0	0	0
Change due to discount and time value for money	0	0	0
Less: Current portion	0	0	0
<b>Total deferred income</b>	<b>0</b>	<b>0</b>	<b>0</b>

**41. BORROWINGS**

Description	2019-2020	2018-2019
	KShs	KShs
Balance at beginning of the period	0	0
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the year	0	0
Repayments of domestic borrowings during the year	0	0
Balance at end of the period	<b>0</b>	<b>0</b>

**41(a) ANALYSIS OF EXTERNAL AND DOMESTIC BORROWINGS**

	2019-2020	2018-2019
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from 'xxx organisation'	0	0
Sterling Pound denominated loan from 'yyy organisation'	0	0
Euro denominated loan from 'zzz organisation'	0	0
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB	0	0
Kenya Shilling loan from Barclays Bank	0	0
Kenya Shilling loan from Consolidated Bank	0	0
<b>Total balance at end of the year</b>	<b>0</b>	<b>0</b>

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**41(b) BREAKDOWNS OF LONG- AND SHORT-TERM BORROWINGS**

Description	2019-2020 KShs	2018-2019 KShs
Short term borrowings(current portion)	0	0
Long term borrowings	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**42. SERVICE CONCESSION ARRANGEMENTS**

Description	2019-2020 KShs	2018-2019 KShs
Fair value of service concession assets recognized under PPE	0	0
Accumulated depreciation to date	0	0
Net carrying amount	<u>0</u>	<u>0</u>
Service concession liability at beginning of the year	0	0
Service concession revenue recognized	0	0
Service concession liability at end of the year	<u>0</u>	<u>0</u>

**43. CASH GENERATED FROM OPERATIONS**

Description	2019-2020 KShs	2018-2019 KShs
Surplus for the year before tax		
<b>Adjusted for:</b>		
Depreciation		
Non-cash grants received		
Contributed assets		
Impairment		
Gains and losses on disposal of assets		
Contribution to provisions		
Contribution to impairment allowance		
Finance income		
Finance cost		
<b>Working Capital adjustments</b>		
Increase in inventory		
Increase in receivables		
Increase in deferred income		
Increase in payables		
Increase in payments received in advance		
<b>Net cash flow from operating activities</b>		

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

**44. FINANCIAL RISK MANAGEMENT**

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

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

**(i) Credit risk**

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

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

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

	Total amount KSh	Impairment KSh	Exposure KSh	Impaired KSh
<b>At 30 June 2020</b>				
Receivables from exchange transactions				
Receivables from non exchange transactions				
Bank balances				
<b>Total</b>				
<b>At 30 June 20xx</b>				
Receivables from exchange transactions				
Receivables from non exchange transactions				
Bank balances				
<b>Total</b>				

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**45. FINANCIAL RISK MANAGEMENT (Continued)**

**(i) Credit risk (continued)**

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

The entity has significant concentration of credit risk on amounts due from xxxx  
 The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**(ii) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 3 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 20xx</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
<b>Total</b>				
<b>At 30 June 20xx</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
<b>Total</b>				

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**45. 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.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

At 30 June 20xx			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**45. FINANCIAL RISK MANAGEMENT (Continued)**

- (iii) Market risk (Continued)  
a) Foreign currency risk (Continued)

	KSh	Other currencies	Total
	KShs	KShs	KShs
<b>At 30 June 201xx</b>			
Financial assets(investments, cash ,debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in exchange rate	Effect on Profit before tax	Effect on Equity
	KShs	KShs	KShs
<b>20xx</b>			
Euro	10%		
USD	10%		
<b>20xx</b>			
Euro	10%		
USD	10%		

- 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.

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**45. FINANCIAL RISK MANAGEMENT (Continued)**

- (iii) Market risk (Continued)  
 b) Interest rate risk(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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2016: KShs xxx ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2012 – KShs xxx)

**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:

	2019-2020	2018-2019
	KShs	KShs
Revaluation reserve		
Retained earnings		
Capital reserve		
<b>Total funds</b>		
Total borrowings		
Less: cash and bank balances		
Net debt/(excess cash and cash equivalents)		
<b>Gearing</b>		

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**46. RELATED PARTY BALANCES**

**Nature of related party relationships**

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

**Government of Kenya**

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

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

	2019-2020	2018-2019
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of goods to		
Sales of services		
<b>Total</b>		
<b>b) Grants from the Government</b>		
Grants from National Govt		
Grants from County Government		
Donations in kind		
<b>Total</b>		
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees		
Payments for goods and services for		
<b>Total</b>		
<b>d) Key management compensation</b>		
Directors' emoluments		
Compensation to the CEO		
Compensation to key management		
<b>Total</b>		

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**47. SEGMENT INFORMATION**

**48. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent liabilities	2019-2020 Kshs	2018-2019 Kshs
Court case against the company		
Bank guarantees in favour of subsidiary		
<b>Total</b>		

*(Give details)*

**49. CAPITAL COMMITMENTS**

Capital commitments	2019-2020	2018-2019
	Kshs	Kshs
Authorised for		
Authorised and contracted for		
<b>Total</b>		

**50. EVENTS AFTER THE REPORTING PERIOD**

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

**51. 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.

**52. Currency**

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

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**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

**Guidance Notes:**

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

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

Date.....18/11/2020

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**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	N/A	N/A	N/A	N/A	N/A	N/A
2	N/A	N/A	N/A	N/A	N/A	N/A

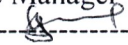
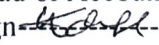
**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Library Complex	110,790,566.00	55,807,024.00	50.37			GoK
2	Merti T.V.C	57,834,143.00	52,138,447.00	90.15			GoK
3	Laikipia West T.T.I	55,471,853.00	26,799,266.00	48.31			GoK
4.	Igembe South T.T.I	57,520,415.00	14,789,701.00	25.71			GoK
	<b>Total</b>	<b>281,616,977.00</b>	<b>149,534,438.00</b>				

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**APPENDIX III: INTER-ENTITY TRANSFERS**

ENTITY NAME:				
<b>Break down of Transfers from the State Department of</b>				
<b>FY xx/xx</b>				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>		
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>		
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>		
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>		

The above amounts have been communicated to and reconciled with the parent Ministry  
 Finance Manager Sign  Head of Accounting Unit Sign 

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**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized				Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	
Ministry of Education		Recurrent	8,110,000.00	8,110,000.00				
Ministry of Education		Development						
USAID		Donor Fund						
Ministry of Education		Direct Payment						
<b>Total</b>			8,110,000.00	8,110,000.00				