

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL INDUSTRIAL TRAINING
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2013**

REPUBLIC OF KENYA



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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON NATIONAL INDUSTRIAL TRAINING AUTHORITY FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Industrial Training Authority set out on pages 12 to 28, which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in reserves and statement of cash flows 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 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act 2003.

Auditor General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

Basis for Adverse Opinion

1. Investments

As previously reported, the statement of financial position as at 30 June 2013 includes an amount of Kshs.7,017,240 relating to investments in shares held in the Consolidated Bank of Kenya Ltd which were acquired in 1993 as explained under Note 10 to the financial statements. However, and as reported in 2011/2012 and earlier, no dividends have been recorded or received from the investments since they were acquired in 1993. Further, and as noted in the previous year, no provision has been made in the financial statements for the diminution in value of the investments.

2. Deposits

As previously reported, the statement of financial position reflects deposits balance of Kshs.129,466,000 held with collapsed banks, being deposits placed in eleven financial institutions which have since been placed under liquidation. Recoverability of these deposits however is doubtful yet no provision has been made in the financial statements regarding this amount. In the circumstances, it has not been possible to confirm the short term deposits balance of Kshs.129,466,000 as at 30 June 2013.

3. Cash and Cash Equivalents

(i) National Bank of Kenya

As reported in the previous year, the cash and cash equivalents balance of Kshs.325,743,000 includes a balance of Kshs.58,474,710 in respect of National Bank of Kenya whereby the balances shown in certificates of bank balance were used instead of reconciled cash book balance. In addition, included in the bank reconciliation statements are unrepresented stale cheques, receipts in bank statement not recorded in cash book, payments in bank statement not yet recorded in cash book and receipts in cash book not yet recorded in the bank statement of

Kshs.54,062,734, Kshs.7,700,356, Kshs.11,289,551 and Kshs.252,375 respectively, which had been outstanding for more than three years.

(ii) Kenya Commercial Bank

Further, the cash and cash equivalents balance of Kshs.325,743,000 as at 30 June 2013 includes Kshs.193,007,608 in respect of Kenya Commercial Bank where the management used certificate of bank balance instead reconciled cash book balance, as no reconciliations were done on this account.

(iii) Standard Chartered Bank

Similarly, included in cash and cash equivalent balance of Kshs.325,743,000 is Kshs.227,403 relating to a Standard Chartered Bank Account. The Authority did not maintain a cash book for the bank account and details as to what the account was opened for were scanty.

In the circumstances, it has not been possible to confirm that the cash and cash equivalents balance of Kshs.325,743,000 as at 30 June 2013 is fairly stated.

4. Property, Plant and Equipment

The statement of financial position as at 30 June, 2013 reflects property, plant and equipment balance of Kshs.38,845,000 which does not include various parcels of land and buildings of undetermined values inherited from the parent Ministry when the Authority became an autonomous entity.

Further, the Authority did not maintain full records of assets especially for land and buildings in Nairobi Headquarters, Textile Training Centre (TTC) in Kitengela and in other regional centres at Kisumu, Nakuru and Mombasa. Although a disclosure has been made in the financial statements, there were no records to indicate that the land and buildings are owned by the Authority since the delinking process from the Ministry of Labour had not been completed as at 30 June 2013. In addition, the Authority has several obsolete/unserviceable equipment and other assets of undetermined value in most of its centres which have not been disclosed in the financial statements.

Consequently, it has not been possible to confirm that property, plant and equipment balance of Kshs.38,845,000 is fairly stated as at 30 June 2013.

5. Board Expenses

The statement of comprehensive income for the year ended 30 June, 2013 reflects Board expenses figure of Kshs.16,662,000. The figure includes an amount totalling to Kshs.2,175,770 paid to the Chairman of the Board, representing approximately 13% of the total board expenses. The schedule of Board meetings provided for audit

scrutiny revealed that the Chairman attended the meetings very frequently and almost on weekly basis. However, no details were made available for audit verification and confirmation of the invitations to the meetings and nature of activities he was undertaking to warrant such payments during the year under review.

In the circumstances, it has not been possible to confirm the propriety of the Board expenses figure of Kshs.2,175,770.

Adverse Opinion

In my opinion, because of significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly the financial position of the Authority as at 30 June 2013, and of its financial performance and cash flows for the year then ended in accordance with International Financial

Reporting Standards and do not comply with Industrial Training Act, Cap 237 of the Laws of Kenya as amended by Act, No.34 of 2011.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

8 August 2014

Annual Report and Accounts

2012 - 2013

NATIONAL INDUSTRIAL TRAINING AUTHORITY

Annual Report and Accounts

2012- 2013

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CORPORATE INFORMATION

Principal Place of Business & registered Office

Commercial Street, Industrial Area

P.O. Box 74494 – 00200, NAIROBI

KENYA

Email: info@nita.go.ke

Website: www.nita.go.ke

Principal Bankers

Kenya Commercial Bank, Industrial Area Branch,

P.O. Box 18031 – 00500, NAIROBI

KENYA

National Bank of Kenya, Harambee Avenue
Branch

P.O. BOX 41862- 00100

Nairobi

KENYA

Auditor

Auditor- General

12th Floor, Anniversary Towers

University Way

Secretary to the Board

F.M Gitaka

Commercial Street, Industrial Area

P.O. Box 74494 – 00200, NAIROBI

KENYA

BOARD OF DIRECTORS

Prof. Thomas Ekamais Akuja	Chairman
Ernest Nadome	Vice Chairman
Jacqueline Mugo, OGW	Member
Rajabu Mwondi, MBS	Member
Hirji Shah, OGW	Member
Eng. Aram Mbui	Member
Tom Khakame	Member
George M. Muchai, MBS	Member
Alfred Mogere	Member
Mutinda Mwaa	Member
Chris S. Nambanga	Member
Elizabeth Kimenyi	Ag. Director General/Secretary(Retired: 30-10-2012)
Patrick Omutia	Director General/Secretary (Retired:26-06-2013)
F.M. Gitaka	Ag. Director General (Appointed:27-06-2013)

DIRECTORS' REPORT

The Directors submit this report and the audited accounts for the year ended 30 June 2013 which show the state of the Authority's affairs with respect to the Training levy fund.

ESTABLISHMENT

The Authority is established in Kenya under the Industrial Training (Amendment Act No. 34 of 2011). It is a Semi autonomous government agency under the Ministry of Labour, Social Security and Services.

PRINCIPAL ACTIVITY

The Authority provides, facilitates, promotes, regulates and coordinates integrated industrial training for a globally competitive human resource.

RESULTS

The results for the year are summarized below:

	2013	2012
	KSh'000	KSh'000
Surplus for the Year	<u>134,368</u>	<u>107,640</u>

FINANCIAL STATEMENTS

As at the date of this report, the Directors were not aware of any circumstances which would have rendered the values attributed to the assets in the financial statements misleading.

DIRECTORS

The Directors who served during the year and to the date of this report were as listed here below.

Prof. Thomas Ekamais Akuja	Chairman	Appointed on 14 May 2012
Ernest Nadome	Vice Chairman	Effective on 11 March 2013
Jacqueline Mugo, OGW	Member	Appointed on 14 May 2012
Rajabu Mwondi, MBS	Member	Appointed on 14 May 2012
Hirji Shah, OGW	Member	Appointed on 14 May 2012
Eng. Aram Mbui	Member	Appointed on 14 May 2012
Tom Khakame	Member	Appointed on 14 May 2012
George M. Muchai, MBS	Member	Appointed on 14 May 2012
Alfred Mogere	Member	Appointed on 14 May 2012
Mutinda Mwaa	Member	Appointed on 14 May 2012
Chris S. Nambanga	Member	Appointed on 14 May 2012
Elizabeth Kimenyi	Ag. Director General/Secretary	Appointed on 14 May 2012 & Retired on 30 October 2012
Patrick Omutia	Director General/Secretary	Retired on 26 June 2013
F.M Gitaka	Ag. Director General/Secretary	Appointed 27 June 2013

KEY OFFICERS

Elizabeth Kimenyi	Ag. Director General (Retired on 30 October 2012)
Patrick Omutia	Director General(Retired on 26 June 2013)
Francis Gitaka	Ag. Director General/(Appointed on 27 June 2013)
Justus Mwilidza	Ag. Director/Operations

DIRECTORS' BENEFITS

Since the last Annual Report of the Authority (then Directorate of Industrial Training) to the date of this report , no Director has received or become entitled to receive any benefit other than Directors' fees and amounts received under employment contract for the Director General. The aggregate amount of emoluments for Directors' services rendered in the financial year is disclosed in notes 4(iii) and 9.

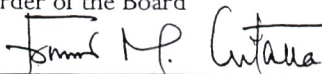
AUDIT AND COMPLIANCE COMMITTEE

Chris S. Nambanga	Chairman
Rajabu Mwondi, MBS	Member
Hirji Shah, OGW	Member
Tom Khakame	Member
Ernest Nadome	Member
Paul M. Mutuku	Senior Internal Auditor/Secretary

INDEPENDENT AUDITORS

The Auditor -General is the independent auditor in accordance with the Public Audit Act, 2003 and the State Corporations Act CAP 446 and continues in office.

By order of the Board



F.M Gitaka – Ag. Director General/Secretary

CORPORATE GOVERNANCE STATEMENT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The Authority is committed to the Standards of good Corporate Governance. The following disclosures aim at emphasizing this commitment.

ROLE OF THE BOARD

The Board is responsible for:

- Development and formulation of policy
- Establishing the strategic plan and guiding its implementation.
- Ensuring that appropriate management structures are in place
- Approving performance targets including budgets and monitoring their achievements.
- Ensuring preparation and presentation of the annual financial statements in accordance with International Financial Reporting Standards and disclosures of other relevant information to stakeholders including the public.
- Identifying and mitigating risks and overseeing the implementation of governance processes that promote compliance with legislation, professional standards and the best corporate governance practices promulgated by relevant authorities.

The Board meets regularly as scheduled but special meetings may be called when the need arises. Board members are given notices and agenda for all meetings which are circulated on a timely basis together with the respective documents for discussion. They are required to declare any conflicts of interest on any matters before the Board and are disqualified from participating in deliberations where there is such a conflict. Board members have signed a code of ethics while employees have signed a code of conduct. members of the Board are Institutional, non executive and hold office for a renewable period of four years. The Board appoints board committees to assist in executing its mandate. The Board also co-opts where necessary expertise to its committees for the discharge of its business. The execution of the Board's policies is vested in the Director General who is appointed by the Board and is also responsible for the effective performance of the Management team which provides support and advice to the Board and its Committees.

COMPOSITION OF THE BOARD

The Board is composed of eleven non-executive Directors. The Chairman together with the member representing special interests are appointed by the Cabinet Secretary Labour Social Security and Services. The executive member of the Board is the Director General. All the non-executive Directors are independent of management.

BOARD COMMITTEES

i) AUDIT AND COMPLIANCE COMMITTEE

The composition of the members of this committee is listed under the Director's report. It is responsible for assisting the Board to discharge its corporate governance responsibilities as follows:

- Review of financial information in particular annual financial statements to ensure compliance with accounting standards, legislation and other disclosure requirements.
- Liaison with the external auditors.
- Maintaining oversight on internal control systems.

- Ensuring that the risk management framework that is in place is effective and addresses all key business risks.
- Review of the function, operations and findings of the Internal Audit Department

ii) FINANCE AND INDUSTRIAL TRAINING LEVY COMMITTEE

The composition of this committee is as follows:

George M. Muchai, MBS	Chairman
Jacqueline Mugo, OGW	Member
Eng. Aram Mbui	Member
Tom Khakame	Member
Alfred Mogere	Member
Elizabeth Kimenyi	Ag. Director General/Secretary (Retired: 30-10-2012)
Patrick Omutia	Director General/Secretary (Retired:26-06-2013)
F.M Gitaka	Ag Director General (Appointment 27-06-2013)

It is responsible for assisting the Board to discharge its corporate governance responsibilities as follows:

- Relationship with the external auditors.
- Reliability and appropriateness of the disclosures in the financial statements and other external financial communications.
- Implementation of an effective business risk management framework.
- Formulation of the Authority's annual budget.
- Ensuring compliance with internal controls.
- Review of financial information in particular annual financial statements to ensure compliance with accounting standards and other disclosure requirements.
- Formulation of the Authority's Financial, Levy Administration, Information Technology, Planning, Supply Chain and Commercial services policies.
- Review of periodic performance reports and targets.

iii) INDUSTRIAL TRAINING COMMITTEE

The composition of this committee is as follows:

Hirji Shah, OGW	Chairman
Eng. Aram Mbui	Member
Mutinda Mwaa	Member
Chris S. Nambanga	Member
George M. Muchai, MBS	Member
Elizabeth Kimenyi	Ag. Director General/Secretary (Retired: 30-10-2012)
Patrick Omutia	Director General/Secretary (Retired 26-06-2013)
F.M Gitaka	Ag Director General/Secretary (Appointed 27-06-2013)

It is responsible for advising the Board on matters that pertain to industrial training issues as follows:

IV) HUMAN RESOURCE MANAGEMENT COMMITTEE

The composition of this committee is as follows:

Ernest Nadome	Chairman
Jacqueline Mugo, OGW	Member
Rajabu Mwondi, MBS	Member
Alfred Mogere	Member
Mutinda Mwaa	Member
Elizabeth Kimenyi	Ag. Director General/Secretary(Retired:30-10-2012)
Patrick Omutia	Director General/Secretary (Retired:26-06-2013)
F.M Gitaka	Ag. Director General (Appointed 27-06-2013)

It is responsible for assisting the Board to discharge its human capital responsibilities as follows:

- Ensure compliance with statutory and regulatory requirements
 - Deal with policy issues on human resource, administration and logistics.
- The Board appoints other committees as and when the need arises.

INTERNAL AUDIT FUNCTION

The Authority has an Internal Audit function and is currently headed by the Senior Internal Auditor. The function is responsible for evaluating business, operating risks and the internal controls put in place to mitigate the risks. It is also responsible for Monitoring and evaluation of the Authority policies and procedures. The internal reports to the Audit and Compliance Committee and administratively to the Director General.

COMMUNICATION WITH STAKEHOLDERS

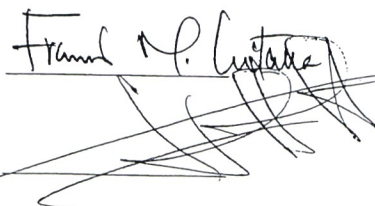
The Authority is committed to:

- Ensuring that stakeholders are provided with full and timely information about its performance.
- Complying with the statutory communication requirements.
- Distributing information to the stakeholders through periodic reports and stakeholder forums.

DIRECTORS' BENEFITS AND LOANS

All the non-executive Directors have continued to receive Directors' Allowances as prescribed and no additional benefits or fees have been given to the Directors. The aggregate amount of Directors' allowance is disclosed in notes 4(iii) and 9 to these financial statements.

FRANCIS .M. GITAKA – AG. DIRECTOR GENERAL



PROF. THOMASEKAMAIS AKUJA – BOARD CHAIRMAN

STATEMENT OF DIRECTORS' RESPONSIBILITIES

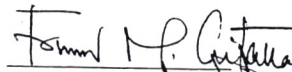
The Industrial Training (Amendment) Act, 2011 and the State Corporations Act Cap 446 of the Laws of Kenya require the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Authority, as at the end of the financial year and of its operating results for the year. The acts also requires the Directors to ensure that the Authority keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority and of its operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

The statement was approved by the Board of Directors on 30/09/2013 and signed on its behalf by:

FRANCIS .M. GITAKA – AG. DIRECTOR GENERAL



PROF. THOMAS EKAMAIS AKUJA – BOARD CHAIRMAN



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2013

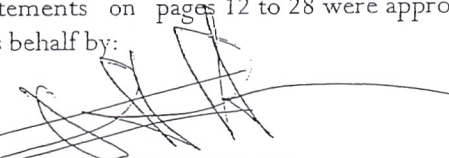
		Kshs'000	Kshs'000
OPERATING INCOME	3	532,137	417,611
Total		532,137	417,611
EXPENSES			
Operations	4	311,041	305,858
Staff Cost	15	53,100	
Board Expenses	16	16,662	
Maintenance	5	4,977	3,796
Other expenses	6	11,989	317
Total		397,832	309,971
Surplus Before Interest & Tax	7	134,368	107,640
Finance costs		NIL	NIL
SURPLUS BEFORE TAX		134,368	107,640
Tax	8	NIL	NIL
Net Surplus for the year		134,368	107,640

NB: In the previous year, the Board expenses of Ksh. 35,058,000 were recognized under Operational expenses under note 4.

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013

ASSETS	NOTE	2013	2012
NON-CURRENT ASSETS		Kshs'000	Kshs'000
Property, plant and equipment	9(a)	38,845	2,356
Intangible Assets	9(b)	<u>3,262</u>	<u>0</u>
Sub total		42,107	2,356
CURRENT ASSETS			
Investment in shares	10(a)	7,017	7,017
Short term investments	10(b)	368,370	295,000
Deposits held with Collapsed banks	10(c)	129,466	129,465
Trade and Other Receivables	11	12,933	7,869
Cash and Cash equivalent	12	<u>325,743</u>	<u>103,170</u>
Sub total		843,529	542,420
TOTAL ASSETS		885.636	544.776
CAPITAL FUND AND LIABILITIES			
CAPITAL FUND			
Accumulated Fund	13	544,776	437,136
Capital Grant		90,000	
Surplus for the year	13	134,368	107,640
Current Liabilities			
Trade and Other Payables	18	<u>116,492</u>	<u>0</u>
TOTAL CAPITAL FUND AND LIABILITIES		885.636	544.776

The financial statements on pages 12 to 28 were approved by the Board of Directors on 30/09/2013 and signed on its behalf by:


Prof. Thomas Ekamais Akuja - Board Chairman


F.M. Gitaka - Ag. Director General

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 30th
 JUNE 2013

	Notes	Accumulated Fund Kshs'000	Capital Reserve Kshs'000	Total Kshs'000
At 30 June 2011		460,421		460,421
As earlier stated		460,421		460,421
Prior year adjustments		(23,285)		(23,285)
Restated balance		437,136		437,136
Surplus for the year		107,640		107,640
At 30 June 2012		544,776		544,776
As earlier stated		544,776		544,776
Prior year adjustments		0		0
Restated balance as at 30 June 2012		544,776		544,776
Restated balance as at 1 July 2012		544,776		544,776
Development grant		0	90,000	90,000
Surplus for the year		134,368		134,368
At 30 June 2013		679,144	90,000	769,144

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2013

	NOTE	2013	2012
Operating activities:		Kshs'000	Kshs'000
Cash generated from operations	14	226,028	63,075
Interest received		31,655	20,031
Net cash generated from operating activities		257,683	83,106
Cash flow from investing activities:			
Purchase of property, plant and equipment		51,741	(2,672)
Net cash used in investing activities		(51,741)	(2,672)
Cash flow from financing activities:			
Prior year adjustment		0	(23,285)
Net cash generated from financing activities		90,000	(23,285)
Net increase/(decrease) in cash and cash equivalents during the year		295,942	80,434
Movement in cash and cash equivalents:			
As at 1 July		527,635	447,201
Increase/(Decrease)		295,942	80,434
As at 30 June		823,577	527,635

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. For purposes of reporting under the State Corporations Act and Industrial Training (Amendment) Act 2011, the Balance sheet in these financial statements is represented by the statement of Financial Position and the profit and loss account is presented in the statement of comprehensive income. These policies have been consistently applied over the years unless otherwise stated:

a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRSs). The financial statements are prepared under the historical cost basis of accounting and presented in the functional currency, Kenya Shillings (Kshs) rounded to the nearest thousands of Kenya Shilling (Kshs '000).

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions. It also requires Directors to exercise their judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment and complexity, or where assumptions and estimates are significant to the financial statements are disclosed in note 2.

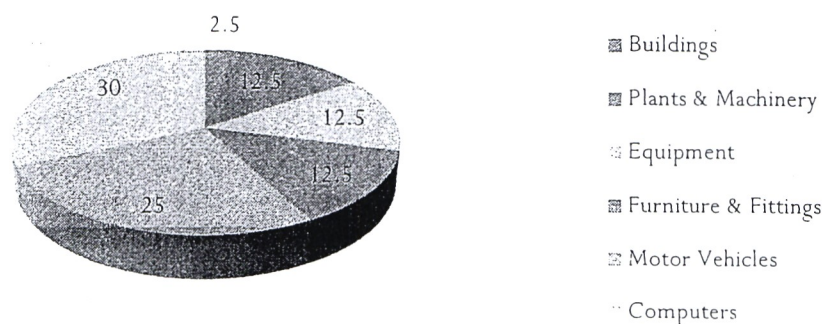
b) Property, plant, equipment and depreciation

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment in value.

Subsequent costs are included in the assets' carrying amount or recognized as separate assets as appropriate, only where it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the items can be measured reliably. All other repairs and maintenance costs are charged to the income statement in the financial year in which they are incurred.

Property, plant and equipment acquired under hire purchase agreements and finance lease hire arrangements are capitalized at the date of the agreement. The interest element of each installment is charged to the income statement at the time each installment falls due. Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the property, plant and equipment over their expected useful lives. The rates in use are:

Depreciation Rates



The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and value in use.

If any such indications exist and where the carrying values exceed the recoverable amount, property, plant and equipment are written down to their recoverable amounts.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating surplus / (deficit).

c) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, trade and other receivables, trade and other payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

d) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognized.

Training levy and Registration of trainers

Revenue from training levy is recognized when the demand advices are raised by the Authority. However, the amounts will be subjected to adjustments when errors are realized, in relation to number of employees covered.

Miscellaneous income and interest income

Miscellaneous income is recognized when the service has been provided and billed while interest income is recognized on accrual basis.

e) Receivables

Receivables are recognized at anticipated realizable value less an allowance for any uncollectible amounts.

General provisions are made based on directors' valuation of the receivables and other exposure in respect of losses, which, although not specifically identified, are known from experience to be present in the receivables.

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.

f) Taxation

Income from levy is exempted from income tax.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

h) Revenue reserve

Surpluses / (deficits) from the income statement are accumulated in the Accumulated Fund on an annual basis.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i) Critical accounting estimates and assumptions

Critical estimates are made by Directors in determining depreciation rates for property, plant, and equipment. The rates used are set out in note 1(b) above.

ii) Critical judgments in applying the entity's accounting policies

In the process of applying the Authority's accounting policies, Directors have made judgments in determining:

- The classification of financial assets and leases.
- Whether assets are impaired.
- Provisions and contingent liabilities.
- Presentation of financial statements.

3. OPERATING INCOME

	2013	2012
	Kshs.'000	Kshs.'000
Training levy	437,009	395,002
Registration of trainers	2,898	2,425
Miscellaneous income	2,738	153
Income from investments	31,655	20,031
Sale of curriculum documents	50	-
Grants to Board	8,640	-
Trade test fees	41,665	-
Course and hostel fees	7,482	-
	532,137	417,611

Miscellaneous income comprises income such as sale of curriculum documents, equiting certificates and sale of boarded goods.

4. OPERATIONS

	Sub-note	2013 Kshs'000	2012 Kshs'000
Training expenses	(i)	146,600	136,541
Trade test expenses	(ii)	86,671	78,427
Training inspectorate expenses		6,730	5,236
Curriculum Development		3,322	3,463
Library		271	38
Staff development		1,045	99
Seminars & workshops		4,908	1,546
Transport, travelling & subsistence		13,408	23,041
Printing services & sundry expenses		3,521	4,362
Stationery		495	2,835
Bank charges		785	485
Courier services		1,223	977
Hospitality		2,611	747
Computer expenses		595	1,922
Sector committee expenses		169	5,029
Advertisement & Publicity		8,570	5,211
Printing of certificates and test papers		4,468	-
Internet expenses		1,507	-
Consultancy		290	-
Meals allowance		10,500	-
Transport operating expenses		11,373	-
National industrial training policy		1,205	-
Provision of Audit Fees		700	-
Upgrading of technology		74	-
Part-time lecturers			801
Council Board members			35,058
		311,041	305,818

- (i) Training expenses mainly comprise reimbursement to contributors, reimbursement for items for apprentices, industrial attachment, courses and hostel fees and female sponsorship.
- (ii) Trade test expenses comprise trade test development, examiners/instructors fees, examiners per diem and related courier services.
- (iii) Council/Board expenses comprise honoraria, council/board and committees expenses. The Board replaced the council on 14 May 2012.

5. MAINTENANCE

	2013	2012
	Kshs'000	Kshs'000
Office tools & Equipment	473	688
Workshop tools & equipment	4,179	935
Buildings	325	2,173
Total	4,977	3,796

6. OTHER EXPENSES

	Note	2013	2012
		Kshs'000	Kshs'000
Provision for bad and doubtful debts	16	0	-
Depreciation of property, plant and equipment And amortization of intangible assets	9a&9b	11,988	317
		11,988	317

7. SURPLUS BEFORE TAX

		2013	2012
		Kshs'000	Kshs'000
The surplus before tax is stated after charging:			
Depreciation of property, plant and equipment and Amortization of intangible assets	9a&9b	11,988	317
Directors' emoluments:			
-Fees		-	35,058
-Other emoluments		-	-
Auditors' remuneration		-	-
Provision for bad and doubtful debts		0	-
Investment income		31,655	20,031

Miscellaneous income	2,738	153
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8. TAXATION

Income from levy is exempted from income tax.

9(a). PROPERTY, PLANT AND EQUIPMENT

According to section 33(2) of the National Industrial Training (Amendment) Act 2011, "all property, which immediately before the commencement of this Act was vested in the Directorate of Industrial Training shall on the commencement of this Act, vest in the Authority subject to all interests, liabilities, charges, obligations and trusts affecting such property." An inventory of such property has been made and is due for valuation before the values are included in the financial statements.

	COMPUTER & RELATED EQUIPMENT	MOTOR VEHICLE	PLANT AND MACHINERY	FURNITURE	TOTAL
COST	KSHS'000	KSHS'000	KSHS'000	KSHS'000	KSHS'000
As at 1 July 2011					0
Addition at Cost	2,672	0	0	0	2,672
Depreciation charge for the year 2011/2012	(317)	0	0	0	(317)
Net Book Value as at 30 June 2012	2,356	0	0	0	2,356
At 1 July 2012 at Cost	2,672	0	0	0	2,672
Additions at Cost	2,904	27,166	16,371	640	47,081
Total Costs as at 30th June 2013	5,576	27,166	16,371	640	49,753
Accumulated Dep as at 1/7/13	(317)	-	-	-	(317)
Charge for the year 2012/2013	(1,672)	(6,792)	(2,046)	(80)	(10,591)
Total accumulated depreciation as at 30 th June 2013	(1,990)	(6,792)	(2,046)	(80)	(10,908)
Net Book Value as at 30th June 2013	3,586	20,375	14,325	560	38,845
Net Book value as at 30 June 30 June 2012	2,356	0	0	0	2,356

9(b) Intangible assets

	CCTV CAMERAS Kshs '000'	TOTALS Kshs. '000'
VALUE AT COST 1/7/2013	0	0
ADDITIO NET BOOK VALUE AS AT 30/6/2013 DURING 2012/2013	4,660	4,660
DEPRECIATION AS AT 1/7/2012	0	0

DEPRECIATION DURING 2012/2013	(1,398)	(1,398)
NET BOOK VALUE AS AT 30/6/2013	3,262	3,262
NET BOOK VALUE AS AT 30/6/2013	0	0

The Intangible assets relate to computer software and the amortization of intangible assets has been based on 30% of cost of the software. This is the same rate used in depreciating computers as disclosed under note 1(b) of the financial statements under properties plant and equipment.

10. Investments

The investments comprise shares held, treasury bills, and short term deposits including such deposits held in the collapsed banks:

- (a) The shares in Consolidated Bank (K) Limited whose face value is Ksh.8,400,000.00 are valued at Kshs. 7,017,240 comprise:

Cost	Amount
	KSHS'000
90,000 Ordinary shares of Ksh.20 each less amount written off 1998	417
330,000 4 % Non-cumulative Preference shares of ksh.20 each	6,600
	7,017

The shares were acquired in 1993 through capitalization of deposits and accrued interest received from Home Savings and Mortgages Limited, Business Finance Company Limited and Jimba Credit Corporation limited as at 31st March, 1990.

- (b) Treasury bills invested through financial institutions and short term fixed deposits comprising:

Institution	2013	2012
	Treasury bills KSHS'000	Treasury bills KSHS'000
Kenya Commercial Bank	191,101	115,000
National Bank	98,526	100,000
Co-operative Bank	78,743	80,000
	368,370	295,000

- (c) Deposits held with collapsed banks

Institution	2013	2012
	Fixed Deposit KSHS'000	Fixed deposits KSHS'000
Prudential Bank Ltd	50,595	50,595
Nairobi Finance Company	8,530	8,530

Pioneer Building Society	15,000	15,000
Continental Credit Finance Ltd	8,830	8,830
Country Building Society	2,000	2,000
Allied Credit Limited	5,388	5,388
Middle Africa Finance Co. Ltd	5,345	5,345
United Trustee Finance Co. Ltd	1,300	1,300
Thabiti Finance Company	26,029	26,029
Inter Africa Credit Ltd	2,461	2,461
Meridian BIAO Bank (K) Ltd	3,988	3,988
	129,466	129,466

11. RECEIVABLES

	2013	2012
	Kshs'000	Kshs'000
Receivables	7,356	6,982
Accrued investment income	3,488	
Outstanding imprest	2,089	786
Other receivables	10,999	10,999
	23,932	18,767
Less: provision for bad and doubtful debts	(10,999)	(10,999)
Net Receivables	12,933	7,768

Specific provision has been made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success. The other receivables comprises unaccounted bank withdrawals and money lost in a bank robbery while on transit from the bank, now deemed lost following the acquittal of the accused officers on charges leveled against them.

12. CASH AND CASH EQUIVALENTS

	Note	2013	2012
		Kshs'000	Kshs'000
Cash in hand		549	355
Cash at Bank		325,195	102,815
Investment in short term securities		368,370	-
Deposits with financial institutions	10(a) &(b)	129,466	424,465
Total		823,580	527,635

For purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, cash at bank and deposits with financial institutions.

13. ACCUMULATED FUND

	2013	2012
Note	Kshs'000	Kshs'000
At 1 July	544,776	460,421
Prior year adjustments	-	(23,285)
Restated Opening balance	544,776	437,136
Surplus for the year	134,368	107,640
At 30 June	679,144	544,776

Accumulated fund comprises accumulated surpluses over the years.

14. CASH GENERATED FROM OPERATIONS

Reconciliation of surplus before tax with cash generated from operations:	2013	2012
	Kshs. '000	Kshs. '000
Surplus for the year before tax	134,368	107,640
Adjustment for :		
Finance income	31,655	(20,031)
Depreciation	11,989	317
Error in brought forward balance		(23,285)
Cash generated from operations before working capital changes	114,702	64,641
Movements in:		
Payables	116,491	
Receivables	-5,167	(1,566)
Cash generated from operations	226,028	63,075

15. STAFF COST

Sub-note	2012	
	2013	2012
	Kshs'000	Kshs'000
Part-time lecturers	3,350	801
Staff cost	49,750	
TOTAL	53,100	801

16. BOARD EXPENSES

Sub-note	2012	
	2013	2012
	Kshs'000	Kshs'000
Board expenses (iii)	12,474	35,058
Human resource committee	2,010	
Audit and compliance committee	2,011	
Finance and industrial training levy	167	
	16,662	35,058

17. RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk management

The Authority's activities expose it to a variety of financial risks including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Authority's overall risk management policies are set out by the board and implemented by management, and focus on the unpredictability of changes in the business environment and seek to minimize the potential adverse effects of such risks on the Authority's performance by setting acceptable levels of risk. The Authority does not hedge against any risk.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge on obligation. Credit risk mainly arises from financial assets, and is managed on a Authority-wide basis. The Authority does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

Credit Risk on receivables is managed through a monthly review of outstanding balances. Payments not received within the contractual credit period are enforced through recovery measures. Any errors in the demand notes that can delay revenue realization are adjusted on a monthly basis.

The maximum exposure of the Authority to credit risk as at the balance sheet date is as follows:

	Fully Performing Kshs'000	Past due but not Impaired Kshs'000	Past due and Impaired Kshs'000	Total Kshs'000
30 th June 2013				
Financial assets				
Receivables	6,983			6,983
Outstanding imprest	786			886
Other receivables	-		10,999	10,999
Shares	7,017			7,017
Treasury bills	295,000			295,000
Short-term deposits		129,466		129,466
Cash and Bank balances	103,170			103,170
Gross financial assets	602,206	129,466	10,999	553,421
Less: Impairment allowance	-	-	(10,999)	(10,999)
As at 30 June 2012	412,956	129,466	-	542,422
Financial assets				
Receivables	6,983			6,983
30 th June 2012				
Financial assets				
Receivables	6,203			6,203
Outstanding imprest	786			886
Other receivables	-		10,999	10,999
Shares	7,017			7,017
Treasury bills	295,000			295,000
Short-term deposits	163,000	129,466		292,466
Cash and Bank balances	154,736			154,736
Gross financial assets	330,956	129,466	10,999	471,421

Less: Impairment allowance	-	-	(10,999)	(10,999)
	330,956	129,466	-	460,422

The ageing analysis of past due but not impaired trade receivables is:

The Authority does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

ii) *Liquidity risk*

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the Authority's short, medium and long-term liquidity risk by continuously reviewing forecasts and actual cash flows.

iii) *Market risk*

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk and other price risk.

Currency risk

The Authority operates wholly within Kenya and its assets and liabilities are reported in the local currency. It, therefore, had no foreign currency exposure at 30 June 2012 (2011: nil).

(b) *Capital management*

The Authority manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Authority consists of equity comprising capital fund and revenue reserve as disclosed in notes. In order to improve on the capital structure, the Authority may improve on the efficient management of working capital particularly the accounts receivables.

	2013	2012
	Kshs '000	Kshs'000
Total equity	679,081	544,776
Net debt	NIL	NIL
Total capital resources	772,445	544,776
Gearing (net debt over total capital resources)	0%	0%

18. Trade and Other Payables

	2013	2012
	Kshs.'000'	Kshs '000'
Un presented cheques as at 30 June 2013	116,492	0

The figure for Trade and Other payables as as 30 June 2013 Kshs. 116,492,000 relates to the cheques paid to the suppliers as at 30/6/2013 but the suppliers had not presented these cheques to the banks for payments as at the same date.

19. ESTABLISHMENT

The Authority is domiciled in Kenya and established in Kenya under the Industrial Training (Amendment) Act, 2011.

20. COMPARATIVES

Comparative figures have been adjusted to conform to changes in presentation in the current year where necessary.