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REPORT

THE NATIONAL ASSEMBLY
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DATE: 28 FEB 2023 DAY: TUESDAY

TABLED BY: Leader of the Majority Party (LOMP)
Inzofu Mwale

CLEAR AT THE TABLE

OF

THE AUDITOR-GENERAL

ON

**NKABUNE TECHNICAL
TRAINING INSTITUTE**

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



**International Public Sector Accounting Standards (IPSAS)
Annual Financial Reporting Template for
*Technical Vocational Education Training (TVET) Institutions***

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)
(NKABUNE TECHNICAL TRAINING INSTITUTE)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2021**

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

NKABUNE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The NKABUNE TECHNICAL TRAINING INSTITUTE was incorporated/ established under the TVET Act on 1971. The entity is domiciled in Kenya. The institute is under the Ministry of Education. It has several departments namely Food and beverage, Electrical and electronics, Liberal studies, Business, Information Communication Technology, Clothing Technology, Procurement and Finance Department.

(b) Principal Activities

The principal activity is training.

Our **vision** is to be a centre of excellence in provision of technical and Vocational Education and Training TVET.

Our **mission** is to provide TVET and produce skilled manpower that can compete favourably in the local and international labour market as well as creating self-reliance that suits current market changing technology

Our **core values** are excellence and teamwork, innovation and creativity, professionalism and ethics and corporate governance

(c) Key Management

The Institutes day-to-day management is under the following key organs:

- Board of Governors members
- Accounting officer/ Principal
- Management
- Head of departments

(d) Fiduciary Management

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

| No. | Designation | Name |
|-----|----------------------------|------------------------------|
| 1. | Principal | EUNICE WAIRIMU NJENGA |
| 2. | Deputy principal Academics | ALFRED MUTAVA |
| 3. | Registrar | ALICE NGUNU |
| 4. | Dean of students | KARWITHA MUGAMBI |
| 5. | Head of Finance | PATRICK MUTUMA |

(e) Fiduciary Oversight Arrangements

- **Audit and risk committee activities-** *Ensure there are proper internal controls to safeguard institute assets and financial resources.*
- **Academic/Welfare committee activities** *include overseeing the academic performance and welfare of students ,staff and BOG members*
- **Finance and Human Resource committee:** *activities include planning and budgeting ,implementation and evaluation of planned activities and recruitment of new staff*

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

Nkabune Technical Headquarters
P.O. Box 330-60200
Off Mate Road
Meru KENYA

(g) Entity Contacts

Telephone: (254) 719186814,733777788
E-mail: nttinkabune@gmail.com
Website: www.nkabunetti.ac.ke

(h) Entity Bankers

1. Cooperative Bank
P.O. Box
Meru 60200
Meru, Kenya
2. Kenya Commercial Bank
P.O box
Meru
3. Equity Bank
P.O Box 75104
Meru Branch





(i) Independent Auditors





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

(j) Principal Legal Adviser

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

II. THE BOARD OF GOVERNORS

| | |
|---|---|
| <p>1. Eng. Celestino K. Marete.- Chairman</p>  | <p>DOB: 22nd June 1957 Qualifications BSc. Electrical Engineering 18 years' experience in managing projects involving developing hydropower and geothermal electricity generating stations, high voltage transmission and distribution lines. 6 years' experience in design, preparation of tender documents, procurement of contractors and supervision of electrical installations in building construction projects</p> |
| <p>2. Fr Dr Lawrence Njeru- Independent</p>  | <p>DOB: 28th December 1968 PhD studies (2010) Master of Educational Administration (2006 – 2009) Bachelor of Theology (1993 – 1997) Bachelor of Philosophy (1991 – 1992)</p> |
| <p>3. Eng. Gakungu Ndungu -Member</p>  | <p>DOB: 1st January 1957 Master's Degree Environmental and Bio systems Engineering Administrator and trainer in the TVET section in policy development and curriculum</p> |
| <p>4. Julius Mbaabu Inoti - Member</p>  | <p>DOB - 1962 UON: 1984 – 1987 Bachelor of Law 1988: Diploma in Legal Systems</p> |

| | |
|--|--|
| <p>5. Mrs Eunice Wairimu Njenga Secretary to the Board</p>  | <p>DOD: 21ST Sept, 1971 MA Project Management BA Project Planning</p> |
| <p>6. Mrs Doreen Gakii George- Member</p>  | <p>DOB: 2nd October 1984 2015: Bachelor of Commerce- Finance option Meru University of Science And Technology 2010: CPA Part III – Foresight Institute of Logistics and Business Studies</p> |
| <p>7. Mrs Mercy Chidi Baidoo- Member</p>  | <p>DOB: 3rd July 1970 Master in Leadership Program Director Project Coordinator District Programs Coordinator</p> |
| <p>8. Mrs Maureen Njeri Kinyanjui- Member</p>  | <p>DOB: 1987 2015: UON –Master of Arts in Construction project Management. 2007-2011: UON: Bachelor of Quantity Surveying</p> |





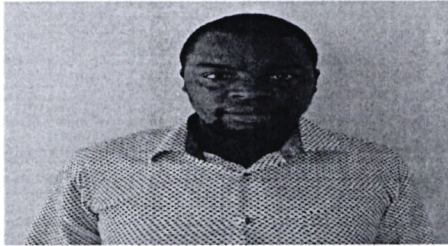
9. Mr John Chege- Member



DOB: 1987

B.Sc. Computer Science- University of Nairobi

III. MANAGEMENT TEAM

| | |
|---|--|
| <p>1. Mrs Eunice Njenga</p>  | <p>Principal DOD:21ST Sept, 1971 BA Project Planning MA Project Management</p> |
| <p>2. Mr Alfred Mutava</p>  | <p>Deputy principal DOB:1963 BSC Agriculture</p> |
| <p>3. Ms Alice Ngunu</p>  | <p>Registrar DOB:15TH July,1969 BSc. Clothing Textile &Interior Decoration</p> |
| <p>4. Nkarichia S. Karwitha</p>  | <p>Dean of Students DOB 27TH Feb 1972 Pursuing Master of Science Community Resource Management and Extension- KU Post Graduate Diploma in Special Needs-KISE Senior Management Course -KSG Bed. Home Economics - KU</p> |
| <p>5. CPA Patrick Mutuma</p>  | <p>Finance Officer DOD:16TH Aug, 1990 Bachelor of Commerce, Accounting Option ,CPAK</p> |

IV. CHAIRMAN'S STATEMENT

Nkabune Technical Training Institute mandate remains that of offering quality technical, industrial, vocational and entrepreneurship training to customer expectation as stipulated in our quality policy statement.

We look forward for continued participation of our key stakeholders especially the Ministry of Education on timely resource support to ensure efficient implementation of not only this standards award but also other policy strategies in support of the realization of vision 2030.

Nkabune Technical Training Institute Board of Governors was inaugurated on 3rd Feb 2020. The Board has three Committees i.e. Finance/Human Resource, Academic/welfare and audit.

Members of the Board comprises of:

- | | |
|------------------------------|---------------------------------------|
| 1. Margaret Nduhiu | Regional TVET Director |
| 2. Eng. Celestino Marete | BOG Chairman- Board member |
| 3. Mr John Chege | BOG member- Audit Committee member |
| 4. Mr Julius Mbaabu | BOG member –Finance Committee member |
| 5. Doreen Gakii | BOG member –Finance Committee member |
| 6. Mr Ndungu Gakungu | BOG member – Finance Committee member |
| 7. Dr. Fr. Lawrence Njeru | BOG member- Academic Committee member |
| 8. Maureen Njeri (Ms.) | BOG member- Audit Committee member |
| 9. Mercy Chidi Baidoo (Mrs.) | BOG member- Audit Committee member |
| 10. Eunice W Njenga | Principal/BOG - Secretary |

Key activities carried are:

1. Recruitment of additional staff
2. Development of Human Resource Policy
3. Improvement of academic performance
4. Completion of project e.g. construction of administration block, ablution block, new class rooms and renovations.
5. Performance contracting setting of targets, evaluation and negotiations.

Challenges

1. Water is also inadequate since supply is from a community project which is normally supplied intermittently. This also is a great challenge because some of the courses such as Food and Beverage require adequate supply of water everyday due to its practical oriented nature.
2. Inadequate infrastructure to accommodate the growth of enrolment, this includes food and beverage complex, classrooms and workshops.
3. Lack of adequate trained staff both academic and support.
4. Covid 19 which has made learning institutions to close.
5. The Institute has a challenge with the road connecting to the Institute which is felt more during the rainy season because the road is impassable. This has greatly affected the growth of the Institute in terms of enrolment. The Institute has state of the art equipment which is not being utilized fully due to accessibility to the Institute. It becomes even more difficult to manage sick students at night, academic trips, and conduct KNEC exams and to offer evening classes.
6. Street lights to light up the areas since students have rented hostels from the community. Students may fail to enrol due to security issues especially if they have to do individual studies in the library at night.

Prepared by



Eng. Celestino Kinyua

Date

30/6/2022

V. REPORT OF THE PRINCIPAL

Nkabune Technical Training Institute is a Technical Institute which started way back in 1964 and is located in Imenti North constituency in Meru County. In 1967 the Ministry of Education requested the Sisters to start a grant –aided Commercial technical school for girls. This opened in 1968 at the current Gitoro Primary School, but due to lack of sufficient land for expansion the Sisters had to move the school to its present location at Nkabune on an 8.21 acre- piece of land donated by the local community.

In 1986, Nkabune Technical and Commercial Girls, among eighteen (18) other technical secondary schools were converted to Technical Training Institutes. The courses that were offered were Secretarial and Accounts Clerks' alongside form three and four, which were phased out in 1987. Other courses like CPA Part one, Garment Making and Food and Beverage at Craft level were introduced in 1988.

Currently the students' enrolment is at 1500 expecting to be 2,000 by January 2022, the institute has 86 trainers and 27 non-teaching staff. Currently the courses offered are business technical education programmes (BTEP), technical education programmes (TEP), from Artisan, Certificate and Diploma level. The Institute recently started competency based education training (CBET) level four and five.

Academic Departments

The departments in the Institute Include:

1. Electrical and Electronics – with course levels at Artisan, Certificate and Diploma
2. Hospitality – with course levels at Artisan, Certificate and Diploma, CBET level four and five
3. Business – Certificate and Diploma
4. Clothing Technology Department – Artisan, Certificate and Diploma
5. Liberal Studies Department – Certificate and Diploma, CBET courses at level four and five in hair and beauty
6. ICT Department – Certificate and Diploma

The source of student's population is from national youth service (NYS) sponsored students, self-sponsored and some partly -sponsored by organizations.

The Institute has received equipment from the Ministry of Education in the following departments:

1. Electrical and Electronics
2. Hospitality
3. Clothing Technology
4. Liberal Studies (Hair and Beauty)

The Institute has outsourced accommodation from the community.

Proposed projects/activities for 2020/2021FY

1. Recruitment of additional staff.
2. Construction of classrooms.
3. Construction of admin block
4. Improvement works – renovation of kitchen, HOD offices, staff restaurant, Electrical workshop, and food and beverage workshop.
5. Equipping workshops.
6. Construction of students' ablution block

The Institute has been able to carry out its daily operations, fund the proposed projects within the year and pay its suppliers.

Sources of funds

1. Capitation grants from Government.
2. Fees from students
3. HELB loans to students
4. NYS fees for students
5. Production units

Challenges

1. The Institute has a challenge with the road connecting to the Institute which is felt more during the rainy season because the road is impassable. This has greatly affected the growth of the Institute in terms of enrolment. It becomes even more difficult to manage sick students at night, academic trips, and conduct KNEC exams and to offer evening classes.
2. Street lights to light up the areas since students have rented hostels from the community. Students may fail to enrol due to security issues especially if they have to do individual studies in the library at night.
3. Water is also inadequate since supply is from a community project which is normally supplied intermittently. This also is a great challenge because some of the courses such as Food and Beverage require adequate supply of water everyday due to its practical oriented nature.
4. Inadequate infrastructure to accommodate the growth of enrolment, this includes hospitality complex, classrooms and workshops.
5. Lack of adequate trained staff both academic and support.
6. Delayed fees payment by NYS.
7. Covid 19 pandemic which has affected parents economically not able to clear fees balance.
8. Delayed capitation grants from MOE for students

Prepared by **Eunice W. Njenga (Mrs.)**

Eunice W. Njenga

Date 30/6/2022



VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

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.

Nkabune Technical Training Institute has 3 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

Pillar 1: Project Management

Pillar 2: Process Management

Pillar 3: Resource Mobilisation

Nkabune Technical Training Institute develops its annual work plans based on the above 3 pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The *Nkabune Technical Training Institute* achieved its performance targets set for the FY 2020/2021 period for its 3 strategic pillars, as indicated in the diagram below:

| Strategic Pillar | | Objective | Key Performance Indicators | Activities | Achievements |
|-------------------------|---------------------------|---|------------------------------------|--|--|
| Pillar 1: | Project management | Establish contemporary learning facilities and services. | Infrastructure development | Construction of classrooms. Renovation and improvement of facilities. | <ol style="list-style-type: none"> 1. Completed one tuition block. 2. Ablution block constructed. 3. Admin block constructed. 4. Classes and buildings renovated |
| Pillar 2: | Process management | Promote equity and quality education and training | Quality service delivery | Develop policies. Develop and implement quality management system | Quality management system developed we are ISO certified |
| | | | Introduction of new courses | Ensure CBET and CDACC course have students enrolled | There are students enrolled in CBET and CDACC courses doing Beauty courses and hospitality causes in food and |

NKABUNE TECHNICAL TRAINING INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

| | | | | | |
|-----------|------------------------------|---|--|-------------------------------------|--|
| | | | | | beverage department. |
| Pillar 3: | Resource Mobilisation | Strengthening organisation development and capabilities. | Collaborations with government and donors | Prepare proposals for grants | The students have been receiving capitation grants from state department of TVET and Helb loans |

VII. CORPORATE GOVERNANCE STATEMENT

As a Board, we believe that a strong corporate governance framework and culture translates to a strong institute that delivers to its mandate. According to the TVET Act, 2013 members of the board of governors are appointed by the Cabinet Secretary from the ministry of education from the following areas;

- a). Leadership
- b). Financial management
- c). Industry
- d). Technology
- e). ICT
- F). Engineering

The board also seeks other committees to carry responsibility required in the governance of the institute. The following committees have been in the institute.

Academic /Welfare

1. Dr. Fr.Lawrence Njeru- Chairperson
2. Mercy Chidi
3. Margaret N. Karogo

Finance /Human Resource

1. Engineer Ndungu Gakungu – Chairman
2. Doreen Gakii
3. Mbaabu M Inoti

Audit Committee

1. Maureen Njeri
2. John Chege- Chairman
3. Mercy Chidi

The following are board functions as out lined in the TVET Act.

1. Overseeing the conduct of education and training in the institutions in accordance with the provisions of TVET Act.
2. Promoting and maintaining standards quality and relevance in advocating and training in the institution in accordance with the act and any other written law.
3. Administering and managing the property of the institution
4. Developing and implementing the institutions strategic plan
5. Preparing annual estimates of the revenue and expenditure of the institution
6. Receiving on behalf of the institution fees, grants and other monies.
7. Determining fees payable and prescribing conditions under which fees may be remitted in part or whole in accordance with the guideline developed under the provisions of this act.

During the year 2020/2021 the table below shows the number of board and committee meetings held.

| Meetings | No of board meetings | Meeting held | |
|-----------------------|----------------------|--------------|--|
| Full board | 4 | 6 | |
| Academic committee | 4 | 1 | |
| Finance /HR Committee | 4 | 4 | |
| Audit committee | 4 | 2 | |
| Total | 16 | 13 | |
| | | | |

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

Nkabune Technical Training Institute is ISO 9001 -2015 Certified and has a Quality Management System in place and the management has put in place a system to handle the following areas in the process of ensuring there are proper internal controls in place.

1. Financial management
2. Student registration
3. Boarding and accommodation
4. Examination management
5. Procurement and store control
6. Internal audit department

During the year the student enrollment increased from student population of 1200 to 1500 students. The management has recruited additional staff in both academic and support staff to ensure smooth learning of operations. During the year the management developed a Human Resource policy and motivational policy documents to handle staff issues.

The institute has received a lot of support from the government through the ministry of education by receiving capitation, helb funds and state of the art equipment.

During the year the management constructed one tuition block to provide more space for teaching classes and an admission block to provide enough offices for the institute.

The institute has constructed ablution block for students during the year.

During the year the institute faced the following challenges

1. A two kilometer road to the institution is not tarmacked and it's impassable during the rain seasons, however the management is engaging the county government of Meru to address the issue.
2. The Institute has no enough public service lecturers thereby incurring huge costs on personnel to hire Board of governor's trainers.
3. Fees arrears from students due to impact of Covid 19.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**Corporate Social Responsibility / Community Engagements**

Nkabune TTI 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 3 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 -

The top management has ensured compliance to government directives. The Institute has a farm for cattle keeping to ensure we do not only rely on fee collection. The management has installed a borehole to inadequate sources of water.

2. Environmental performance

The management has undertaken an environmental audit done by NEMA. The management has partnered with the community in planting of trees.

3. Employee welfare

The management has developed Human Resource policy documents that give guidelines on hiring, career development and trainings for the staff.

4. Market place practices-

- a) The institute ensures fair choice of suppliers through advertisement of tenders in the newspapers and institute website.
- b) The management has put in place secret boxes to report corruption related issues
- c) Product stewardship- our products are approved by KEBS.

5. Community Engagements-

The following activities were carried out as part of corporate social responsibility by the Guidance & Counseling department during the period stated above;

- 1ST - 3RD Dec 2020- they had HIV Testing and Counseling exercise conducted by MOH Meru Level 5 Hospital which was sponsored by the Institute whereby all the subordinate workers of the Institute from Nkabune community were allowed to use the facilities to know their status. They also offered free counseling services on stigma and discrimination related to people living with HIV/AIDS(PLWHIV)
- 23RD -25TH March 2021- they participated in sensitizing workers in the Institute from Nkabune community on Non-communicable diseases (NCDs) including cancer (breast, cervical) Blood pressure, Blood sugar levels, Body Mass Index(BMI). They then encouraged them to take advantage of the wellness promotion screening services that were sponsored by the Institute and conducted by MOH Meru Level 5 Hospital. A good number of them were screened- breast cancer, cervical cancer, BMI, BP, Blood sugar levels and were advised accordingly.
- 22ND -24TH June 2021-due to public demand, they participated again in sensitizing workers in the Institute from Nkabune community on Non-communicable diseases (NCDs) including cancer (breast, cervical) Blood pressure, Blood sugar levels, Body Mass Index(BMI). They then encouraged them to take advantage of the wellness promotion screening services that were sponsored by the Institute and conducted by MOH Meru Level 5 Hospital. A good number of them again were screened- breast

cancer, cervical cancer, BMI, BP, Blood sugar levels and were advised accordingly. Those that had previous cases were reviewed and advised accordingly.

- 3rd July 2021 –Visit to the elderly and needy within the Nkabune Community. This event had been planned for earlier on 10th April 2021 but did not materialize then due to the COVI-19 restrictions. They visited Four (4) elderly and needy families in the community and gave our donations which included clothing, foodstuff, toiletries, and money among others. The chief of the area Madam Kaari is the one who identified the families and personally took them to each family. We thank her for the sacrifice.

All our hosts appreciated the visits and what we were able to share with them and said we can always visit again. Our staff from the community who took advantage of the services mentioned above were also very grateful and echoed that they cascaded the information to their families.

On our part, it was a privilege and a humbling experience to be able to give back to the society.

X. REPORT OF THE BOARD OF GOVERNORS

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

Principal activities

The principal activities of the entity are training.

Results

The results of the entity for the year ended June 30 are set out on page 1 to 49

BOARD OF GOVERNORS

The members of the Board who served during the year are shown on page v to vi. During the year no director retired/ resigned and none was appointed with effect from 1 July 2020 to date.

Auditors

The Auditor General is responsible for the statutory audit of Nkabune Technical Training Institute in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of Nkabune Technical Training Institute for the year/period ended June 30, 2021 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

XI. STATEMENT OF BOARD OF GOVERNORS MEMBERS' RESPONSIBILITIES

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

The board members are responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of Nkabune Technical Training Institute for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of Nkabune Technical Training Institute ; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for Nkabune Technical Training Institute financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*the State Corporations Act, and the TVET Act*) . The council members are of the opinion that Nkabune Technical Training Institute financial statements give a true and fair view of the state of transactions during the financial year ended June 30, 2021, and of Nkabune Technical Training Institute financial position as at that date. The council members further confirm the completeness of the accounting records maintained for Nkabune Technical Training Institute, which have been relied upon in the preparation of Nkabune Technical Training Institute financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

Nkabune Technical Training Institute financial statements were approved by the Board on 30/9/2021 and signed on its behalf by:

Name Eng. Celistina K. Mureki

Signature [Handwritten Signature]

Chairperson of the Board

Name F. Nyaga

Signature [Handwritten Signature]

Accounting Officer/Principal

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Nkabune Technical Training Institute set out on pages 1 to 49, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in

net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 Nkabune Technical Training Institute as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act, 2013.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

Review of the financial statements revealed the following unsatisfactory matters:

1.1 Statement of Financial Position

The statement of financial position reflects cash and cash equivalents of Kshs.100,694,034 and comparative balance of Kshs.163,678,225 as disclosed in Note 25(b) to the financial statements. However, a recast of the comparative balance gives an amount of Kshs.164,559,355, resulting to an unexplained and an unreconciled variance of Kshs.881,130. Further, the statement of financial position reflects a comparative balance of Kshs.508,707,727 relating to revaluation reserve (restated). However, the statement of changes in net assets for the year ended 30 June, 2021 reflects opening balance of Kshs.528,561,515 for the same item resulting to an unreconciled difference of Kshs.19,853,788. In addition, the Institute has not explained how the restated balances was derived.

1.2 Statement of Changes in Net Assets

The statement of changes in net assets reflects balances of Kshs.528,561,515 and Kshs.212,506,067 relating to revaluation reserves and retained earnings opening balances as at 01 July, 2020. However, the audited financial statements for the financial year 2019/2020 reflects balances of Kshs.542,872,376 and Kshs.204,703,195 respectively resulting to unexplained variances of Kshs.14,310,861 and Kshs.7,802,872 for the two items.

1.3 Statement of Cash Flows

The statement of cash flows reflects rendering for services amount of Kshs.60,283,161 which differs with the amount of Kshs.100,363,238 reflected in the statement of financial performance resulting to an unexplained difference of Kshs.40,080,057. In addition, the

difference of Kshs.40,080,057 could not be traced to the receivables balance of Kshs.36,447,873 reflected in the statement of financial position.

Further, the statement of receipts and payments amount of Kshs.2,964,949 in respect of contracted services was not included in the statement of cashflows for the year.

1.4 Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects an amount of Kshs.27,083,882 relating to actual development expenditure. However, Note 30 to the financial statements on property, plant and equipment reflects additions of Kshs.32,994,287 resulting to an unexplained variance of Kshs.5,910,405. In addition, the statement excludes amounts of Kshs.19,954,130 and Kshs.2,964,949 in respect of repairs and maintenance and contracted services respectively reflected in the statement of financial performance. Further, the statement reflects total actual expenditure on comparable basis of Kshs.129,583,615 while a recast gives an amount of Kshs.133,749,921 resulting to unexplained variance of Kshs.4,166,306.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Property, Plant and Equipment

The statement of financial position reflects an amount of Kshs.569,393,126 in respect of property, plant and equipment as disclosed in Note 30 to the financial statements. However, verification and inspection of the assets revealed they had not been tagged and ownership documents for land and motor vehicles were not provided for audit. This is contrary to Regulation 139(1)(b) of the Public Finance Management (National Government) Regulations, 2015 which states that an Accounting Officer of a National Government entity shall take full responsibility and ensure that proper control systems exist for assets and that movement and conditions of assets can be tracked.

In addition, the Institute had four (4) motor vehicles with an estimated net book value of Kshs.12,060,000. However, one of the motor vehicles registration number KAM 011L had a civilian registration number instead of recommended blue number plates for National Government entities.

In the circumstances, the ownership, existence and completeness of the property, plant and equipment balance of Kshs.569,393,126 could not be confirmed.

3. Receivables from Exchange Transactions

3.1 Current Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.36,447,873 as disclosed in Note 26(a) to the financial statements in respect to receivables from exchange transactions. The receivables include an amount of Kshs.36,310,673 for current receivables (student debtors) out of which an amount of Kshs.23,451,497 or 65% has been outstanding for over three (3) years. However, no evidence was provided for audit

on the measures taken by Management to recover the outstanding debts. Further, the Management has not adopted any provision policy for doubtful debts or made any specific provision to cater for the doubtful debts arising in the course of the Institute's operations.

In the circumstances, the accuracy and recoverability of the balance of Kshs.23,451,497 relating to long outstanding students' debts could not be confirmed.

3.2 Uncollected Rental Revenue

The statement of financial position reflects an amount of Kshs.36,447,873 relating to current receivables from exchange transactions, which as disclosed in Note 26(a) to the financial statements, includes an amount of Kshs.137,200 relating to rent debtors. However, a review of the house rent records and the ledgers for the outstanding balances revealed the Institute did not have a plan on how the outstanding balances were to be recovered and if the tenants had a plan to clear the long outstanding balance.

In the circumstances, the recoverability of the Kshs.137,200 relating to outstanding rent could not be confirmed.

4. Unsupported Employee Cost

The statement of financial performance as disclosed in Note 16 to the financial statements reflects an amount of Kshs.18,384,710 relating to employee costs. However, supporting documents including payment vouchers for expenditure totalling to Kshs.1,847,769 relating to salaries were not provided for audit. .

In the circumstances, the accuracy for the expenditure of Kshs.1,847,769 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nkabune 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

1. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.172,130,490 and Kshs.123,713,946 respectively resulting to an underfunding of Kshs.48,416,544 or 28% of the budget.

Similarly, the Institute expended Kshs.129,583,615 against an approved budget expenditure of Kshs.174,630,990 resulting to an under-expenditure of Kshs.45,047,375 or 26% of the expenditure budget.

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

2. Unresolved Prior Year Matters

In the audit report of the previous year, a number of paragraphs were raised under the Report on Financial Statements. However, Management has not resolved some of the issues nor disclosed all the prior year matter as provided by the Public Sector Accounting Standards Board templates.

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 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. Non-Gazettement of Board of Directors and Non-Maintenance of Meetings Attendance Register

The statement of financial performance reflects an amount of Kshs.2,912,115 relating to remuneration of Directors. However, the Cabinet Secretary for Education appointed nine (9) persons to the Board of Governors of the Institute for a period of three (3) years with effect from 29 September, 2020 through individual appointment letters and without issuing a gazette notice. Further, audit of records provided revealed that none of the nine (9) appointed Board of Directors accepted the appointment in writing contrary to Chapter 1.1(11) and (13) of Mwongozo which states that each board member shall formally be appointed to the Board through a gazette notice and thereafter an appointment letter which they shall signify their acceptance of the appointment in writing.

In addition, attendance register for the meetings held during the year was not maintained as required by Annexure E(8)(b) of Mwongozo which states inter alia that attendance of the meetings so held be recorded in a signed attendance register.

In the circumstances, the validity of the Director's remuneration of Kshs.2,912,115 for the year ended 30 June, 2021 could not be confirmed. In addition, the Institute was in breach of the law.

2. Unapproved Budget

The Board approved budget for the year ended 30 June, 2021 reflects an income budget of Kshs.172,130,490 and an expenditure budget of Kshs.174,630,990. However, there was no evidence that the Ministry approved the Institute's budget. This is contrary to Section 44(2) of the Public Finance Management (National Government) Regulations, 2015 which states that National Government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the Contingencies Fund, or supplementary estimates.

In the circumstances, Management was in breach of law.

3. Unbalanced Budget

The statement of comparison of budget and actual amounts reflects an income budget of Kshs.172,130,490 and an expenditure budget of Kshs.174,630,990 resulting to a budget deficit of Kshs.2,500,500 contrary to Section 33(c) of the Public Finance Management (National Government) Regulations, 2015 which states that budget shall be balanced.

In the circumstances, Management was in breach of law.

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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and 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 those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual

Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

Those charged with governance are responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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's to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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

02 September, 2022

NKABUNE TECHNICAL TRAINING INSTITUTE
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FOR THE YEAR ENDED 30TH JUNE 2021

XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

| | Notes | 2020/2021 | 2019/2020 |
|--|-------|-----------------------|-----------------------|
| | | Kshs | Kshs |
| Revenue from non-exchange transactions | | | |
| Transfers from the National Government – grants/ gifts in kind | 6 | 21,180,000.00 | 194,826,852 |
| Grants from donors and development partners | 7 | 0.00 | 0.00 |
| Transfers from other levels of government | 8 | 0.00 | 0.00 |
| Public contributions and donations | 9 | 0.00 | 0.00 |
| Total Revenue from non-exchange transactions | | 21,180,000.00 | 194,826,852.00 |
| Revenue from exchange transactions | | | |
| Rendering of services- Fees from students | 10 | 100,363,238.00 | 94,108,218.00 |
| Sale of goods | 11 | 459,688.00 | 41,670.00 |
| Rental revenue from facilities and equipment | 12 | 1,345,731.00 | 860,450.00 |
| Other income | 14 | 365,289.00 | 42,500.00 |
| Total Revenue from exchange transactions | | 102,533,946.00 | 95,052,838.00 |
| Total revenue | | 123,713,946.00 | 289,879,690 |
| Expenses | | | |
| Use of goods and services | 15 | 85,369,214.00 | 57,908,148 |
| Employee costs | 16 | 18,384,710.00 | 26,656,961.00 |
| Remuneration of directors | 17 | 2,912,115.00 | 0.00 |
| Depreciation and amortization expense | 18 | 14,910,875.05 | 659,495.00 |
| Repairs and maintenance | 19 | 19,954,130.00 | 7,468,567.00 |
| provision for audit services | 35 | 550,450.00 | 603,787.00 |
| Contracted services | 21 | 2,964,949.00 | 0.00 |
| Grants and subsidies | 22 | 0.00 | 0.00 |
| General expenses | 23 | 0.00 | 0.00 |
| Finance costs | 24 | 0.00 | 0.00 |
| Total expenses | | 145,046,443.00 | 93,296,958 |
| Other gains/(losses) | | | |
| Gain on sale of assets | | 0.00 | 0.00 |
| Unrealized gain on fair value of investments | | 0.00 | 0.00 |
| Impairment loss | | 0.00 | 0.00 |
| Total other gains/(losses) | | 0.00 | 0.00 |
| Net Loss for the year | | (21,332,497) | 196,582,732.00 |

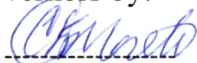
The notes set out on pages 1 to 49 form an integral part of the Annual Financial Statements.

**NKABUNE TECHNICAL AND TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

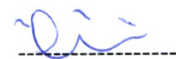
XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| | Notes | 2020/2021 | 2019/2020 |
|---|-------|--------------------|--------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 25 | 100,694,034 | 163,678,225 |
| Receivables from exchange transactions | 26 | 36,447,873 | 23,451,497 |
| Receivables from non-exchange transactions | | 0.00 | 0.00 |
| Inventories | 28 | 13,151,030 | 12,939,729.00 |
| Biological assets | 28b | 140,000 | 0.00 |
| Total Current Assets | | 150,432,937 | 200,069,451 |
| Non-current assets | | | |
| Property, plant and equipment | 30 | 569,393,126 | 551,309,714 |
| Intangible assets | 31 | 3,830,000 | 0.00 |
| Total Non-current Assets | | 573,223,126 | 551,309,714 |
| Total assets | | 723,656,063 | 751,379,165 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | 33 | 2,577,241 | 13,054,235 |
| Refundable deposits from Students | 34 | 189,500 | 447,180 |
| provision for audit services | 35 | 1,154,237 | 603,787 |
| Non-current liability | | | |
| Non-current employee benefit obligation | 38 | 0.00 | 1,954,928 |
| Total liabilities | | 3,920,978 | 14,105,202 |
| Capital and Reserves | | | |
| Accumulated surplus | | 191,173,570 | 212,506,106 |
| Revaluation reserve (restated) | | 528,561,515 | 508,707,727 |
| Capital Fund | | 0.00 | 0.00 |
| Total Capital and Reserves | | 719,735,085 | 721,213,833 |
| Total net Assets and liabilities | | 723,656,063 | 747,558,290 |

The Financial Statements set out on pages 01 to 52 were signed on behalf of the Institute Board of Governors by:







Chairman Board of Governors

Finance Officer
ICPAK No 25280

Principal

Date... 30/6/2022

Date... 30/6/2022

Date... 30/6/22

**NKABUNE TECHNICAL AND TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

XV. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2021

| | Revaluation reserve | Fair value adjustment reserve | Retained earnings | Capital/Development Grants/Fund | Total |
|--|---------------------|-------------------------------|--------------------|---------------------------------|--------------------|
| At July 1, 2019 | 528,561,515 | 0.00 | 15,923,335 | 0.00 | 544,484,850 |
| Revaluation gain | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Fair value adjustment on quoted investments | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total comprehensive income | 0.00 | 0.00 | 196,582,732.00 | 0.00 | 196,582,732.00 |
| Capital/Development grants received during the year | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Transfer of depreciation/amortisation from capital fund to retained earnings | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| At June 30, 2020 | 528,561,515 | 0.00 | 212,506,067 | 0.00 | 741,067,582 |
| At July 1, 2020 | 528,561,515 | 0.00 | 212,506,067 | 0.00 | 741,067,582 |
| Revaluation gain | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Fair value adjustment on quoted investments | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total comprehensive income | 0.00 | 0.00 | (21,332,497) | 0.00 | (21,332,497) |
| Capital/Development grants received during the year | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Transfer of depreciation/amortisation from capital fund to retained earnings | 0.00 | 0.00 | 0.00 | (0.00) | 0.00 |
| At June 30, 2021 | 528,561,515 | 0.00 | 191,173,570 | 0.00 | 719,735,085 |

Note:

- 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.
- The opening balance for revaluation reserve of kshs. 528, 561,515 was has a result of revaluation done to institute assets in the year 2019/2020 financial year figures restated as shown above in the adjusted opening balances.

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

| | | 2020/2021 | 2019/2020 |
|--|-------------|---------------------|--------------------|
| | Note | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfers from other Government entities/Govt. grants | 6 | 21,180,000 | 194,826,852 |
| Public contribution and donations | | 0.00 | 0.00 |
| Transfers from other levels of Government | | 0.00 | 0.00 |
| Rendering of services- Fees from students actual receipts | 10(b) | 60,283,181 | 94,108,218 |
| Increase in receivables | 26 | 12,996,376 | 8,263,610 |
| Sale of goods | 11 | 459,688 | 41,670 |
| Rental revenue from facilities and equipment | 12 | 1,345,731 | 860,450 |
| Other income, rentals and agency fees | 15 | 365,289 | 42,500 |
| Total Receipts | | 96,630,265 | 298,143,300 |
| Payments | | | |
| Use of goods and services | 15 | 85,369,214 | 57,908,148 |
| Compensation of employees | 16 | 18,384,710 | 26,656,961 |
| Directors expenses | 17 | 2,912,115.00 | 0.00 |
| Other payments(Repairs and maintenance) | 19 | 19,954,130.00 | 7,468,567 |
| Provision for audit services | 35 | 0.00 | 603,787 |
| Depreciation and amortisation expense | | 0.00 | 659,495 |
| Total Payments | | 126,620,169 | 93,296,958 |
| Net cash flows from operating activities | | (29,989,904) | 276,000,037 |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and intangible assets | 30 | 32,994,287 | 0.00 |
| Proceeds from sale of property, plant and equipment | | | |
| Decrease in non-current receivables | | | |
| Increase in investments | | | |
| Net cash flows used in investing activities | | (32,994,287) | 0.00 |
| Cash flows from financing activities | | | |
| Increase in deposits | | 0.00 | 0.00 |
| Net cash flows used in financing activities | | 0.00 | 0.00 |
| Net increase/(decrease) in cash and cash equivalents | | (62,984,191) | 0.00 |
| Cash and cash equivalents at 1 July 2020 | 25 | 163,678,225 | 43,368,252 |
| Cash and cash equivalents at 30 June 2021 | 25 | 100,694,034 | 163,678,225 |

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation).

**NKABUNE TECHNICAL AND TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | Utilization Difference |
|--|--------------------|--------------------|--------------------|----------------------------|------------------------|------------------------|
| | 2020-2021 | 2020-2021 | 2020-2021 | 2020-2021 | 2020-2021 | 2020-2021 |
| Revenue | Kshs | Kshs | Kshs | Kshs | Kshs | % |
| Transfers from other Govt entities Govt grants | 30,000,000 | 0 | 30,000,000 | 21,180,000 | 8,820,000 | 29 |
| Public contributions and donations | 0 | 0 | 0 | - | - | 0 |
| Rendering of services- Fees from students | 161,186,000 | -22,459,510 | 138,726,490 | 100,363,238 | 38,363,252 | 27 |
| Sale of goods | 1,755,800 | -250,800 | 1,505,000 | 459,688.00 | 1,045,312 | 69 |
| Finance Income | 0 | 0 | 0 | - | - | 0 |
| Other Income | 122,500 | 232,500 | 355,000 | 365,289.00 | -10,289 | -3 |
| Gains on disposal, rental income and agency fees | 1,182,000 | 362,000 | 1,544,000 | 1,345,731.00 | 198,269 | 12 |
| Total income | 194,246,300 | -22,115,810 | 172,130,490 | 123,713,946 | 48,416,544 | 28 |
| Expenses | | 0 | | | 0 | 0 |
| Compensation of employees | 21,830,916 | 1,315,084 | 23,146,000 | 18,384,710 | 4,761,290 | 20 |
| Use of Goods and services | 145,914,884 | -34,930,394 | 110,984,490 | 85,369,214 | 25,615,276 | 23 |
| Finance costs | 0 | 0 | 0 | 0 | 0 | 0 |
| Rent paid | 0 | 0 | 0 | 0 | 0 | 0 |
| Remuneration of directors | 2,500,500 | 0 | 2,500,500 | 2,912,115 | -411,615 | 16 |
| Grants and subsidies paid | 0 | 0 | 0 | 0 | 0 | 0 |
| Development | 24,000,000 | 14,000,000 | 38,000,000 | 27,083,882 | 10,916,118 | 28 |
| Total expenditure | 194,246,300 | -19,615,310 | 174,630,990 | 133,749,921 | 40,881,069 | 16 |
| Surplus for the period | 0 | -2,500,500 | -2,500,500 | -10,035,975 | 7,535,475 | |

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis(budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

NKABUNE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

BUDGET PERFORMANCE EXPLANATION NOTES

| | BUDGET | ACTUAL | | |
|---|------------------|---------------|----------|--|
| | 2020-2021 | | | |
| Revenue | Kshs | | % | Remarks |
| Transfers from other Govt entities Govt grants | 30,000,000 | 21,180,000 | 29.4 | This is high because the government had not sent all student capitation by the end of financial year |
| Rendering of services- Fees from students | 138,726,490 | 100,363,238 | 27 | This was caused by Covid 19 where schools were closed up to the month of September 2020 and closed again march 2021 to May 2021 affecting revenue collection |
| Sale of goods | 1,505,000 | 459,688 | 69 | This was caused by low revenue from farm where the expected sales were low. |
| Gains on disposal, rental income and hire of facilities | 1,544,000 | 1,345,731 | 12.84 | This was caused by low revenue collection but we were almost to reach the target |
| Use of Goods and services | 110,984,490 | 85,369,214 | 23 | This was caused by disruptions due to Covid 19 |

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Nkabune 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 training.

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 accounting Nkabune Technical Training Institute policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2021.

| Standard | Impact |
|-----------------------------|---|
| Other Improvements to IPSAS | <p>Applicable: 1st January 2021:</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> <p><i>(Entity to state the impact of the amendments to the financial statements)</i></p> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

| Standard | Effective date and impact: |
|---|--|
| IPSAS 41: Financial Instruments | <p>Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> •Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; •Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and •Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the entity if relevant)</i></p> |
| IPSAS 42: Social Benefits | <p>Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p><i>(State the impact of the standard to the entity if relevant)</i></p> |
| Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments | <p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. |

iii. Early adoption of standards

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Dividends

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2020/2021 was approved by the Board on 28/MAY 2021. 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 on the FY 2020/2021 budget following the 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 as per schedule xxx of the xxx Act.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (continued)

Sales tax/ Value Added Tax

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

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

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

d) Investment property

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

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

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

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

e) Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

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

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

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

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

g) Intangible assets

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

h) Research and development costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial

Assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

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

Loans and borrowing

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

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

i) Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

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

o) Borrowing costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest 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, 2021.

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.

(include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. (a) TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

| Description | 2020-2021 | 2019-2020 |
|--|------------|---------------|
| | KShs | KShs |
| Unconditional grants | | |
| Capitation grants | 21,180,000 | 26,375,000.00 |
| Operational grant | 0.00 | 0.00 |
| Other grants | 0.00 | 0.00 |
| | 21,180,000 | 26,375,000.00 |
| Conditional grants | | |
| Library grant | 0.00 | 0.00 |
| Hostels grant | 0.00 | 0.00 |
| Administration block grant | 0.00 | 0.00 |
| Laboratory grant | 0.00 | 0.00 |
| Learning facilities grant | 0.00 | 0.00 |
| Other organizational grants | 0.00 | 0.00 |
| Total government grants and subsidies | 21,180,000 | 26,375,000.00 |

(b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

| Name of the Entity sending the grant | Amount recognized to Statement of Comprehensive Income KShs | Amount deferred under deferred income KShs | Amount recognised in capital fund. KShs | Total grant income during the year KShs | 2020-2021 KShs |
|--------------------------------------|---|--|---|---|----------------|
| Xxx Ministry/State Department | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Xxx Ministry | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

(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)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GRANTS FROM DONORS AND DEVELOPMENT PARTNERS

| Description | 2020-2021 | 2019-2020 |
|---|-------------|-------------|
| | KShs | KShs |
| JICA- Research grant | 0.00 | 0.00 |
| World Bank grants | 0.00 | 0.00 |
| In-kind Donations | 0.00 | 0.00 |
| Other grants | 0.00 | 0.00 |
| Total grants from development partners | 0.00 | 0.00 |

Reconciliations of grants from donors and development partners

| Description | 2020-2021 | 2019-2020 |
|--|-------------|-------------|
| | KShs | KShs |
| Balance unspent at beginning of year | 0.00 | 0.00 |
| Current year receipts | 0.00 | 0.00 |
| Conditions met - transferred to revenue | 0.00 | 0.00 |
| Conditions to be met - remain liabilities | 0.00 | 0.00 |

(Provide brief explanation for this revenue)

8. TRANSFERS FROM OTHER LEVELS OF GOVERNMENT

| Description | 2020-2021 | 2019-2020 |
|------------------------|-------------|-----------------------|
| | KShs | KShs |
| | 0.00 | 0.00 |
| Transfer from HELB | 0 | 5,331,000.00 |
| Transfer from NYS | 0 | 163,120,852.00 |
| Total Transfers | 0.00 | 168,451,852.00 |

9. PUBLIC CONTRIBUTIONS AND DONATIONS

| Description | 2020-2021 | 2019-2020 |
|---|-------------|-------------|
| | KShs | KShs |
| Public donations | 0.00 | 0.00 |
| Donations from local leadership | 0.00 | 0.00 |
| Donations from religious institutions | 0.00 | 0.00 |
| Donations from alumni | 0.00 | 0.00 |
| Other donations | 0.00 | 0.00 |
| Total donations and sponsorships | 0.00 | 0.00 |

(Provide brief explanation for this revenue)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. RENDERING OF SERVICES

| Description | 2020-2021 | 2019-2020 |
|---|--------------------|----------------------|
| | KShs | KShs |
| Tuition fees | 20,513,802 | 59,789,900.00 |
| Personal Emoluments Fees | 13,473,500 | 0.00 |
| Electricity Water and conservancy Fees | 4,090,840 | 0.00 |
| Repairs and maintenance fees | 3,357,350 | 0.00 |
| Activity fees | 3,171,920 | 0.00 |
| Medical fees | 704,800 | 0.00 |
| Insurance fees | 1,761,700 | 0.00 |
| local transport and travel fees | 2,901,205 | 0.00 |
| Gratuity fees | 704,800 | 0.00 |
| Internet fees | 1,409,400 | 0.00 |
| student council fees | 704,800 | 0.00 |
| Attachment fees | 3,461,146 | 0.00 |
| student hostel fees | 6,285,684 | 10,726,185.00 |
| Registration fees | 116,200 | 0.00 |
| Student id fees | 98,191 | 0.00 |
| Practical material fees | 5,958,862 | 0.00 |
| Development fees | 2,901,750 | 0.00 |
| Student meals fees | 17,968,500 | 5,782,313.50 |
| Examination fees | 9,029,222 | 17,809,819.00 |
| capitation | 983,966 | 0.00 |
| uniform | 765,600 | 0.00 |
| Total revenue from the rendering of services | 100,363,238 | 94,108,217.50 |

NB: Fees invoiced students as per accrual accounting method

10(b)

| Description | 2020-2021 | 2019-2020 |
|---|----------------------|-------------|
| | KShs | KShs |
| Total receipts of fees collected from students | 60,283,181.00 | 0.00 |

Actual cash collected from students.

11. SALE OF GOODS

| Description | 2020-2021 | 2019-2020 |
|---|----------------|------------------|
| | KShs | KShs |
| Sale of goods | | |
| sale of tenders | 16,000 | 0.00 |
| Sale of farm produce | 129,260 | 38,870.00 |
| Cafeteria | 314,428 | 0.00 |
| Others | | 2,800.00 |
| Total revenue from the sale of goods | 459,688 | 41,670.00 |

Sales from production units operated in the institute.

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12. HIRE OF FACILITIES AND EQUIPMENT

| Description | 2020-2021 | 2019-2020 |
|--------------------|------------------|-------------------|
| | KShs | KShs |
| hire of vehicles | 0 | 50,440.00 |
| hire of facilities | 527,531 | 173,800.00 |
| Staff houses | 818,200 | 636,210.00 |
| Total | 1,345,731 | 860,450.00 |

Revenue generated from hiring out of buses, hospitality guest rooms and staff houses rent.

13. FINANCE INCOME

| Description | 2020-2021 | 2019-2020 |
|-------------------------------------|------------------|------------------|
| | KShs | KShs |
| Cash investments and fixed deposits | 0.00 | 0.00 |
| Interest income from Treasury Bills | 0.00 | 0.00 |
| Interest income from Treasury Bonds | 0.00 | 0.00 |
| Interest from outstanding debtors | 0.00 | 0.00 |
| Total finance income | 0.00 | 0.00 |

14. OTHER INCOME

| Description | 2020-2021 | 2019-2020 |
|----------------------------|------------------|------------------|
| | KShs | KShs |
| Library fines | 3,195 | |
| Photocopy services | 78,800 | |
| Computer packages charges | 25,200 | |
| Meal card replacement | 6,900 | |
| Equipment charges | 251,194 | |
| Graduation fees | 0 | 8,500.00 |
| Income from sale of tender | 0 | 31,000.00 |
| Disposal of assets | 0 | 3,000.00 |
| Total other income | 365,289 | 42,500.00 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. USE OF GOODS AND SERVICES

| Description | 2020-2021 | 2019-2020 |
|--|-------------------|----------------------|
| | KShs | KShs |
| Tuition expenses | 11,227,383 | |
| Local transport, travel and accommodation | 4,100,306 | |
| Admin and legal expenses | 21,558,256 | 9,266,602.50 |
| Medical expenses | 1,144,734 | |
| Electricity water and conservancy expenses | 5,016,457 | 2,105,140.00 |
| Activity | 658,714 | |
| Internet and Ict expenses | 1,392,060 | |
| Student council | 747,803 | |
| Examination | 12,253,150 | |
| Tender expense | 433,890 | |
| General expenses/Hire charges | 1,500 | 36,500.00 |
| Farm expenses | 327,750 | |
| Printing and stationery | 0.00 | 708,345.00 |
| Student accommodation Hostel | 7,748,496 | |
| Caution expenses | 1,800 | |
| Student meals | 12,366,930 | |
| Uniforms expenses | 302,380 | |
| Insurance cover expenses | 875,996 | 895,658.00 |
| Fuel and oil expenses | 2,202,849 | |
| Subscriptions expenses | 120,000 | 766,375.00 |
| Practical Materials | 1,806,846 | |
| Meetings and conference expenses | 122,600 | |
| Attachment expenses | 728,450 | |
| Kitchen cafeteria expenses | 193,118 | |
| Other general expenses | 0.00 | 44,129,527 |
| Bank charges | 37,746 | |
| Total good and services | 85,369,214 | 57,908,147.50 |

16. EMPLOYEE COSTS

| | 2020-2021 | 2019-2020 |
|---|----------------------|----------------------|
| | KShs | KShs |
| Salaries and wages | 18,195,570 | 16,073,207.00 |
| Employee related costs - contributions to pensions and medical aids | 189,140 | 2,693,460.00 |
| Travel, motor car, accommodation, subsistence and other allowances | | 7,890,294.00 |
| Social contributions | 0.00 | 0.00 |
| Employee costs | 18,384,710.00 | 26,656,961.00 |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. REMUNERATION OF DIRECTORS

| Description | 2020-2021 | 2019-2020 |
|----------------------------------|------------------|------------------|
| | KShs | KShs |
| Chairman's Honoraria | 0.00 | 0.00 |
| Directors emoluments | 0.00 | 0.00 |
| Directors allowances | 2,912,115 | 0.00 |
| Total director emoluments | 2,912,115 | 0.00 |

18. DEPRECIATION AND AMORTIZATION EXPENSE

| Description | 2020-2021 | 2019-2020 |
|--|----------------------|-------------------|
| | KShs | KShs |
| Property, plant and equipment | 14,910,875 | 659,495.00 |
| Intangible assets | | |
| Investment property carried at cost | | |
| Total depreciation and amortization | 14,910,875.00 | 659,495.00 |

19. REPAIRS AND MAINTENANCE

| Description | 2020-2021 | 2019-2020 |
|--|-------------------|---------------------|
| | KShs | KShs |
| Property | 0.00 | 0.00 |
| Investment property – earning rentals | 0.00 | 0.00 |
| Equipment and machinery | 0.00 | 0.00 |
| Vehicles | 0.00 | 0.00 |
| Furniture and fittings | 0.00 | 0.00 |
| Computers and accessories | 0.00 | 0.00 |
| Building painting and improvements works | 19,954,130 | 7,468,567.00 |
| Total repairs and maintenance | 19,954,130 | 7,468,567.00 |

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20. GRANTS AND SUBSIDIES

| Description | 2020-2021 | 2019-2020 |
|------------------------------------|------------------|------------------|
| | KShs | KShs |
| Community development | 0.00 | 0.00 |
| Education initiatives and programs | 0.00 | 0.00 |
| Social development | 0.00 | 0.00 |
| Community trust | 0.00 | 0.00 |
| Sporting bodies | 0.00 | 0.00 |
| Total grants and subsidies | 0.00 | 0.00 |

21. CONTRACTED SERVICES

| Description | 2020-2021 | 2019-2020 |
|----------------------------------|------------------|------------------|
| | KShs | KShs |
| security | 831,199 | 0.00 |
| cleaning services | 2,133,750 | 0.00 |
| Total Contracted Services | 2,964,949 | 0.00 |

22. GAIN ON SALE OF ASSETS

| Description | 2020-2021 | 2019-2020 |
|-------------------------------------|------------------|------------------|
| | KShs | KShs |
| | 0.00 | 0.00 |
| Property, plant and equipment | 0.00 | 0.00 |
| Intangible assets | 0.00 | 0.00 |
| Other assets not capitalised | 0.00 | 0.00 |
| Total gain on sale of assets | 0.00 | 0.00 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

| Description | 2020-2021 | 2019-2020 |
|---------------------------|-------------|-------------|
| | KShs | KShs |
| Investments at fair value | 0.00 | 0.00 |
| Total gain | 0.00 | 0.00 |

24. IMPAIRMENT LOSS

| Description | 2020-2021 | 2019-2020 |
|-------------------------------|-------------|-------------|
| | KShs | KShs |
| Property, plant and equipment | 0.00 | 0.00 |
| Intangible assets | 0.00 | 0.00 |
| Total impairment loss | 0.00 | 0.00 |

25. CASH AND CASH EQUIVALENTS

| Description | 2020-2021 | 2019-2020 |
|--|-----------------------|-----------------------|
| | KShs | KShs |
| Current account | 100,694,034.22 | 163,678,225.00 |
| On - call deposits | 0.00 | 0.00 |
| Fixed deposits account | 0.00 | 0.00 |
| Staff car loan/ mortgage | 0.00 | 0.00 |
| Others(specify) | 0.00 | 0.00 |
| Total cash and cash equivalents | 100,694,034.22 | 163,678,225.00 |

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 (b). DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

| | | 2020-2021 | 2019-2020 |
|--------------------------------|----------------|-----------------------|-----------------------|
| Financial institution | Account number | KShs | KShs |
| a) Current account | | | |
| Cooperative Bank Main Acc. | 01129022017100 | 94,516,038.80 | 159,097,736.40 |
| Co-operative Bank Instant Acc. | 01100022017100 | 1,516,275.07 | 881,130.07 |
| KCB Production Unit Acc. | 1182909272 | 451,531 | 48,600 |
| Sub- total | | 96,483,844.87 | 160,027,466.47 |
| b) Development Account | | | |
| Kenya Commercial bank | 1117245136 | 3,791,341.35 | 1,293,471.35 |
| Equity Bank – Kaelo TVC | 0140262856793 | 369,321 | 2,869,321.25 |
| Sub- total | | 4,160,662.35 | 4,162,792.60 |
| c) Others(specify) | | | |
| cash in hand | | 49,527 | 369,096 |
| Sub- total | | 49,527 | 369,096 |
| Grand total | | 100,694,034.22 | 163,678,225.00 |

26. RECEIVABLES FROM EXCHANGE TRANSACTIONS

26(a) Current Receivables from Exchange Transactions

| Description | 2020-2021 | 2019-2020 |
|----------------------------------|-------------------|----------------------|
| | KShs | KShs |
| Current receivables | | |
| Student debtors | 36,310,673 | 23,451,497.46 |
| Rent debtors | 137,200 | 0.00 |
| Consultancy debtors | 0.00 | 0.00 |
| Other exchange debtors | 0.00 | 0.00 |
| Less: impairment allowance | (0.00) | (0.00) |
| Total current receivables | 36,447,873 | 23,451,497.46 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26(b) Long- term Receivables from Exchange Transactions

| Description | 2020-2021 | 2019-2020 |
|--|-----------|-----------|
| | KShs | KShs |
| Non-current receivables | | |
| Refundable deposits | 0.00 | 0.00 |
| Advance payments | 0.00 | 0.00 |
| Public organizations | 0.00 | 0.00 |
| Less: impairment allowance | (0.00) | (0.00) |
| Total | 0.00 | 0.00 |
| Current portion transferred to current receivables | (0.00) | (0.00) |
| Total non-current receivables | 0.00 | 0.00 |
| Total receivables | 0.00 | 0.00 |

26 (c) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions

| Description | 2020-2021 | 2019-2020 |
|------------------------------|-----------|-----------|
| | KShs | KShs |
| At the beginning of the year | 0.00 | 0.00 |
| Provisions during the year | 0.00 | 0.00 |
| Recovered during the year | (0.00) | (0.00) |
| Write offs during the year | (0.00) | (0.00) |
| At the end of the year | 0.00 | 0.00 |

27. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| Description | 2020-2021 | 2019-2020 |
|---|-----------|-----------|
| | KShs | KShs |
| Current receivables | | |
| Capitation grants* | 0.00 | 0.00 |
| Transfers from other govt. entities | 0.00 | 0.00 |
| Undisbursed donor funds | 0.00 | 0.00 |
| Other debtors (non-exchange transactions) | 0.00 | 0.00 |
| Less: impairment allowance | (0.00) | (0.00) |
| Total current receivables | 0.00 | 0.00 |

*Receivables on capitation grants is recognised for monies received after year end but relating to the year under review.

27 (b) Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions

| Description | 2020-2021 | 2019-2020 |
|---------------------------------------|-----------|-----------|
| | KShs | KShs |
| At the beginning of the year | 0.00 | 0.00 |
| Additional provisions during the year | 0.00 | 0.00 |
| Recovered during the year | (0.00) | (0.00) |
| Written off during the year | (0.00) | (0.00) |
| At the end of the year | 0.00 | 0.00 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. (a) INVENTORIES

| Description | 2020-2021 | 2019-2020 |
|--|-------------------|----------------------|
| | KShs | KShs |
| Stationeries | 0.00 | 339,932 |
| Maintenance stores | 0.00 | 0.00 |
| Health unit stores | 64,162 | 30,732.00 |
| Electrical stores | 1,340,755 | 953,020.00 |
| Library stores | 11,746,113 | 11,617,045.00 |
| Total inventories at the lower of cost and net realizable value | 13,151,030 | 12,939,729.00 |

28 (b) BIOLOGICAL ASSETS

| Description | 2020-2021 | 2019-2020 |
|-------------------|----------------|-------------|
| Biological assets | | |
| Ayrshire dairy | 50,000.00 | 0.00 |
| Ayrshire dairy | 60,000.00 | 0.00 |
| Ayrshire heifer | 30,000.00 | 0.00 |
| Total | 140,000 | 0.00 |

The institute has three cows which according to the valuation report are of the total cost of kshs.140, 000.

29. INVESTMENT

| Description | 2020-2021 | 2019-2020 |
|---|-------------|-------------|
| | KShs | KShs |
| a) Investment in Treasury bills and bonds | | |
| Financial institution | | |
| CBK | 0.00 | 0.00 |
| CBK | 0.00 | 0.00 |
| Sub- total | 0.00 | 0.00 |
| b) Investment with Financial Institutions/ Banks | | |
| Bank x | 0.00 | 0.00 |
| Bank y | 0.00 | 0.00 |
| Sub- total | 0.00 | 0.00 |
| c) Equity investments (specify) | | |
| Equity/ shares in company xxx | 0.00 | 0.00 |
| Sub- total | 0.00 | 0.00 |
| Grand total | 0.00 | 0.00 |

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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 | Fair value of shares |
|---|---------------------|-----------------------|------------------------|-------------------------|----------------------|----------------------|
| | Direct shareholding | Indirect shareholding | Effective shareholding | | | |
| | % | % | % | Shs | Current year | Prior year |
| Entity A | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Entity B | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Entity C | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Entity D | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. PROPERTY, PLANT AND EQUIPMENT

| Cost | Land and Buildings | | Motor vehicles | | Furniture and fittings | | Computers | | Other Assets (Specify) | | Plant and equipment | | Capital Work in progress | | Total | |
|---|--------------------|-------------------|------------------|------------------|------------------------|-------------------|-------------------|--------------------|------------------------|----------|---------------------|----------|--------------------------|----------|----------|----------|
| | Shs | Shs | Shs | Shs | Shs | Shs | Shs | Shs | Shs | Shs | Shs | Shs | Shs | Shs | Shs | Shs |
| At 1 July 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Valuation | 453,820,875 | 16,080,000 | 5,275,958 | 4,084,401 | 0 | 72,707,975 | 0 | 551,969,209 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| Transfers/adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 30th June 2020 | 453,820,875 | 16,080,000 | 5,275,958 | 4,084,401 | 0 | 72,707,975 | 0 | 551,969,209 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions | 0 | 0 | 1,369,000 | 3,477,480 | 0 | 1,063,925 | 27,083,882 | 32,994,287 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer/adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 30th June 2021 | 453,820,875 | 16,080,000 | 5,985,463 | 7,561,881 | 0 | 73,771,900 | 27,083,882 | 584,963,496 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation and impairment | | | | | | | | | | | | | | | | |
| At 1 July 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation | 0 | 0 | 659,495 | 0 | 0 | 0 | 0 | 659,495 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 659,495 |
| Impairment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 30th June 2020 | 453,820,875 | 16,080,000 | 5,985,463 | 7,561,881 | 0 | 73,771,900 | 0 | 584,304,001 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation | 0 | 4,020,000 | 577,058 | 1,225,320 | 0 | 9,088,497 | 0 | 14,910,875 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer/adjustment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 30 th June 2021 | 0 | 4,020,000 | 1,236,553 | 1,225,320 | 0 | 9,088,497 | 0 | 15,570,370 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net book values | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 30th June 2020 | 453,820,875 | 16,080,000 | 4,616,463 | 4,084,401 | 0 | 72,707,975 | 0 | 551,309,714 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 30th June 2021 | 453,820,875 | 12,060,000 | 5,408,405 | 6,336,561 | 0 | 64,683,403 | 27,083,882 | 569,393,126 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>[Include brief description of WIP as a footer]</i> | | | | | | | | | | | | | | | | |

The depreciation is high in the financial year 2020/2021 because of the valuation done to institute assets in the year 2020.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

Land and buildings were valued by Ministry of Physical planning independent valuer on 23 September 2020 on cost basis of valuation. These amounts were adopted on 30/6/2020.

30 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

| | Cost | Accumulated Depreciation | NBV |
|---|-------------|-------------------------------------|-------------|
| | Kshs | Kshs | Kshs |
| Land | | | |
| Buildings | | | |
| Plant and machinery | | | |
| Motor vehicles, including motorcycles | | | |
| Computers and related equipment | | | |
| Office equipment, furniture, and fittings | | | |
| Total | | | |

31. INTANGIBLE ASSETS-SOFTWARE

| Description | 2020-2021 | 2019-2020 |
|------------------------------------|------------------|------------------|
| | KShs | KShs |
| Cost | | |
| At beginning of the year | 0 | 0 |
| Additions | 3,830,000 | 0 |
| At end of the year | 3,830,000 | 0 |
| Additions—internal development | 0 | 0 |
| At end of the year | 3,830,000 | 0 |
| Amortization and impairment | | |
| At beginning of the year | 0 | 0 |
| Amortization | 0 | 0 |
| At end of the year | 0 | 0 |
| Impairment loss | 0 | 0 |
| At end of the year | 3,830,000 | 0 |
| NBV | 3,830,000 | 0 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. INVESTMENT PROPERTY

| Description | 2020-2021 | 2019-2020 |
|---------------------------------|-----------|-----------|
| | KShs | KShs |
| At beginning of the year | 0 | 0 |
| Additions | 0 | 0 |
| Disposal during the year | (0) | (0) |
| Depreciation | (0) | (0) |
| Impairment | (0) | (0) |
| At end of the year | 0 | 0 |

(This note applies to investment property held at cost. For investment property held at fair value, changes in fair value should go through the statement of financial performance).

33. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

| Description | 2020-2021 | 2019-2020 |
|---------------------------------------|---------------------|----------------------|
| | KShs | KShs |
| Trade payables | 0.00 | 0.00 |
| Fees paid in advance | 2,577,241 | 13,054,235.00 |
| Employee advances | 0.00 | 0.00 |
| Third-party payments | 0.00 | 0.00 |
| Other payables | 0.00 | 0.00 |
| Total trade and other payables | 2,577,241.00 | 13,054,235.00 |

34. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

| Description | 2020-2021 | 2019-2020 |
|---------------------------|----------------|-------------------|
| | KShs | KShs |
| Consumer deposits | 0.00 | 0.00 |
| Caution money | 189,500 | 447,180.00 |
| Other refundable deposits | 0.00 | 0.00 |
| Total deposits | 189,500 | 447,180.00 |

35. CURRENT PROVISIONS

| Description | Leave provision | Bonus provision | Gratuity Provisions | Audit provision | Total |
|---|-----------------|-----------------|---------------------|------------------|------------------|
| | KShs | KShs | KShs | KShs | KShs |
| Balance at the beginning of the year | 0.00 | 0.00 | 0.00 | 603,787 | 603,787 |
| Additional Provisions | 0.00 | 0.00 | 0.00 | 550,450 | 550,450 |
| Provision utilised | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) |
| Change due to discount and time value for money | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) |
| Transfers from non-current provisions | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total provisions | 0.00 | 0.00 | 0.00 | 1,154,237 | 1,154,237 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36. FINANCE LEASE OBLIGATION

| Description | 2020-2021 | 2019-2020 |
|--------------------------------------|------------------|------------------|
| | KShs | KShs |
| At the start of the year | 0.00 | 0.00 |
| Discount interest on lease liability | 0.00 | 0.00 |
| Paid during the year | 0.00 | 0.00 |
| At end of the year | 0.00 | 0.00 |

Maturity Analysis

| Period | Amount |
|-------------------------|---------------|
| Year 1 | 0.00 |
| Year 2 | 0.00 |
| Year 3 | 0.00 |
| Year 4 | 0.00 |
| Year 5 and onwards | 0.00 |
| Less: Unearned interest | 0.00 |
| | 0.00 |

Analysed as:

| Description | Amount |
|--------------------|---------------|
| Current | 0.00 |
| Non- Current | 0.00 |
| Total | 0.00 |

37. DEFERRED INCOME

| Description | 2020-2021 | 2019-2020 |
|------------------------------------|------------------|------------------|
| | KShs | KShs |
| National government | 0.00 | 0.00 |
| International funders | 0.00 | 0.00 |
| Public contributions and donations | 0.00 | 0.00 |
| Total deferred income | 0.00 | 0.00 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The deferred income movement is as follows:

| | National government | International funders/ donors | Public contributions and donations | Total |
|-------------------------------|---------------------|-------------------------------|------------------------------------|-------|
| Balance brought forward | 0.00 | 0.00 | 0.00 | 0.00 |
| Additions during the year | 0.00 | 0.00 | 0.00 | 0.00 |
| Transfers to Capital fund | 0.00 | 0.00 | 0.00 | 0.00 |
| Transfers to income statement | 0.00 | 0.00 | 0.00 | 0.00 |
| Other transfers | 0.00 | 0.00 | 0.00 | 0.00 |
| Balance carried forward | 0.00 | 0.00 | 0.00 | 0.00 |

38. EMPLOYEE BENEFIT OBLIGATIONS

| Description | Defined benefit plan | Post-employment medical benefits | Other Provisions | 2020-2021 | 2019-2020 |
|---|----------------------|----------------------------------|------------------|-----------|-----------|
| | KShs | KShs | KShs | KShs | KShs |
| Current benefit obligation | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Non-current benefit obligation | 0.00 | 0.00 | 0.00 | 0.00 | 1,954,928 |
| Total employee benefits obligation | 0.00 | 0.00 | 0.00 | 0.00 | 1,954,928 |

Retirement benefit Asset/ Liability

The entity does not operate a defined benefit scheme for all full-time employees from July 1, 2020. The scheme is administered by xxx while xxx are the custodians of the scheme. The scheme is based on xxx percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at xxx June xxx by xxx actuarial valuer on this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

| | 2020-2021 | 2019-2020 |
|------------------------------|-----------|-----------|
| | Kshs | Kshs |
| Discount rates | X% | X% |
| Future salary increases | X% | X% |
| Future pension increases | X% | X% |
| Mortality (Pre- retirement) | X% | X% |
| Mortality (Post- retirement) | X% | X% |
| Withdrawals | xx | Xx |
| Ill health | xx | xx |
| Retirement | Xx years | Xx years |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Recognition of Retirement Benefit Asset/ Liability

a) Amounts recognised under other gains/ Losses in the statement of Financial Performance:

| | 2020-2021 | 2019-2020 |
|--|------------------|------------------|
| Description | Kshs | Kshs |
| The return on defined plan assets | 0.00 | 0.00 |
| Actuarial gains/ losses arising from changes in demographic assumptions | 0.00 | 0.00 |
| Actuarial gains/ losses arising from 0020 changes in financial assumptions | 0.00 | 0.00 |
| Actuarial gains and losses arising from experience adjustments | 0.00 | 0.00 |
| Others (Specify) | 0.00 | 0.00 |
| Adjustments for restrictions on the defined benefit asset | 0.00 | 0.00 |
| Re measurement of the net defined benefit liability (asset) | 0.00 | 0.00 |

b) Amounts recognised in the Statement of Financial Position

| | 2020-2021 | 2019-2020 |
|--|------------------|------------------|
| Description | Kshs | Kshs |
| Present value of defined benefit obligations(a) | 0.00 | 0.00 |
| Fair value of plan assets(b) | 0.00 | 0.00 |
| Funded Status(=a-b) | 0.00 | 0.00 |
| Restrictions on asset recognised | 0.00 | 0.00 |
| Others | 0.00 | 0.00 |
| Net Asset or liability arising from defined benefit obligation | 0.00 | 0.00 |

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 1080 per employee per month. Other than NSSF the entity has no other defined contribution scheme.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39. NON-CURRENT PROVISIONS

| Description | Long service leave | Bonus Provision | Gratuity | Other Provisions | Total |
|---|--------------------|-----------------|-------------|------------------|-------------|
| | KShs | | KShs | KShs | KShs |
| Balance at the beginning of the year | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Additional Provisions | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Provision utilised | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) |
| Change due to discount and time value for money | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Less: Current portion | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) |
| Total deferred income | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

(NB: The current portion deducted in this note should tie to line on current portion transferred from non-current provisions under note 34)

40. BORROWINGS

| Description | 2020-2021 | 2019-2020 |
|---|-----------|-----------|
| | KShs | KShs |
| Balance at beginning of the year | 0.00 | 0.00 |
| External borrowings during the year | 0.00 | 0.00 |
| Domestic borrowings during the year | 0.00 | 0.00 |
| Repayments of external borrowings during the year | 0.00 | 0.00 |
| Repayments of domestic borrowings during the year | 0.00 | 0.00 |
| Balance at end of the year | 0.00 | 0.00 |

41 a) ANALYSIS OF EXTERNAL AND DOMESTIC BORROWINGS

| | 2020-2021 | 2019-2020 |
|---|-------------|-------------|
| | KShs | KShs |
| External Borrowings | | |
| Dollar denominated loan from 'xxx organization' | 0.00 | 0.00 |
| Sterling Pound denominated loan from 'yyy organization' | 0.00 | 0.00 |
| Euro denominated loan from zzz organization' | 0.00 | 0.00 |
| Domestic Borrowings | 0.00 | 0.00 |
| Kenya Shilling loan from KCB | 0.00 | 0.00 |
| Kenya Shilling loan from Barclays Bank | 0.00 | 0.00 |
| Kenya Shilling loan from Consolidated Bank | 0.00 | 0.00 |
| Total balance at end of the year | 0.00 | 0.00 |

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41 b) BREAKDOWN OF LONG- AND SHORT-TERM BORROWINGS

| Description | 2020-2021 | 2019-2020 |
|--|------------------|------------------|
| | KShs | KShs |
| Short term borrowings(current portion) | 0.00 | 0.00 |
| Long term borrowings | 0.00 | 0.00 |
| Total | 0.00 | 0.00 |

(NB: the total of this statement should tie to note 42 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

41. SERVICE CONCESSION ARRANGEMENTS

| Description | 2020-2021 | 2019-2020 |
|--|------------------|------------------|
| | KShs | KShs |
| Fair value of service concession assets recognized under PPE | 0.00 | 0.00 |
| Accumulated depreciation to date | 0.00 | 0.00 |
| Net carrying amount | 0.00 | 0.00 |
| Service concession liability at beginning of the year | 0.00 | 0.00 |
| Service concession revenue recognized | 0.00 | 0.00 |
| Service concession liability at end of the year | 0.00 | 0.00 |

42. CASH GENERATED FROM OPERATIONS

| | 2020-2021 | 2019-2020 |
|--|------------------|------------------|
| | KShs | KShs |
| Surplus for the year before tax | | |
| Adjusted for: | | |
| Depreciation | 0.00 | 0.00 |
| Non-cash grants received | 0.00 | 0.00 |
| Contributed assets | 0.00 | 0.00 |
| Impairment | 0.00 | 0.00 |
| Gains and losses on disposal of assets | 0.00 | 0.00 |
| Contribution to provisions | 0.00 | 0.00 |
| Contribution to impairment allowance | 0.00 | 0.00 |
| Finance income | 0.00 | 0.00 |
| Finance cost | 0.00 | 0.00 |
| Working Capital adjustments | 0.00 | 0.00 |
| Increase in inventory | 0.00 | 0.00 |
| Increase in receivables | 0.00 | 0.00 |
| Increase in deferred income | 0.00 | 0.00 |
| Increase in payables | 0.00 | 0.00 |
| Increase in payments received in advance | 0.00 | 0.00 |
| Net cash flow from operating activities | 0.00 | 0.00 |

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

43. 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 Kshs | Fully performing Kshs | Past due Kshs | Impaired Kshs |
|--|----------------------|--------------------------|------------------|------------------|
| At 30 June 2020 | | | | |
| Receivables from exchange transactions | 23,451,497.46 | 23,451,497.46 | 0.00 | 0.00 |
| Receivables from non-exchange transactions | 0.00 | 0.00 | 0.00 | 0.00 |
| Bank balances | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 23,451,497.46 | 23,451,497.46 | 0.00 | 0.00 |
| At 30 June 2021 | 36,447,873 | 36,447,873 | 0.00 | 0.00 |
| Receivables from exchange transactions | 36,447,873 | 36,447,873 | 0.00 | 0.00 |
| Receivables from non-exchange transactions | 0.00 | 0.00 | 0.00 | 0.00 |
| Bank balances | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 36,447,873 | 36,447,873 | 0.00 | 0.00 |

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 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 5 months | Total |
|-------------------------------|-------------------|--------------------|---------------|-------------|
| | Kshs | Kshs | Kshs | Kshs |
| At 30 June 2020 | | | | |
| Trade payables | 0.00 | 0.00 | 0.00 | 0.00 |
| Current portion of borrowings | 0.00 | 0.00 | 0.00 | 0.00 |
| Provisions | 0.00 | 0.00 | 0.00 | 0.00 |
| Deferred income | 0.00 | 0.00 | 0.00 | 0.00 |
| Employee benefit obligation | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 0.00 | 0.00 | 0.00 | 0.00 |
| At 30 June 2021 | | | | |
| Trade payables | 0.00 | 0.00 | 0.00 | 0.00 |
| Current portion of borrowings | 0.00 | 0.00 | 0.00 | 0.00 |
| Provisions | 0.00 | 0.00 | 0.00 | 0.00 |
| Deferred income | 0.00 | 0.00 | 0.00 | 0.00 |
| Employee benefit obligation | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 0.00 | 0.00 | 0.00 | 0.00 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

The entity 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 entity'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:

| | Ksh | Other currencies | Total |
|---|------|---------------------|-------|
| | Kshs | Kshs | Kshs |
| At 30 June 2021 | | | |
| Financial assets (investments, cash, debtors) | 0.00 | 0.00 | 0.00 |
| Liabilities | | | |
| Trade and other payables | 0.00 | 0.00 | 0.00 |
| Borrowings | 0.00 | 0.00 | 0.00 |
| Net foreign currency asset/(liability) | 0.00 | 0.00 | 0.00 |

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

| | Ksh | Other currencies | Total |
|--|------|------------------|-------|
| | Kshs | Kshs | Kshs |
| At 30 June 2021 | | | |
| Financial assets(investments, cash ,debtors) | 0.00 | 0.00 | 0.00 |
| Liabilities | | | |
| Trade and other payables | 0.00 | 0.00 | 0.00 |
| Borrowings | 0.00 | 0.00 | 0.00 |
| Net foreign currency asset/(liability) | 0.00 | 0.00 | 0.00 |

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 currency rate | Effect on Profit before tax | Effect on equity |
|-------------|-------------------------|-----------------------------|------------------|
| | Kshs | Kshs | Kshs |
| 20xx | | | |
| Euro | 10% | 0.00 | 0.00 |
| USD | 10% | 0.00 | 0.00 |
| 20xx | | | |
| Euro | 10% | 0.00 | 0.00 |
| USD | 10% | 0.00 | 0.00 |

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.

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.

iii) Capital Risk Management

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

| | 2020-2021 | 2019-2020 |
|---|------------------|------------------|
| | Kshs | Kshs |
| Revaluation reserve | 0.00 | 0.00 |
| Retained earnings | 0.00 | 0.00 |
| Capital reserve | 0.00 | 0.00 |
| Total funds | 0.00 | 0.00 |
| Total borrowings | 0.00 | 0.00 |
| Less: cash and bank balances | (0.00) | (0.00) |
| Net debt/(excess cash and cash equivalents) | 0.00 | 0.00 |
| Gearing | xx% | xx% |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45. 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 Nkabune TTI, holding 100% of *Nkabune* 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) Parents and other sponsors
- iv) Suppliers
- v) staff
- vi) Key management;
- vii) Board of directors;

The transactions and balances with related parties during the year are as

| | 2020-2021 | 2019-2020 |
|--|-------------|-------------|
| | Kshs | Kshs |
| Transactions with related parties | | |
| a) Sales to related parties | | |
| Sales of electricity to Govt agencies | 0.00 | 0.00 |
| Rent Income from govt. agencies | 0.00 | 0.00 |
| Water sales to Govt. agencies | 0.00 | 0.00 |
| Others (Specify) | 0.00 | 0.00 |
| Total | 0.00 | 0.00 |
| b) Purchases from related parties | | |
| Purchases of electricity from KPLC | 0.00 | 0.00 |
| Purchase of water from govt service providers | 0.00 | 0.00 |
| Rent expenses paid to govt agencies | 0.00 | 0.00 |
| Training and conference fees paid to govt. agencies | 0.00 | 0.00 |
| Others (specify) | 0.00 | 0.00 |
| Total | 0.00 | 0.00 |
| c) Grants /Transfers from the Government | | |
| Grants from National Govt | 0.00 | 0.00 |
| Grants from County Government | 0.00 | 0.00 |
| Donations in kind | 0.00 | 0.00 |
| Total | 0.00 | 0.00 |
| d) Expenses incurred on behalf of related party | | |
| Payments of salaries and wages for employees | 0.00 | 0.00 |
| Payments for goods and services | 0.00 | 0.00 |
| Total | | |
| e) Key management compensation | | |
| Directors' emoluments | 0.00 | 0.00 |
| Compensation to key management | 0.00 | 0.00 |
| Total | 0.00 | 0.00 |

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46. SEGMENT INFORMATION

(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segments)

44. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets

| | 2020-2021 | 2019-2020 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Contingent assets | | |
| Insurance reimbursements | 0.00 | 0.00 |
| Assets arising from determination of court cases | 0.00 | 0.00 |
| Reimbursable indemnities and guarantees | 0.00 | 0.00 |
| Others (Specify) | 0.00 | 0.00 |
| Total | 0.00 | 0.00 |

Contingent Liabilities

| | 2020-2021 | 2019-2020 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Contingent liabilities | 0.00 | 0.00 |
| Court case xxx against the entity | 0.00 | 0.00 |
| Bank guarantees in favour of subsidiary | 0.00 | 0.00 |
| Contingent liabilities arising from contracts including PPPs | 0.00 | 0.00 |
| Others (Specify) | 0.00 | 0.00 |
| Total | 0.00 | 0.00 |

(Give details)

45. CAPITAL COMMITMENTS

| Capital commitments | 2020-2021 | 2019-2020 |
|-------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Authorised for | 0.00 | 0.00 |
| Authorised and contracted for | 0.00 | 0.00 |
| Total | 0.00 | 0.00 |

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the entity but at the end of the year had not been contracted or those already contracted for and ongoing)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

| | 2020-2021 | 2019-2020 |
|---|------------------|------------------|
| | Kshs | Kshs |
| Accelerated capital allowances | 0.00 | 0.00 |
| Unrealised exchange gains/(losses) | 0.00 | 0.00 |
| Revaluation surplus | 0.00 | 0.00 |
| Tax losses carried forward | (0.00) | (0.00) |
| Provisions for liabilities and charges | (0.00) | (0.00) |
| Net deferred tax liability/(asset) | 0.00 | 0.00 |
| The movement on the deferred tax account is as follows: | | |
| Balance at beginning of the year | 0.00 | 0.00 |
| Credit to revaluation reserve | 0.00 | 0.00 |
| Under provision in prior year | 0.00 | 0.00 |
| Income statement charge/(credit) | 0.00 | 0.00 |
| Balance at end of the year | 0.00 | 0.00 |

[In ordinary circumstances public sector entities under IPSAS are not expected to pay taxes. However, in specific cases where this is applicable an organisation is supposed to seek guidance on accounting for income taxes from IAS 12)

47. EVENTS AFTER THE REPORTING PERIOD

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

48. 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.

49. CURRENCY

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

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.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|--|---|--|---|
| 1.0 | Unbalanced statement of financial position for the year ended 30 June 2020 | Amend financial statements | Resolved | 25/04/2022 |
| 2.1 | Overstated statement of charges in net assets | Amend the financial statement. | Resolved | 25/04/2022 |
| 2.2 | Understated statement of cash flows | Amend the financial statement. | Resolved | 25/04/2022 |
| 3.0 | Understated cash and cash equivalents | Amend the financial statement. | Resolved | 25/04/2022 |
| 4.0 | Unsupported contingent rentals income | To Support the contingent rentals income | Resolved | Financial statement for 2020/2021 FY |
| 5.0 | Unaccounted expenditure on student meals | Will ensure there are daily signed registers before payment | Resolved | 1/07/2021 |
| 6.0 | Long outstanding student debtors | The management will ensure all student clears the outstanding before being issued with result slips. | Not resolved | During student clearance. |
| 7.0 | Property plant and equipment | The management will ensure that ownership documents like title deed is in place to ensure ownership of assets and security. | Not resolved | By the end of 2022. |
| 8.0 | Unsupported balances trade and other payables. | Will provide the ledgers and schedules | Resolved | 25/04/2022 |
| 9.0 | Budgetary control | Will ensure compliance to set targets in the budgets | Resolved | During next audit 2020/2021 |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|--|--|--|---|
| 10.0 | Presentation of financial statement | Will amend the financial statement | Resolved | During preparation of 2020/2021 F/S |
| 11.0 | ICT Policy | The management will ensure its presented to the board for approval | Resolved | 1/01/2022 |

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.

Accounting Officer

Name Eunice W. Njenga

Principal

Signature

Date.

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. Admin Block | 1 | Nkabune TTI | 8MONTHS | | NO | YES |
| 2. Classrooms | 2 | Nkabune TTI | 8 8MONTHS | | NO | YES |
| 3. Ablution block | 3 | Nkabune TTI | 3 MONTHS | | NO | YES |

Status of Projects completion

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

| | Project | Total project Cost | Total expended to date | Completion % to date | Budget | Actual | Sources of funds |
|---|----------------|--------------------|------------------------|----------------------|------------|------------|----------------------|
| 1 | Admin Block | 18,000,000 | 12,972,735 | 85 | 18,000,000 | 18,000,000 | Internally generated |
| 2 | Classrooms | 13,000,000 | 9,865,262 | 90 | 13,000,000 | 13,000,000 | Internally generated |
| 3 | Ablution block | 5,000,000 | 4,245,885 | 100 | 5,000,000 | 4,670,473 | Internally generated |

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APPENDIX III: INTER-ENTITY TRANSFERS


| ENTITY NAME: | | | | |
|---|--------------------|----------------------------|----------------------|--|
| Break down of Transfers from the State Department of Technical and Vocational | | | | |
| FY 20/21 | | | | |
| a. | Recurrent Grants | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | 3/7/2021 | 4,222,500 | 2019/2020 |
| | | 6/11/2021 | 9,232,500 | 2020/2021 |
| | | 22/2/2021 | 172,500 | 2020/2021 |
| | | 30/3/2021 | 2,175,000 | 2020/2021 |
| | | 30/6/2021 | 5,377,500 | 2020/2021 |
| | | Total | 21,180,000 | |
| b. | Development Grants | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | | 0.00 | |
| | | | 0.00 | |
| | | | 0.00 | |
| | | Total | 0.00 | |
| c. | Direct Payments | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | | 0.00 | |
| | | | 0.00 | |
| | | | 0.00 | |
| | | Total | 0.00 | |
| d. | Donor Receipts | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | | 0.00 | |
| | | | 0.00 | |
| | | | 0.00 | |
| | | Total | 0.00 | |

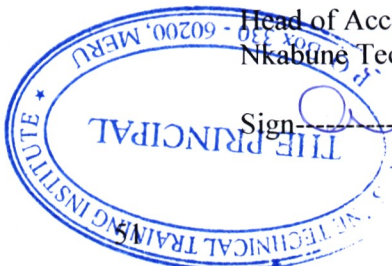
The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager
 Nkabune Technical Training Institute

Sign 

Head of Accounting Unit
 Nkabune Technical Training Institute

Sign 



NKABUNE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2021

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 | Others - must be specific | |
| Ministry of Education | | Recurrent | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| State Dep. of Technical Education | 3/7/2021 | 4,222,500 | 4,222,500 | 4,222,500 | 0.00 | 0.00 | 0.00 | 0.00 | 4,222,500 |
| " | 6/11/2021 | 9,232,500 | 9,232,500 | 9,232,500 | 0.00 | 0.00 | 0.00 | 0.00 | 9,232,500 |
| " | 22/2/2021 | 172,500 | 172,500 | 172,500 | 0.00 | 0.00 | 0.00 | 0.00 | 172,500 |
| " | 30/3/2021 | 2,175,000 | 2,175,000 | 2,175,000 | 0.00 | 0.00 | 0.00 | 0.00 | 2,175,000 |
| " | 30/6/2021 | 5,377,500 | 5,377,500 | 5,377,500 | 0.00 | 0.00 | 0.00 | 0.00 | 5,377,500 |
| Total | | 21,180,000 | 21,180,000 | 21,180,000 | 0.00 | 0.00 | 0.00 | 0.00 | 21,180,000 |
| Ministry of Education | 0.00 | Development | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| USAID | 0.00 | Donor Fund | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Ministry of Education | 0.00 | Direct Payment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |