


REPUBLIC OF KENYA

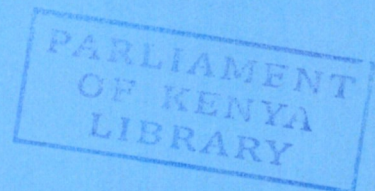


Enhancing Accountability



 THE NATIONAL ASSEMBLY PAPERS L.A.D	
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REPORT



OF

THE AUDITOR-GENERAL

ON

**SANG'ALO INSTITUTE OF SCIENCE
AND TECHNOLOGY**

**FOR THE YEAR ENDED
30 JUNE, 2019**

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019



SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY

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ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30TH JUNE 2019**

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

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

I. Table of Contents

KEY ENTITY INFORMATION AND MANAGEMENT	ii
THE BOARD OF GOVERNORS	vi
THE MANAGEMENT TEAM	viii
CHAIRMAN'S STATEMENT	xi
REPORT OF THE PRINCIPAL	xii
CORPORATE GOVERNANCE STATEMENT	xiii
MANAGEMENT DISCUSSION AND ANALYSIS	xvi
CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY	xx
REPORT OF THE BOARD OF GOVERNORS	xx
STATEMENT OF BOARD OF GOVERNORS/BOARD MEMBERS' RESPONSIBILITIES	xxi
REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY ON SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY	xxiii
IV. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019	1
V. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019	2
VI. STATEMENT OF CHANGES IN NET ASSETFOR THE YEAR ENDED 30 JUNE 2019	3
VII. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2019	4
VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTSFOR THE YEAR ENDED 30 JUNE 2019	5
IX. NOTES TO THE FINANCIAL STATEMENTS	7
APPENDIX I: PROJECTS IMPLEMENTED BY THE ENTITY	32
APPENDIX III: INTER-ENTITY TRANSFERS	Error! Bookmark not defined.

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Sang'alo Institute of Science and Technology (SIST) is one of the public Institutes of Technology in Kenya. The word Sang'alo originated from the name of a local hill, whose image has been incorporated in the design of the Institute's logo. The name "Sang'alo" is derived from the Bukusu local language of the word "Sangala" meaning to have happiness. SIST is situated in Bungoma County, Bungoma South Sub-County, seven kilometres south East of Bungoma town on the Bungoma-Nambacha-Kakamega road.

The history of SIST dates back to 1924 when the late Paramount chief of Bukusu, Mzee Sudi Namachanja, donated 610 acres of land to Dr. Cameron, a Scottish veterinarian to establish a centre for vaccination and treatment of livestock. In 1927, the farm developed into a livestock improvement centre for upgrading indigenous cattle to enhance milk and meat production. By virtue of its geographical location, this centre became a sub-station to a veterinary station in Maseno.

On the 10th of July 1976 the land was handed over to the then Bungoma County Board in the presence of Hon. Jeremiah Nyaga, the then Minister for Agriculture. Shortly after, on the 1st of April 1977, the Board gave the land to a Board of Trustees (BOT) who held the land in trust. The trustees were given the responsibility of establishing an Harambee Institute of Science and Technology. This task was achieved almost immediately and, in September 1977, the Institute admitted its first intake of twenty trainees to study general agriculture at certificate level.

Sang'alo Institute of Science and Technology became a public Institution in 1993. It's governance was put under the management of a Board of Governors appointed by the Minister for Education Science and Technology. This facilitated the posting of trainers by the Teacher's Service Commission (TSC).

The employment of staff at SIST is under the Public Service Commission and the Board of Governors. This is as per the Education Act (cap 211). The present staff establishment comprises of 80 TSC trainers, 45 BOG trainers and 45 BOG permanent non-training staff.

The Institutes major physical infrastructure is on the main campus, which lies on 555 acres of land, Registration No. East Bukusu/West Sang'alo/ 990. Here is found the administration block, classrooms, laboratories, trainees hostels, library, kitchen, staff houses and other facilities.

The Institute currently offers CBET, Artisan, Certificate, Diploma and Higher National Diploma courses at its main and Bungoma town Campuses respectively. There are 50 course programmes, with another 22 in the offing. The programmes are mainly examined by the KNEC, NITA and KASNEB. They have provisions for multi-entry and multi-exit for persons with different qualifications and needs. The programmes are full-time as well as part-time.

The trainee fraternity therefore comprise of direct school leavers and those already working in the formal and informal sector. SIST is both a technical training and vocational Institute. The present student population is at 3318. The distribution of male and female is 1762 and 1556, respectively.

(b) Principal Activities

The principal activity of Sang'alo Institute is to provide training to artisans, craftswomen and men, technicians, technologists, businesswomen and men at artisan, craft and diploma certificate levels.

The mandate of Sang'alo Institute is as under;

- Implement the prescribed curriculum for technical training at artisan, technician and technologist level
- Promote, coordinate and popularize research at the institute
- Spearhead the application of research results in technological programmes at the institute
- Monitor and evaluate technical education programmes at the institute
- Promote standards and quality assurance at the ministry
- Implement the MOE policy on TVET

PHILOSOPHY:

Technology and Innovation as a driving force for change in the real world of work.

VISION:

To be a Centre of excellence in Agriculture, Capacity Building, Research, Science and Technology.

MISSION:

To provide skills and quality training in Agriculture, Applied Research, Science and Technology for enhanced sustainable community and national development.

MOTTO:

Technology our Lifeline

CORE VALUES

- Integrity
- Equality and Diversity
- Team spirit
- Environmental Sustainability
- Innovation
- Professionalism

(c) Key Management

Sang'alo Institute's day-to-day management is under the following key organs:

- The Board of Governors
- The Principal
- The Board of Management

d) Fiduciary Management

Key management personnel who held office during the first Year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	Mrs.MulesheRoselyne
2.	D/Principal	Mr.Wekesa Martin
3.	Registrar	Mr. Boaz Ojwang
4.	H.R.O	Mr. Francis Miheso
5.	Dean of students	Mr.Ongoto Dennis
6.	Finance Officer	Mr.Makhanu Simon
7.	Procurement Officer	Mr.Soita Arnold
8.	Farm Manager	Mr. Arthur Aduvaga
9.	Security Officer	Mr. Luke Wanjala

e) **Fiduciary Oversight Arrangements**

a) **Audit and risk and compliance committee activities**

The Institute board has established a Committee which provides oversight on the Institute's financial and other management as outlined on this report. The Institute also has an internal Audit department that reports to the Board Committee.

b) **Parliamentary committee activities**

The Principal of Sang'alo Institute of Science & Technology is accountable to the National Assembly for the Institute's financial management. The Constitution of Kenya, 2010135(3) Subject to clause (4), requires that the accounts of all governments and State organs be audited by the Auditor-General. Upon Audit, the Annual reports and financial statements are usually submitted to the National Assembly to ascertain whether the finances of the Institute were prudently managed.

f) **Entity Address**

P.O. Box 158-50200
Bungoma, KENYA

g) **Entity Contacts**

Telephone: (254) 735175295
E-mail: sangaloist@yahoo.com
Website: www.sangaloist.ac.ke

h) **Entity Bankers**

1. Kenya Commercial Bank
Bungoma Branch
P.O. Box 152-50200
Bungoma, Kenya
2. Barclays(ABSA) Bank of Kenya
Bungoma Branch
P.O Box -50200
Bungoma, Kenya
3. Equity Bank of Kenya
Bungoma Branch
P.O Box 2450-50200
Bungoma Kenya
4. Family Bank of Kenya
Bungoma Branch
P.O Box 1068-50200
Bungoma Kenya

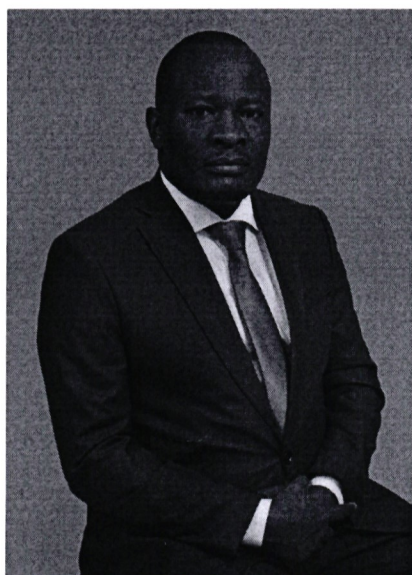
i) Independent Auditors

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

j) Principal Legal Adviser

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

THE BOARD OF GOVERNORS







Name: Akali Timothy
D.O.B: 19TH JANUARY 1978
Key Qualifications: BA and **Master of Arts** Project Planning and Management ,University Of Nairobi, DIP In Information Technology, CPAII,
Work Experience: TIMAKA ENTERPRISES LTD (BUILDING & CIVL ENGINEERING CONTRACTORS)And Project Management Consultancy – Director, BENJAMIN NGAIRA ACADEMY/ARIBA FARM HOLDINGS KITALE – school bursar/farm accountant
 Mr.Akali is the Chairman of the Board of Governors and also Chairs Finance & Development sub-committee of the Board.




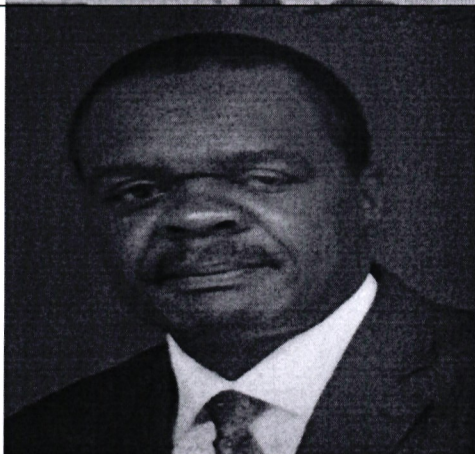
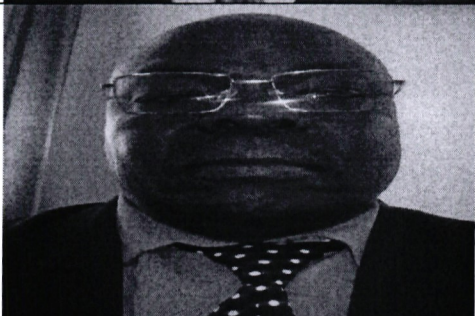

Name: Martha Ndukuyu
D.O.B: 23rd December 1976
Key Qualifications:
 Bachelor of Arts in Sociology and Kiswahili
 Master of Arts in Diplomacy and Studies
Work Experience:Hansard Officer- The National Assembly - Parliament of Kenya, Development Finance Officer - Faulu Kenya
 Mrs.Ndukuyu is the Chairperson of the Education, Human Resource and Training sub-committee of the Board.

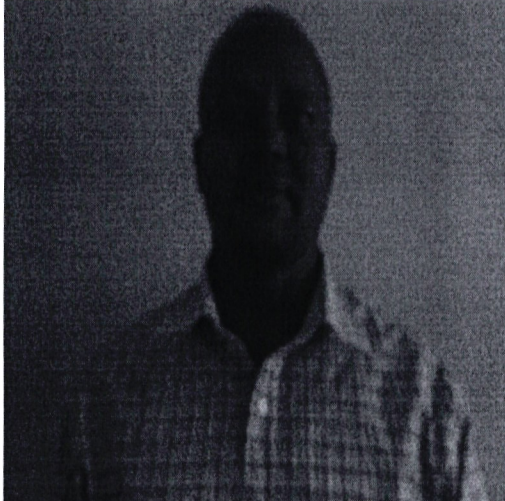





Name: Jonah Misoi
D.O.B: 04/ 09/ 1954
Key Qualifications: Bachelor of Commerce Degree, KACE (A level) 3Ps,1 Sub – Nairobi School, KCSE (O Level) Div. 1 – Londiani Secondary School, CPA III
Work experience: GOK – Office of the President, Ministry of Environment and Natural Resources and The treasury.
Position: Accountant 1 & 11. Kenya Tea Packers Limited
Positions: Accountant I, Management Accountant, Assistant Chief Accountant, Senior Financial Accountant, Ag. Head of Finance.
 Mr.Misoi is the Chairman of the Audit and Risk sub-committee of the Board

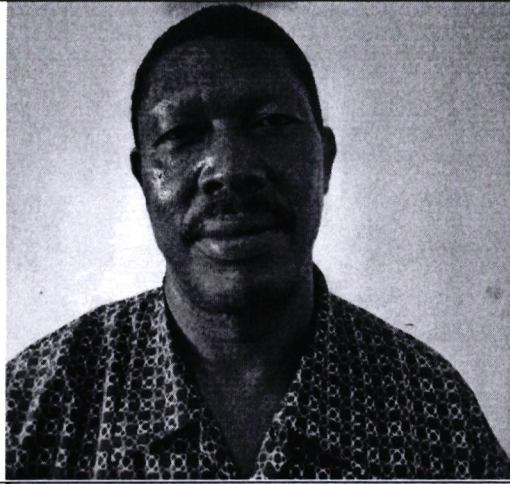
	<p>Name: Christine Nalianya D.O.B: 22nd, Dec, 1980 Key Qualifications: Bachelor of Science in Information Technology, Bridging Course in Mathematics Jomo Kenyatta University of Agriculture and Technology.</p> <p>Work experience: Ag. Infrastructure and Communication Manager, Application Support Analyst, ICT Help Desk Administrator</p>
	<p>Name: Godwin wasike D.O.B: 16.02.1979 Key Qualifications: A Bachelor of Science Degree Course in Civil Engineering Professional Engineer, Engineers Board of Kenya (EBK) Reg. No. A2446. Work experience: Vast experience instructural works/buildings</p>
	<p>Name: Dr. Cecilia Wanjala D.O.B: 29/ 11 /1967 Key Qualifications: MBA – Strategic Planning, Bachelors Degree in Pharmacy, Monitoring & Evaluation Course. Work experience: Commercial Manager – KEMRI, Demand Analysis Officer and Customer Service – KEMSA, Retail Pharmacist – Bungoma, Branch Manager – Laborex Kenya Limited, Superintendent Pharmacist – Yatta Pharmacy</p>
	<p>Name: Beatrice Kituyi D.O.B: 13/11/1962 Key Qualifications: MSc Public Policy & Management, Bachelor of Laws, Post Graduate Diploma in Law, Post Graduate Diploma in Human Resources Management</p> <p>Work experience: Principal Legal and HRM Consultant, BeatriceMasinde& Co Advocates, Eldoret.</p>

THE MANAGEMENT TEAM

	<p>Name: Roselyne Muleshe - Principal D.O.B: 25th May, 1959 Key Qualifications: Bachelor of Education Arts Appointment Date: July, 2018</p>
	<p>Name: Martin Wekesa – Deputy Principal (Administration & Finance) D.O.B: 29th January, 1962 Key Qualifications: Bachelor of Education Arts Appointment Date: September, 2018</p>
	<p>Name: Boaz Ojwang' – Deputy Principal (Academics) D.O.B: 18th April, 1962 Key Qualifications: Diploma in Technical Education Appointment Date: August, 2018</p>
	<p>Name: Samuel Mbeta – Registrar Academics D.O.B: 12th January, 1971 Key Qualifications: Masters in Project Management Appointment Date: August, 2018</p>

	<p>Name: Dennis Ongoto – Dean of Students D.O.B: 10th February, 1970 Key Qualifications: Masters in Library Information Science Appointment Date: August, 2018</p>
	<p>Name: Francis Miheso – Registrar Administration & Human Resource Officer D.O.B: 9th April, 1968 Key Qualifications: Masters in Project Planning and Management Appointment Date: September, 2016</p>
	<p>Name: Simon Makhanu – Finance Officer D.O.B: 11th November, 1979 Key Qualifications: Bachelor of Commerce and CPA II Appointment Date: April, 2017</p>
	<p>Name: Arnold Soita – Procurement Officer D.O.B: 25th May, 1992 Key Qualifications: Bachelor of Purchasing & Supplies Management Appointment Date: January, 2018</p>

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019



Name: Arthur Aduvaga – Farm Manager
D.O.B: 12th May, 1966
Key Qualifications: Bachelor of Education Arts
Appointment Date: December, 2013



Name: Albert Luke Wanjala – Security Officer
D.O.B: 28th May, 1979
Key Qualifications: General Service Unit Training
Appointment Date: October, 2015

CHAIRMAN'S STATEMENT

On behalf of the Sang'alo Institute of Science and Technology Board of Governors, I am pleased to present the Annual Report for the 2018/2019 financial year.

Sang'alo Institute of Science & Technology remains committed to all its stakeholders in executing its mandate as outlined in the 2015-2019 Strategic Plan.

Financial Performance

In the financial year that ended on 30th of June 2019, the Institute recorded fairly good performance. This is attributed to the Government capitation program, NYS sponsorship and prudent financial management measures as well as increase in student enrolment.

Challenges:

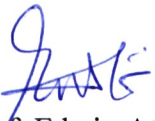
One of the biggest challenges facing SIST is an acute shortage of classrooms/workshops, accommodation and administration offices. The ministry's target for every TVET Institution is to have not less than 10,000 students by the year 2022. We therefore appeal to the government to intervene and help us address this issue even as we strive to fix the challenge as best as we can.

Mentoring Institution

Sang'alo Institute of Science & Technology is mentoring Wanga TVC. This commenced in 2016. This was a government funded project. On behalf of the Board of Governors, I extend my gratitude to the Mumias East NG-CDF for their contribution in this endeavour.

May I extend my sincere gratitude to Sang'alo Institute of Science & Technology Board of Governors, our Principal and the entire Management team, staff members, Students and all stakeholders for their commitment and support to the Institute. I am optimistic that the Institute is set for a prosperous future.

Thank you for your support.



Prof. Edwin Ataro,
Chairman B.O.G.

REPORT OF THE PRINCIPAL

Dear stake holders, firstly I would like to state that 2018/2019 FY has been a year of relative success, challenging but fruitful.

The Sang'alo Institute of Science & Technology 2015 - 2020 Strategic Plan places Institute at the apex of the factors crucial for learning and teaching in the 21st Century. During the financial year 2018/2019, we renovated the computer laboratory to create secretarial classroom and equipped it with furniture and 10 computers. Previously the secretarial students were sharing the congested computer laboratory with the rest of the students and never had the opportunity to practice the required skills

Nevertheless, we increased internet bandwidth, continued with IT systems automation, and improved IT network & equipment; this has seen the Institute have facilities with more stable internet connectivity to cater for both the staff and students.

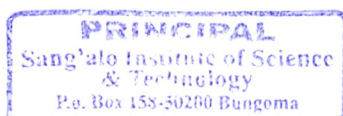
The major challenge we are facing as an Institution is limited capacity. The ministry has set a target for every TVET Institution to have at least 10,000 students by the year 2022. Due to this limitation, it may be difficult for us to achieve this target. We therefore appeal to the government to intervene so that we may put up a tuition complex as had earlier requested.


Mentoring Institution

Sang'alo Institute of Science & Technology is mentoring Wanga Technical and Vocational College since the year 2016. This is a government funded project. On behalf of the entire Board of Governors, I extend my gratitude to the Mumias East CDF for their input in this particular project.

While the achievements of the years past have put us in a position of strength, our effort in the coming days will be doubled so that we can meet our long term objective of being a globally recognized Centre of Science. We shall have to be innovative to stay afloat. To this end, we shall endeavour to become more visible by using generally accepted parameters of measure to place ourselves. For one, ISO certification will help us earn our place as a certified super brand. Our strategic plan is the key direction that remains our guiding blueprint and our emphasis based on the six pillars therein. Our collective effort will make us and our actions will help actualize this dream of the Institute serving society and the world. I wish to convey my gratitude to all staff, both academic and administrative and the students who together, are lending form to our collective dream. Together we shall triumph.

Thank you




Mrs. Loice Kutoh,
Principal

CORPORATE GOVERNANCE STATEMENT

Sang'alo Institute of Science & Technology is governed by the Board of Governors. The Board provides strategic direction, exercises control and remains accountable through effective leadership, enterprise, integrity and good judgment. It is diverse in its composition, independent but flexible, pragmatic, objective and focused on balanced and sustainable performance of the Institute.

The membership of the Board includes:

1. 6 independent Members appointed by the Cabinet Secretary in charge of Education
2. One (1) member representing the Governor
3. One (1) Member representing the Sponsor

Appointment of Board Members

- i. Every appointment is by name and by notice in the Kenya Gazette but ceases if the Board member:
 - a) Serves the appointing authority with a written notice of resignation; or
 - b) Is absent, without the permission of the Chairperson, in the three consecutive meetings; or
 - c) Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
 - d) Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or
 - e) Conducts himself in a manner deemed by the appointing authority to be inconsistent with membership of the Board.
- ii. Any removal of a Board member under (i) above, shall be through formal revocation.

The Institute's Board of Governors was appointed in 17th August 2017 by the Cabinet Secretary, Education as per the Ministry's regulations and was inaugurated on 19th September 2017. The members are 9

- | | |
|---------------------------|--------------------------------|
| 1. Mr Timothy Akali | Chairman |
| 2. Mrs Martha Ndukuyu | Member |
| 3. Mr Jonah Misoi | Member |
| 4. Mr Godwin Wasike | Member |
| 5. Mrs Christine Nalianya | Member |
| 6. Mrs Cecilia Wanjala | Member |
| 7. Mrs Beatrice Kituyi | Member |
| 8. Mr. Jonathan Lusaka | Representative of the Governor |
| 9. Mrs RoselyneMuleshe | Secretary |

The Board is committed to ensuring good governance of the Institute by upholding the values of teamwork, integrity, accountability, transparency and fairness.

Board Responsibilities

Board of Management, during the inauguration on 19th September 2017, was sensitized on their roles and responsibilities according to the TVET Act which were:

- a) Overseeing the conduct of education and of Science in the Institute in accordance with the provisions of TVET Act 2013 and any other written law.
- b) Promoting and maintaining standards, quality and relevance in education and of Science in the Institute in accordance with the TVET Act 2013 and any other written law.
- c) Administering and managing the property of the Institute
- d) Developing and implementing the Institute's Strategic Plan – *SIST Strategic Plan 2015 - 2020*

...s developed by the Board of Governors.

- e) Preparing annual estimates of revenue and expenditure for the Institute and incurring expenditure on behalf of the Institute
- f) Receiving, on behalf of the Institute, fees, grants, subscriptions, donations, bequests or other moneys and to make disbursement to the institution or other bodies or persons.
- g) Determining the fees payable and prescribing conditions under which fees may be remitted in part or in whole in accordance with the guidelines developed under the provisions of TVET Act 2013
- h) Mobilizing resources for the Institute
- i) Developing and reviewing programmes for of Science and to make recommendation to TVETA – *the Board is in the process of launching CBET Curricula*
- j) Regulating the admission and exclusion of students from the Institute, subject to a qualifications framework and the provisions of TVET Act 2013
- k) Approving collaboration or association with other institutions and industries in and outside Kenya subject to prior approval by the Ministry.
- l) Recruiting and appointing trainers from among qualified professionals and practicing trades persons in relevant sectors of industry
- m) Determining suitable terms and conditions of service for support staff, trainers and instructors and remunerating the staff of the Institute in consultation with the Authority
- n) Making regulations governing organization, conduct and discipline of the staff and students
- o) Preparing comprehensive annual reports on all areas of their mandate, including education and of Science services and submit the same to the Board.
- p) Providing for the welfare of the students and staff of the Institute
- q) Encouraging, nurturing and promoting democratic culture, dialogue and tolerance in the Institute
- r) Discharging all other functions conferred upon it by TVET Act 2013 or any other written law.

The meeting attendance of the Board members during the Full Board meeting is shown below:

S/No	Name	Quarter 1	Quarter 2	Quarter 3	Quarter 4
1.	Timothy Akali	✓	✓	✓	✓
2.	Martha Ndukuyu	✓	✓	✓	✓
3.	Christine Nalianya	✓	✓	✓	✓
4.	George Olewe	✓	✓	✓	✓
5.	Chrysantus Wanyonyi	✓	✓	✓	✓
6.	Cecilia Wanjala	✓	✓	✓	✓
7.	Godwin Wasike	X	✓	✓	✓
8.	Jonah Misoi	X	✓	✓	✓
9.	Beatrice Kituyi	X	✓	✓	✓
10.	Roselyne Muleshe	✓	✓	✓	✓

Functions of the Board

The Board of Governors, during the inauguration on 19th September 2017, was sensitized on their roles and responsibilities according to the TVET Act which were:

To achieve the above objectives, the Board is has in place 3 sub-committees:

- a) Finance and Development
- b) Audit and Risk

c) Human Resource, Education & Training

a) Finance & Development Committee members and meetings attendance

S/No	Name	Quarter 1 (29/09/2018)	Quarter 2	Quarter 3 (7/02/2019)	Quarter 4
1.	Mr. Timothy Akali - Chairperson	✓	✓	✓	✓
2.	Mrs. Cecilia Wanjala	✓	✓	✓	✓
3.	Mr. Godwin Wasike	X	✓	✓	✓
4.	Mr. Jonathan Lusaka	✓	✓	✓	✓
5.	Mrs.RoselyneMuleshe	✓	✓	✓	✓

b) Audit & Risk Committee members and meetings attendance

S/No	Name	Quarter 1	Quarter 2	Quarter 3	Quarter 4
1.	Mr. Jonah Misoi– Chairperson	✓	✓	✓	✓
2.	Mrs. Martha Ndukuyu	✓	✓	✓	✓
3.	Mrs. Christine Nalianya	X	✓	✓	✓
4.	Mrs.RoselyneMuleshe	✓	✓	✓	✓
4.	Mr.ChrysantusWanyonyi	✓	✓	✓	✓

Human Resource, Education & Training Committee members and meetings attendance

S/No	Name	Quarter 1 (25/09/2018)	Quarter 2	Quarter 3 (24/01/2019)	Quarter 4
1.	Mr. Martha Ndukuyu- Chairperson	✓	✓	✓	✓
2.	Mr. Jonah Misoi	✓	✓	✓	✓
3.	Mrs. Christine Nalianya	✓	✓	✓	✓
4.	Mrs.RoselyneMuleshe	✓	✓	✓	✓

Ethics and Conduct

The Board adheres to the Code of Conduct and Ethics for State Corporations (SCs) which focuses on ethical conduct and integrity at the workplace. It defines the Board's commitment to the highest standards of behaviour so as to contribute to the achievement of the national development goals. The Code sets out expectations for individual behaviour necessary to meet these standards and includes requirements and guidance to help carry out their roles with integrity and in compliance with the law. By exemplifying the ethical behaviours and corporate values described in the Code, the Board is expected to uphold Article 10 of the Constitution of Kenya, 2010 on National Values and Principles of Governance and Chapter 6 on Leadership and Integrity.

Conflict of Interest Policy & Disclosures

A conflict of interest may arise where a Board member or close family member such as a spouse, child, parent or sibling has private interests that could improperly influence the performance of the Board member's official duties and responsibilities. Conflict may also arise where a Board member uses their office for personal gain.

Board members are required to avoid conflict of interest and deal at arms-length in any matter that relates to the organization. However, a Board member who identifies an area of conflict shall be required to disclose any actual or potential conflict of interest to the Board. In so reporting, the Board member is required to provide all relevant information, including information which relates to their immediate family members by blood or marriage which is related to the area of conflict. When declared, the Board member shall abstain from decisions where the conflict exists.

The Secretary keeps a record of conflicts of interest declared, for accountability purposes, and as a rule of good practice on appointment and on regular intervals or at any time when circumstances change, all members shall in good faith disclose to the Board for recording, any other business or interest likely to create a potential conflict of interest

Board Remuneration

Board members are remunerated for their services in accordance with State Corporations Act provisions and/or guidance from the State Corporations Advisory Committee. In line with best practice, the remuneration includes Honoraria for the Chair of Board and allowances for all members on attendance of Board meetings.

Board Induction

When new Board members are appointed, the Institute organizes for induction in order to familiarize themselves with their responsibilities as Members of Board, general principles of corporate governance and Board practices. The induction programme provides the Board members with an orientation of the organization, strategic plans, financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics. The current Board members were inducted in the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

The Institute operational and Financial Performance

Generally, the Institute operated at a net surplus of Kshs. **3,909,620** during the financial year. This was majorly due to the factors below;

- Reduction on expenditure.
- Increase in students' population.

This is an indication that the Institute is growing well and the going concern is guaranteed.

Compliance with Statutory Requirements

By the end of the year, the Sang'alohad paid all its statutory requirements in terms of NSSF, NHIF, PAYE and all withholding taxes from contractor's payable to KRA. The Institute has been withholding taxes on all payment made to contractors and remitting them to KRA. The Institute is operating under legal frame works necessary under public sector requirement such as;

- The Constitution of Kenya, 2010
- TVET Act, 2013
- PFM Act, 2012
- Procurement and Assets Disposal Act, 2015
- IPSAS standards.

- All other relevant laws in its operation (regular circulars from treasury and ministry of educa a)

Major risks the Institute is facing;

Operational Risks

The Institute faces competition for resources including; students, staff and financial resources.

The Institute's financial assets are trade receivables as well as cash and short term deposits which arise directly from its operations. The Institute has financial liabilities comprising trade and other payables which are all current. The management has ensured timely payment to suppliers contractors and other service providers, hence no historic debt.

The Institute has exposure to the following risks:

- i) Market risks
- ii) Liquidity risks
- iii) Credit risks

The Board has overall responsibility for the establishment and oversight of the Institute's risk management framework.

Market Risk Management

Liquidity Risk

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations as they fall due. The Institute's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institute's reputation.

Credit Risk

Credit risk is the risk of financial loss to the Institute if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the organization's receivables from customers. The Institute receives fees from students as well as capitation from the Government which minimizes the credit risk exposure.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SECTION A

The entity's operational and financial performance

Recurrent Grants

Sang'alo Institute started the financial year 2018/2019 on a sound note since the Government of Kenya has been able to remit recurrent grants.

Tuition Fees Collection

The Institute has been able to raise fees related to rendering of services in the year on an accrual basis amounting to Kshs. 86,104,171. The Institute has been able to realise a surplus of Kshs.3, 909,620 within the year under review.

Financial Performance

In the Year under review the incomes were Kshs. 232,743,695 while expenditure were Kshs. 228,834,075. This resulted to a surplus of Kshs. 3,909,620. The surplus is attributed to the increased enrolment of new students by KUCCPS who reported in September, 2018.

Production Units

Apart from training which is the key mandate of the Institute, SIST engages in Production Units namely:

- a) Farm
- b) Catering
- c) Bakery
- d) In-service Programme
- e) Town Campus

SECTION B

Entity's compliance with statutory requirements

In the year under review SIST complied with all the statutory obligations.

SECTION C

Key projects and investment decisions the entity is planning/implementing

The Institute has the following project:

Completion of Food & Beverage Complex workshop (Work in Progress)

The project is expected to promote practical learning and research in the Institute. This project is financed by Government of Kenya.

SECTION D

Major risks facing the entity

The Institute financial assets are trade receivables and cash and short term deposits which arise directly from its operations. The Institute has financial liabilities comprising trade and other payables.

The Institute has exposure to the following risks:

- iv) Market risks
- v) Liquidity risks
- vi) Credit risks

The board has overall responsibility for the establishment and oversight of the Institute's risk management framework. The board through their regular meetings addresses risks associated with internal operations.

Market risk management

Interest rate risk

The Institute has interest bearing borrowing that is financed by cash generated from its operations. This borrowing facilitated the acquisition of the College van. There was no risk encountered during the Year under review.

Liquidity risk

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations as and when they fall due. The Institute's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institute's reputation. Typically the Institute ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political violence.

Credit risk

Credit risk is the risk of financial loss to the Institute if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the organization's receivables from customers. The Management ensures that student debtors clear their fees arrears before their documents(Certificates) are released..

SECTION E

Material arrears in statutory/financial obligations

Sang'alo Institute of Science & technology did not have any material arrears in statutory/financial obligations in the Year under review.

SECTION F

The entity's financial probity and serious governance issues

The Institute did not have any major financial improbity reported.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Environmental Contribution

Cleaning services to the Community

Sang'alo Institute of Science and Technology participated in Bungoma Town Cleaning in the month of March 2019

REPORT OF THE BOARD OF GOVERNORS

The Board members submit their report together with the financial statements for the year ended June 30, 2019 which show the state of Sang'alo Institute of Science and Technology's affairs.

Principal activities

The principal activities of the Sang'alo Institute of Science and Technology continues to be provision of Science to artisans, craftswomen and men, technicians, technologists, businesswomen and men at artisan, craft and diploma certificate levels.

Results

The results of the entity for the year ended June 30 are set out on page 1-17

BOARD OF GOVERNORS

The members of the Board who served during the year are shown on page vi.

Auditors

The Auditor General is responsible for the statutory audit of Sang'alo Institute of Science and Technology in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

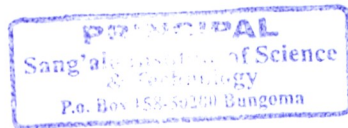
By Order of the Board



Mrs. Loice Kutoh

B.O.G Secretary

Bungoma



STATEMENT OF BOARD OF GOVERNORS/BOARD 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 Institute and Vocational Education and Of Science Act, 2013 - (entities should quote the applicable legislation under which they are regulated)*) require the board members to prepare financial statements in respect of that Institution which give a true and fair view of the state of affairs of Sang'alo Institute of Science and Technology at the end of the financial year/period and the operating results of the Institution for that year/period. The board members are also required to ensure that Sang'alo TTI keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institution. The board members are also responsible for safeguarding the assets of Sang'alo Institute of Science and Technology.

The board members are responsible for the preparation and presentation of Sang'alo Institute of Science and Technology financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Institution; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for Sang'alo Institute of Science and Technology 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*) – *entities should quote applicable legislation as indicated under*). The board members are of the opinion that Sang'alo Institute of Science and Technology financial statements give a true and fair view of the state of the Institution's transactions during the financial year ended June 30, 2019, and of the Institution's financial position as at that date. The board members further confirm the completeness of the accounting records maintained for the Institution, which have been relied upon in the preparation of the Institution's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the board members to indicate that Sang'alo Institute of Science & Technology will not remain a going concern for at least the next twelve months from the date of this statement.

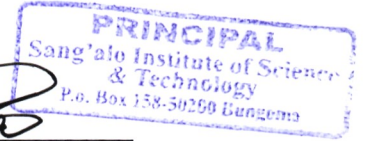
Approval of the financial statements

Sang'alo Institute of Science & Technology's financial statements were approved by the Board and signed on its behalf by:

Board Chairman

Board Member

Board Secretary

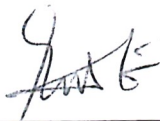


SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

Nothing has come to the attention of the board members to indicate that Sang'alo Institute of Science & Technology will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

Sang'alo Institute of Science & Technology's financial statements were approved by the Board and signed on its behalf by:



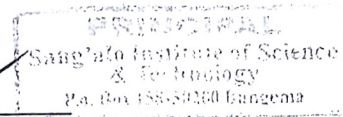
Board Chairman



Board Member



Board Secretary



REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Sang'alo Institute of Science and Technology set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Sang'alo Institute of Science and Technology as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Technical and Vocational Education and Training (TVET) Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Revenue from Non Exchange Transactions

Reported under revenue from non-exchange transactions in the statement of financial performance, is a figure Kshs.83,670,000 in respect of capitation grants from the National Government. However, the statement of cash flows reflects a figure Kshs.41,835,000 resulting in a variance of Kshs.41,835,000. Recognizing an asset from non-exchange transaction before the entity gains control of the asset is against the provisions of IPSAS 23 paragraph 29 which provides that an entity will recognize an asset arising from non-exchange transactions only when it gains control of resources that meet the definition of an asset and satisfy the recognition criteria.

In the circumstances, the accuracy and completeness of the revenue from exchange transactions balance of Kshs.83,670,000 could not be ascertained.

2. Property Plant and Equipment

The statement of financial position and Note 23 to the financial statements reflects property plant and equipment balance of Kshs.920,458,545. However, the figure was not supported by a credible valuation report or any other supporting document on how it was arrived at.

Failure to make necessary disclosures in the financial statements is contrary to the provisions of IPSAS 17.

In the circumstances, the existence and valuation of the property, plant and equipment balance of Kshs.920,458,545 could not be ascertained.

3. Depreciation and Amortization Expense

Reported under depreciation and amortization expense in the statement of financial performance and in Note 15 to the financial statement is a balance of Kshs.15,063,598. However, Note 23 to the financial statements under property plant and equipment has a depreciation charge of Kshs.23,835,598 whereas Note 24 on intangible assets has a balance of Kshs.1,450,000 for amortization charge for the year, resulting in combined sum of Kshs.25,285,598 under depreciation and amortization.

The variance between the reported figure in the statement of financial performance and the Note 23 and Note 24 combined of Kshs.10,222,000 was not explained or reconciled.

In the circumstances, it was not possible to ascertain accuracy and completeness of the statements of financial performance for the year under review.

4. Misstatement of Employee Costs

The statement of financial performance and Note 13 to the financial statement reflects employee costs balance of Kshs.47,672,485. Included in this amount is an expenditure of Kshs.3,750,000 on security expenses. This expenditure was a misclassification considering that security expenditure should not be part of employee costs.

In the circumstances, the financial statements were not prepared in accordance with the IPSAS on classification of accounting expenses.

5. Non-disclosure of Biological Assets

A review of records provided for audit revealed that the Institute has a farm which produces both crop and animal yields which were not valued and incorporated in the financial statements under review, contrary to provisions of IPSAS 27 which outlines the accounting treatment for agricultural activity, the biological transformation and harvest of biological assets and conversion into agricultural produce.

In the circumstances, the reported assets as at 30 June, 2019 are understated by the omission.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

1.1 Failure to Meet Budget Targets

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparison basis of Kshs.249,404,610 and Kshs.220,559,315 respectively resulting to an under-funding of Kshs.28,845,295 or 12% of the budget. Similarly, the Institute expended Kshs.225,087,735 against an approved budget of Kshs.247,871,250 resulting to an under-expenditure of Kshs.22,783,515 or 9% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

In addition, it was established that the Institute had an approved revenue budget of Kshs.339,404,610 which varies with the figure captured in the statement of comparison of budget and actual amounts of Kshs.249,404,610 by a variance of Kshs.90,000,000. Further, no explanation was provided for the unbalanced budget.

1.2 Spending on Unbudgeted Items

The Institute incurred a total of Kshs.5,301,962 on unbudgeted items as illustrated below. No explanation was provided for spending outside the budget.

Audit Components	Current Year Final Budget Figures (Kshs.)	Actual Expenditure Figures (Kshs.)
Revenue		
Clothing Textile Department	0	278,560
Hospitality Department	0	1,854,263
Electrical/Electronics Department	0	678,451
Agriculture Department	0	489,573
Applied Science Department	0	328,415

Audit Components	Current Year Final Budget Figures (Kshs.)	Actual Expenditure Figures (Kshs.)
Automotive Department	0	578,920
Registration	0	1,093,780
Total	0	5,301,962

Expenditure on unbudgeted items may result in failure to meet the planned and approved programmes for the year.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Non-compliance with the One-Third Basic Salary Rule

A review of the payroll revealed that Sang'alo Institute made deductions from employees exceeding two-thirds of their basic salary as detailed below:

Month	No. Officers who Earned Less than $\frac{1}{3}$ of their Basic Pay
July, 2018	3
August, 2018	2
September, 2018	0
October, 2018	2
November, 2018	2
December, 2018	2
January, 2019	2
February, 2019	4
March, 2019	5
April, 2019	5
May, 2019	4
June, 2019	6

Payment of employee benefits below a third of their basic pay may lead to pecuniary embarrassment of staff.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Inventory Control

During the year under review, the Management of the Institute conducted an annual stock take only instead of quarterly stock taking in contravention of Section 162(2) of the Public Procurement and Asset Disposal Act, 2015 which requires that public institutions should undertake at least quarterly annual inventory and stock take in each calendar year. Lack of quarterly stock take means that stores, inventory and assets procured by the Institute may suffer deterioration from preventable causes and overstocking which may take a whole year to be detected unlike situations where quarterly stock take is done as it ensures better management of stocks.

2. Weaknesses in Human Resource Management

Sang'alo Institute of Science and Technology had material gaps in its Human Resource Management System as indicated below:

- i) The Institute did not maintain a staff establishment showing details of staff positions available, filled positions, vacant positions and a record of staff recruitments and/ or exits.
- ii) The Institute developed a Policy and Procedures manual in 2016 and a staff Code of Conduct and Ethics in 2012 both of which have never been approved by the Board.
- iii) It was also noted that staff payrolls lacked basic employee details such as date of birth, appointment date, personal number, tax PIN, gender, marital status, ethnic background, home county, job designation and job group, date of retirement and incremental month.

- iv) The Institute maintained a separate payroll for the town campus even though it is not an autonomous or semi-autonomous entity. The Institute has also not filled the position of a Human Resource Officer since 2015.

These omissions contravene the provisions of Section 79 of the Employment Act Cap 226 No. 11 of 2007 which requires that an employer shall keep a register in which the employer shall enter the full name, age, sex, occupation, date of employment, nationality and educational level of each of his employees and a return of employees for each calendar year.

3. Irregularities in Discharging Board Mandate

During the financial year under review, the Board of Governors held meetings categorized as full board, special full board and committee meetings. However, the following anomalies were noted:

- i) The Board had no annual Board work plan to guide its activities during the period under review, neither did it have a charter.
- ii) The Board did not carry out an annual evaluation of its performance at the end of the period as required by Mwongozo guidelines.
- iii) The Board operated without a formal and transparent remuneration policy for board members during the year under review.

Lack of this policy guidelines means that the board may not have been able to assess its overall performance, work within its predetermined objectives and also remunerate board members fairly which is against the requirements of Mwongozo code for state corporations.

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

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

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue to sustain services, disclosing, as applicable, matters related

to sustainability of services and using the going concern basis of accounting unless Management is aware of the intention to terminate the Institute or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 policies and procedures may deteriorate.

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

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

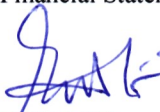
20 December, 2021

ANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

V. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	Notes	2018/2019 Kshs	2017/2018 Kshs
Assets			
Current assets			
Cash and cash equivalents	19	9,428,742	0
Receivables from exchange transactions	20	9,880,606	0
Receivables from non-exchange transactions	21	41,835,000	0
Inventories	22	833,240	0
Total Current Assets		61,977,588	0
Non-current assets			
Property, plant and equipment	23	920,458,545	0
Intangible assets	24	4,350,000	0
Total Non-current Assets		924,808,545	0
Total assets		986,786,133	0
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	25	25,722,358	0
Provisions	26	0	0
Payments received in advance	28	17,456,561	0
Total Current Liabilities		43,178,919	0
Non-current liabilities			
Non-current provisions	29	0	0
Borrowings	30	736,956	0
Total Non-current liabilities		736,956	0
Total liabilities		43,915,875	0
Capital and Reserves			
Reserves		933,922,050	0
Accumulated surplus		3,909,620	0
Capital Fund		5,038,588	0
Total Capital and Reserves		942,870,258	0
Total Liabilities and Capital & Reserves		986,786,133	0

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Institute Board/ Board of Governors by:



 Chairman Board of Governors



 Finance Officer



 Principal

PRINCIPAL
 Sang'alo Institute of Science
 & Technology
 P.O. Box 156-50200 Bungoma

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

VI. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital Fund	Total
Balance b/f at July 1, 2017					0
Revaluation gain					0
Fair value adjustment on quoted investments					0
Total comprehensive income					0
Capital/Development grants received during the year					0
Transfer of depreciation/amortisation from capital fund to retained earnings					0
Balance c/d as at June 30, 2018	0	0	0	0	0
Balance b/f as at July 1, 2018	0	0	0	0	0
Revaluation gain	933,922,050				933,922,050
Fair value adjustment on quoted investments					0
Total comprehensive income			3,909,620		3,909,620
Capital/Development grants received during the year				5,038,588	5,038,588
Transfer of depreciation/amortisation from capital fund to retained earnings					0
Balance c/d as at June 30, 2019	933,922,050	0	3,909,620	5,038,588	942,870,258

ANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

VII. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2019

	Note	2018/2019 Kshs	2017/2018 Kshs
Cashflowsfromoperatingactivities			
Receipts			
Transfers from other Government entities/Govt. grants	6	41,835,000	
Publiccontributionsanddonations	7	0	
Renderingofservices- Fees from students	8	82,076,908	
Saleofgoods	9	13,992,137	
Rental revenue from facilities and equipment	10	4,156,915	
Otherincome,rentalsandagencyfees	11	34,598,472	
Total Receipts		176,659,432	0
Payments			
Compensationofemployees	13	47,672,485	
Use of goodsandservices	12	7,291,512	
Remuneration to Directors	14	3,623,555	
Financecost	18	157,217	
General Expenses		106,245,482	
RMI	16	2,591,340	
Total Payments		167,581,591	0
Netcashflowsfromoperatingactivities	45	9,077,841	0
Cash flows from investing activities			
Purchase of property, plant, equipment and intangibleassets		-5,333,505	
Proceedsfromsaleofproperty,plantand Equipment			
Decreaseinreceivables			
Increaseinventories			
Netcashflowsusedininvestingactivities		-5,333,505	0
Cashflowsfromfinancingactivities			
Proceedsfromborrowings			
Repaymentofborrowings		-5,038,588	
Increaseindeposits			
Netcashflowsusedinfinancingactivities		-5,038,588	0
Netincrease/(decrease)incashandcash equivalents		-1,294,252	0
Cashandcashequivalentsat1 July 2018		10,722,994	
Cashandcashequivalentsat30 June 2019	28	9,428,742	0

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Tuition	70,350,000	0	70,350,000	67,442,070	2,907,930
Boarding	4,500,000	0	4,500,000	4,120,915	379,085
Activity Fees	15,050,000	0	15,050,000	14,044,795	1,005,205
Medical	4,020,000	0	4,020,000	3,681,430	338,570
Caution Money	525,000	0	525,000	504,150	20,850
Registration	525,000	0	525,000	495,051	29,949
Rmi	3,517,500	0	3,517,500	3,437,525	79,975
Ew&C	13,375,000	0	13,375,000	11,298,163	2,076,837
Lt&T	16,700,000	0	16,700,000	16,028,712	671,288
Personal Emolument	56,306,800	0	56,306,800	54,821,270	1,485,530
Rent	36,000	0	36,000	36,000	0
Motor Vehicle Maint	2,177,500	0	2,177,500	2,093,200	84,300
Attachment	3,600,000	0	3,600,000	3,095,800	504,200
Inservice	500,000	0	500,000	0	500,000
Welfare	1,675,000	0	1,675,000	0	1,675,000
Student Insur.Cover	1,675,000	0	1,675,000	1,625,750	49,250
Town Campus	19,850,000	0	19,850,000	15,762,540	4,087,460
Farm	7,000,000	0	7,000,000	6,468,840	531,160
Bakery	500,000	0	500,000	951,037	-451,037
Bus Fund	1,000,000	0	1,000,000	836,700	163,300
Catering Unit	8,108,610	0	8,108,610	6,572,260	1,536,350
Research & Innovation	10,860,700	0	10,860,700	0	10,860,700
I.C.T	5,862,500	0	5,862,500	5,843,710	18,790
Students Council	1,005,000	0	1,005,000	792,447	212,553
Student Id Card	685,000	0	685,000	606,950	78,050
Total Income	249,404,610	0	249,404,610	220,559,315	28,845,295
Expenses					
School Equipt& Stores/Tuition	54,565,000	0	54,565,000	53,988,571	576,429
Boarding Equ& Stores	4,450,000	0	4,450,000	4,020,676	429,324
Activity Fees	9,500,000	0	9,500,000	8,904,356	595,644
Medical	2,700,000	0	2,700,000	690,240	2,009,760
Caution Money	750,000	0	750,000	729,200	20,800
Repair, Maint. &Improv	3,450,000	0	3,450,000	2,591,340	858,660

ANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

Electricity, Water & Cons.	8,250,000	0	8,250,000	7,291,512	958,488
Local Transp. & Travel	6,500,000	0	6,500,000	6,115,284	384,716
Personnel Emolument	52,366,000	0	52,366,000	51,296,040	1,069,960
Bus Fund	2,050,000	0	2,050,000	1,179,120	870,880
Attachment	3,440,000	0	3,440,000	2,690,080	749,920
Inservice	200,000	0	200,000	113,704	86,296
Students Council	1,000,000	0	1,000,000	920,510	79,490
IctDpt	5,800,000	0	5,800,000	5,317,490	482,510
Clothing Textile Dpt		0	0	278,560	-278,560
Welfare	900,000	0	900,000	879,120	20,880
Hospitality Dpt		0	0	1,854,263	-1,854,263
Town Campus	8,400,250	0	8,400,250	8,315,684	84,566
Service Gratuity	3,000,000	0	3,000,000	2,400,000	600,000
Electrical/ElectronicsDpt		0	0	678,451	-678,451
Agriculture Dpt		0	0	489,573	-489,573
Applied Science Dpt		0	0	328,415	-328,415
Automotive Dpt		0	0	578,920	-578,920
Perfomance Contract	1,500,000	0	1,500,000	1,157,852	342,148
Katti Registration	400,000	0	400,000	240,000	160,000
Research & Innovation	9,550,000	0	9,550,000	5,375,080	4,174,920
Seminars/Workshops	3,000,000	0	3,000,000	2,515,720	484,280
Insurance Cover	1,675,000	0	1,675,000	1,757,120	-82,120
Iso	2,000,000	0	2,000,000	1,357,180	642,820
Capa Reg. & Training	2,000,000	0	2,000,000	840,000	1,160,000
Advertisement	3,000,000	0	3,000,000	5,356,250	-2,356,250
Furniture	3,000,000	0	3,000,000	2,450,920	549,080
Computer & Buildings Insurance	2,000,000	0	2,000,000	0	2,000,000
H.R Consult. Services	2,700,000	0	2,700,000	0	2,700,000
Capacity Building	3,000,000	0	3,000,000	2,081,960	918,040
Graduation Expenses	2,500,000	0	2,500,000	2,412,900	87,100
Master Plan	3,000,000	0	3,000,000	0	3,000,000
M.I.S	5,800,000	0	5,800,000	5,400,000	400,000
Catering Unit	15,650,000	0	15,650,000	13,375,040	2,274,960
Bakery	2,210,000	0	2,210,000	2,113,084	96,916
Farm	17,565,000	0	17,565,000	15,909,740	1,655,260
Registration	0	0	0	1,093,780	-1,093,780
Totalexpenditure	247,871,250	-	247,871,250	225,087,735	22,783,515
Surplusfortheperiod	1,533,360	-	1,533,360	-4,528,420	6,061,780

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

IX. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Sang'alo Institute of Science and Technology 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 of Science.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The values of the assets are merely management estimates. 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 Institute's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non exchange transactions are covered purely under Public Sector combinations as amalgamations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: 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>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 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> <ol 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.

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

Standard	Effective date and impact:

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

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 2018/2019 was approved by the Board on 20th July 2019. No revisions or additional appropriations were made to the approved budget.

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

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

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

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 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.

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. 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 Governors, the CEO/principal and senior managers.

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Institute 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

Depreciation is calculated on straight line basis, at annual rates estimated to write off of carrying values of the assets over their expected useful lives. Assets acquired during the year are depreciated from the date of acquisition.

The annual depreciation rates in use are:

Building 2%

Furniture, plant and equipment 12.5%

Motor Vehicles 25%

Computers 33.3%

Library books 20%

Freehold land is not depreciated as it is deemed to have an infinite life

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.

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2018-2019
	KShs
Operational grant	83,670,000
Total Government grants and subsidies	83,670,000

7 PUBLIC CONTRIBUTIONS

Description	2018-2019
	KShs
Public donations	-
Donations from local leadership	
Donations from alumni	
Total Public Contributions and Donations	-

8 RENDERING OF SERVICES

Description	2018-2019
	KShs
Tuition fees	24,320,480
Activity fees	14,044,795
LTT Fees	16,028,712
Medical fees	3,681,430
Personal Emoluments	16,235,540
EWC income	11,298,163
Registration fees	495,051
Total Rendering of Services	86,104,171

9 SALE OF GOOD AND SERVICES

Description	2018-2019
	KShs

ANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

Catering income	6,572,260
Sale of farm produce	6,468,840
Bakery	951,037
Total Sale of goods	13,992,137

10 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2018-2019 KShs
Boarding Fees	4,156,915
Total rentals	4,156,915

11 OTHER INCOME

Description	2018-2019 KShs
Caution Money Fees	504,150
Hire of Bus & other related incomes	2,929,900
Students id cards	606,650
Town Campus	15,762,540
RMI	3,437,525
ICT Fees	5,843,710
Student Council Fees	792,447
Student Insurance Fees	1,625,750
Students Attachment	3,095,800
Deferred Income(Depreciation on Buildings)	10,222,000
Total otherincome	44,820,472

12 USE OF GOODS AND SERVICES

Description	2018-2019 KShs
Electricity, Water & conservancy	7,291,512
Total good and services	7,291,512

13 EMPLOYEE COSTS

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

Description	2018-2019
	KShs
Salaries and wages	47,672,485
Total Employee costs	47,672,485

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 REMUNERATION OF BOARD OF GOVERNORS

Description	2018-2019
	KShs
Chairman's Honoraria	442,800
Directors emoluments	3,180,755
Total director emoluments	3,623,555

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019
	KShs
Property, plant and equipment	13,613,598
Intangible assets	1,450,000
Investment property carried at cost	
Total depreciation and amortization	15,063,598

16 REPAIRS AND MAINTENANCE

Description	2018-2019
	KShs
RMI	2,591,340
Total Repairs and Maintenance	2,591,340

ANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 GENERAL EXPENSES

Description	2018-2019 KShs
Activity Expense	8,904,356
Administration Expenses	2,400,000
Advertisement Expense	5,356,250
Attachment Expense	2,690,080
Automotive Practical Expense	578,920
Bakery Expense	2,113,084
Bes Expense	4,020,676
Capacity Building Expense	2,081,960
Caution Money Expense	729,200
Clothing& Textile Expense	278,560
Registration Expenses	1,093,780
F&B Practical Expense	1,854,263
Farm Expense	15,909,740
Graduation Expenses	2,412,900
Ict Expense	5,317,490
In Service Expense	113,704
Insurance Cover Expenses	1,757,120
Iso Expense	1,357,180
Katti / Capa Registration Expense	1,080,000
Kitchen Expense	13,375,040
Lt&T Expense	2,491,729
Medical Expense	690,240
Motor Vehicle Maintenance Expense	1,179,120
Performance Contract Expense	1,157,852
Research And Tivet Fair Expense	5,375,080
Seminars Expense	2,515,720
Student Council Expense	920,510
Town Campus Expense	8,315,684
Tuition/Ses Expense	55,485,010
Welfare Expense	879,120
Total generalexpenses	152,434,368

18 FINANCE COSTS

Description	2018-2019 KShs
Borrowings (amortizedcost)*	157,217
Total financecosts	157,217

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 CASH AND CASH EQUIVALENTS

Description	2018-2019
	KShs
Current account	9,428,742
Total cashandcashequivalents	9,428,742

19 (a). DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

Financial institution	Account number	2018-2019
		KShs
a) Current account		
Kenya Commercial bank(Main)	1102026212	864,983
Kenya Commercial bank(Exam)	1125986816	5,980,008
Kenya Commercial bank (MOHEST)	1111084513	405,460
Equity Bank	0480275065202	334,437
Family Bank	077000015182	855,727
Barclays (ABSA) bank	2034181236	290,677
Kenya Commercial bank(Payments)	1173149635	252,895
Kenya Commercial bank(Farm)	1225047668	444,555
Sub- total		9,428,742
Others(specify)		
Cash in hand		0
Sub- total		0
Grand total		9,428,742

20 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019
	KShs
Current receivables	
Student debtors	9,054,956
Staff debtors	825,650
Total currentreceivables	9,880,606

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2018-2019 KShs
Current receivables	
Undisbursed donor funds	41,835,000
Total current receivables	41,835,000

22 INVENTORIES

Description	2018-2019 KShs
Building Equipment & Consumable stores	520,240
Health Unit stores	63,000
Catering stores	250,000
Total Inventories	833,240

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Library Books	Plant and equipment	Capital Work in progress	Total
Cost	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
At 1 July 2018	334,000,000	511,100,000	12,400,000	6,164,000	3,836,000	3,722,050	50,000,000	12,700,000	933,922,050
Additions				1,476,275	3,857,230			5,038,588	10,372,093
At 30 th June 2019	334,000,000	511,100,000	12,400,000	7,640,275	7,693,230	3,722,050	50,000,000	17,738,588	944,294,143
Depreciation and impairment									
At 1 July 2018	-	-	-	-	-	-	-	-	-
Depreciation		10,222,000	3,100,000	955,034	2,564,154	744,410	6,250,000	0	23,835,598
At 30 th June 2019	-	10,222,000	3,100,000	955,034	2,564,154	744,410	6,250,000	-	23,835,598
Net book values									0
At 30 th June 2019	334,000,000	500,878,000	9,300,000	6,685,241	5,129,076	2,977,640	43,750,000	17,738,588	920,458,545
At 30 th June 2018	334,000,000	511,100,000	12,400,000	6,164,000	3,836,000	3,722,050	50,000,000	12,700,000	933,922,050

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 INTANGIBLE ASSETS-SOFTWARE

Description	2018-2019 KShs
Cost	
At beginning of the year	5,800,000
Additions	
Cost end of the year	5,800,000
Amortization and impairment	
At beginning of the year	
Amortization	1,450,000
Amortization at end of the year	1,450,000
Less :Impairment loss	
At end of the year	-
NBV	4,350,000

25 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019 KShs
Trade payables	25,722,358
Total tradeandotherpayables	25,722,358

26

Current Provisions				
Description	Leave provision	Bonus provision	Other provision	Total
Balance at the beginning of the year				0
Additional Provisions				0
Less Provision utilised				0
Total provisions	-	-	-	-

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

27 EMPLOYEE BENEFIT OBLIGATIONS

	Defined benefit plan	Other Provisions	Total 2018/2019
Current benefit obligation			0
Non-current benefit obligation			0
Total employee benefits obligation	-	-	-

28 PAYMENT RECEIVED IN ADVANCE

Description	2018-2019
	KShs
Student Fees	17,456,561
Others	
	17,456,561

29 BORROWINGS

Description	2018-2019
	KShs
Borrowings – Non- current portion	
Commercial bank Loans	736,956
Total Non -currentportion	736,956

30 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 Institute'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 Institute 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 Governors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Institute'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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	9,880,606	9,880,606	-	-
Receivables from non-exchange transactions	41,835,000	41,835,000	-	-
Bank balances	9,428,742	9,428,742	-	-
Total	61,144,348	61,144,348	0	0

The customers under the fully performing category are paying their debts as they continue with their studies. The credit risk associated with these receivables is minimal and the allowance for

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

uncollectible amounts that the Institute has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of Governors sets the Institute'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 Governors, 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 Institute 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 Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2019				
Trade payables	-	18,294,360	7,427,998	25,722,358
Total	-	18,294,360	-	25,722,358

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk

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

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

The Institute'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

ANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

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 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)

iv) Capital Risk Management

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

	2018-2019
	Kshs
Revaluation reserve	933,922,050
Retained earnings	3,909,620
Capital reserve	5,038,588
Total funds	939,246,703
Total borrowings	736,956
Less: cash and bank balances	9,428,742
Net debt/(excess cash and cash equivalents)	25,722,358
Gearing	2.728%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Controller of Budget
- iv) Key management;
- v) Board of Governors

32 EVENTS AFTER THE REPORTING PERIOD

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

33 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.

34 Currency

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

APPENDIX I: 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. ERECTION OF WANGA T.T.I	MOEST/TVET/1/2015-2016	GOK/MUMIAS EAST CDF	52 WKS		YES	YES
2. FOOD & BEVERAGE COMPLEX		GOK	36 WKS		YES	YES

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	ERECTION OF WANGA T.T.I	Kshs. 54,309,816.00	Kshs. 44,083,887.00	90%			GOK/MUMIAS EAST CDF
2	FOOD & BEVERAGE COMPLEX	Kshs. 19,577,494.00	Kshs. 16,499,689.00	85%			GOK
3							