

REPORT

PARLIAMENT
OF KENYA
LIBRARY

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 MAR 2021	DAY: TUESDAY
TABLED	
CLERK-AT THE-TABLE:	L O M Ahmed Kadhi

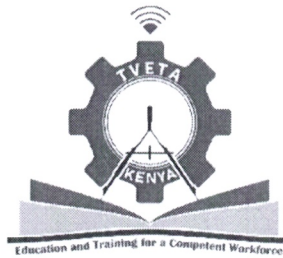
THE AUDITOR-GENERAL

ON

**TECHNICAL AND VOCATIONAL
EDUCATION AND TRAINING AUTHORITY**

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





**TECHNICAL AND VOCATIONAL EDUCATION
AND TRAINING AUTHORITY**

**TECHNICAL AND VOCATIONAL EDUCATION AND
TRAINING AUTHORITY**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
30 JUNE 2019**

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


 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 MAR 2021	DAY.
TABLED BY:	
CLERK-AT THE TABLE:	

Table of Contents	Page
KEY ENTITY INFORMATION AND MANAGEMENT.....	ii
THE BOARD OF DIRECTORS.....	v
MANAGEMENT TEAM.....	viii
CHAIRMAN'S STATEMENT.....	x
REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xi
CORPORATE GOVERNANCE STATEMENT.....	xiii
MANAGEMENT DISCUSSION AND ANALYSIS.....	xvii
REPORT OF THE DIRECTORS.....	xxi
STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xxii
REPORT OF THE INDEPENDENT AUDITORS ON THE TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY.....	xxiii
STATEMENT OF FINANCIAL PERFORMANCE.....	1
STATEMENT OF FINANCIAL POSITION.....	2
STATEMENT OF CHANGES IN NET ASSETS.....	3
STATEMENT OF CASH FLOWS.....	4
FOR THE YEAR ENDED 30 JUNE 2019.....	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
NOTES TO THE FINANCIAL STATEMENTS.....	6
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	19
APPENDIX II: INTER-ENTITY TRANSFERS.....	20

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Technical and Vocational Education and Training Authority (TVETA) is a State Corporation established by the Technical and Vocational Education and Training (TVET) Act No 29 of 2013 (*Kenya Gazette Supplement* No. 44) which commenced on 24 June 2013. TVETA is a regulatory body whose mandate is to regulate and coordinate the TVET sector through accreditation of institutions, programs and trainers as well as assure quality, access, equity and relevance in education and training. TVETA is domiciled in the Ministry of Education, State Department of Vocational and Technical Training.

(b) Principal Activities

Vision Statement

A competitive market driven TVET system delivering competent workforce for sustainable development.

Mission Statement

To develop a TVET system that meets national needs and aspirations

Strategic Objectives

The strategic objectives of TVETA are to:

- i. Enhance TVET quality and relevance
- ii. Promote access and equity in TVET
- iii. Strengthen governance and management
- iv. Mobilize financial resources for the Authority

Section 7 of the TVET Act, 2013 gives the powers and functions of the Authority. The Authority's functions are therefore to:

- i) Regulate and coordinate training under TVET Act, 2013
- ii) Inspect, register and license training institutions;
- iii) Accredite and inspect programmes and courses;
- iv) Assure quality and relevance in programmes of training;
- v) Prescribe the minimum criteria for admission to training institutions and programmes to promote access, equity and gender parity.
- vi) Collect, examine and publish information relating to training;
- vii) Determine the national technical and vocational training objectives;
- viii) Recognize and equate qualifications awarded by local or foreign technical and vocational education institutions' in accordance with the Standards and guidelines set out by the Authority from time to time;
- ix) Undertake, or cause to be undertaken, regular monitoring, evaluation and inspection of training and institutions to ensure compliance with set standards and guidelines

(c) Key Management

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

- Board of Directors
- Director General/ Chief Executive Officer
- Heads of Directorates

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Dr. Kipkirui Langat
2.	Deputy Director(Outreach Services)	Bibiana Otieno
3.	Assistant Director Finance and Accounts	Emmanuel Korir
4.	Internal Auditor	David Njoroge

(e) Fiduciary Oversight Arrangements

The Authority has the following 3 Board Committees;

- i. Technical Committee,
- ii. Finance and General-Purpose Committee
- iii. Audit and Risk Committee

i. Technical Committee

The Technical committee develops and review plans and guidelines for the effective implementation of the provisions of the TVET Act 2013, review TVET training regulations, standards and guidelines, accredit training institutions, assessment centres, foreign institutions, training programmes, trainers, assessors and verifiers and approve the process of introduction of new and review of training programmes

ii. Finance and General-Purpose Committee

The Finance and General-Purpose Committee has direct oversight on the finance activities of the Authority. The Committee reviews the budget, finance reports, procurement plans and reports before presentation to the full Board for deliberation and approval.

iii. Audit and Risk Committee

The Audit and Risk Committee evaluate adequacy of management procedures with regard to issues relating to risk management, control and governance, review and assess the adequacy and compliance of the Authority's policies and procedures for identifying, assessing and managing risks (financial, legal, ethical, safety, reputational or other). For the purposes of this paragraph, 'risk' is defined as any circumstance that may prevent the Authority from achieving its objectives

(f) Entity Headquarters

P.O. Box 35625-00100
Utalii House, 8th Floor
Utalii Street
Nairobi, KENYA

(g) Entity Contacts

Telephone: (254) 202392140
E-mail: info@tveta.go.ke
Website: www.tveta.go.ke

(h) Entity Bankers

Kenya Commercial Bank Ltd.
Kipande House Branch
P.O. Box 30012-00100
Nairobi, Kenya

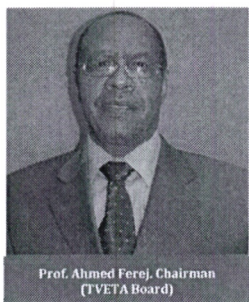
(i) Independent Auditors

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



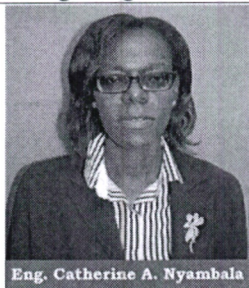
Prof. Ahmed Ferej (Board Chair)

Prof. Ferej was appointed as a TVETA Board Member on 25th April 2014. He is the Current TVETA Board Chairman. He holds a PhD in Education (TVET and Entrepreneurship) from the University of Illinois in the US (1994). He completed a Diploma in Mechanical and Electrical Engineering as well as a technical teacher's certificate at the Kenya Polytechnic in 1975. He is a Senior Lecturer at the University of Eldoret, in the Department of Technology Education. Prof. Ferej has over 30 years' professional experience in the field of education and training, mostly TVET, where he has taught at the technical secondary, middle college and university levels. He has contributed to national curriculum development. He has supervised several Master's Degree and PhD candidates and served as external examiner for Kabarak University and Gold Coast University in Ghana.



MS. Evelyn Anupi (Alternate to Principal Secretary, State Department for Vocational and Technical Training, Ministry of Education)

Evelyn Anupi is a Chief Economist at the Ministry of Education (State Department for Vocational and Technical Training). She holds Masters of Arts Degree (Development Economics) and B.A. (Hons) Degrees from Moi University. MS Anupi has over 20 years as an economist in the public sector. Prior to her current appointment at the State Department for Vocational and technical training Ms. Anupi worked as Economist/Statistician in the State department for early learning and basic education Ms. Anupi has researched and published in areas of Poverty, Planning and Public expenditure tracking. Her areas of interest include Poverty and Vulnerability, Gender mainstreaming, Public Policy, Education and training reforms, Planning and Budgeting, Monitoring and Evaluation



Eng. Catherine A. Nyambala (Chair - Audit and Risk Committee)

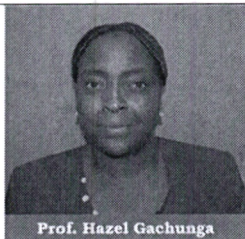
was appointed as a TVETA Board Member on 25th April 2014. She is the Founder of STEM Africa – an organization that promotes careers and innovation in Science, Technology, Engineering and Mathematics. STEM Africa's goal is to see a new generation in Science and Technology in Africa with the goal of reducing poverty. An alumna of the US State Department and Fortune Global Women's Mentoring Program (2010), Catherine was mentored by Marissa Mayer (Yahoo CEO) at Google. She has got experience in Energy, Telecoms and Manufacturing and has been successful in implementing Strategic Quality Management at the Kenya Electricity Generating Company. She holds a BSc in Electrical Engineering and an MBA in Operations Management. She is a Business Excellence and Innovation Management Expert and has been a participant in several local and international Innovation Awards including the Royal Academy of Engineering, the Kenya ICT Board, Bata legacy Award amongst others



Prof Faith Muli (Chair – Technical Committee)

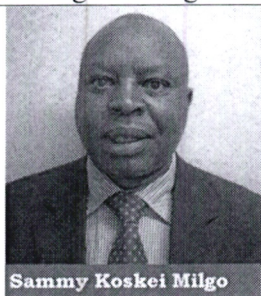
Prof. Muli was appointed as a TVETA Board Member on 25th April, 2014. She is an Associate Professor of Pathology in the field of Medical Microbiology and holds a PhD degree from the University of Manchester, UK. She has a wealth of experience in academia, research, technical diagnostics and consultancy. She has taught at Kenyatta University, Jomo Kenyatta University of Science and Technology, Egerton University, Moi University Faculty of Health Sciences at Moi Teaching and Referral Hospital and Kenya Methodist University. She has published extensively in internationally recognized journals and has presented

many papers at international, regional and local conferences. She has also served as a WHO consultant in Curriculum review for training on the control and management of HIV/AIDS in Kenya, Ethiopia and Tanzania under the Africa Regional Capacity Building on HIV/AIDS Network project (ARCAN).



Prof. Hazel Gachunga (Chair – Finance and General Purpose Committee)

Prof. Gachunga was appointed as a TVETA Board Member on 25th April, 2014. She is a Senior Lecturer at the Jomo Kenyatta University of Agriculture and Technology and has a considerably wide teaching, research and consultancy experience in the areas of Leadership, Change Management, Human Resource Management, and Organizational Behaviour amongst others. She is a holder of a Doctorate from the University of Nairobi/University of Sheffield and alumni of IESE on international faculty development and executive programs management. She has also conducted extensive research in the areas of leadership. Prof. Gachunga is a board member at the Institute of Human Resource Management Kenya. She is a certified Balanced Score Card expert and Change Management Professional.



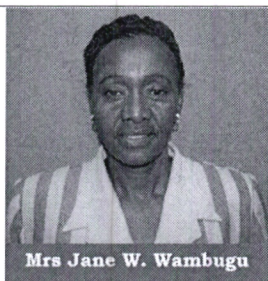
Mr. Sammy Milgo (Director)

Mr. Milgo holds a BSc. degree in Food Science and Technology (University of Nairobi, 1984), MSc. in Food Science & Technology (State University of Gent, Belgium, 1997), Advanced Certificate in Quality Management (Singapore, 2000) and Executive Masters' in Business Administration (MBA - Strategic Management option) (Moi University, 2012). Currently, he is pursuing a PhD in Climate Change and Adaptation (PhD - CCA) (Institute of Climate Change and Adaptation, University of Nairobi). Sammy has over nineteen (19) years' experience in Standardization (Standards, Metrology & Quality Assurance), and Conformity Assessment (Inspection, Testing, Certification, Proficiency Testing) activities having worked for the National Standards Body KEBS, in various functional areas and rising from the position of Assistant Quality Assurance Officer (1985) to Managing Director/CEO of Kenya Accreditation Service (KENAS), a statutory organization of government that reports to the Ministry of Industry, Trade and Cooperatives (MOITC).



Mr. Burua Sanga Shumaa (Director)

Currently serving as Business Development Manager at Centum Learning Limited based in Nairobi. Sanga is a holder of BSc (Hons) Mechanical Engineering from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and MSc. in Human Resource Development and Performance Management from the University of Leicester, UK. With over 20 years of experience in the Oil and Gas industry, Sanga brings on board a wealth of experience in People Leadership, Performance Supervisory Essentials, Emotional Intelligence, Competence Observation, GAP Analysis, Assessment & verification, and Competence Assurance Management system- CAMS Assessor in the Oil, Gas and Petrochemical industry. His experience is drawn from the Kenya Petroleum Refineries Limited (KPRL), where he served as Refinery Operator and later as Mombasa Terminal Superintendent with Caltex Oil. Thereafter, he took on the role of SOP and Training Specialist with Chevron for East & West Africa, before relocating to the middle East, where he worked with SABIC in Saudi Arabia, as well as ADNOC in Abu Dhabi, UAE at BOROUGE Petrochemical. In his leadership roles, Sanga has initiated the design and delivery of a tailor-made coaching and mentorship program and made it available to coaches/mentors/SMEs to help support employees' development, with the structures, procedures, skills and tools to effectively support the development programs



Jane Wambugu(Alternate to Principal Secretary-National Treasury and Planning)

Mrs. Wambugu was appointed Alternate Director to the Cabinet Secretary, National Treasury and Planning where she is currently serving as a Chief Accountant. She has served in various Government Ministries as an Accountant with 10 years' experience as a Certified Public Accountant. Mrs Wambugu has also worked as a Project Accountant in Energy Sector donor funded projects in the Ministry of Energy for 4 years and 2 years as Ag, Deputy Head of Accounts Unit. She has also served as Deputy Head of Accounts unit in the Ministry of Tourism for 2 years. Mrs Wambugu is a holder of a Master's Degree in Business Administration (Finance), Certified Public Accountant and a member of Institute of Public Accountants (ICPAK).



Dr. Kipkirui Langat (Director General/CEO)

Dr. Langat was appointed the first Director General of TVET Authority on 30th April 2015. He has a wealth of experience from both public and private sector. He has close to 20 years' experience in TVET sector having joined Rift Valley Training Institute as Assistant lecturer in the Department of Automotive Engineering in 1996. He was promoted to a position of lecturer and appointed head of Department in 1998. He joined Eldoret Polytechnic in 2002 as a lecturer in the Department of Mechanical Engineering before being appointed Deputy Dean of students a year later. In 2004 he joined Egerton University as a lecturer in the Department of Industrial and Energy Engineering. While in Egerton University, he was instrumental in implementation and reviewing Bachelor of Industrial Technology programme where he was programme coordinator, and Examination and Timetabling officer until 2008. In 2009, he was appointed programme coordinator for Twinning Programme between Western Michigan University, USA and Egerton University. He was also among a team of experts who developed Bachelor of Technology in Mechanical Engineering and Bachelor of Philosophy in Mechanical Engineering at the Technical University of Kenya. He was a subject panel for Diploma and Higher National Diploma in Mechanical Engineering between 1999 and 2004 at Kenya Institute of Education.

In the last 10 years, Dr. Langat has been working with United Nations Environment Programme (UNEP) in developing policies and guidelines for transport emissions in East Africa Region. He was instrumental in the training of motor vehicle inspectors in Kenya and Rwanda. Since 2014, he has been advising East African Community in harmonization of standards for importation of used motor vehicles in the region. He is a member of Technical Committee on Road Transport Standards at the Kenya Bureau of Standards and a consultant for Boston Garage Equipment UK since 2007. He holds Bachelor of Education in Technology Education, Master of Philosophy in Technology Education (Automotive Technology) and Master of Business Administration (Strategic Management) all from Moi University, and Doctor of Philosophy in Engineering Systems and Management from Egerton University. He is a fellow member of Institution of Engineering Technologists and Technicians (IET) of Kenya. He has widely published in the areas of transport emissions and TVET

MANAGEMENT TEAM



Dr. Kipkirui Langat, PhD. FIETK
Director General/CEO

The Director General is the Chief Executive Officer overseeing the day to day operations of TVETA. Provides visionary leadership in the management of TVETA and is responsible for the operations of the Authority in accordance with the policies specified by the Board



Mr Fred Oanda
Deputy Director Accreditation Services

The Head of Accreditation is in charge of policies and Strategies for accreditation, he coordinates inspection, accreditation and approval of trainers, assessors, verifiers, training centres, Institutions and Programmes



Mr. Edward Mburu, MITM
Deputy Director Standards Development

The Head of Standards development is in charge of designing the process and guidelines of admission in TVET training. He leads in the process of evaluating the training systems in formal and informal sector and also Maintaining sector skills advisory committees from key industry stakeholders to facilitate occupational standards development.



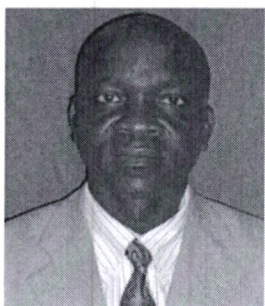
M/s Josephine Kasera
Deputy Director Compliance and Enforcement

The Head of Compliance and enforcement coordinates quality audit inspection for institutions, trainers and programmes and also evaluating quality audit reports and training programmes for training providers and making recommendations.



Mrs. Bibiana Otieno
Deputy Director Outreach Services

The Head of outreach Services is in charge of organizing development programmes for capacity building and sensitization of TVET providers, coordinating development and maintenance of TVET information, education and communication (IEC) materials and coordinating dissemination of TVET research findings, regulations, standards and guidelines to TVET providers and stakeholders.



Dr. Otta Osawa
Deputy Director Research and Development

The Head of Research and Policy coordinates planning, analysing and reviewing the impact of various policies on TVET. This includes development and identification of impediments to TVET development with an objective of developing appropriate policy interventions for TVET development. In addition, the office undertakes data collection and research activities.



Timothy Nyongesa
Deputy Director Strategy and Planning

The Head of Policy and planning coordinates review and updating of the Authority's long term strategic plans, ensuring they are aligned to the National and International TVET policies and measuring performance of their implementation. In addition, the office coordinates the development and review of performance contracts as well as monitoring and evaluation activities of the Authority.



CPA Emmanuel Korir
Assistant Director Finance and Accounts

The Head of Finance and Accounts develops and reviews financial policies and procedures to enhance internal controls as well as ensuring compliance with relevant laws, regulations and procedures in management of financial resources, the office also prepare financial reports to management and advising on financial implications and consequences of management decisions



CPA David Njoroge
Internal Auditor

The Head of internal Audit develops and ensures implementation of Audit strategies, policies and procedures, prepares risk based annual audits and evaluates progress and effectiveness of action taken to implement audit recommendations received from both internal and external audits.

CHAIRMAN'S STATEMENT

The Technical and Vocational Education and Training Authority (TVETA) is now in the fourth cycle of annual financial reporting which it has judiciously done in the previous three cycles. This is a reflection of our commitment to operate within the prevailing financial management framework. It is therefore with great pleasure that I present the fourth annual report and financial statements of the Authority for the year ended 30th June 2019.

To align with the Big Four Agenda and other national priorities, we reviewed our strategic plan. We are aware that the shift in focus comes with opportunities for the TVET sector as an enabler. The review provided a good opportunity to undertake fresh situation analysis to capture the current reality. TVETA shall remain part of the growth in the sector through sustained accreditation services and quality assurance to ensure value for money by the wider public as they endeavor to acquire skills.

So far, the Authority has demonstrated its ability to deliver its core mandate. However, we still want to make the customer experience exciting as they interact with us. This is the reason the reporting period reflects quite some investment in ICT as part of our efforts to strengthen the organizational capacity. Other initiatives were recruitment of competent staff, capacity building and provision appropriate work environment. This we shall achieve by sustaining and looking for new frontiers in development partnership. The political goodwill towards TVET has created unprecedented interest by development partners in the sector which we look forward to engaging.

To ensure compliance with provisions of the Constitution on public participation, the Authority has ensured stakeholder engagement especially in standards development and shall endeavor to sustain such engagement in future to ensure smooth operational environment in the sector. The targets in the performance contract and prepared work plans provide the basis for annual staff appraisal as the board continues to be guided by Mwongozo Code of Conduct.

On behalf of TVETA Board of Directors and staff, I express my sincere gratitude to the Government of Kenya, Ministry of Education, our partners as well as the stakeholders for the support you have given us.



Prof. Ahmed Ferej
On behalf of the Board of Directors

REPORT OF THE CHIEF EXECUTIVE OFFICER

The Technical and Vocational Education Training Authority (TVETA) will always appreciate the support provided by the Government and development partners by preparing and submitting accurate and timely financial reports. It is thus my pleasure to present the fourth annual report and accounts of TVETA. The Authority's efforts during the reporting period were towards providing appropriate office accommodation, completing the first phase of staff recruitment, accreditation of TVET institutions, programs & trainers, development of training standards, enforcing TVET policies, outreach activities, enhancing use of ICT in our operations and sustaining partnerships.

Office accommodation, equipment and facilities

The renovation work on 8th floor of Utalii House is 86% complete. The space is habitable and we were able to move in from November 2018. This provided enough office space for all the staff and operational units of the Authority. During the year the Authority spent Kshs 18.5 million on the renovation bringing the total cost of the renovation to Kshs. 37.1 million. We were also able to procure furniture and ICT facilities for new staff. In addition, we procured filing equipment for the records management unit thus greatly improving records management which had been identified as an impediment to our ISO 9001 certification.

Staffing

Following the shortlisting and interviews conducted in the first quarter, the Authority offered employment to 45 new staff effective October 2018. Whereas our establishment is 140, the recruitment takes us closer to our optimal staff level thus easing pressure on the few staff previously available and ensuring full implementation of the Authority's mandate. The projected wage bill was Kshs 92 million although the actual expenditure was Kshs 52 million. The variance was because new staff reported in October. The Authority also gave paid internship opportunity to 2 youth over the period. We look forward to enhancing our staff capacity to an optimum level of 70 in-post which enable us deliver much better on our mandate.

Board evaluation

The TVETA Board undertook review of their performance over the year and went through annual evaluation by SCAC. This is to ensure compliance with Mwongozo.

Accreditation of institutions, programs and trainers

To further the Authority's core mandate, we undertook inspection of 473 TVET institutions for registration and licensing. This was 49 institutions more than the previous year in which we inspected 424 institutions. The Authority has continuously prepared and reviewed a register of TVET institutions to enable the public to know the complying institutions. We were also able to accredit more than 1000 TVET trainers in the year. This will be enhanced drastically in FY 2019/2020 given our enhanced staffing capacity and technological capability.

Quality assurance of TVET

As part of the foundational work for quality assurance, the Authority developed the following training standards and guidelines:

1. Competency Based Education and Training and Assessment (CBETA) training standards and guidelines;
2. Prior Learning Assessment and Recognition (PLAR) standards and guidelines;
3. Trainers Qualification Framework;
4. National Polytechnics accreditation standards and guidelines; and

5. Six (6) specific standards in: Crop Production Level III; Mechatronics Level III; Masonry Level III; Community Health Level III; Trainers Level IV; and Curriculum Developers Level V.

The process of standards development has turned out to be quite expensive because of the need to hold stakeholder conference for each standard developed. We were also able to undertake quality audit of 314 institutions to confirm compliance with set training standards.

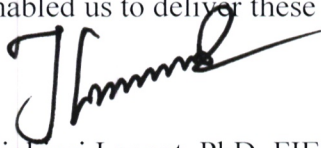
Enhancing use of ICT

To enhance internal efficiency and improve our client experience, the Authority initiated the process of procuring an Enterprise Resource and Planning system (ERP). We look forward to migrating our manual processes in Human resource, accounts, procurement, transport and assets management to the system in the FY 2019/2020. We were also able to develop an online application for accreditation portal to prototype level in the reporting period.

Financial performance

During the period under review, Kshs 234.8 M was disbursed to TVETA by the exchequer of which Kshs 187.8 M was absorbed hence attaining 80% utilization. The variance was occasioned by recruitment of staff which was concluded in second quarter of FY 2018/19. It is gratifying to report that the Authority does not have any pending bills from the reporting period and this will be sustained.

I want to thank the Board of Directors for their wise counsel, timely guidance and decision making that enabled us to deliver these impressive results.



Dr. Kipkirui Langat, PhD. FIETK

DIRECTOR GENERAL/CHIEF EXECUTIVE OFFICER

CORPORATE GOVERNANCE STATEMENT

The Authority has the Board as the apex decision making organ which sets the direction for good corporate governance underpinned by effective leadership, oversight and Management accountability based on a sound and ethical foundation.

The Role of the Board

The Board provides leadership and strategic direction of the Authority. The main responsibilities of the Board are:

- (i) Establishment of the short and long-term goals of the Authority and strategic plans to achieve those goals
- (ii) Approval and review of annual budgets
- (iii) Risk management and compliance by ensuring adequate systems of internal controls are in place
- (iv) Review of financial performance, expenditure and commitments
- (v) Setting and periodically reviewing organisational key performance indicators as well as management performance to effectively discharge this role

Board Size, Composition and Appointment

Section 8(1) of the TVET Act provides for the appointment of a nine-member Board as the governing organ of Authority with the following composition:

- a) a chairperson
- b) the Principal Secretary in the Ministry responsible for finance;
- c) the Principal Secretary in the Ministry responsible for technical and vocational education and training;
- d) the Chief Executive of the Fund
- e) five persons who have proven knowledge and experience in technical and vocational education and training, legal and financial matters of whom at least two and not more than three shall be of the same gender.

The current Board comprises nine [9] members; the Chairman, five [5] independent directors as per section 8(1)(e) of the TVET Act and two [2] directors representing the PS National Treasury and PS State Department for Vocational and Technical Training as well as the Director General. The gender parity status between the female and male is well above the 30% gender equity threshold.

As is practice, the Board is generally constituted taking into account sector requirements, age, gender, diversity of skills, academic qualifications and experience needed to help the Authority achieve its goals and objectives. Five of the current members of the Board, including the Chairman, are independent.

The Chief Finance Officer for the State Department of Vocational and Technical Training CPA Anthony Masinde was co-opted following advice from the Audit and Risk Committee. The Board has

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY
Annual Reports and Financial Statements
For the year ended 30 June 2019

been operating with eight members because the Chief Executive of the TVET Funding Board has not yet been recruited

Board Charter

The Board Charter is critical to the Authority’s governance framework, and offers guidance on matters including but not limited to the following; The separation of the roles, functions, responsibilities and powers of the Board and its individual members; Powers delegated to the Board committees; Matters reserved for final decision-making and approval by the Board; Policies and practices of the Board on matters of corporate governance, Directors’ declarations and conflict of interest, conduct of Board and Board committee meetings; Nomination, appointment, induction, ongoing training and performance evaluation of the Board and its committees

The Charter is not a substitute or a replacement of any laws and regulations that govern the running of the Organization.

Board Meetings

The Board meets regularly as required to efficiently monitor the implementation of the Authority’s planned strategy and approve issues of strategic nature. Specific reviews are also undertaken on operational issues and future planning. During the year under review, the Board held the respective meetings as summarised below:

Name of Board Member	Board Position	Full Board	Finance & General	Technical	Audit & Risk
Prof. Ahmed K. Ferej	Chair	15	1	-	-
Evelyn Anupi	Representative –PS VTT	2	2		1
Prof. Hazel G. Gachunga	Member	11	5	-	-
Catherine A. Nyambala	Member	15	8	-	7
Prof. Faith Muli	Member	16	6	14	-
Mr. Sammy Milgo	Member	16	6	14	7
Mr. Burua Sanga	Member	16	11	14	-
Mrs Jane Wambugu	Alternate-CS to National Treasury	7	6	-	4
Dr. Kevit Desai	PS-VTT	3			
Dr. Kipkirui Langat	Secretary	8	4	4	2
CPA Anthony Masinde	Co-opted (CFO - VTT)	9	11	-	7
Mr. Victor M. Momanyi	Representative- ISC	6	9	-	2

Board Committees

The Board has three standing Committees with specific delegated authorities and terms of reference. They assist in effectively discharging various business functions and responsibilities and submit reports of their activities to the Board. These committees of the Board are:

- i. Finance and General-Purpose Committee
- ii. Technical Committee
- iii. Audit and Risk Committee

Board Remuneration

During every Board meeting, present Board members are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance and transport allowance where applicable within government set limits for State Corporations. Members are also paid such taxable allowance as approved by the Cabinet Secretary for Education, State Corporations Advisory Committee (SCAC) and the Salaries and Remuneration Commission (SRC) when on official duty in and outside the country. In addition, the Chairman is paid a monthly honorarium

Board Evaluation and Performance

The Board conducts an annual evaluation to assess its effectiveness in discharging its mandate. The process entails a self-evaluation for each director, evaluation of the Chairman to the Board on the overall Board interactions and conduct of business meetings and evaluation of the Chief Executive Officer. During the year, a Board evaluation exercise was carried out and it was conducted by the State Corporations Advisory Committee (SCAC).

Succession Planning

TVETA has established a well thought out succession plan aimed at ensuring business continuity at all levels of the Board and Management. The terms of the members of the Board are scheduled to end at different times.

Conflict of Interest

All Directors are required to inform the Board of any conflicts or potential conflicts of interest they may have in relation to particular items of business; and they are required to absent themselves from discussion or decisions on those matters, unless resolved otherwise by the remaining members of the Board; The Authority maintains a conflict of interest register which is made available in every meeting.

Ethics and Code of Conduct

TVETA recognises the important role ethical standards plays in organisational growth and development. Directors and employee are expected to act with honesty, integrity and fairness in all their dealings with one another and with stakeholders. TVETA has a code of conduct that binds both directors and employees. The Authority collaborates with Ethics and Anti-Corruption Commission (EACC) to entrench the culture of ethics in all its undertakings. Besides, the ongoing implementation of the Mwongozo Code of Governance for State Corporations is a significant step towards deepening corporate governance, professionalism, ethics and integrity in management of TVETA affairs.

Board Induction and Training

Board members undergo regular training and education to enable them fulfill their responsibilities. Upon appointment, individual Board members are taken through an induction process organized by the Sate Corporations Advisory Council (SCAC)

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL PERFORMANCE

The achievements are presented as per the core mandate of the Authority;

- i. Accreditation services
- ii. Compliance and enforcement
- iii. Standards development
- iv. Outreach services
- v. Planning and strategy
- vi. Research and development
- vii. Governance and Management (Corporate service)

i. ACCREDITATION SERVICES

To ensure and assure quality TVET, the Authority staff carried out assessment of 473 institutions for the purpose of registration and licensing in the reporting period. The inspections are in response to applications submitted by institutions for registration and licensing.

The Board approved 434 institutions which met requirements for registration and licensing. A register of TVET institutions was prepared and is available on the Authority's website. Similarly, in the reporting period, the Board accredited 1178 trainers, 187 CBET curricula and, evaluated nominees for Council and Board of Governors appointment by the Cabinet Secretary as per the requirement of the TVET Act 2013. The register of the accredited trainers and approved CBET curricula are available on the Authority's website www.tveta.go.ke

ii. COMPLIANCE AND ENFORCEMENT

To ensure compliance with set standards, regulations and guidelines, the Authority undertook quality audit in 303 registered institutions as summarised below;

Category	Registered and licensed
National Polytechnic	11
Public Technical and Vocational College	31
Private Technical and Vocational College	188
Vocational Training Centre	73
Grand total	303

Capacity Building of 302 Monitors and Evaluators from the following broad areas of specializations- Applied Sciences, Business, Engineering, Medical and Social Sciences
Investigation in 5 Institutions resulting from Compliance related complaints received from Members of Public

iii. STANDARDS DEVELOPMENT

To enhance access and equity, the Authority developed the following standards to ensure quality in curriculum development, recognition of prior learning and set the basis for registration of TVET trainers;

- i. Development of draft trainers scheme of service
- ii. Draft workshop for National polytechnics
- iii. Held a workshop on Universities', regulatory bodies and Key Stakeholders on CBETA, PLAR and trainers' qualification
- iv. Developed a coding system with KNQA, CDACC and Universities

iv. OUTREACH SERVICES

The Authority organized an outreach programme to sensitize vocational training managers in the counties. Below is a summary of the activities carried out;

- a) Conducted Sensitization Workshops for County TVET Officers and Vocational Training Managers in 4 Counties: Kakamega, Kisumu, Kisii, and Bungoma,)
- b) Capacity Building Workshops for Technical & Vocational Colleges and National Polytechnics in Six regions: Mt. Kenya, Western, North Rift, South Rift, Coast and Nairobi-South Eastern Regions)
- c) Held the Kenya Skills Show TVET Event at KICC in Collaboration with Permanent Working Group on TVET in Kenya
- d) Took part in the Annual Devolution Conferences (6th Annual Devotion Conference) held in Kirinyaga County
- e) Participated in Kenya Association of Technical Trainers Institutes Events – KATTI TVET The KATTI TVET Fair (Robotics Contest), KATTI Training Workshops
- f) Participated in Agriculture Society of Kenya (ASK) Shows in Nakuru, Kisumu, Mombasa and Nyeri
- g) Development of Capacity Building Training Materials (Internal Quality Assurance, Leadership and Career Guidance materials)

v. STRATEGY AND PLANNING

The department of planning and strategy is responsible for aligning internal policies with national, regional and international TVET policy frameworks; developing and reviewing TVETA strategic plan; coordinating performance contracting within the Authority; preparing and submitting performance contract reports to relevant agencies; mobilizing resources for development of training; monitoring and evaluating TVETA performance; and preparing the risk profile of TVETA including mitigation measures

Achievements under the various outputs were as follows;

- a) TVET Quality Assurance Framework (QAF) and Quality Assurance System (QAS) supporting the implementation of the TVET Act is developed and tested
- b) Operational MIS in place to capture registration, accreditation and monitoring and evaluation of TVET institutions
- c) TVETA staff capacity building in elements of governance, HRD, quality management and dissemination
- d) Tool to assess the entrepreneurial profile of TVET institutions developed, tested and implemented

vi. RESEARCH AND DEVELOPMENT

During the FY 2018-2019 the department of Research and Development convened a stakeholders meeting to discuss ways of strengthening TVET research in the Country. The stakeholders unanimously agreed to establish a National TVET Research Advisory Committee to streamline research in TVET and a National TVET research publication Journal, the Kenya Journal (KJ) of TVET. A National TVET Research Advisory Committee composed of ten members, with Secretariat at TVETA offices was proposed to spearhead research in TVET. The acquisition of the KJ of TVET and official nomination of the members are in progress.

In order to streamline TVET research, the Department of Research developed TVETA Research Policy. TVETA Research committee has also been established to coordinate research activities within the Authority. The data collection tool for enrolment and staffing for TVET institutions was developed and the collection of data for the public TVCs and National Polytechnics was commenced in May/June, 2019. The purpose of collecting the data was to determine the trends in gender disaggregated enrolment in each course offered in the TVET institutions and the staffing levels. The analysis of this data will provide useful information that can be used in making informed decisions and policy formulation

vii. GOVERNANCE AND MANAGEMENT

(a) mobilization of financial resources

- **GOK Grants:** The Authority was able to negotiate for GOK budgetary support FY 2019-2020 through the annual budget process, the funds allocated was Kshs 234M
- **Appropriation in Aid:** Following gazettement of its fees, the Authority was able to collect Kshs. 19.7M for services rendered.
- **Strengthening engagement with development partners:** The Authority implemented projects with development partners. The projects were being supported by development partners as follows:
 - NICHE project through the Netherlands Government that is assisting in development of;
 - a) Quality assurance framework
 - b) A management information system
 - c) Staff capacity building
 - d) Tool to assist in entrepreneurial profiling of TVET institutions and gender and
 - e) Rebranding of TVET

(b) Staff recruitment and Capacity building

To strengthen the human resource capacity, the Authority advertised for 45 positions that were duly filled, the positions were spread across various directorates

(c) Compliance with statutory requirements

The Authority complied with statutory requirements through preparation and submission of budgets, preparation and submission of procurement plans, remission of taxes (PAYE) to KRA, regular financial reporting and availing all records for auditing.

(d) Major risks facing the organisation

As part of risk management, TVETA continues to implement its Risk Management Framework to ensure that there is a proactive process of mitigating risks that may deter it from achieving both strategic and operational objectives. To achieve this, TVETA has put in place a Risk Management policy to ensure its strategic objectives are achieved. TVETA has also embraced Risk Based auditing in its Internal Audit department. Internal audit department prepares their annual internal audit plans based on the risks assessed and identified in the organization.



TVETA Risk Champions during training on Risk Management Implementation Training based on ISO 31000

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Technical and Vocational Education and Training Authority's affairs.

Principal activities

The principal activities of the Authority are as outlined in Section 7 of the TVET Act, 2013 and include to:

- i) Regulate and coordinate training under TVET Act, 2013
- ii) Inspect, register and license training institutions;
- iii) Accredite and inspect programmes and courses;
- iv) Assure quality and relevance in programmes of training;
- v) Prescribe the minimum criteria for admission to training institutions and programmes to promote access, equity and gender parity.
- vi) Collect, examine and publish information relating to training;
- vii) Determine the national technical and vocational training objectives;
- viii) Recognize and equate qualifications awarded by local or foreign technical and vocational education institutions' in accordance with the Standards and guidelines set out by the Authority from time to time;
- ix) Undertake, or cause to be undertaken, regular monitoring, evaluation and inspection of training and institutions to ensure compliance with set standards and guidelines;

Results

The results of the entity for the year ended June 30, 2019 are set out on pages 1 to 20

Directors

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

Dividends/Surplus remission

The Authority did not make any surplus in form of profit during the year (FY 2018/2019) but had a saving from grant and hence no remittance to the Consolidated Fund. The Same is proposed to be utilized to finance the Authority's capital budget FY 2019/2020.

Auditors

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

By Order of the Board



Dr. Kipkirui Langat PhD. FIETK

Director General/CEO

Date.....

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

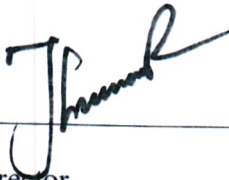
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining 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 *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act cap 446. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2019, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *entity's* financial statements were approved by the Board on 23/09/ 2019 and signed on its behalf by:



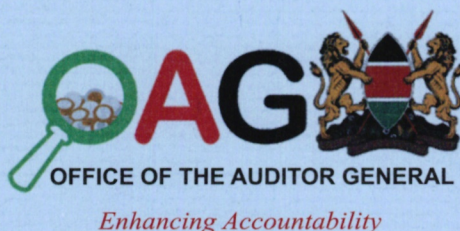
Director



Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Technical and Vocational Education and Training Authority set out on pages 1 to 19, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Technical and Vocational Education and Training Authority 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 Act, 2013 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Technical and Vocational Education and Training Authority 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 opinion.

Emphasis of Matter

Contingent Liability - Partitioning and Refurbishment Works on 8th Floor at Utalii House

As pointed out in note 3i(b), the Authority had a dispute with a contractor concerning non-completion of renovation of its offices at the 8th Floor of Utalii House. According to the contract, the partitioning works were expected to take twenty (20) weeks commencing

on 22 May, 2018 with the completion date set for 10 October, 2018. However, the contractor did not complete the works and the contract duration was extended by six (6) weeks with the revised completion date being 23 November, 2018. The contractor defaulted and failed to meet the new completion date and was issued with a default notice by the Regional Works Officer (Ministry of Public Works) on 4 January, 2019

In April, 2019, the client informed the Regional Works Officer that they had mutually agreed to terminate the contract. However, on 6 August, 2019, the contractor issued a notice of non-payment of Kshs.6,732,430 which was disputed by the Authority who indicated that only an amount of Kshs.2,194,359 being 5% of the retention money was outstanding.

The contract sum was Kshs.43,946,078. However, a review of payment records revealed that the contractor had been paid a sum of Kshs.39,498,464 by December, 2019 inclusive of the retention money.

The Management explained that the remaining works were within the contract sum and the defects liability period. When the contractor failed to remedy the defects, the Authority advertised for a new contractor to complete the works. The original contractor was only paid for the work done as certified by the Regional Public Works office. Management also explained that delay in settlement of the 4th certificate of Kshs.6,732,430 was due to delay in the release of funds from the Exchequer.

Nevertheless, despite the fact that the works were not completed in time and the contractor was paid the moiety money at the end of the contract, there were no documents availed during the audit to confirm if the issue had been settled and therefore should the contractor succeed in this notice, the Authority may incur additional costs.

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 communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to terminate the Authority 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.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern or 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 Authority 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

04 February, 2021

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY
Annual Reports and Financial Statements
For the year ended 30 June 2019

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from Government- Services in Kind	5(a)	234,858,000	110,000,000
Revenue from exchange transactions			
Accreditation fees	5(b)	19,713,029	20,048,338
Other Income		-	
Total revenue		254,571,029	130,048,338
Expenses			
Employee costs	6	52,563,627	15,462,106
Board expenses	7	19,440,905	11,657,904
Depreciation and amortization	8	7,583,314	9,583,768
Repairs and maintenance	9	2,539,058	2,329,795
Contracted professional services	10	11,107,243	5,024,296
Accreditation, Quality assurance & Standards	11	33,482,126	16,139,949
Administration expenses	12	68,756,486	56,279,358
Total expense		195,472,759	116,477,176
Surplus/(Deficit) for the period		59,098,270	13,571,162

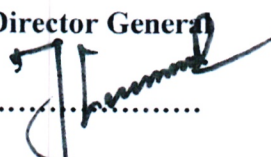
The notes set out on pages 6 to 20 form an integral part of these Financial Statements

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY
Annual Reports and Financial Statements
For the year ended 30 June 2019

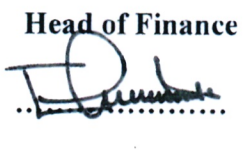
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

Assets	Notes	2018-2019	2017-2018
Current assets		Kshs	Kshs
Cash and cash equivalents	13	67,211,622	27,333,880
Receivables from exchange transactions	14	382,240	1,364,819
		67,593,862	28,698,699
Non-current assets			
Plant, Property and equipment	16	71,100,906	52,176,775
Total assets		138,694,768	80,875,474
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	15	6,601,955	6,961,012
Total Current Liabilities		6,601,955	6,961,012
Net assets			
Revenue Reserves		33,342,621	1,048,098
Capital Fund		98,750,192	72,866,364
Total net assets		132,092,813	73,914,462
Total net assets and liabilities		138,694,768	80,875,474


The Financial Statements set out on pages 1 to 20 were signed on behalf of the Board by:

Director General


Dr. Kipkirui Langat

Head of Finance


Emmanuel Korir

Board Chairman


Prof. Ahmed Ferej

ICPAK No:9271

Date.....

Date.....

Date.....

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY

Annual Reports and Financial Statements

For the year ended 30 June 2019

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2019

For the year ended 30 June 2019

	Accumulated Surplus	Capital reserve	Total
	Kshs	Kshs	Kshs
Balance as at July 2017	15,489,477	44,853,824	60,343,301
Surplus/deficit for the period	13,571,162	-	13,571,162
Adjustments/Restatement	-	-	-
Transfer from accumulated Surplus	-	28,012,540	28,012,540
Deferred grants-capital receipts	(28,012,540)	-	(28,012,540)
Balance as at 30 June 2018	1,048,099	72,866,364	73,914,463
Surplus/deficit for the period	59,098,270	-	59,098,270
Adjustments/Restatement	-	(919,920)	(919,920)
Transfer from accumulated Surplus	-	26,803,748	26,803,748
Deferred grants-capital receipts	(26,803,748)	-	(26,803,748)
Balance as at 30 June 2019	33,342,621	98,750,192	132,092,813

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY
Annual Reports and Financial Statements
For the year ended 30 June 2019

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

		2018-2019	2017-2018
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government Grants	5(a)	234,858,000	110,000,000
Accreditation and other related fees	5(b)	19,713,029	20,048,338
Total receipts		254,571,029	130,048,338
Payments			
Employee costs	6	52,563,627	10,866,106
Board expenses	7	19,440,905	11,657,904
Repairs and Maintenance	9	2,539,058	2,329,795
Contracted professional Services	10	11,107,243	5,024,296
Accreditation, Quality assurance and Standards	11	33,482,126	12,355,704
Administration expenses	12	68,756,486	47,877,711
Total payments		187,889,445	90,111,516
Net cash flow from operating activities		66,681,584	39,936,822
Cash flow from investing activities			
Purchase of Office equipment	16	(1,319,000)	(1,539,860)
Purchase of Motor Vehicle	16	-	(5,800,000)
Purchase of Computers	16	(3,001,500)	(1,128,380)
Purchase of Furniture	16	(3,978,708)	(894,180)
Work in Progress	16	(18,504,540)	(18,650,120)
Decrease in non-current receivables		-	-
Net cash flow used in investing activities		(26,803,748)	(28,012,540)
Cash flow from Financing activities			
Increase in deposits		-	-
Net cash flow from financing activities		-	-
Net Increase/(decrease) in cash and cash equivalents		39,877,836	11,924,282
Cash & cash equivalents as start of the year		27,333,880	15,409,598
Cash & cash equivalents as 30 June		67,211,716	27,333,880

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY

Annual Reports and Financial Statements

For the year ended 30 June 2019

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019**

	Original Budget	Adjustments	Final budget	Actual comparable basis	Performance difference	Percentage Variance
	2019-2018	2019-2018	2019-2018	2019-2018	2019-2018	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Non-exchange transactions						
Recurrent Grants	240,000,000	-	240,000,000	234,858,000	(5,142,000)	2%
Exchange transactions						
Accreditation fees	23,000,000	(3,000,000)	20,000,000	19,713,029	(286,971)	1%
Total revenue	263,000,000	(3,000,000)	260,000,000	254,571,029	(5,428,971)	
Expenses						
Employee costs	92,468,762	-	92,468,762	52,563,627	39,905,135	(76%)
Board expenses	18,200,000	1,000,000	19,200,000	19,440,905	(240,905)	1%
Repairs and maintenance	3,300,000	(600,000)	2,700,000	2,539,058	160,942	(6%)
Contracted professional services	8,500,000	1,500,000	10,000,000	11,107,243	(1,107,243)	10%
Accreditation, quality assurance & Standards	33,000,000	1,500,000	34,500,000	33,482,126	1,017,874	(3%)
Administration expenses	74,300,000	(3,400,000)	70,900,000	68,756,486	2,143,514	(3%)
Total expenditure	229,768,762	-	229,768,762	187,889,445	41,879,317	
Surplus/(deficit) for the period	33,231,238	(3,000,000)	30,231,238	66,681,584	(47,308,288)	

Budget notes

- i. *Compensation to employees' variance of 76% is because Most of the employees recruited reported in the 2nd & 3rd quarter of the FY 2018-2019 and the re-categorization approved by the head of Public Service Ref No OP/CAB 1/12A in November 2018 and submitted to Salaries & Remuneration commission for concurrence is still pending thus under absorption on budgeted employee costs.*
- ii. *The cost variance on contracted professional services is because of estimated cost of staff medical cover that varied by Kshs 199,640 and GPA/WIBA of Kshs 907,603 that had not been budget for in the year*
- iii. *Changes between original and final budget is due to reallocations approved by board as per the provisions of the Public Finance Management Act 2012 sec 43 and Public Finance Management (National Government Regulations) 2015 sec 48*
- iv. *The difference in surplus between the statement of performance and budget comparison is because of depreciation which is a non-cash item, the budget is prepared under cash basis*

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Technical and Vocational Education and Training Authority is established by and derives its authority and accountability from the Technical and Vocational Education and Training Act 2013. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is to regulate and coordinate the TVET sector through accreditation of Institutions, programs and trainers as well as assure access, quality, equity and relevance in education and training

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority accounting policies.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act Cap 446 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees and fines

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

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

The Authority 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.

b) Budget information

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

c) Taxes

The Authority is a non-commercial state corporation and is therefore not subject to the corporate tax regime. No corporation tax is therefore provided in these accounts. However, the Authority remits all other applicable taxes as and when they fall due. This includes;

- i. PAYE
- ii. Value Added Tax
- iii. Withholding Tax

d) Property, plant and equipment

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

e) Depreciation

Depreciation is calculated on reducing balance at the following rates:

Asset	Rate
Motor Vehicles	25%
Furniture & Fittings	12.5%
Tools & Equipment	12.5%
Computers	30%

f) 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.

g) Research and development costs

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

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

h) 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

i) Provisions

- (a) 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.

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2019

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.

(b) 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. During the year under review the Authority had a dispute with the contractor concerning non-completion of renovation of its offices at 8th floor of Utalii House. The Contractor has fallen behind schedule and the Authority plans to invoke Section IV: General conditions of contract-in Bills of quantities (quality control 36-39). The 6 months' defects liability period will lapse on 4th of August and if the identified defects will not be remedied the above clause shall apply.

(c) 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.

j) Nature and purpose of reserves

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

i. Revenue Reserves

This is made up of all accumulated surplus for the year arising from non-Utilization of allocated grants and other income surplus

ii. Capital Reserves

The purpose of the reserve is recognizing capital grants received from the Government to enable the Authority procure Assets used to run the operations of the Authority.

k) Changes in accounting policies and estimates

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

l) 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

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2019

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.

The Authority remits these funds to Jubilee Insurance at 20% of employee's basic pay and to the Director of Pensions at 31 % of basic for staff who are seconded from the Civil service. The Authority also remits statutory NSSF funds monthly.

m) 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.

n) Related parties

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

o) 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.

p) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. Prior year administrative expenses have been restated to cater for casting error and Property, plant and equipment opening balances have been restated to correct misclassification of computers and office equipment respectively

q) 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.

4 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2019

5	Revenue	2018-2019	2017-2018
	a.) Revenue from non-exchange transactions		
	This denotes Grants received from the Government to support expenditure of the Authority		
		Kshs	Kshs
	Quarter 1	59,658,000	27,500,000
	Quarter 2	57,600,000	27,500,000
	Quarter 3	57,600,000	27,500,000
	Quarter 4	60,000,000	27,500,000
	Total revenue from non-exchange transactions	234,858,000	110,000,000
	b.) Revenue from exchange transactions		
	Accreditation fees	19,713,029	19,937,338
	Income from Sale of Tender	-	11,000
	Insurance recoveries	-	100,000
	Total revenue from exchange transactions	19,713,029	20,048,338
6	Employee Costs		
	Basic pay	25,500,649	5,820,206
	House allowances	11,726,865	720,000
	Commuter allowance	4,643,837	-
	Air-time allowance	2,820,000	-
	Entertainment allowance	241,500	-
	Extraneous allowance	589,740	7,821,900
	Non-Practicing allowance	140,000	-
	Leave allowance	50,000	-
	Pension	4,495,646	-
	Gratuity	1,447,421	-
	Casual wages	907,969	1,100,000
	Total employee costs	52,563,627	15,462,106
7	Board expenses		
	Chairman's Honoraria	1,020,000	658,667
	Sitting and daily subsistence allowance	10,874,920	7,955,119
	Retreats and Capacity building	7,545,985	3,044,118
	Total board expense	19,440,905	11,657,904
8	Depreciation and Amortization		
	Property, Plant and equipment	7,583,314	9,583,768
	Total depreciation and amortization	7,583,314	9,583,768

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2019

9 Repairs and Maintenance	2018-2019	2017-2018
	Kshs	Kshs
Repairs and maintenance		
Motor Vehicles	2,068,327	2,200,175
Other assets	470,731	129,620
Total repairs and maintenance	2,539,058	2,329,795
10 Contracted Professional Services		
Insurance of Motor vehicles	1,623,665	1,381,076
Medical Insurance	6,650,223	1,218,720
GPA/WIBA	907,603	-
Legal services	231,512	38,000
HR Consultancy services	475,240	672,000
External Audit Services	500,000	500,000
ISO Certification	719,000	1,214,500
Total Contracted professional services	11,107,243	5,024,296
11 Accreditation, quality assurance & standards		
Accreditation of TVET Institutions	13,382,647	10,940,849
Quality and Standards assurance	11,834,989	4,254,060
Research and Policy	8,264,490	945,040
Total accreditation, quality assurance & standards	33,482,126	16,139,949
12 Administrative expenses		
Printing and advertising	4,975,670	5,504,429
Communication services	2,192,081	2,190,970
ICT Services	1,214,974	1,622,690
Accessories for Computers and printers	999,700	1,184,020
Hospitality	6,871,646	5,362,766
Local travel and daily subsistence	4,847,607	2,632,246
Foreign travel and daily subsistence	4,620,122	3,680,150
Training	3,105,545	883,250
Seminars and Workshops	8,102,960	6,327,750
Office general supplies	2,434,979	1,819,943
Rent	18,498,000	16,708,000
Fuel and Lubricants	2,342,002	3,192,200
Shows and exhibitions	4,757,789	2,815,312
TVET Sensitization conference	2,935,212	155,400
Uniform and Clothing	685,400	397,700
Strategic Plan	-	1,694,930
Bank Charges	172,800	107,602
Total administration expenses	68,756,486	56,279,358

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2019

13 Cash and cash equivalents

	2018-2019	2017-2018
	Kshs	Kshs
Cash and cash equivalents		
A/C No.1164286862-KCB-Operation Account	47,498,593	7,580,300
A/C No.1212502450-KCB-Revenue Account	19,713,029	19,741,338
Cash in hand	-	12,242
Total cash and cash equivalents	67,211,622	27,333,880

14 Receivables from exchange transactions

Current Receivables

National oil Corporation	-	736,651
Jubilee Insurance (Motor Vehicle)	-	628,168
Outstanding imprest	-	-
Agricultural Society of Kenya (ASK)	214,040	-
MDF Training and Consultancy	168,200	-
Total Current receivables	382,240	1,364,819

15 Trade payables from exchange transactions

Contractor's retention	3,715,475	1,865,012
Accrued Gratuity	1,447,421	-
Provision for audit fee	500,000	500,000
Provision for extraneous Allowance	-	4,596,000
Motor Vehicle Insurance	939,059	-
Total	6,601,955	6,961,012

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2019

16 PROPERTY, PLANT AND EQUIPMENT

Description	Motor Vehicles	Furniture & Fittings	Tools & Equipment	Computers	Work in Progress	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2017	29,233,357	4,978,130	5,455,437	5,186,900	-	44,853,824
Additions	5,800,000	894,180	1,128,380	1,539,860	18,650,120	28,012,540
Disposals	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-
At 30 June 2018	35,033,357	5,872,310	6,583,817	6,726,760	18,650,120	72,866,364
Additions	-	3,978,708	1,319,000	3,001,500	18,504,540	26,803,748
Disposals	-	-	-	-	-	-
Transfers/adjustments	-	(141,500)	330,680	(2,281,990)	-	(2,092,810)
At 30 June 2019	35,033,357	9,709,518	8,233,497	7,446,270	37,154,660	97,577,302
Depreciation and impairment						
At 1 July 2017	(8,136,527)	(665,463)	(747,761)	(1,700,575)	-	(11,250,326)
Depreciation	(6,724,208)	(650,856)	(1,427,763)	(780,942)	-	(9,583,769)
Impairment	-	-	-	-	-	-
At 30 June 2018	(14,860,735)	(1,316,319)	(2,175,524)	(2,481,517)	-	(20,834,095)
Depreciation	(5,043,156)	(707,119)	(831,700)	(1,001,339)	-	(7,583,314)
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Transfers/adjustments	-	(104,368)	1,063,480	981,899	-	1,941,011
At 30 June 2019	(19,903,890)	(2,127,806)	(1,943,744)	(2,500,957)	-	(26,476,398)
Net book values						
At 30 June 2019	15,129,467	7,581,712	6,289,753	4,945,313	37,154,660	71,100,905
At 30 June 2018	20,172,622	4,555,991	4,408,293	4,245,243	18,650,120	52,176,775

Work in progress amounting to Kshs 37,154,660 is the cost of renovating the Authority's offices at the 8th floor of Utalii House, the work is 86% complete Assets have been restated after tagging and physical verification.

Property, plant and equipment opening balances have been restated to correct misclassification of computers and office equipment respectively

17 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 entity'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 entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

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

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

(ii) Liquidity risk management

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

(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 Authority's Internal Audit 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.

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2019

a) Foreign currency risk

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

b) Interest rate risk

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

Management of interest rate risk

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

18 RELATED PARTY BALANCES

Nature of related party relationships

The Management staff and Members of the Board are for the purposes of this report considered related parties. During the year, management staff and Board members were only paid salaries and board allowances.

The Authority is related to;

- i. The National Government
- ii. The Parent Ministry
- iii. Key Management
- iv. Board of Directors

Related party transactions

	2018-2019	2017-2018
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	234,858,000	110,000,000
Total	234,858,000	110,000,000
b) Key management compensation		
Directors' emoluments	19,440,905	11,657,904
Compensation to key management	9,205,110	-
Total	28,646,015	11,657,904

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 DIVIDENDS/SURPLUS REMISSION

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The entity did not make any surplus during the year (FY 2018/2019) but a saving on its grants that it has proposed to utilise to finance its capital budget FY 2019/2020 and hence no remittance to the Consolidated Fund.

20 EVENTS AFTER THE REPORTING PERIOD

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

21 ULTIMATE AND HOLDING ENTITY

The Authority is a State Corporation under the Ministry of Education, State Department of Vocational and Technical Training. Its ultimate parent is the Government of Kenya.

22 Currency

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

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2019

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The Authority received an unqualified Audit report for the Financial year 2017/2018. Therefore there were no issues for follow up



Director General/C.E. O

Dr. Kipkirui Langat, PhD. FIETK

Date.....

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2019

APPENDIX II: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of Vocational and Technical Training				
FY 2018/2019				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		06.09.2018	59,658,000	FY 2018/2019
		27.11.2018	57,600,000	FY 2018/2019
		12.02.2019	57,600,000	FY 2018/2019
		28.05.2019	60,000,000	FY 2018/2019
		Total	234,858,000	

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

Head of Finance and Accounts
TVET Authority

Sign.....

Head of Accounting Unit
State Department for VTT

Sign.....

