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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KATINE TECHNICAL TRAINING INSTITUTE**

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



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**KATINE TECHNICAL TRAINING INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

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

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**I. KEY INSTITUTE INFORMATION AND MANAGEMENT**

**(a) Background information**

The Katine Technical Training Institute is a public tertiary institution established under the TVET Act, 2013 and domiciled in Kenya. The Institute is under the Ministry of Education, State Department of Vocational and Technical Training

Katine Technical Training Institute was established in 2012 as a result of upgrading of Katine Youth Polytechnic that had been established in 1972. The institution changed from a youth club to a village polytechnic under the then Ministry of Culture and Social Services. The Institution was then assessed and upgraded by Ministry of Higher Education, Science and Technology to a Technical Training Institute to offer Certificate and Diploma courses. The institute currently sits on a 12 acres parcel of land donated by the local community. Katine Technical Training Institute is located approximately 1km from Tala town next to Tala High Girls High School, and approximately 60 km East of Nairobi – Kangundo road within Machakos County.

Katine Technical Training Institute currently has six departments namely: Electrical and Electronics Engineering, Mechanical Engineering, Building & Civil Engineering, Clothing Technology (Fashion Design, Hairdressing and Beauty Therapy), Business Studies and Information Communication Technology Departments.

**(b) Principal Activities**

The Principal Activity of Katine Technical Training Institute is provision of training in Technical, Vocational, Entrepreneurial Management and Research

**Mission**

“To Provide High Quality Technical Training Education through Innovative Teaching, Research and Consultancy Services for Social, Environmental and Sustainable Economic Development”

**Vision**

“To Be a Leader in Academic Excellence for High Quality Competent Workforce and Globally Competitive Employable Human Resource”

**Motto** “Shaping the Future for Kenyan Workforce “

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**(c) Core Values**

- i. **Professionalism;** The Institute demonstrates pride in work and achievements by demonstrating and maintaining high standards of professional competence and mastery of subject matter.
- ii. **Transparency;** The Institute upholds openness in the discharge of her duty
- iii. **Accountability;** The Institute takes ownership for all responsibilities and honours commitments by delivering outputs for which one has responsibility within prescribed time, cost and quality standards.
- iv. **Respect for Diversity;** The Institute works effectively with people from all backgrounds by treating all of them equally with dignity and respect
- v. **Impartiality;** The Institute upholds fairness in discharge of duty by treating all people equally, reasonably and consistently
- vi. **Teamwork;** The Institute adopts a participatory approach in discharging her mandate
- vii. **Excellence;** The Institute upholds the practice and orientation for excellent performance within the Institute.
- viii. **Equity and Social Justice;** Upholds equal treatment to all and practice fair judgment in all matters of the Institute
- ix. **Innovation and Creativity;** The institute is a learning organization that continuously embraces change in up-to-date and most appropriate technology in achieving her objective
- x. **Integrity;** The institute undertakes its programmes and activities in an accountable, honest, transparent and impartial manner.

**Core Mandate**

The Katine Technical Training Institute's core mandate is as enshrined in the MDAs priority project which include:

- i) Big Four Agenda composed of Food Security, Affordable housing, Universal Health care, Manufacturing and Job Creation;
- ii) Vision 2030 Flagship projects
- iii) Sector Performance Standards – Post Covid-19 recovery plans & strategies

**(d) Key Management**

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

- i. Board of Governors
- ii. Principal
- iii. Deputy Principal
- iv. Registrar
- v. Dean of Students

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- vi. Finance Officer
  - vii. Heads of Departments
- (e) Fiduciary Management**

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

No.	Designation	Name
1.	Principal	John Kimemia
2.	Deputy principal Admin	Anne Kiswii
3	Deputy principal Academics	Michael M. Maina
4	Registrar (s)	Kennedy Ojjo
5	Dean of students	Margaret Gumba
6	Head of Finance	Abed Kasusya

**Finance & General Purposes committee activities**

The Committee shall exercise all the powers of BOG in financial matters except in relation to the items which are reserved to BOG in these Standing Orders, on which the Committee shall advise BOG. Terms of Reference The role of the Committee shall be to monitor the financial status of the Institute on behalf of BOG. In addition to advising BOG on those matters referred to above, the Committee's responsibilities shall include:

- i. To monitor and facilitate the implementation of the Institute s strategy with regard to financial matters.
- ii. To receive reports from the Principal and the Finance Officer.
- iii. To monitor implementation of the strategy for the Institute.
- iv. To receive reports of the extent and condition of the Institute estate including the efficiency of space utilization, the consumption of energy and the adequacy of property insurance arrangements.
- v. To consider the adequacy of the Institute estate and proposals for its maintenance and development, including opportunities to dispose of and acquire new properties.
- vi. To determine the fees and charges made for Institute services and facilities.
- vii. To supervise the financial administration of the Institute and make recommendations to BOG where appropriate.
- viii. To supervise the arrangements for safeguarding the Institute's assets.
- ix. To ensure the proper financial evaluation and control of projects.
- x. To supervise the arrangements for investing the Institute's funds, including monitoring the performance of investments.
- xi. To make recommendations to BOG on the financing of projects.

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**Senior Management Activities**

The main purpose of the Senior Management Team is to:

- (a) Ensure that Katine Technical Training Institute's BOG is able to take strategic decisions relating to Katine Technical Training Institute's activities.
- (b) Provide leadership in communicating Katine Technical Training Institute's mission, values, plans and achievements effectively and consistently to BOG Members, staff, Government, the voluntary and community sector, the general public and other stakeholders;
- (c) Be accountable for the development and implementation of Katine Technical Training Institute's strategic, corporate and business plans in line with the mission and values.
- (d) Take a strategic overview of performance in all areas of Katine Technical Training Institute's activities.

Specifically, the Senior Management Team:

- i. Makes recommendations to the BOG on the implementation and achievement of the BOG's Strategic Framework;
- ii. Agrees Katine Technical Training Institute's Corporate Plan, and monitor delivery through appropriate key management and performance information reporting to the Board of Governors as appropriate.
- iii. In the light of income projections and forecasts, considers the annual grants and operational expenditure and monitors such expenditure;
- iv. Develops, agrees, monitors and reviews strategies relevant to the effective and efficient operation of Katine Technical Training Institute, making recommendations as appropriate to the Board of Governors and/or its relevant Committees;
- v. Determines strategic issues arising from the introduction of new policies or process, including actively managing risk across the organization and regularly reviewing the corporate risk register;
- vi. Oversees and monitors Katine Technical Training Institute joint work with the other stakeholders
- vii. Considers the impact of external factors and developments, including specific political initiatives and the response to key consultation documents and where appropriate make recommendations to the BOG and/or its relevant Committees.
- viii. Leads all senior managers in motivating and developing Katine Technical Training Institute staff to deliver the highest standards of performance and customer service.

**Government oversight activities**

The Government of Kenya's oversight role includes provision of Grants for both Capitation and Development as well as provision of the regulatory framework. The audit of the Institutional activities is undertaken by the Office of the Auditor General.

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**KEY INSTITUTE INFORMATION AND MANAGEMENT (Continued)**

(f) **Institute Headquarters**  
Katine Technical Training Institute  
P.O Box 251-90131,  
TALA-KENYA

(g) **Institute Contacts**  
Katine technical training institute  
P.O Box 251-90131, Tala  
Telephone :( 254) 0719508039  
E-mail info@katinetti.ac.ke  
Website: www.katinetti.ac.ke

(h) **Institute Bankers**  
Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

Kenya Commercial Bank  
P.O Box 173-90131  
Tala






Co-operative Bank  
P.O Box 645-90131  
Tala

(i) **Independent Auditors**  
Auditor General  
Office of Auditor General  
Anniversary Towers, Institute Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

(j) **Principal Legal Adviser**  
The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya.

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**II. THE BOARD OF GOVERNORS**






S/NO	NAME	DETAILS
1	 Priscillar M. Kioko	<b>Date of birth.</b> 1975. <b>Qualifications.</b> Law-LLB Pune University Executive Member: Chairperson BOG <b>Work experience.</b> 24 Years
1.	 <i>Peter N. Thirima</i>	<b>Date of birth.</b> 1957 <b>Qualifications.</b> Bachelor of Arts (Building Economics) Chairperson – Development Committee <b>Work Experience.</b> 36 years
2.	 <i>Monica M. Nzive</i>	<b>Date of birth.</b> 1973 Qualifications. Bachelor of laws-LLB <b>Member: Governance &amp; Ethics Committee</b> <b>Work Experience.</b> 17 years
3.	 <i>Rufus Nyaga</i>	<b>Date of birth.</b> 1986 Qualifications. Bachelor of Business-Information Technology Member: Finance Committee <b>Work Experience.</b> 15 years
4.	 <i>Mathew Mbyuki</i>	<b>Date of birth.</b> 1980 Qualifications. BSC (Food Science & Technology) <b>Member: Development Committee</b> <b>Work Experience.</b> 14 years

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5.	 <i>John Wamae - Director</i>	<p><b>Date of birth. 1969</b></p> <p><b>Qualifications.</b> Masters in Applied Statistics. County Director</p> <p><b>Work Experience: Over 10 years</b></p>
6.	 <i>Michael Odhiambo</i>	<p><b>Date of birth. 1980.</b></p> <p>Qualifications. Bachelors of Business Administration.</p> <p><b>Chairperson: Governance &amp; Ethics Committee</b></p> <p><b>Work Experience 15 years</b></p>
7.	 <i>CPA Duke Okeyo</i>	<p><b>Date of birth. 1988.</b></p> <p>Qualifications. Bachelors of Business Management (Accounting Option) CPAK</p> <p>Chairperson : Finance Committee</p> <p><b>Work Experience.</b> <b>Over 10 years of experience.</b></p>
9.	 <i>Michael M. Maina-Ag. Principal</i>	<p><b>Date of birth. 1977</b></p> <p><b>Qualifications:</b> Masters of Education Ag. Principal/Secretary BOG</p> <p><b>Work experience: Over 20 years</b></p>

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**III. MANAGEMENT TEAM**

<b>No.</b>	<b>Member/ Director</b>	<b>Details</b>
1.	 <p>Michael M. Maina</p>	Ag. Principal /BOG Secretary
2.	 <p>Ann Kiswii</p>	Deputy Principal-Administration
3.	 <p>Kennedy Ojjo</p>	Deputy Registrar
4.	 <p>Margret Gumba.</p>	Dean of Students
5.	 <p>Abed Kasusya</p>	Finance Officer

#### **IV. CHAIRMAN'S STATEMENT**

It's my pleasure to present the Institute's annual report and financial statement for the year ended 30 June 2021.

I take this opportunity to share with you my views on the key initiatives and achievements we have had over the year on economic performance, Education sector changes, financial performance and operations and risks associated with the Institution, and our future outlook.

##### **Economic Focus**

In order to ensure efficient and effective provision of Technical Vocational Training, we have developed necessary policies and institutional framework to direct the running of the Institution in line with vision 2030, the Big 4 Agenda and Sustainable Development Goals.

Despite the Covid-19 pandemic, the institute had a total of 418 students compared to 400 students in the previous financial year.

We thank the Government of Kenya for providing the institution with training equipment, capitation and employment of Trainers through the devolved system by the Public Service Commission that has greatly contributed towards increased trainees' enrolment and improved quality of training to enable the institute align her graduates with regional and global trends and innovation.

##### **Review of the Sector**

During the financial year 2020/2021, we have witnessed a decline in student enrolment owing to the impact of Covid-19 which had a negative impact on the operations. With the government's approach to ensure 100% transition of students from secondary schools to Technical Vocational Training (TVETS) the future looks promising in terms of trainee development and increase in numbers.

##### **Risk Management**

The technical training sector presents plenty of opportunities as well as risks, both of which need to be analysed in order to deliver sustainable long-term returns, without compromising training outcomes. KTTI has appointed a risk and Audit committee to ensure that our activities are aligned with our strategic plan objectives. The Board of Governors regularly reviews risks identified - such as competition, information & communications technology and credit and operations; and how the risks involved can be mitigated by various risk owners.

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**Outlook**

I am indeed deeply indebted to the members of the Board of Governors for their unwavering support, commitment and futuristic outlook towards realizing the institute's objectives in line with its strategic plan and core mandate of training market-driven technical manpower. Our Board has members with diverse qualifications and many years of experience in managing companies in public and private sector. I unreservedly assure all our Stakeholders that Katine Technical Training Institute shall remain focused, committed and consistent in the delivery of opportunities and accountably availing of resources to both trainers and trainees within the Government framework of accountability, corporate governance and ethical sustainability. Going forward Katine Technical Training Institute is committed to working closely in collaboration with other like-minded entities, institutions, agencies and any other bi-lateral & multi-lateral agencies involved in technical and vocational training to ensure that our trainees continue to receive Competency Based Training.

Lastly, I would like to whole-heartedly thank my fellow members of the Board of Governors, Management, Trainers, Trainees – and all other stake-holders for their co-operation, collaboration, continued support and commitment during this period under review.

  
.....  
**PRISCILLAR MTAWWE KIOKO**  
**CHAIRPERSON BOARD OF GOVERNORS (B.O.G)**

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**V. REPORT OF THE PRINCIPAL**

Let me take this opportunity to present Katine Technical Training Institute's Financial Statement for the FY ended 30 June 2021 in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS).

With exemplary support of the Board of Governors we have put in place the necessary financial, procurement and internal control measures to ensure efficient and effective utilization of funds entrusted to us.

Remarkably, the financial year was adversely affected by the ravages of Covid-19 pandemic that led to the government's directive of suspending all physical learning rendering the institutions to be closed. This led to re-adjustment of the school calendar dates which has taken time for most learners and parents to adapt to. Additionally, most institutional programmes were not achieved due to the fact that they were purely depended on fee collection which was not be realized at the moment since the schools were closed.

Despite the adverse effects of Covid-19 pandemic, Katine Technical Training Institute embarked on the implementation of projects started in the previous Financial Years geared towards achieving its objectives. The projects include:

**i) Construction of Katine Technical Training Institute Tuition block and workshop phase 1**

The project started in 2015 with funding from the Ministry of Education. The project later stalled due to conflicts that arose during the contract execution, the BOG managed to engage the Ministry of Public Works to address the issue.

**ii) Mentoring Mwala TVC Tuition block, classrooms workshops (2 storey building) phase 1**

The project was completed and during the Financial Year ended 30 June 2021 officially handed over to the new Board of Governors of the Institution.

**iii) Katine Technical Training Institute Electrical and Electronics Workshops.**

The Project is funded by the Ministry of Education and as at the closure of the Financial Year, the Board of Governors had laid down all the procedures to ensure that the project is started and completed.

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**iv) Construction of 100 student capacity cafeteria**

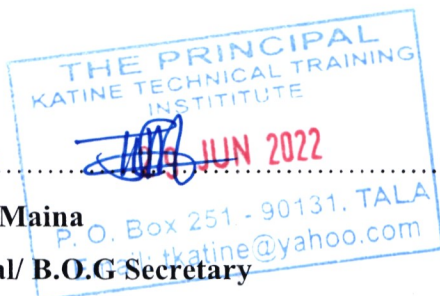
The Board of Governors through its internally generated funds managed to start the construction of a 100-student capacity cafeteria. The Project is being implemented by the students in the Building and Civil Engineering Department with assistance from the trainers in the department and officers from the Public Works Department. This is a major milestone in the institution since this demonstrates hands on skills to our trainees at the same time saving on the cost of labour in the execution of the project.

The Institute is fully committed to ensuring the achievement of the Big Four Agenda, Vision 2030 flagship projects and Sector Performance Standards which include Post Covid-19 recovery plans & strategies by providing the right courses and trainings with adequate practicals so as to produce highly qualified graduates ready to join the labour market whilst ensuring the Health regulations and Protocols as issued by the Ministry of Health are adequately adhered to.

I am greatly humbled by the support from the Institutes' Board of Governors, Management and all members of staff for their commitment and dedication to their work and effort that have seen Katine Technical Training Institute move forward in attaining its vision and mission.

  
.....  
**Michael M. Maina**

**Ag. Principal/ B.O.G Secretary**



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**VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES**

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

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

Pillar 1: Programme Implementation;

Pillar 2: Institutional Development

Pillar 3: Resource Development & Management

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

Strategic Pillar		Objective	Key Performance Indicators	Activities	Achievements
<b>Pillar 1: Programme Implementation;</b> I. Quality Technical Training;	Source and Implement of Market-Driven Programmes	To develop and implement relevant training programmes that facilitate acquisition of the necessary skills for improved service delivery and employability	1. Market intelligence reports	-Carry out market intelligence surveys	Information on courses being offered availed
			2. Number of programmes agreed upon	-Pre-training consultations with stakeholders	Decision made on market driven course by HODs
			3. Number of accredited programmes rolled out	-Implement accredited training programmes	-Mechatronics level 3 and 4 -Hair and beauty therapy implemented
			3. Number of CBET programmes rolled out.	Source and implement CBET programmes	Sourced 10 occupational standards and curricular
	Harmonization and	To develop and implement	1. No. of harmonized	Harmonize training curricula	Developed academic policy

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	standardization of training	relevant training programmes that facilitate acquisition of the necessary skills for improved service delivery and employability	<p>training curricula</p> <p>2.Operational standard admission guidelines</p> <p>3.Number of Harmonized Exams</p> <p>4.Number of students assessed on attachment</p> <p>5.Number of practical's done during the term</p>	<p>Standardize admission guidelines</p> <p>Harmonize Examination process and review</p> <p>Organize for industrial attachments for students</p> <p>Coordinate teaching of practical's</p>	<p>Streamlined admission across departments</p> <p>Standardized exams though policy on quality assurance</p> <p>Over 200 students proceeded for attachment</p> <p>Coordinated teaching of practical's</p>
	Implementation of Management Information System (MIS)	To develop and implement relevant training programmes that facilitate acquisition of the necessary skills for improved service delivery and employability	<p>1.Operational MIS in place</p> <p>2.Number of trained users of MIS</p> <p>3.Operational data base for the trainees</p>	<p>Procure and install MIS</p> <p>Train users on the MIS</p> <p>Establish a data base for the trainees</p>	<p>Procured and installed MIS</p> <p>Trained users of MIS</p> <p>Established data base for the trainees</p>
	Diversification of mode of teaching delivery	To develop and implement relevant training programmes that facilitate acquisition of the necessary skills for improved service delivery and employability	<p>1.No. of part-time programmes introduced</p> <p>2.No. of E-learning programs mounted</p> <p>3.No. of accredited programmes offered</p>	<p>Introduce part-time programmes</p> <p>Establish E-learning programs</p> <p>Ensure different programmes are offered in the institution</p>	<p>Established LMS for E-Learning programs</p> <p>more Accredited programmes to TVETA</p> <p>Used accredited trainers and facilitators in teaching</p>

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			4.Number of accredited trainers and facilitators	Use accredited trainers and facilitators	
ii. Research and Innovations development	Promote relevant research and innovation in the education and training in the institute	To promote and institutionalize Research and Innovation for informed decision-making in the institute and Kenya as large	1.Operational research and innovation policy for KTTI  2.Operational research and innovation policy for KTTI  3.Number of motivational activities that promote quality research and innovation undertaken  Number of staff capacity built and trained on research and innovations	Develop a research and innovation policy for KTTI  Implement research and innovation policy for KTTI  Undertake motivational activities that promote quality research and innovation in KTTI  Capacity build and train staff on research and innovation	Assigned HOD to develop research policy.  Research and innovation policy development in progress.  Participated in TVET Fair innovation and Research presentations
<b>Pillar 2; INSTITUTIONAL DEVELOPMENT</b>	Enhance Branding and Visibility	To enhance the institutional capacity, profile and corporate image to facilitate effective positioning in the market	1.No. of best practices implemented  2.Number of Produced and disseminated promotional materials  3.Operational upgraded and	Conduct a benchmarking exercise on the Best practice from TVETs  Production and dissemination of promotional materials Upgrade and update the	Upgraded and updated the institute's website  Enhanced institutional Marketing Strategy  Alumni portal was not created

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			updated institute's website	institute's website	Increased public awareness on the mandate and programmes of the institute
			4.Documented and operational institutional Marketing Strategy	Develop and implement institutional Marketing Strategy	
			5.Number of exhibitions and open days participated in	Participation in exhibitions and open days	
			6.An operational alumni portal	Create and manage alumni portal	
			7.Public awareness index on the mandate and programmes of the institute	Undertake public sensitization on mandate and programmes of the institute	
			8.Number of Corporate Social Responsibility programmes implemented	Develop and Implement a Corporate Social Responsibility framework	

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	Leverage on ICT	To enhance the institutional capacity, profile and corporate image to facilitate effective positioning in the market	<p>1.Operational ICT Policy and Strategy</p> <p>2.Number of staff trained on ICT</p> <p>3.Number of key processes automated</p> <p>4.Operational e-learning platform for KTTI courses</p> <p>5.Operational Data Recovery Plan</p>	<p>Develop and Implement an ICT Policy and Strategy Train staff in ICT</p> <p>Automate key processes</p> <p>Create e-learning platform for KTTI courses</p> <p>Develop Data Recovery Plan</p>	<p>Draft ICT policy developed.</p> <p>32 members of Staff trained on ICT</p> <p>5 Key processes automated</p> <p>Created e-learning platform for KTTI courses</p> <p>Work is in progress derived from KTTI ICT policy</p>
<b>Pillar 3: Resource Development &amp; Management</b>	Attract and retain high performing staff	To build human resource capacity for quality service delivery	<p>1.Operational Rewards and Sanctions Policy</p> <p>2. No. of adjunct staff engaged</p>	<p>Develop and implement a Rewards and Sanctions Policy for BOG staff Recruitment of BOG teaching staff;</p>	<p>Improved staff motivation</p> <p>Recruited BOG teaching staff</p>
	Foster a KTTI common work place culture	To build human resource capacity for quality service delivery	<p>1.Number of trainees</p> <p>2.Operational Code of Conduct</p> <p>3.No. of coaching and mentorship programmes implemented</p>	<p>Establish, develop and maintain a common culture</p> <p>Review and implement Code of Conduct</p> <p>Implement coaching and mentorship programmes</p>	<p>KTTI culture</p> <p>Code of Conduct reviewed and implemented</p> <p>Coaching and mentorship programmes implemented</p>

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**VII. CORPORATE GOVERNANCE STATEMENT**

Corporate governance comprises rules, procedures, regulations and processes through which the Institute is directed. It involves balancing the interests of the Institute in order to achieve long term strategic objectives of the Institute.

The roles and functions of the Board members are clearly defined and include giving the overall oversight of management and giving the strategic direction of the Institute. The Board members defines the Institute's strategies, objectives, values and ensures that procedures and practices are put in place to ensure effective control over strategic, financial, operational and compliance issues. The Board members develops short- and long-term goals of the Institute, develops strategies to achieve those goals and monitors the performance of the Institute against the set goals. The Board members also spearheads the preparation of financial statements and reports of the Institute, approves and reviews annual budgets and ensures that the Institute has adequate systems of internal controls together with appropriate monitoring of compliance activities to ensure business continuity.

The BOG members provide oversight to the Institute's top management and have unrestricted access to timely and relevant information as well as advice and services of the Corporation Secretary to discharge its duties effectively.

Katine Technical Training Institute Board members operates in compliance with the Mwongozo code that offers corporate governance framework for all state corporations. The BOG Members have duly undergone training under this code.

The Board members prepares an annual almanac showing the schedule of meetings planned for each year. During the year, the Institute Board members held regular quarterly meetings, while special meetings were called when necessary.

The Board is headed by the Chairman and is composed of nine members inclusive of the principal who is the only executive member. The constitution of the Board members takes into consideration requirements of the sector, diversity of skills, academic qualifications, gender, age and experience necessary to add value to the operations of the Institute. The Board members are appointed to various Board Members' Committees mandated to carry out specified functions. The Board members therefore bring their diverse experiences in deliberations during Board meetings.

The Board members' committees have well defined terms of reference. The committees are intended to facilitate efficient decision making by the Board members in them discharging their duties and responsibilities.

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**1. Corporate governance statement**

- a) Good corporate governance is the key to integrity and corporations and central to the institute stability
- b) Corporate governance their fore encompasses the system practices and procedures by which the individual corporation regulates itself to remain stable, competitive, sustainably and fair.
- c) The Board of Governors follows principles of transparency and accountability in its stewarding institute's affairs'
- d) The role of the Board of Governors is to ensure conformity by focusing and providing the institutes strategic direction and policy making as well as performance review through accountability, monitoring, supervision and internal control to safeguard the assets and ensure the reliability of financial information
- e) Management team comprising of the principal, deputy principal, head of departments and staff meet regularly to consider issues of operational and strategic importance.
- f) Below are key features of the existing governance practices within the institutes which are revised and improved from time to time

**2. Institutes Board of Governors**

- a) The Board of Governors constitutes of chairman Board of Governors and eight members who have been appointed in accordance to the TVET Act 2013, which meets formally at least three times a year and or any other time when need arises
- b) Board of Governors is responsible for setting the direction of the institute through establishment of strategic information, policies and approval of budgets. It monitors implementation of the above through structured approach of reporting by the management and accountability.
- c) The Board of Governors is actively involved and bring strong independent judgement on its deliberations and discussions
- d) The Board of Governors members have diverse skill set, wide range of knowledge and experience of the institute in objectives and decision making.
- e) The Board of Governors meets regularly and retains full and effective control over the institutes in all strategic financial operation and compliance areas

**3. Related party disclosure**

Related parties for the purposes of this report include:

- a) The Government
- b) The Board of Governors
- c) The Management

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**VIII.MANAGEMENT DISCUSSION AND ANALYSIS**

**Operational and Financial Performance**

During the year ended 30 June 2021, the Institution had 418 students compared to 400 in year 2019/2020. The increased number of students attributed to Institutions publicity and marketing strategy through public awareness through both print and contact media and advertising through Local media houses. .

At the Institution level, activity-based costing method will be adopted both as a tool for activity planning and financial control. This will serve the role of ensuring that the Institution allocates resources based on planned and prioritized activity. This means that the cost of each activity will be traced to the product or service as per the Institution plan.

To further enhance service delivery through effective financial management, the Institute will concentrate on eliminating wastages. In this regard, the Institution will lobby and mobilize financial resources for Technical Training, Innovation and Research on Technical fields.

**Compliance with Statutory Requirements**

Katine Technical Training Institute complies for all statutory deductions and remittances as required by the Kenyan laws.

**Key Projects and Investment Decisions**

**Key projects and investment decisions Katine technical training institute is planning/implementing for the FY 2020/2021.**

PROJECT NAME	FUNDING
1. Completion of Tuition block KTTI	Government financed (MOE)
2. Construction of electrical and electronics workshop KTTI	Government financed (MOE)
3. Construction of Student Cafeteria	Funded by BOG

- i. The above Projects are funded through recommendation by the director of TVET
- ii. The completion and sustainability of the above first two projects was depended on Government funding, while Construction of student cafeteria was depended on student population and timely fee payment.



*Figure 1: Ongoing Construction of Student Cafeteria funded by the BOG*

### **Financial and Management risks**

Major risks facing the Institute include

- i. Inadequate funding by the Ministry of Education- on capitation/operation and development grant
- ii. Delayed funding
- iii. Poor fees payments by students
- iv. Untimely marketing due to late funding

Due to the above factors the institution is facing serious challenges in meeting its operations obligation fully.

### **Material arrears in Statutory and Financial Obligations**

There were no material arrears in statutory and financial obligations for the financial year 2020/2021

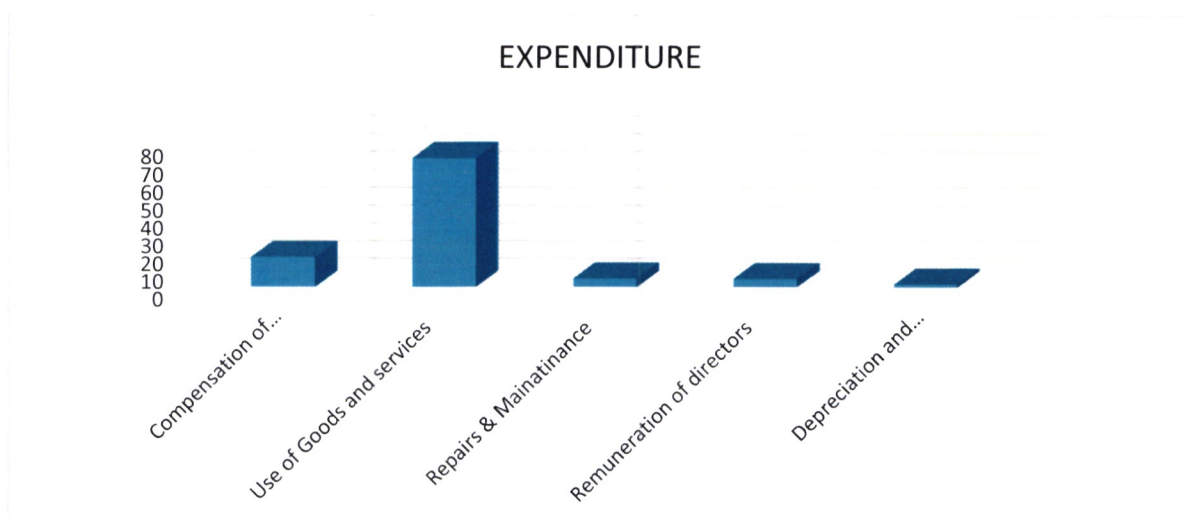
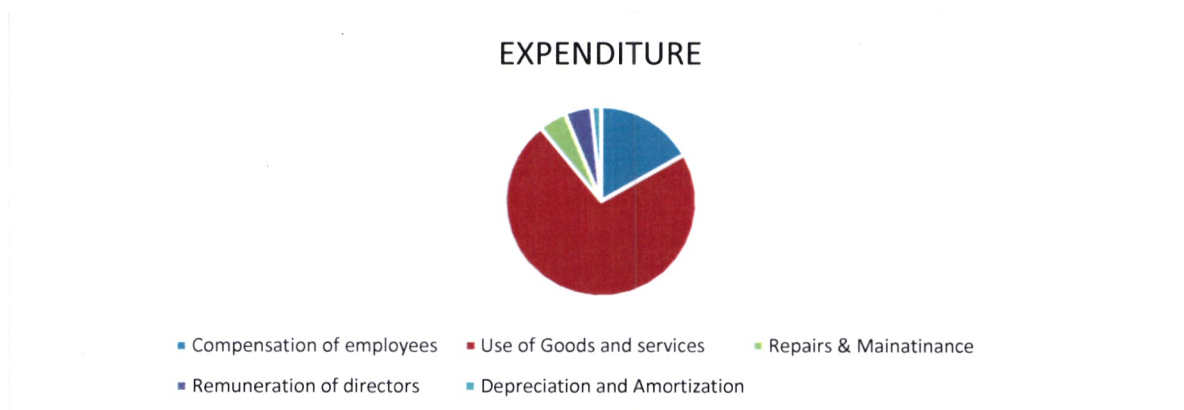
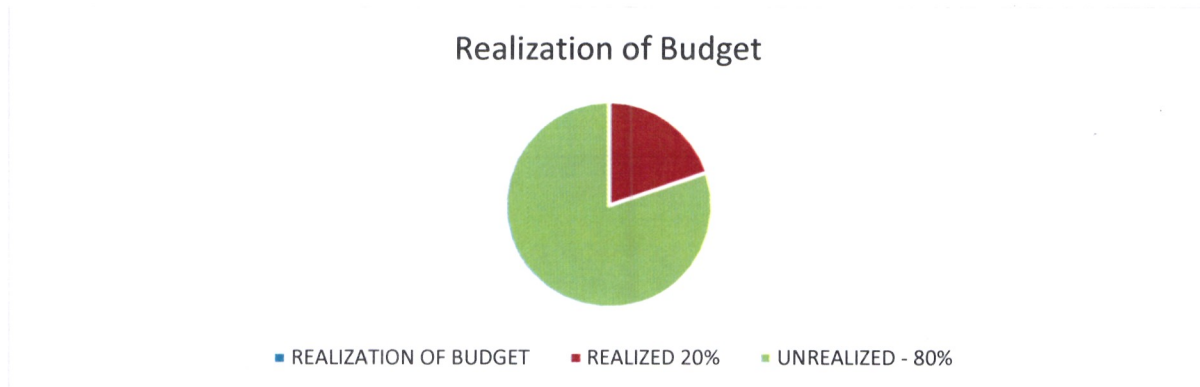
### **Governance**

There were no serious governance issues were reported during the FY 2020/2021.

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**Budget Achievement**

Katine Technical Training Institute had a budget of Kshs. 86,374,180 in F/Y 2020-2021. The Institute managed to realize Kshs. 17,096,976 which translates to 20% of the total budget. The Institute spent Kshs. 27,382,090 of the realised amounts which translates to approximately 31% of the budget amount.



## **IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

Katine Technical Training Institute exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on Strategic pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

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

The Institute is guided by a strategic plan 2019-2024 which outlines the key strategic pillars aimed at achieving the set goals and objectives. The strategies are annual for the five-year period and reviews are done after every two years.

### **2. Environmental performance**

Before embarking on the construction of any building, the Institute conducts an environmental Impact analysis where all the stakeholders and the community are engaged. The Institute makes improvements on ablution blocks regularly and it has put in place a committee that works closely the ministry of Health to reduce Covid -19 risks.

### **3. Employee welfare**

The Institute has embarked in the development and adoption of HR policy as a guide to HR policies, procedures, capacity building and appraisal. The Institute participates in capacity building for trainers and other staff in collaboration with other organizations and partners.

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

Katine Technical Training Institute signed a performance contract for the year 2020-2021 with the Ministry of Education; State department of Vocational & Technical Training to fight corruption. Subsequently, The Institute has achieved the set targets during the period

The Institute advertised for pre-qualified suppliers for supply of works, goods and services for the period 2019-2021 to ensure fair competition. The Suppliers have had the opportunity to provide for goods and services to the institute and payments were made promptly. Additionally, the Institute continued to abide by the fee guideline issued by the government to be applied in all TVET institutions

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

Katine Technical Training Institute joined the Upper Manza Community in the improvement of the access road to the institution and Katine Village which was inaccessible due to heavy rains and damage caused by heavy trucks transporting quarry stones from Katine Village.

## **KATINE TECHNICAL TRAINING INSTITUTE**

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The Management identified three needy female students who had challenges in raising school fee and linked them with Kenya Red Cross and NG-CDF for Support. The Organizations have subsequently offered scholarship to the students.

### **Corporate Social Responsibility / Community Engagements**

KTTI being a public Institute embraces the policy of the corporate social responsibility (CSR) through engaging itself with the following social responsibility:

- i. Financial support to needy students through coordinating bursary, HELB loans, support sustainability and sponsorship to students where possible as well as work study programme.
- ii. Offering both social and economic support to external community through provision of casual labour opportunities and supplies when opportunities arise
- iii. Environmental activities like planting of trees
- iv. Mentoring the youth e.g. Sponsorship by KCB sponsorship
- v. Offering career advices to students in Matungulu constituency
- vi. Offering internship and industrial attachment opportunities to youth.

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**X. REPORT OF THE BOARD OF GOVERNORS**

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

**Principal activities**

The principal activity of the institute is to offer competence Based Technical Training, prepare and guide trainees for evaluation and certification by appropriate examining bodies and promote Science, Technology and Innovation in all training programs

**BOARD OF GOVERNORS**

The members of the Board who served during the year are shown on pages vii-viii. During the year ended 30 June, 2021, the Principal Mr. John Kimemia retired and Michael M. Maina was appointed to act with effect from 10<sup>th</sup> May, 2021

**Auditors**

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

By Order of the Board



**Board of Governors-Secretary**  
**Katine Technical Training Institute**

Date:.....

**KATINE TECHNICAL TRAINING INSTITUTE**

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**XI. STATEMENT OF BOARD OF GOVERNORS' RESPONSIBILITIES**

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

The board members are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute; (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 Institute; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for the Institute'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 TVET Act, 2013. The council members are of the opinion that the Institute's financial statements give a true and fair view of the state of Institute's transactions during the financial year ended June 30, 2021, and of the Institute's financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The Institute's financial statements were approved by the Board on 29<sup>th</sup> September 2021 and signed on its behalf by:

Name.....Priscillar M. kioko.....

Signature..........

Chairperson of the Board

Name...Michael M. Maina....

Signature..........  
**29 JUN 2022**

Accounting Officer/Principal



# REPUBLIC OF KENYA

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Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

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

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Katine Technical Training Institute set out on page 1 to 35, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and

other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Katine Technical Training Institute as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Technical and Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unsupported Receivables from Exchange Transactions**

The statement of financial position and Note 18 to the financial statements reflects receivables from exchange transactions of Kshs.27,471,771 relating to student debtors. However, supporting documents such as detailed ageing analysis of the debtors was not provided for audit review. In addition, the Management did not make a provision for bad debts.

In the circumstances, the accuracy, completeness and recoverability of the receivables from exchange transactions balance of Kshs.27,471,771 could not be confirmed.

#### **2. Unconfirmed Inventories**

The statement financial position and Note 21 to the financial statements reflects the inventories of Kshs.153,309. However, the physical stock take sheets were not provided for audit review. Further, inspection of the stores revealed that it does not have stock accountable documents such as S13 (counter receipt voucher), stores ledger control card, bin cards and S12 (counter requisition and issue voucher).

In the circumstances, the accuracy and completeness of the inventories balance of Kshs.153,309 could not be confirmed.

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

### **Key Audit Matters**

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

## **Other Matter**

### **Budgetary Control and Performance**

The statement of comparison budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.86,374,180 and Kshs.17,096,976, respectively resulting to an under-funding of Kshs.69,277,204 (or 80%) of the budget. Similarly, the Institute expended Kshs.27,382,090 against an approved budget of Kshs.86,374,180 resulting to an under-expenditure of Kshs.58,992,090 or 68 % of the budget

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Irregular Procurement of Students Accommodation**

The statement of financial performance and Note 11 to the financial statements reflects the use of goods and services expenditure of Kshs.19,313,936 . The expenditure includes the boarding fee charges of Kshs.4,899,157, out of which an amount of Kshs.3,224,315 was paid to another Institution for students' accommodation. However, the documents supporting the procurement process was not provided for audit.

In the circumstances, the lawfulness of the expenditure of Kshs.3,224,315 incurred on students' accommodation could not be confirmed.

#### **2. Delayed Completion of Administration and Tuition Block**

The contract for the construction of an administration and tuition block was awarded to a contractor on 20 November, 2015 at a contract sum of Kshs.19,969,041 for a contract period of 52 weeks ending on 14 November, 2016. However, physical inspection which was carried out in April, 2022 revealed that the project was at 69 % complete and the contractor had been paid Kshs.16,405,474 vide interim certificate No. 4 dated 21 December, 2016. The contractor had also submitted two additional requests for payment through interim certificates No.5 for Kshs.2,639,000 and No.6 for Kshs.1,883,394 which were not honored because the amounts were in dispute. Further, no documents were provided for audit to confirm that an extension of time had been granted by the Institute to the contractor for the completion of the remaining works. This

was contrary Sections 139 and 140 of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, value for money may not be realized from the amount of Kshs.19,969,041 allocated for the incomplete project.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Lack of Internal Audit Function and Audit Committee**

Audit revealed that the Institute did not have in place a functional internal audit unit to appraise the Management activities and operations. In addition, the Institute did not have an Audit Committee in place to provide oversight over Management's financial accountability. Failure to have a robust internal audit function is a breach of the provisions of Section 73(1) and (5) of the Public Finance Management Act, 2012.

In the circumstances, Management has not complied with the law and there are no mechanisms in place for oversight over Management activities.

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 the Board of Governors**

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

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

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

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

The Board of Governors is responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how the 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 Institute's policies and procedures may deteriorate.

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

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

30 August, 2022

**KATINE TECHNICAL TRAINING INSTITUTE**  
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**XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021**

		<b>2020-2021</b>	<b>2019-2020</b>
	<b>Note</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Revenue from non-exchange transactions</b>			
Transfers from the National government-Capitation	6	8,460,000	2,800,750
Transfers from other government agencies	7	-	-
<b>Total revenue from non-exchange transactions</b>		<b>-</b>	<b>-</b>
		<b>8,460,000</b>	<b>2,800,750</b>
<b>Revenue from exchange transactions</b>			
Rendering of services	8	8,547,746	63,851,749
Other incomes	9	18,180	-
Rental revenue from facilities and equipment	10	71,050	-
<b>Total revenue from exchange transactions</b>		<b>8,636,976</b>	<b>63,851,749</b>
<b>Total revenue</b>		<b>17,096,976</b>	<b>66,652,499</b>
<b>Expenses</b>			
Use of Goods and Services	11	19,313,936	30,975,872
Employee costs	12	4,494,828	4,162,176
Remuneration of Board of Governors	13	1,224,500	1,127,250
Depreciation and amortization expense	14	1,046,539	131,020
Repairs and maintenance	15	1,264,550	2,757,141
Finance costs	16	37,737	-
<b>Total expenses</b>		<b>27,382,090</b>	<b>39,153,459</b>
<b>(Deficit) /Surplus for the Year</b>		<b>(10,285,114)</b>	<b>27,499,040</b>

**KATINE TECHNICAL TRAINING INSTITUTE**  
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**XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	Note	2020-2021 Kshs	2019-2020 Kshs
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	17	22,239,561	43,353,691
Receivables from non-exchange transactions	19	4,620,000	-
Receivables from exchange transactions	18	27,471,771	18,703,059
Related party balances	20	-	37,884,284
Inventories	21	153,309	-
<b>Total Current Assets</b>		<b>54,484,641</b>	<b>99,941,034</b>
<b>Non-current assets</b>			
Property, plant and equipment	24	157,496,864	153,323,654
Intangible assets	25	1,743,024	524,080
<b>Total non-current assets</b>		<b>159,239,888</b>	<b>153,847,734</b>
<b>TOTAL ASSETS</b>		<b>213,724,528</b>	<b>253,788,768</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	22	1,970,000	5,942,264
Refundable deposits from Customers	23	2,646,317	7,751,896
Deferred Income			21,785,594
<b>Total current liabilities</b>		<b>4,616,317</b>	<b>35,479,754</b>
<b>Total liabilities</b>		<b>4,616,317</b>	<b>35,479,754</b>
<b>Net assets</b>			
Accumulated Surplus		86,799,393	97,084,507
Capital reserves		122,308,818	121,224,507
<b>Total net assets</b>		<b>209,108,211</b>	<b>218,309,014</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>213,724,528</b>	<b>253,788,768</b>

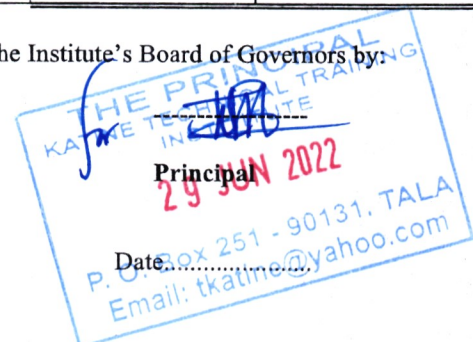
The Financial Statements set out on pages 1 to 5 were signed on behalf of the Institute's Board of Governors by:

\_\_\_\_\_  
 Chairman of Board of Governors

Date: 29/06/2022

\_\_\_\_\_  
 Finance Officer  
 CPAK No 19353

Date: 29/06/2022



**KATINE TECHNICAL TRAINING INSTITUTE**  
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**XV. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2021**

	Revaluation reserve	Fair value adjustment reserve	Accumulated Surplus	Capital Reserves	Total Reserves
At July 1, 2019	-	-	69,585,467	121,224,507	190,809,974
Surplus for the Year	-	-	27,499,040		27,499,040
At June 30, 2020		-	97,084,507	121,224,507	218,309,014
At July 1, 2020	-	-	97,084,507	121,224,507	218,309,014
(deficit) for the year	-	-	(10,285,114)	1,084,311	(9,200,803)
At June 30, 2021	-	-	86,799,393	122,308,818	209,108,211

**KATINE TECHNICAL TRAINING INSTITUTE**

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

		2020-2021	2019-2020
	Note	Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from National Government	6	8,460,000	2,800,750
Transfers from other Government entities	7	-	-
Rendering of services- Fees from students	8	8,547,746	63,851,749
Other Incomes	9	18,180	-
Rental revenue from facilities and equipment	10	71,050	-
<b>Total Receipts</b>		<b>17,096,976</b>	<b>66,652,499</b>
<b>Payments</b>			
Use of Goods and Services	11	19,313,936	4,162,176
Employee costs	12	4,494,828	30,975,872
Remuneration of Board of Governors	13	1,224,500	-
Repairs and maintenance	15	1,264,550	-
Finance costs	16	37,737	4,015,411
		-	-
<b>Total Payments</b>		<b>26,335,551</b>	<b>39,153,459</b>
Cash flows from Operating Activities		<b>(9,238,575)</b>	<b>27,499,040</b>
Increase/Decrease in Deferred income			
<b>Net cash flows from operating activities</b>		<b>(9,238,575)</b>	<b>27,499,040</b>
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(6,438,693)	-
Capital Reserves			(2,800,750)
<b>Net cash flows used in investing activities</b>		<b>(6,438,693)</b>	<b>(2,800,750)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Increase in deposits			
Increase/Decrease of Payables/receivables	18-23	(5,436,863)	(10,332,128)
<b>Net cash flows used in financing activities</b>		<b>(5,436,863)</b>	<b>(10,332,128)</b>
Net increase/(decrease) in cash and cash equivalents		<b>(21,114,131)</b>	<b>14,366,162</b>
Cash and cash equivalents at 1 July 2020	17	43,353,691	28,987,529
Cash and cash equivalents at 30 June 2021	17	<b>22,239,561</b>	<b>43,353,691</b>

**KALINE TECHNICAL TRAINING INSTITUTE**  
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**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Difference	Explanation
	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 %	
<b>Revenue</b>							
Transfers from other Government	19,065,000	-	19,065,000	8,460,000	10,080,000	56%	(a)
Rendering of services and other incomes	67,309,180	-	67,309,180	8,636,976	59,197,204	87%	(b)
<b>Total income</b>	<b>86,374,180</b>	-	<b>86,374,180</b>	<b>17,096,976</b>	<b>69,277,204</b>	<b>80%</b>	
<b>Expenses</b>							
Compensation of employees	4,083,092	-	4,083,092	4,494,828	(411,736)	-10%	(c)
Use of Goods and services	77,609,088	-	77,609,088	19,351,673	58,257,416	75%	(d)
Repairs & Maintenance	2,572,000	-	2,572,000	1,264,550	1,307,450	51%	(e)
Remuneration of directors	2,110,000	-	2,110,000	1,224,500	885,500	42%	(f)
Depreciation and Amortization	-	-	-	1,046,539	(1,046,539)		
<b>Total expenditure</b>	<b>86,374,180</b>	-	<b>86,374,180</b>	<b>27,382,090</b>			
<b>Surplus for the period</b>				<b>(10,285,114)</b>			

**Explanation of material variance (Above 10%)**

- (a) The difference was due to low enrolment due to Covid-19
- (b) The amount is lower than budgeted since the institute was closed for quarter 1 and 2
- (d) The lower absorption is attributable to closure of the institute for the two quarters
- (e) The lower absorption is attributable to closure of the institute for the two quarters
- (f) The lower absorption is attributable to closure of the institute for the two quarters

**KATINE TECHNICAL TRAINING INSTITUTE**

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

**XVIII. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Katine Technical Training Institute is established by and derives its authority and accountability from TVET Act, 2013. The Institute is wholly owned by the Government of Kenya and is domiciled in Kenya. The Institute's principal activity is Provision of training in Technical, Vocational, Entrepreneurial Management and Research.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS

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

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

**KATINE TECHNICAL TRAINING INSTITUTE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

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

**iii. Early adoption of standards**

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

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

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Institute 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 Institute 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 Institute.

**Interest income**

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

**Dividends**

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

**KATINE TECHNICAL TRAINING INSTITUTE**  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

**a) Revenue recognition (Continued)**

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

**Rental income**

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

**b) Budget information**

The original budget for FY 2020-2021 was approved by the Board on 6<sup>th</sup> June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

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

**c) Taxes**

***Current income tax***

The Institute is exempt from paying taxes.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (continued)

*Sales tax/ Value Added Tax*

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

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

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

d) Investment property

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

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

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

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

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Institute 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.

The annual rates to be used going forward for depreciation are as follows:

- Buildings	2%
- Furniture, plant and equipment	12.5%
- Motor vehicles, motorcycles, and tractor	25%
- Computers and related equip	30%
- Library Books	20%
- Intangible Assets	20%

Freehold land is not depreciated.

**KATINE TECHNICAL TRAINING INSTITUTE**

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

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

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

**f) Leases**

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

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

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

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

**g) Intangible assets**

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

**h) Research and development costs**

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments

*Financial assets*

*Initial recognition and measurement*

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Institute determines the classification of its financial assets at initial recognition.

*Loans and receivables*

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

*Held-to-maturity*

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

*Impairment of financial assets*

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

**KATINE TECHNICAL TRAINING INSTITUTE**  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

**i) financial instruments (Continued)**

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

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

*Financial liabilities*

*Initial recognition and measurement*

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

*Loans and borrowing*

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

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

**i) Inventories**

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

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

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

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

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

**i) Inventories (Continued)**

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

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

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

**j) Provisions**

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

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

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

***Contingent liabilities***

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

***Contingent assets***

The Institute 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 Institute in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

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

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

**k) Nature and purpose of reserves**

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

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

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

**m) Employee benefits**

**Retirement benefit plans**

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

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

**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

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

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

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

**p) Related parties**

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

**q) Service concession arrangements**

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

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

## **KATINE TECHNICAL TRAINING INSTITUTE**

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

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

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

#### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Institute 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 Institute. 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 Institute
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

#### **Provisions**

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

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

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

6	Transfers from National Government	2020-2021	2019-2020
		Kshs	Kshs
	<b>Transfers from National Government</b>		
	<b>Unconditional grants</b>		
	Development grants	-	2,800,750
	Capitation grants	8,460,000	-
	<b>Total transfers from government</b>	<b>8,460,000</b>	<b>2,800,750</b>

7	Transfers from other Government agencies	2020-2021	2019-2020
		-	-
	<b>Total transfers from other government agencies</b>	<b>-</b>	<b>-</b>

8	Rendering of services	2020-2021	2019-2020
	Tuition fees	189,466	6,740,040
	Application Fees	1,200	90,300
	Activity fees	792,635	445,550
	Personal Emolument	160,100	1,532,160
	Repairs Maintenance & Improvements	483,905	242,725
	Electricity, Water & Conservancy	764,230	433,580
	Examination fees	1,125,585	-
	Local Travelling & Transport	863,455	397,005
	Library fees	-	-
	Administration	-	1,914,535
	Boarding Fee	2,686,500	8,989,366
	Facilities and materials	165,500	-
	NYS	-	43,066,488
	Student Id Card	99,400	-
	Students Council	174,270	-
	KUCCPS Registration	112,500	-
	Registration fees	197,000	-
	Lunch fee	45,500	-
	Attachment fee	686,500	-
	<b>Total revenue from the rendering of services</b>	<b>8,547,746</b>	<b>63,851,749</b>

9	Other incomes	2020-2021	2019-2020
	Sale of Mask and Grass	13,180	-
	Sale of tenders	5,000	-
	<b>Total other Incomes</b>	<b>18,180</b>	<b>-</b>

These are activities the institute engaged in which are not directly linked to the academic activities of the institution.

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10	Rental revenue from facilities and equipment	2020-2021	2019-2020
	Hire of facilities income	71,050	-
	<b>Total rental revenue from facilities and equipment</b>	<b>71,050</b>	<b>-</b>

This relates to the income received from hiring of institute facilities to external institutions.

11	Use of Goods and Services	2020-2021	2019-2020
	Teaching & Learning Materials	1,820,111	-
	Industrial attachment Costs	226,100	-
	Electricity	133,590	157,155
	Water	39,220	-
	Security	810,000	-
	Subscriptions/Activities	298,428	3,208,620
	Advertising	284,058	467,554
	Examination fees	2,268,570	-
	Audit fees	-	-
	Catering, Conferences and delegations	340,100	-
	Travelling & Accommodation	2,782,567	-
	Fuel and oil	58,708	-
	Insurance	64,500	-
	Postage	7,725	-
	Printing and stationery	267,945	-
	Telephone Expenses	79,830	-
	Internet Expenses	895,383	-
	Training expenses (CAPA)	-	374,000
	School Equipment & Stores	-	4,136,130
	Boarding Fee Charges	4,899,157	3,239,214
	Consumables	-	-
	Admin fees	3,826,664	19,163,199
	Activity	211,280	-
	Other (Strategic Plan Review)	-	230,000
		<b>19,313,936</b>	<b>30,975,872</b>

12	Employee costs	2020-2021	2019-2020
	Salaries and wages	4,300,058	4,009,176
	Contribution to Pensions and other costs	194,770	153,000
	<b>Total employee costs</b>	<b>4,494,828</b>	<b>4,162,176</b>

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13	Remuneration to Board of Governors	2020-2021	2019-2020
	Board allowances	1,224,500	1,127,250
	<b>Total director emoluments</b>	<b>1,224,500</b>	<b>1,127,250</b>
			-
14	Depreciation and amortization expense	2020-2021	2019-2020
	Plant, Property and Equipment	610,783	-
	Intangible assets	435,756	131,020
	Investment property carried at cost		-
	<b>Total depreciation and amortization</b>	<b>1,046,539</b>	<b>131,020</b>

Provision for depreciation for the fixed assets has been charged for the acquisitions during the financial year. The opening balances as at 1st July 2019 are on historical costs and the institute is in the process of seeking for a certified valuer.

15	Repairs Maintenance and Improvement	2020-2021	2019-2020
	Other	1,264,550	2,757,141
	<b>Total repairs and maintenance</b>	<b>1,264,550</b>	<b>2,757,141</b>
			-
			-
16	Finance Costs	2020-2021	2019-2020
	Bank Charges	37,737	-
	<b>Total Finance Costs</b>	<b>37,737</b>	<b>-</b>

17	Cash and cash equivalents	2020-2021	2019-2020
	<b>Current Account</b>		
	Kenya Commercial Bank-Operations	1,013,983	18,278,331
	Kenya Commercial Bank- Fees	1,912,526	3,289,766
	Cooperative bank- Development	17,662,262	17,758,036
	Cooperative Bank- Mwala TVC	1,650,790	4,027,558
	<b>Total Cash and cash equivalents</b>	<b>22,239,561</b>	<b>43,353,691</b>
18	Receivables from exchange transactions	2020-2021	2019-2020
	Student debtors account	27,471,771	18,703,059
	<b>Total receivables from exchange transactions</b>	<b>27,471,771</b>	<b>18,703,059</b>
19	Receivables from non-exchange transactions	2020-2021	2019-2020
	<b>Current receivables</b>		
	Receivables-Government capitation	4,620,000	-
	<b>Total receivables from non-exchange transaction</b>	<b>4,620,000</b>	<b>-</b>

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<b>20</b>	<b>Related Party Balances</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Mentorship Grants</b>		
	Mwala TVC	-	37,884,284
	<b>Total related party balances</b>	-	<b>37,884,284.00</b>
<b>21</b>	<b>Inventories</b>	<b>2020-2021</b>	<b>2019-2020</b>
	Consumable stores	148,965	-
	Cleaning materials stores	1,060	-
	Catering stores	3,284	-
	<b>Total inventories</b>	<b>153,309</b>	-
<b>22</b>	<b>Trade and other payables from exchange transactions</b>	<b>2020-2021</b>	<b>2019-2020</b>
	Trade payables	1,970,000	5,942,264
	<b>Total trade and other payables</b>	<b>1,970,000.00</b>	<b>5,942,264.00</b>
<b>23</b>	<b>Refundable Deposits from Customers</b>	<b>2020-2021</b>	<b>2019-2020</b>
	Refundable Deposits (Caution money)	282,300	-
	Student Pre payments	261,780	
	Retention	2,102,237	7,751,896
	<b>Total Refundable Deposits from students</b>	<b>2,646,317</b>	<b>7,751,896</b>

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24		Land and buildings		Motor vehicles		Furniture and fittings		Computers		Other Assets (Intangible Assets)		Other Office Equipment		Capital Work in progress		Total	
		Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
	<b>Cost</b>																
	At 1 July 2019	102,992,307	-	-	17,000,000	1,232,200	-	-	-	-	-	-	-	15,005,536	136,230,043		
	Additions	-	-	-	-	-	655,100	-	-	-	-	-	-	-	655,100		
	Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
	Transfers/adjustments	-	-	-	-	-	-	-	-	-	-	-	-	16,569,531	16,569,531		
	<b>At 30th June 2020</b>	<b>102,992,307</b>	<b>-</b>	<b>-</b>	<b>17,000,000</b>	<b>1,232,200</b>	<b>655,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,575,067</b>	<b>153,454,674</b>		
	Additions	-	111,900	-	94,000	974,999	-	-	-	-	-	2,228,470	-	1,898,704	5,308,073		
	Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
	Transfer/adjustments	-	-	-	-	-	(655,100)	-	-	-	-	-	-	-	(655,100)		
	<b>At 30th June 2021</b>	<b>102,992,307</b>	<b>111,900</b>	<b>111,900</b>	<b>17,094,000</b>	<b>2,207,199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,228,470</b>	<b>-</b>	<b>33,473,771</b>	<b>158,107,647</b>		
	<b>Depreciation and impairment</b>																
	At 1 July 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Impairment	-	-	-	-	-	131,020	-	-	-	-	-	-	-	131,020	-	-
	<b>At 30 June 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>131,020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>131,020</b>	<b>-</b>	<b>-</b>
	Depreciation	-	27,975	-	11,750	292,500	-	-	-	-	-	278,559	-	-	610,783		
	Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
	Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
	<b>Transfer/adjustment</b>																
	<b>Net book values</b>																
	At 30th June 2020	102,992,307	-	-	17,000,000	1,232,200	524,080	-	-	-	-	-	-	31,575,067	153,323,654		
	At 30th June 2021	102,992,307	83,925	83,925	17,082,250	1,914,699	-	-	-	-	-	1,949,911	-	33,473,771	157,496,864		

\*Provision for depreciation for the fixed assets has been charged for the acquisitions during the financial year. The opening balances as at 1<sup>st</sup> July 2019 are on historical costs and the institute is in the process of seeking for a certified valuer.

\*Adjustment has been done on Intangible asset under other assets which is included under note 25 below

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

25	Intangible Assets		
	Description	2020-2021	2019-2020
		Kshs	Kshs
	<b>Cost</b>		
	<b>At beginning of the year</b>	655,100	-
	Additions	1,654,700	655,100
	<b>At end of the year</b>	<b>2,309,800</b>	<b>655,100</b>
	Additions–internal development	-	-
	<b>At end of the year</b>	-	-
	<b>Amortization and impairment</b>		
	<b>At beginning of the year</b>	131,020	-
	Amortization	435,756	131,020
	<b>At end of the year</b>	<b>566,776</b>	<b>131,020</b>
	Impairment loss	-	-
	<b>At end of the year</b>	1,743,024	524,080
	<b>NBV</b>	<b>1,743,024</b>	<b>524,080</b>

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**26. FINANCIAL RISK MANAGEMENT**

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

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

**(i) Credit risk**

The Institute 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 institute's management based on prior experience and their assessment of the current economic environment.

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2020</b>				
Receivables from exchange transactions	18,703,059	18,703,059	-	-
Receivables from non-exchange transactions			-	-
Bank balances	43,353,691	43,353,691	-	-
<b>Total</b>	<b>62,056,750</b>	<b>62,056,750</b>	-	-
<b>At 30 June 2021</b>			-	-
Receivables from exchange transactions	27,471,771	27,471,771	-	-
Receivables from non-exchange transactions	4,620,000	-	-	-
Bank balances	22,239,561	22,239,561	-	-
<b>Total</b>	<b>54,331,332</b>	<b>49,711,332</b>	-	-

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

The Institute has significant concentration of credit risk on amounts due from creditors

The board of directors sets the institute's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**KATINE TECHNICAL TRAINING INSTITUTE**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)****(ii) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2020</b>	-	-	-	-
Trade payables				
Current portion of borrowings	-	-	-	-
Provisions				
Deferred income	-	-	-	-
Employee benefit obligation				
<b>Total</b>	-	-	-	-
<b>At 30 June 2021</b>				
Trade payables	-	-	1,970,000	1,970,000
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	<b>1,970,000</b>	<b>1,970,000</b>

**(iii) Market risk**

The Institute has put in place an internal audit function to assist it in assessing the risk faced by the Institute 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 Institute's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Institute's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the Institute's exposure to market risks or the manner in which it manages and measures the risk.

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

a) Foreign currency risk

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

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

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

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

a) Foreign currency risk (Continued)

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

**Foreign currency sensitivity analysis**

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

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
<b>2020</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2021</b>			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

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

*Management of interest rate risk*

To manage the interest rate risk, management has endeavoured to bank with Katine Technical Training Institutes that offer favourable interest rates.

*Sensitivity analysis*

The Institute analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year

**27. RELATED PARTY BALANCES**

**Nature of related party relationships**

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

**Government of Kenya**

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

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

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

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

	2020-2021	2019-2020
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of electricity to Govt agencies		-
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
<b>Total</b>	-	-
<b>b) Purchases from related parties</b>		
Purchases of electricity from KPLC	133,590.00	-
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	176,640.00	-
<b>Total</b>	<b>310,230.00</b>	-
<b>b) Grants /Transfers from the Government</b>		
Grants from National Govt -Capitation	8,460,000.00	-
Reccurent for Mwala TVC	1,500,000.00	-
Grants from County Government	-	-
Donations in kind	-	-
<b>Total</b>	<b>9,960,000.00</b>	-
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees	-	-
Payments for for security services and transfers for Mwala TVC	1,457,500.00	-
<b>Total</b>	<b>1,457,500.00</b>	-
<b>d) Key management compensation</b>		
Directors' emoluments	-	-
Compensation to key management	-	-
<b>Total</b>	-	-

**28. SEGMENT INFORMATION**

Katine Technical Training Institute does not operate in a different geographical region.

**29. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

**Contingent Assets**

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

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**Contingent Liabilities**

	2020-2021	2019-2020
	Kshs	Kshs
<b>Contingent liabilities</b>	-	-
Court case against the Institute	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	-	-
Others (Specify)	-	-
<b>Total</b>	-	-

**30. CAPITAL COMMITMENTS**

Capital commitments	2020-2021	2019-2020
	Kshs	Kshs
Authorised for	-	-
Authorised and contracted for	-	-
<b>Total</b>	-	-

**31. DEFERRED TAX LIABILITY**

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

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

**32. EVENTS AFTER THE REPORTING PERIOD**

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

**33. ULTIMATE AND HOLDING INSTITUTE**

The Institute is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

**34. CURRENCY**

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

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

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
1.1	<b>Missing Reports in the Financial Statements</b>	The anomaly on presentation and disclosure in Financial statements has been noted and corrected.	Resolved	30 June 2021
1.2	<b>Table of Contents</b> The arrangements of items in the table of contents is not in line with the prescribed reporting template	The inconsistencies in titles the table of contents and the financial statements have been corrected.	Resolved	30 June 2021
1.3	<b>Report on Fiduciary and Oversight Arrangements</b> The financial statement only indicates the name of committee members instead of providing a high-level description of the fiduciary oversight arrangements.	This has been noted and accordingly corrected	Resolved	30 June 2021
1.4	<b>Missing information on Some Members of the Board of Governors</b> The report on Members of the Board of Governors in page 7 and 8 of the financial statements does not indicate work experience of seven (7) members and dates of birth for three (3) of them.	This has been noted and accordingly corrected	Resolved	30 June 2021
1.5	<b>Report of the Principal of the Institute</b> The report of the principal in page 12 of the financial statements is a bit too summarized and does not include some required information as per the prescribed template such as; successes consolidated, challenges being faced and the way forward or future outlook for the Institute.	This has been noted and accordingly corrected.	Resolved	30 June 2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In addition, high level information on the financial performance of the Institute has not been included.			
1.6	<b>Management Discussion and Analysis</b> Management discussion and analysis in page 19 of the financial statements does not include information on operational and financial performance of the Institute for year.	This has been noted and accordingly corrected.	Resolved	30 June 2021
1.7	<b>Statement of Board of Governors' Responsibilities</b> The report has included a provision for signature by Finance Officer who is not a member of the Board.	This has been noted and accordingly corrected.	Resolved	30 June 2021
1.8	<b>Statement of Changes in Net Assets</b> The statement of changes in net assets is not presented in the format prescribed by the Board as it lacks the columns for retained earnings and capital/development grants/funds	This has been noted and corrections made	Resolved	30 June 2021
1.9	<b>Differences in Descriptions of Components from the Previous Year Financial Statements</b> Descriptions given to some components are different from the one given on the same items in the financial statements for the year ended 30 June, 2019.	The Institute has adopted the Standard IPSAS reporting template to ensure consistency	Resolved	30 June 2021
1.10	<b>Statement of Comparison of Budget and Actual Amounts</b> The title given to the statement as well as the format of presentation does not comply with the PSASB template.	The anomaly has been corrected.	Resolved	30 June 2021
1.11	<b>Errors in The Summary of Significant Accounting Policies</b> Budget information shown on page 9 indicates financial year as 2018/2019 instead of 2019/2020, while the last sentence indicates section xxx instead of	The anomaly was corrected.	Resolved	30 June 2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	giving a specific reference. Further, statement of subsequent events indicates 30 <sup>th</sup> June, 2019 instead of 2020			
1.12	<b>Omitted Information</b> The financial statements have omitted information relating to; Investment property, Inventories, provisions, nature and purpose of reserves, foreign currency transactions, borrowing costs, Assets movement table and Refundable deposits from customers/students.	Anomaly corrected	Resolved	30 June 2021
1.13	<b>Missing and Blank Notes to the Financial Statements</b> Notes 25 to 50 are missing from the financial statements while Note 16 on PPE is blank.	Anomaly corrected	Resolved	30 June 2021
1.4	Inconsistencies Between Financial Statements and Appendixes	Anomaly corrected	Resolved	30 June 2021
1.5	Wrongly Classified Revenues and Expenditure Items	Anomaly rectified	Resolved	30 June 2021
1.6	Omitted Report of The Independent Auditors	Anomaly rectified	Resolved	30 June 2021
1.7	Missing Information on the Reporting Year in Notes to Financial Statements	Anomaly rectified	Resolved	30 June 2021
1.8	Inconsistencies in Disclosure Notes Reference in the Financial statements	Anomaly rectified	Resolved	30 June 2021
1.9	Errors in Page Numbering	Anomaly rectified	Resolved	30 June 2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
2.1	<p><b>Property, Plant and Equipment</b></p> <p>The statement of financial position reflects Kshs.121, 224,507 in respect to property, plant and equipment and as disclosed under note 24 to the financial statements. It was however, noted that this amount remained unchanged from 2018-19 financial year meaning that acquisition during the year and depreciation charge were not included. Further, the PPE schedule in note 24 to the financial statements shows nil brought forward amounts and all the balances under various classes are reflected as additions during the year which is incorrect and misleading. In addition, management did not provide a fixed asset register, valuation reports and ownership documents in support of the PPE balance for audit verification.</p>	The anomaly was corrected Valuation of assets in progress	Resolved	30 June 2021
2.2	<p><b>Unsupported Related Party – Mwala TVC Balance</b></p> <p>The statement of financial position reflects under current assets a related party-Mwala TVC balance of Kshs.37,884,284 which however does not have a disclosure note.</p>	Katine TTI is the mentor institution for Mwala TVC and the stated amount of Kshs. 37,884,284 related funds for construction of the College.	Resolved	30 June 2021
2.3	<p><b>Unsupported Expenditure</b></p> <p>Review of financial statements revealed some expenditures as listed hereunder were not supported casting doubt on their validity</p>	We have provided all the schedules as per the trial balances to agree	Resolved	30 June 2021

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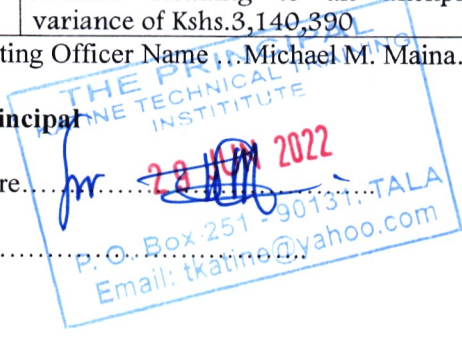
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
		with financial statements. Attached schedules for all the meetings and also minutes for meetings held.		
2.5	Miss-Classified Expenditure		Resolved	30 June 2021
2.6	<b>Receipts from Non-Exchange Transactions</b> The statement of financial performance reflects Kshs.59, 636,019 in respect to receipts from non-exchange transactions and as disclosed under Note 6 to the financial statements. However, review of documents showed that included in this amount is Kshs.11, 792,080 relating to fees arrears from the previous year which should not have recognized as revenue for the year. Further, receipts of Kshs.43,066,488 from NYS and HELB in respect of student fees is wrongly categorized as receipts from non-exchange transactions instead of receipts from exchange transactions	The anomaly on classification of the receipts from NYS and Helb was corrected	Resolved	30 June 2021
2.7	<b>Deferred Income</b> The statement of financial position reflects deferred income balance of Kshs.21,785,594 and a comparative amount for 2018/19 of Kshs.18,655,204. However, the disclosure Note 21 to the financial statements reflects Kshs.21,785,594 as the comparative balance resulting to an unexplained variance of Kshs.3,140,390	Anomaly corrected	Resolved	30 June 2021

Accounting Officer Name : Michael M. Maina.....

Ag. Principal

Signature.....

Date.....



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

**Projects**

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

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. Construction of Student Cafeteria		BOG				YES
1. Electrical & Electronics Workshop		MOE				yes
2.						

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Construction of Student Cafeteria	15,182,973	1,759,096	30%	15,182,973	2,000,000	BOG
2	Electrical Workshop	45,000,000	790,460	0%	45,000,000	17,411,357	MOE
3	Katine Technical Training Institute Tuition/Administration block	19,969,041	14,303,237	69.1	19,969,041	14,303,237	MOE

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**APPENDIX III: INTER-INSTITUTE TRANSFERS**

<b>INSTITUTE NAME:</b>			
<b>Break down of Transfers from the State Department of TVET</b>			
<b>FY 2020/2021</b>			
a.	Recurrent Grants		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
		01 Mar 2021	1,312,500
		31 Mar 2021	2,077,500
		06 Nov 2020	3,022,500
		15 Jul 2020	2,047,500
			500,000
			500,000
			500,000
		<b>Total</b>	<b>9,960,000</b>
b.	Development Grants		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
			-
			-
			-
		<b>Total</b>	<b>-</b>
c.	Direct Payments		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
			-
			-
			-
		<b>Total</b>	<b>-</b>
d.	Donor Receipts		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
			-
			-
			-
		<b>Total</b>	<b>-</b>

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

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred income	Receivables	Others - (Mwala TVC)	
Ministry of Education	3/7/2020	Capitation	2047500	2047500	-	-	-	-	2047500
Ministry of Education	6/11/2021	Capitation	3022500	3022500	-	-	-	-	3022500
Ministry of Education	9/11/2020	Recurrent	500000	-	-	-	-	500,000	500000
Ministry of Education	17/11/2020	Recurrent	500000	-	-	-	-	500,000	500000
Ministry of Education	24/02/2021	Capitation	1312500	1312500	-	-	-	-	1312500
Ministry of Education	31/03/2021	Capitation	2077500	2077500	-	-	-	-	2077500
Ministry of Education	30/03/2021	Recurrent	500000	-	-	-	-	500,000	500000
<b>Total</b>			<b>9,960,000</b>	<b>8,460,000</b>	-	-	-	<b>1,500,000</b>	<b>9,960,000</b>

*\*\*The amount recognized under statement of financial performance is Kshs. 8,460,000 being capitation funds for students.*

*\*\*Kshs. 1,500,000 under others (Mwala TVC) relate to recurrent funds received for Mwala Technical and Vocational College.*