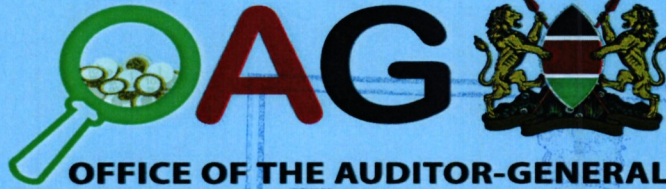


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 28 FEB 2023

DAY

TUESDAY

PARLIAMENT  
OF KENYA  
LIBRARY

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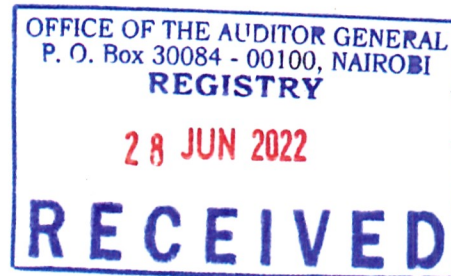
**THE AUDITOR-GENERAL**

**ON**

**KIAMBU INSTITUTE OF SCIENCE AND  
TECHNOLOGY**

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

**KIambu INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**



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**KIambu INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30<sup>TH</sup> JUNE 2021**

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

**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021

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**I. KEY INSTITUTE INFORMATION AND MANAGEMENT**

**(a) Background information**

Kiambu Institute of Science and Technology (KIST) is one of the colleges in Kenya that has produced thousands of graduates since 1973. KIST falls under the auspices of the Ministry of Education, State Department of Technical and Vocational Education and Training. It is a registered Institution under the TVET Act 2013 of the Laws of Kenya to offer Technical and Vocational Education and Training (TVET). The Board of Governors (BOG) which is appointed by Ministry of Education in Consultation with the stakeholders oversees the day-to-day running of the Institute.

**(b) Principal Activities**

The principal activity/mission of KIST is to provide Technical and Vocational Education and Training.

**i. Vision**

A centre of Excellence in Technical and Vocational Education and Training

**ii. Mission**

To provide and promote quality training in science and technology that is responsive to the needs of a changing society

**iii. Strategic Objectives**

- To provide access and equity to TVET and higher education
- To improve infrastructure
- To enhance customer satisfaction
- To ensure prudent management of resources
- To promote Research, Development and Innovations in KIST
- Uphold institutional Governance

**(c) Key Management**

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

- Board of Governors
- Accounting officer/ Principal
- Management

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Principal	Mr. Sammy K. Waititu
2.	Head of Finance	Ms. Rahab M. Kibacio
3.	Head of Procurement	Ms. Mary N. Ngugi
4.	D/ Principal Administration	Dr. Jane M. N. Gitau
5.	D/ Principal Academics	Ms. Alexandrina H. Ngugi
6.	Registrar	Ms. Phena M. Owiye
7.	Dean of Students	Mr. Charles M. Ndirangu

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

**Fiduciary Oversight Arrangements**

**Academic and Human Resource Committee:**

The Academic and Human Resource Committee monitor the academic performance of the Institute. The committee is mandated to handle human resource issues for both teaching and non-teaching personnel and also staff recruitment.

**Technical and Finance Committee:**

The Technical and Finance Committee is appointed to oversee and monitor on-going projects and report status to the Board and any recommendations for approval and implementation. The committee monitors finance performance of the Institute.

**Risk, Audit and Compliance Committee:**

The committee monitor the integrity of the financial statements of the Institute, review the Institute's internal financial controls systems and oversee the internal audit function.

**Senior Management:**

Senior management comprise of Principal, Deputy Principal Administration, Deputy Principal Academics, Registrar and Dean of Students. The senior management is appointed by the Principal in consultation with the Board are responsible in the overall running of the Institute.

**Management:**

The management report direct to the senior management.

The management comprise of Head of Departments, Deputy Head of Departments, Head of Sections and their deputies. The management is responsible in day to day running of their departments and sections.

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

**(e) Kiambu Institute of Science and Technology Headquarters**

P.O. Box 414 – 00900  
Kiambu, KENYA

**(f) Kiambu Institute of Science and Technology Contacts**

Telephone : (254) 727807713  
E-mail: [principal@kist.ac.ke](mailto:principal@kist.ac.ke)  
Website: [www.kist.ac.ke](http://www.kist.ac.ke)

**(g) Kiambu Institute of Science and Technology Bankers**

1. Cooperative Bank of Kenya Limited  
Kiambu Branch  
P.O. Box 1064 - 00900  
Kiambu
2. KCB Bank Kenya Limited  
Kiambu Branch  
P.O. Box 81 – 00900  
Kiambu
3. Housing Finance Corporation  
Rehani house Branch – Koinange Street  
P.O. Box 30088-00100  
Nairobi

**(h) Independent Auditors**





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






**(i) Principal Legal Adviser**

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

**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
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**II. THE BOARD OF GOVERNORS**

Insert each Director's passport-size photo and name, and key profession/academic qualifications	Passport-size photo	Provide a concise description of each Director's date of birth, key qualifications and work experience
1. Dr. Josiah K. Kamau		DOB: 9 <sup>th</sup> November 1961 Bachelor of Pharmacy degree Private practice as a consultant Pharmacist
2. Mr. Charles Nyota		DOB: 10 <sup>th</sup> October 1970 Masters in Computer Science 20 Years' Experience in TVET Technical Managements County Director Of TVET
3. Mr. Jeremy Miriti Naivasha		DOB: 30 <sup>th</sup> May 1955 BCOM, MSC Entrepreneurship CPAK, CPSK Practicing Accountant
4. Mr. Jared Ongwae		DOB: February 1976 Master of Science in clinical Microbiology Masters in Hematology and blood transfusion Chief Laboratory Technology – Kisii University

<p>5. Rev. Eng. Sospeter F. Mbogo</p>		<p>DOB: 23<sup>rd</sup> September 1953  Masters of Arts  Bsc. Mechanical Engineering  Reverend and Church Minister, ACK Diocese of Mt. Kenya, Kiambu, Vicar St. Pauls' Church, former Engineer KenGen</p>
<p>6. Eng. Beatrice Kung'u</p>		<p>DOB: 3<sup>rd</sup> January 1973  Master degree in Construction Engineering and Management  Civil Engineer, Private Sector, Votex Ltd Nairobi</p>
<p>7. Mrs. Grace Tole</p>		<p>DOB: 19<sup>th</sup> June 1953,  Masters in Business Admin, Bachelor of Arts(Hons), 30years banking professional and consultant in management</p>
<p>8. Ms. Esther Ndirangu</p>		<p>DOB: 02/08/1966  Masters in Educational leadership and management  B.Ed Science  29 years of experience  15 years in senior leadership</p>
<p>9. Mr. Sammy K. Waititu</p>		<p>Chief Executive Officer/ Principal  DOB: 6<sup>th</sup> December 1966  BBA, Diploma in Technical Education, CPA(K)  26 years in training  8 years in top management</p>

**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
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**III. MANAGEMENT TEAM**

Name of the Staff	Passport photo	Responsibility
1. Mr. Sammy K. Waititu		Chief Executive Officer/ Principal
2. Dr. Jane Gitau		Deputy Principal Administration
3. Ms. Alexandrina H. Nguhi		Deputy Principal Academics & Quality Assurance

**MANAGEMENT TEAM (Continued)**

S/No.	Name of the Staff	Responsibility
1.	Ms. Phena Mate Owiye	Registrar
2.	Mr. Charles Mwangi Ndirangu	Dean of Students
3.	Dr. Virginia W. Nyagah	Guidance and Counselling Coordinator
4.	Ms. Rahab M. Kibacio	Finance Officer
5.	Mr. Bedan M. Mwangi	Internal Auditor
6.	Ms. Jeniffer Nyambura Mugo	Performance Contract and Strategic Plan Coordinator
7.	Ms. Norah Eileen Nyakira	ISO Certification Management Representative
8.	Ms. Eunice Ndiga Ileri	HOD Hospitality Department
9.	Ms. Alice Gitika	HOD Baking Technology Department
10.	Ms. Ann Mwongeli Maweu	HOD Applied Science Department
11.	Mr. Samuel Muthui Nzilu	HOD Building and Civil Engineering Department
12.	Mr. David Baiya Mwathi	HOD Computer Studies Department
13.	Mr. Samuel Mulandi Matheka	HOD Electrical and Electronics Department
14.	Ms. Esther Nyambura Muthini	HOD Business, Entrepreneur and Social Studies Department
15.	Ms. AnnMary Nkirote Kamundi	Human Resource Officer
16.	Ms. Mary Nduta Ngugi	Supply Chain Officer

**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
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**IV. CHAIRMAN'S STATEMENT**

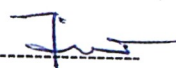
The year 2020/2021 was a success despite challenges faced in the course of the year due to the effect of Covid-19 pandemic.

The students' population stood at 4841 with the Building Technology department having the highest number of students being 1631. This has contributed to growth in financial status of the Institute and was able to meet its financial obligations as they fall due and at the close of the year on 30<sup>th</sup> June 2021, no pending bills were outstanding. The Institute managed to pay its staff on time and also managed to pay its suppliers within the agreed time period. The Institute thus is able to comply with legal requirements in filing and remitting statutory payments.

The Institute managed to make a surplus of Ksh. 61.3 Million, despite students' fees arrears stood at Ksh. 106.8 Million.

The Institute drilled a water borehole and together with installation cost amounted to Ksh. 2.97 Million in order to meet its water demand. This is expected to save on water bills paid to external provider. The Institute acquired a new generator at a cost of Ksh. 7.13 Million in order to meet power demand as the enrolment increase. The Board is completing construction of the tuition block which has 6 levels and which was done in 2 phases and the construction cost at the close of the year was Ksh. 262.2 Million; phase 1 of the tuition block was awarded for construction of the structural framework: columns, beams and slabs and phase 2 was awarded for finishing to usable state. The proposed tuition block was financed from internal savings.

The Institute has a loan balance of Ksh. 76.1 Million whose installment is Ksh. 10.9 Million per term and is pegged on students' fees collection. The loan payment is up to date in repayment of interest and principal. Part of the Institute land is in the name The National Treasury on behalf of Kiambu Institute of Science and Technology and the Board of Governors was issued with a copy of the title deed for 70 acres. The rest of the land which is about 122 acres is in the custody of the Registered Trustees of KIST (Board of Trustees). The title deed for the 70 acres is in the custody of Cabinet Secretary for National Treasury. The allocation of the 70 acres to KIST is a milestone as the Institute will be able to improve the tuition facilities and implement the Centre of Excellence (CoE) in Industrial Mechatronics whose foundation stone was jointly laid by His Excellency the President of Kenya and The President of the Federal Republic of Germany on 25<sup>th</sup> February 2020 at Kiambu Institute of Science and Technology.

  
.....  
Chairman, Board of Governors

Date... 27/6/22.....

## **V. REPORT OF THE PRINCIPAL**

The year 2020/2021 is our third year to report under International Public Sector Accounting Standards (IPSAS) Annual Financial Reporting.

The Institute has experienced major growth in terms of students' enrolment and recruitment of trainers by the public service in consultation with the Board of Governors. The staff population stood at 110 support staff and 230 trainers.

At the close of the year the students' population stood at 4841 with the Building Technology department having the highest number of students being 1631. This has contributed to growth in financial status and the Institute was able to meet its financial obligations as they fall due and at the close of the year on 30<sup>th</sup> June 2021, no pending bills were outstanding. The Institute managed to pay its staff on time and also managed to pay its suppliers within the agreed time period. The Institute thus was able to comply with legal requirements in filing and remitting statutory payments.

The Institute hosted Kenya National Examination Board examiners in November 2020 and March 2021 and this improved our revenue.

The Institute had a loan balance of Ksh. 76.1 Million as at 30<sup>th</sup> June 2021 whose installment is at Ksh. 10.9 Million per term and is pegged on students' fees collection. The loan payment is up to date in repayment of interest and principal. The Loan facility was acquired in June 2014 and be repaid in 45 termly installments of Ksh. 10.9 Million. The loan will be fully paid in year 2024.

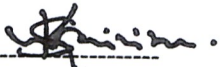
The Institute managed to make a surplus of Ksh.61.3 Million, despite students' fees arrears which stood at Ksh. 106.8 Million at the close of the financial year. The effect of Covid-19 pandemic affected fees payment by the students due to economic hard times experienced and this slowed down fees payment resulting in high fees arrears. The number of students who benefited from capitation fees was 3883 students.

The construction of the Tuition Block is nearly completion and students have started using the lecture rooms in order to meet the shortage of tuition rooms as students population grow. The construction of the tuition block which has 6 levels has been done in 2 phases; phase 1 of the tuition block was awarded for construction of the structural framework: columns, beams and slabs and phase 2 was awarded for finishing to usable state. The proposed tuition block has been financed from internal savings.

The Institute holds its graduation every year, the graduation was held on 18<sup>th</sup> October 2019 and we graduated 406 students in artisans, certificates and diplomas. These are the students who complete 1 year Artisan Certificate, 2 years Certificate and 3 years Diploma. All the courses at the Institute are examined by Kenya National Examination Board. The Institute has not been able to hold graduation this financial year due to the effect of Covid-19 pandemic but is hopefully to hold one in the next financial year.

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The Institute was allocated 70 acres of land under 99 years lease by the Board of Trustees of Kiambu Institute of Science and Technology. The land will be utilised for the expansion of the Institute and for the upcoming Centre of Excellence (CoE) in Industrial Mechatronics whose foundation stone was jointly laid by His Excellency the President of Kenya and The President of the Federal Republic of Germany on 25<sup>th</sup> February 2020 at Kiambu Institute of Science and Technology.



Principal

Date. 27.04.2022 ,

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

The Institute has 7 strategic key result areas and objectives within current Strategic Plan for the FY 2019/2020- FY 2023/2024. These key result areas are as follows:

**Summary of key result areas and overall strategic objectives**

**KRA 1: Leadership and Integrity (Governance)**

**Overall Strategic Objective:** Enhance corporate governance at the Institute

**KRA 2: Access and Equity**

**Overall Strategic Objective:** Enhance access and equity in the Institute

**KRA 3: ICT**

**Overall Strategic Objective:** Integrate ICT in the operations of the Institute

**KRA 4: Resources**

**Overall Strategic Objective:** Optimize on the resources available at the Institute (HR and Financial)

**KRA 5: Research and Innovation**

**Overall Strategic Objective:** Promote research and innovation in the Institute

**KRA 6: Collaboration and linkages**

**Overall Strategic Objective:** Strengthen collaboration and linkages with relevant organizations

**KRA 7: Management of Physical Environment**

**Overall Strategic Objective:** Conserve and improve on the physical environment

The Institute develops its annual work plans based on the above 7 key result areas. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Institute achieved its performance targets set for the FY 2020/21 period for its 7 strategic key result areas, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement	
Key result areas 1	<b>Leadership and Integrity (Governance)</b>	Enhance corporate governance at the Institute	Enhance operational efficiency	Acquire ERP system that is compatible with existing system and ensure its maintenance	ERP Upgrade progress
				Install electronic security system	Installation in progress

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				for library materials		
				Upgrade and maintain the KIST website and incorporate staff and student portals and an online customer service platform	Website upgraded and staff and student portals incorporated	
				Construct a modern gate, install and maintain a biometric access system	Biometric Access Control System Installation in progress. Construction of modern gate pending	
			Ensure the procurement process adheres to statutory requirements	Develop Institute procurement plan based on departmental procurement plans	Implemented annually	
				Adhere to procurement plans and departmental budget allocations	Implemented annually	
				Undertake annual stock taking	Annual stock taking was done and incorporated in the FS.	
				Review and appraise supplier performance	Annual activity	
				Adopt e-procurement module within the ERP system	Procurement done through ERP	
				Enhance decision making in the Institute	Conduct training for management teams on leadership and governance	Senior Management Course for the management was conducted by

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					Kenya School Government
				Undertake annual students' leaders training and motivation trips	Carried out annually
Key result areas 2	<b>Access and Equity</b>	Enhance access and equity in the Institute	Renovate and improve the existing physical Infrastructure	Repair, maintain and upgrade workshops	Complete
				Paint and rebrand the Institute	Complete
				Renovate and maintain existing ablution blocks	Complete
				Repair, maintain and Improve roads and pathways by tarmacking, laying carbros and kerbs.	Complete
				Tile all the hostels	Complete
				Repair maintain and upgrade the reception and administrative offices	Complete
			Expand the physical Infrastructure	Complete the new tuition / administration block	Near Complet
				Increase number of ablution blocks, hand washing and sanitization points	Ongoing
				Procure a least a 450KVA power generator	Complete

**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**

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				Drill and operationalize a bore hole	Complete
			Enhance transport at the Institute	Establish a parking garage for the Institute's vehicles	On going
				Purchase Principal's official vehicle	Complete
Key result areas 3	<b>ICT</b>	Integrate ICT in the operations of the Institute	Integrate ICT in training	Implement E-learning by introducing e-programs/courses	On going
			Enhance paperless communication	Enhance internet access through networking all offices	On going
Key result areas 4	<b>Resources</b>	Optimize on the resources available at the Institute (HR and Financial)	Enhance staff motivation	Conduct at least 1 capacity building session per year	On going
				Provide medical cover for BOG staff	Pending
				Establish a staff centre	Pending
				Enhance BOG staff remuneration	On going
			Revenue mobilization	Increase the number of courses	On going
				Establish income generating activities	Pending
			Enhance prudent management of finances	Prepare departmental and institutional budgets	On going
				Ensure adherence to	On going

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				departmental budgets		
Key result areas 5	<b>Research and Innovation</b>	Promote research and innovation in the Institute	Promote research and innovation in the Institute	Showcase innovations in robotics and TVET fairs	On going	
Key result areas 6	<b>Collaboration and linkages</b>	Establish and strengthen collaboration and linkages with relevant organizations	Strengthen the existing collaboration and linkages with relevant organizations Some of the MoU signed are mentioned below for training in mechatronic course; i) Tropikal Brands Africa ii) Kronos EA iii) Kevian Kenya Ltd.	Ensure implementation of the signed MoU/MoA	On going	
				Ensure renewal of expiring MoU/MoA	On going	
				Involve the organization in institutional activities	On going	
Key result areas 7	<b>Management of Physical Environment</b>	Conserve and improve on the physical environment	Adopting and implementing the ministerial policy on education for sustainable development (ESD)	Install solar powered lighting systems along access roads and path ways	Pending	
				Utilize renewable energy in heating and lighting	Pending	
				Greening KIST	Plant 3000 more trees within the Institute and surrounding community	On going
				Adopt proper waste management practices	On going	

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				Promote use of recyclable materials	On going
				Acquire a paper shredding machine	Complete
				Adopt green technology in upcoming projects at the Institute	On going

## **VII. CORPORATE GOVERNANCE STATEMENT**

The Board held quite a number of meetings during the year; for the first half of the year the Board met five times for the progress of the Institute. During the first half of the year the Board also attended KAM training on governance and accountability and GIZ training on governance for the upcoming Centre of Excellence in Industrial Mechatronics. During the second half of the year the Board met 3 times and also attended TVETA Authority training on leadership, governance and quality management.

The Technical and Finance committee of the Board met six times during the year to deliberate on the financial performance of the Institute. The Human Resource and Academic committee of the Board met five times during the financial year on matters to human resource and academic performance.

The attendance to these meetings is at one hundred per cent with one apology on few occasions.

The Board of Governors consists of eight members who were appointed by the Cabinet Secretary, Ministry of Education and comprise of Chairman, representative of Principal Secretary, Ministry of Education, representative of Kiambu County Governor and five other persons appointed on the basis of their knowledge and experience. The Principal of Kiambu Institute of Science and Technology is the Secretary to the Board.

The Board of Governors has four sub-committees, that is, Academic & HR, Technical & Finance, Risk, Audit & Compliance and ad hoc site meeting for the ongoing development project.

The Board members were inducted on the new issues of International Public Sector Accounting Standards (IPSAS) Annual Financial Reporting, TVET Act, 2013 and requirements under Public Finance Management Act

Functions of the Board of Governors include:

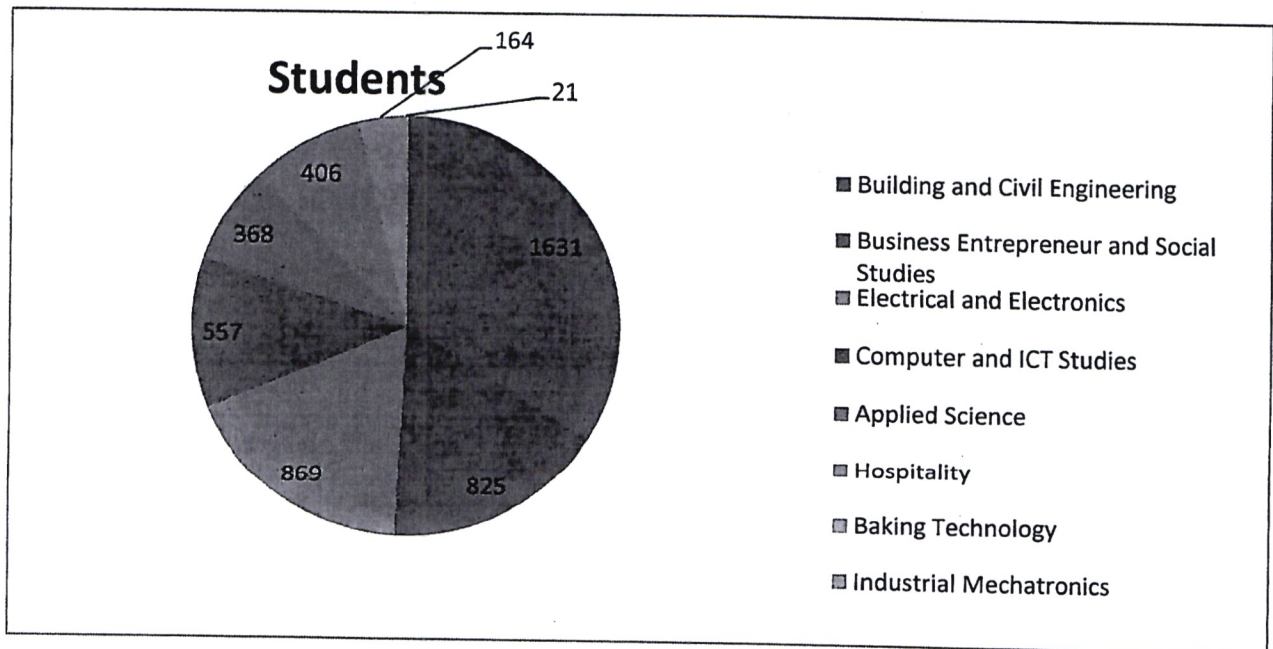
- The Board Discuss and approves the budget for each financial year. The Board approves financial reports for every quarter and for each year. The Board negotiates and approves performance contracts for each year;
- The Board administer and manage property of the Institution;
- The Board develop and implement the Institute Strategic Plan;
- The Board determine the fees payable and method of payment;
- Receive on behalf of the Institution, fees, grants, subscriptions, donations, bursaries;
- Recruit and appoint trainers from among qualified professionals;
- Determine suitable terms and conditions of service for support staff, trainers and remunerate staff of the Institute;
- Provide the welfare of the students and staff of the Institute;
- Prepare annual financial statements and submit to the relevant authority

**VIII. MANAGEMENT DISCUSSION AND ANALYSIS**

**The entity's operational and financial performance**

The students' population stands at 4841 students as represented by each department;

- i. Building Technology department – 1631 students
- ii. Business Entrepreneur and Social Studies Dept. – 825 students
- iii. Electrical and Electronics Dept. - 869 students
- iv. Computer and ICT Studies Dept. - 557 students
- v. Applied Science Dept. - 368 students
- vi. Hospitality Dept. - 406 students
- vii. Baking Technology Dept. - 164 students
- viii. Industrial Mechatronics – 21 students



*The Pie chart shows students distribution per department*

The Institute enrolled 21 new students in Industrial Mechatronics in September 2020. The Institute expected to have a normal intake in September 2020, but this was not possible due to effects of covid-19 pandemic. The new intake was in October 2020 and the classes were conducted online. KNEC candidates also reported in October 2020 and sat for their examinations between January and February 2021.

The Institute received capitation grants for the first, second, third and fourth quarters as tabulated below;

Quarter	Amount (Ksh.)	Date received
1	28,537,500	21-11-2020
2	28,537,500	16-02-2021
3	34,845,000	31-30-2021
4	26,737,500	30-06-2021

This has contributed to growth in financial status and the Institute is able to meet its financial obligations as they fall due. The Institute thus is able to comply with legal requirements in filing and remitting statutory payments.

The Institute within its strategy is expanding by adding more tuition facilities. The main challenge being faced is in fees collection after the effects of covid-19 pandemic.

#### **Entity's compliance with statutory requirements**

The Institute has complied with the statutory requirements. The Institute is fully accredited with TVETA. All statutory remittances are paid to the respective authorities and in due time.

#### **Key projects and investment decisions the entity is planning/implementing**

The Institute has constructed a tuition block which has 6 levels and was be done in two phases. The phase 1 involved construction of the Structural framework:- columns, beams and slabs at a contract sum of Ksh. 93.2Million. The phase 2 being finishing works is near completion with a cost of Ksh. 166.5Million.

The institute drilled water borehole and together with installation cost amounted to Ksh. 2.97 Million. This will enable the Institute to meet its water consumption demand. This is expected to save on water bills paid to external provider. The Institute acquired a new generator at a cost of Ksh. 7.13Million in order to meet power demand as the enrolment increase.

The Institute's MIS upgrade is ongoing at a cost of Ksh.12.5Million.

The above projects are being financed by savings realised through prudent financial management of internal funds.

The Institute is planning to complete the library project in the near future. This may be financed through financial proposals to the government for funding.

**Major risks facing the entity**

The Institute has a loan balance of Ksh. 76.1 Million whose installment is Ksh. 10.9 Million per term and is pegged on students' fees collection. The next installment is due on 15<sup>th</sup> September 2021.

Covid-19 risk at work place:

The Institute experienced increased cost associated with effect of covid-19. Frequently cleaning and disinfecting objects and surfaces that are touched regularly particularly in areas of high use such as washrooms, offices, door handles, light switches, reception area using appropriate cleaning products and methods, purchase of personal protective equipment (PPE) increase the cleaning cost.

There is increased cost in property maintenance and upgrade as all tuition rooms, hostels and offices that have been tiled. The roads have been upgraded by cabro paving and re-carpeting of the tarmac.

The increased cost followed by low fees collection may affect projects implementations.

**Material arrears in statutory/financial obligations**

The Institute has not defaulted in loan repayment. The Institute has no outstanding pending bills. The staff salary deductions are remitted to the respective institutions as they fall due.

**The entity's financial probity and serious governance issues**

The Institute is facing governance challenges as there are two Boards; The Registered Board of Trustees of KIST who are in office by succession and the Board of Governors who are appointed by the Cabinet Secretary, Ministry of Education. The Board of Trustees is not recognized under the TVET Act, 2013, and has vested interest on the Institute land claiming the ownership of the land and property. The Board of Governors is answerable to Cabinet Secretary, MOE and is responsible for the management of Kiambu Institute of Science and Technology as a Government training Institution.

**MILESTONE**

The Institute obtained land title deed for 70 acres from Board of Trustees. The rest of the land which is about 122 acres is in the custody of the Registered Trustees of KIST (Board of Trustees). The title deed for the 70 acres is in the custody of Cabinet Secretary for National Treasury. The allocation of the 70 acres to KIST is a milestone as the Institute will be able to improve the tuition facilities and implement the Centre of Excellence (CoE) in Industrial Mechatronics.

## IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kiambu Institute of Science and Technology exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a highlight of strategies and activities that promote the organisation's strategic objectives.

### Sustainability strategy and profile

The vision of the Institute is to be a Centre of Excellence in Technical and Vocational Education and Training and its mission is to provide and promote quality training in Science and enhance innovations through emerging technology.

To ensure sustainability of water supply and save on high water bills from water companies, the Institute drilled its own water borehole which is supplying enough water to the whole of the Institute.

### Environmental performance

The Institute has an Environmental Policy in place which was developed in year 2015 and is due for review. The main objective of the policy is to provide a framework to address environmental sustainability in the Institute. It aims to:

- i. Provide a framework for an integrated approach to planning and sustainable management of the Institute's environment and its natural resources.
- ii. Promote awareness on issues related to environmental conservation amongst members of the Institute.
- iii. To strengthen the Institutional capacity on conservation and management of the resources.
- iv. Promote and enhance cooperation, collaboration, synergy, partnerships and participation in the protection, conservation and better management of the environment by all the stakeholders.

The Institute commitment to the environmental sustainability extends to its customers, staff, students and the neighbouring community. The Institute is committed to:

- i. Operate in Compliance with all relevant and applicable environmental regulations
- ii. Integrate the consideration of environmental concerns and impacts into Institutes' activities such as training, Research and Development, innovations as well as in sports and games.
- iii. Prevent pollution whenever possible and reduce waste through re-use and recycling and by purchasing and using recycled, recyclable or re-furnished products and materials where these alternatives are available, economical and suitable.
- iv. Sensitize staff and students on the Institute environmental program and empower them to contribute and participate by promoting efficient use of materials and resources including water, electricity, raw materials and other resources, particularly those that are non-renewable.
- v. Communicate the environmental commitment and efforts to customers, staff, students and neighbouring community and encourage them to support it.
- vi. Contribute to Kenya's efforts to have achieved 10% forest cover by 2030 by mainstreaming tree planting in the Institute's calendar of events.

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**Employee welfare**

The Institute has Career Progression Guidelines which was developed in year 2015 and Human Resource Manual which was reviewed in year 2018.

All employees are treated equally without discrimination and the Institute management comply with the relevant laws and regulations for the management of human resource.

**Market place practices**

The Institute engage in fair competition while marketing its training courses. The Institute compete in sports and athletics, TVET fair exhibitions and robotics contest.

The Institute suppliers are fairly treated and payments for goods and services supplied are paid within the contract terms.

**Corporate Social Responsibility / Community Engagements**

The Institute didn't engage in any corporate social responsibility during the financial year.

## **X. REPORT OF THE COUNCIL/BOARD OF GOVERNORS**

The Board/Board members submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of Kiambu Institute of Science and Technology affairs.

### **Principal activities**

The principal activities' of Kiambu Institute of Science and Technology is to provide Technical and Vocational Education and Training.

### **Results**

The results of Kiambu Institute of Science and Technology for the year ended June 30 are set out on page 1

## **BOARD/BOARD OF GOVERNORS**

The members of the Board /Board who served during the year are shown on page (v) & (vi).

### **Auditors**

The Auditor General is responsible for the statutory audit of Kiambu Institute of Science and Technology in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of Kiambu Institute of Science and Technology for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

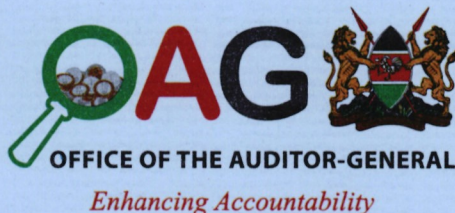
By Order of the Board

  
Principal

Date:.....



# REPUBLIC OF KENYA



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

## REPORT OF THE AUDITOR-GENERAL ON KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY 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

#### Adverse Opinion

I have audited the accompanying financial statements of Kiambu Institute of Science and Technology set out on pages 1 to 37, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes

*Report of the Auditor-General on Kiambu Institute of Science and Technology for the year ended 30 June, 2021*

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the Kiambu Institute of Science and Technology as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (Accrual Basis), and do not comply with the Public Finance Management Act, 2012 and Technical and Vocational Education and Training Act, 2013.

### **Basis for Adverse Opinion**

#### **1. Inaccuracies in the Financial Statements – Unexplained Variances**

Various balances reflected in the financial statements presented for audit varies from balances reflected in the supporting ledgers and schedules as detailed below:

	<b>Balance as per Financial Statements (Kshs.)</b>	<b>Balance as per Ledger and Supporting Schedules (Kshs.)</b>	<b>Variance (Kshs.)</b>
<b>Use of Goods and Services</b>			
Office Expenses	1,247,194	1,247,394	200
Water	2,282,266	2,942,256	(659,990)
Office printing and stationery	2,805,154	2,806,594	(1,440)
Baking unit	729,150	783,070	(53,920)
Seminar food and boarding and staff honoraria	863,433	658,415	205,018
<b>Trade and Other Payables from Exchange Transactions</b>			
Trade and Other Payables from Exchange Transactions	1,341,337	738,881	602,456
<b>Refundable Deposits from Customers</b>			
Student Council	6,654,031	3,323,832	3,330,199
<b>Repairs and Maintenance</b>			
Repairs and Maintenance	50,780,646	50,784,346	(3,700)

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

## **2. Unsupported Cash and Cash Equivalents Balance**

The statement of financial position and the corresponding disclosure Note 13 to the financial statements reflects a balance of Kshs.161,936,393 under cash and cash equivalents. However, the balance was not supported with bank statements, bank reconciliations statements and certificate of bank balances.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.161,936,393 could not be confirmed.

## **3. Outstanding Receivables from Exchange Transactions**

The statement of financial position and the corresponding disclosure Note 14 to the financial statements reflects current and long-term receivables from exchange transactions balances of Kshs.111,590,548 and Kshs.3,186,667 respectively. The balances include receivables from a Coffee Estate and Board of Trustees Account of Kshs.788,735 and Kshs.1,993,392 respectively. These balances which have been classified as due from Riara Coffee Farm and Board of Trustees of the Institute were not supported by an analysis, ledgers, or schedules.

Further, review of loan records revealed that the receivable balance from Riara Coffee Farm relates to a loan of Kshs.20,000,000 advanced to the estate by the Institute. Records provided revealed that the Institute borrowed Kshs.158,000,000 Bank loan between 2012 and 2014 and advanced an amount Kshs.20,000,000 of the loan to the Board of Trustees. However, the arrangement was irregular since the Board of Trustees is a body corporate distinct from the Institute although it serves as the governing body for the Institute. Further, the terms and conditions of the loan to the Board of Trustees and repayment including interest charged were not made provided for audit.

In addition, records provided for audit indicated that the Board of Trustees borrowed loans from a local Bank in three (3) tranches of Kshs.9,000,000, Kshs.58,000,000 and Kshs.100,000,000 in 2012, 2013 and 2014, respectively for operational and development expenses. The Institute incurred interest charges on the loan amounting to Kshs.11,327,053. It was not explained why the Institute continues to pay interest on the loan advanced to the Board of Trustees.

Consequently, the accuracy, completeness, validity and recoverability of the receivables from exchange transactions amounting to Kshs.114,777,215 as at 30 June, 2021 could not be confirmed and the validity of the loan interest paid on behalf of the Board of Trustees could not be ascertained.

## **4. Lack of Ownership Documents and Unsupported Property, Plant and Equipment Balance**

The statement of financial position and the corresponding disclosure Note 17 to the financial statements reflects property, plant and equipment balance of Kshs.560,535,648. However, as previously reported, the value excludes other assets comprising a parcel of land of undetermined value measuring approximately seventy (70)

acres where the Institute is located, immovable properties and a farmland. Further, the title deed for the land and an updated fixed assets register were not provided for audit review. In addition, the furniture, fittings and equipment were not tagged for ease of identification.

Further, and as previously reported, the Board of Trustees of the Institute purchased two hundred (200) acres of land through public contribution (“Harambee activities”) by the then Kiambu District community in the 1970s. The Board of Trustees has continued to control the parcel land on which the Institute is situated and other immovable investments on that land through presumed ownership. In addition, available information indicates that the parcel of land is registered in the name of the Board of Trustees instead of Kiambu Institute of Science and Technology. Although a letter by the Registered Board of Trustees indicates that the Board had transferred to the Institute approximately seventy (70) acres out of the two hundred (200) acres through a lease of ninety-nine (99) years to The National Treasury/KIST, the title deed for the whole parcel or the portion transferred was not provided for audit review.

In addition, no information and records were provided for audit review on the Board of Trustees operations including audited financial statements. Apart from the seventy (70) acres of land claimed to have been transferred to the Institute, the Board of Trustees also controls a section of another parcel of land registered in the name of the Riara Coffee Estate on which rental houses have been constructed. The houses are occupied by the Institute’s staff and members of public from which the Board collects rent. The Board also supplies water to the Institute at a fee. Another portion of the land was allocated to Nairobi Water and Sewerage Company under unclear terms.

Further, included in the property, plant and equipment balance of Kshs.560,535,648 is an amount of Kshs.262,167,640 in respect of capital in progress which in turn includes additions during the year of Kshs.179,550,988. However, the analysis of uncompleted projects and engineer’s valuation reports at the end of the year were not provided. In addition, the capital in progress balance of Kshs.262,167,640 varies from the ledger balance of Kshs.253,576,077, resulting to an unreconciled variance of Kshs.8,591,563.

In the circumstances, the accuracy, completeness, ownership and valuation of property, plant and equipment balance of Kshs.560,535,648 as at 30 June, 2021 could not be confirmed.

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

## **Key Audit Matters**

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

## **Other Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs.304,084,100 and Kshs.288,885,550 respectively, resulting to an underfunding amounting to Kshs.112,814,250 or 37% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.291,271,250 and Kshs.221,496,493 respectively, resulting to an underperformance amounting to Kshs.69,774,757 or 23% of the budget.

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

### **2. Unresolved Prior Year Issues**

In the audit report of the previous year, several matters were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or explained its failure to report on the progress made in resolving the issues as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Irregular Payment of Employee Costs**

The statement of financial performance and corresponding disclosure Note 8 to the financial statements indicates that the Institute spent a total of Kshs.51,728,557 in respect of employee costs. Review of employees records and the payroll indicated that non-teaching staff and Management were paid extraneous allowances amounting to

Kshs.1,168,250 and Kshs.3,780,500, respectively. However, there was no evidence to support the assignment of extra responsibilities to the officers in addition to their normal duties. In addition, the Institute did not provide an approved staff establishment. It was therefore not clear the criteria used in staff recruitment including number to be appointed, placement, promotion and compensation. The master data from payroll indicating the staff names, identification numbers, tax pin, gender, date of birth, ethnicity and date of employment was not provided for audit.

In the circumstances, the propriety and validity of the expenditure of Kshs.4,948,750 could not be confirmed.

## **2. Irregular Expenditure- Repairs and Maintenance**

The statement of financial performance and corresponding disclosure Note 11 to the financial statements reflects repairs and maintenance expenditure of Kshs.50,780,646. Review of the records revealed that the Institute did not tender for the works and services as required. In addition, the cost of repairs and the specifications required could not be confirmed in the absence of Bills of Quantities, project files, project implementation status reports and Inspection and Acceptance Committee Reports.

As a result, the propriety and validity of the expenditures of Kshs.50,780,646 incurred on repairs and maintenance could not be confirmed.

## **3. Delayed Implementation of Enterprise Resource Planning System**

The statement of financial position and corresponding disclosure Note 18 to the financial statements reflects a balance of Kshs.9,896,000 in respect of intangible assets. The procurement of the services for upgrading of Enterprise Resource Planning (ERP) system was done through open tender which was advertised in local daily newspapers. The tender was opened on 20 February, 2020 and 4 (four) bidders responded. Evaluation was done and the tender awarded at cost of Kshs.14,036,000. However, the upgrading of the system has not been completed and some modules have not been upgraded while others have been partially done. The consultant has been paid an amount of Kshs.9,600,000 which translates to 68% of the contract price. In addition, the performance guarantee provided by the consultant lapsed on 11 March, 2022. At the time of this audit, the consultant was not on site.

In the circumstances, the value for money for the payment of Kshs.9,896,000 could not be confirmed.

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires 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 International Public Sector Accounting Standards 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 sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Institute or 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

## **Auditor-General's Responsibilities for the Audit**

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to 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 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

29 July, 2022

**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
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**XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2020/2021	2019/2020
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the National Government – grants/ gifts in kind	1	160,357,500	128,862,250
Public contributions and donations	2	-	33,000
<b>Total Revenue from non-exchange transactions</b>		<b>160,357,500</b>	<b>128,895,250</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Fees from students	3	114,854,510	265,784,935
Sale of goods	4	5,486,634	11,130,215
Finance income - external investments	5	8,186,906	9,659,691
Other income	6	130,300	426,640
<b>Revenue from exchange transactions</b>		<b>128,658,350</b>	<b>287,001,481</b>
<b>Total revenue</b>		<b>289,015,850</b>	<b>415,896,731</b>
<b>Expenses</b>			
Use of goods and services	7	78,163,000	113,226,425
Employee costs	8	51,728,557	66,261,954
Board of Governors Expenses	9	8,090,000	6,727,190
Depreciation and amortization expense	10	27,766,650	25,382,490
Repairs and maintenance	11	50,780,646	16,161,785
Finance costs	13	11,327,053	14,156,939
<b>Total expenses</b>		<b>227,855,906</b>	<b>241,916,783</b>
<b>Net Surplus for the year</b>		<b>61,159,944</b>	<b>173,979,948</b>

The notes set out on pages 8 to 39 form an integral part of the Annual Financial Statements.


**XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	Notes	2020/2021 Kshs	2019/2020 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents			
Receivables from exchange transactions	13	161,936,393	310,164,386
Receivables from non-exchange transactions	14	111,590,548	77,478,014
Inventories	15	2,669,230	1,990,153
<b>Total Current Assets</b>	16	<b>2,811,714</b>	<b>927,443</b>
		<b>279,007,884</b>	<b>390,559,996</b>
<b>Non-current assets</b>			
Property, plant and equipment			
Intangible assets	17	560,535,648	369,050,159
Long term receivables from exchange transactions	18	9,896,000	500,000
<b>Total Non-current Assets</b>	14	<b>3,186,667</b>	<b>7,603,494</b>
		<b>573,618,315</b>	<b>377,153,653</b>
<b>Total assets</b>		<b>852,626,199</b>	<b>767,713,649</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	19	1,341,337	623,276
Refundable deposits from customers	21	53,083,838	40,023,879
Transfer to other Institutions	20	2,045,142	5,026,539
Deferred income	22	7,959,952	7,959,952
Payments received in advance	23	49,630,305	15,267,084
<b>Total Current Liabilities</b>		<b>114,060,574</b>	<b>68,900,730</b>
<b>Non-current liabilities</b>			
Non-current provisions			
Borrowings	24	76,063,356	97,470,593
<b>Total Non-current liabilities</b>		<b>76,063,356</b>	<b>97,470,593</b>
<b>Total liabilities</b>		<b>190,123,930</b>	<b>166,371,323</b>
<b>Capital and Reserves</b>			
Accumulated surplus			
Capital Fund		500,856,440	439,696,497
<b>Total Capital and Reserves</b>		<b>161,645,829</b>	<b>161,645,829</b>
		<b>662,502,269</b>	<b>601,342,326</b>
<b>Total Liabilities and Capital &amp; Reserves</b>		<b>852,626,199</b>	<b>767,713,649</b>

The Financial Statements set out on pages 1 to 39 were signed on behalf of the Institute Council/ Board of Governors by:

  
Chairman, Board of Governors

Date..... 27/6/22 .....

  
Finance Officer  
ICPAK No. ....

Date..... 27/06/2022 .....

  
Principal

Date..... 27/6/22 .....

KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)  
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XV. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2021

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/		Total
				Development Grants/Fund	Fund	
<b>Balance b/f</b>	-	-	265,716,549	153,972,301		419,688,850
Deferred Income transferred to capital fund			-	7,673,528		7,673,528
Fair value adjustment on quoted investments						-
Total comprehensive income			173,979,948	-		173,979,948
Prior year adjustments - To write off Development account, GOK projects, Engineering lab grants and water harvesting grants as funds were fully utilised and projects completed			-			-
Prior year adjustments - To adjust to the correct position the New TTIs balance of unutilised funds, loan balance, debtors			-			-
Capital/Development grants received during the year						-
Transfer of depreciation/amortisation from capital fund to retained earnings						-
<b>Balance c/d as at June 30, 2020</b>	-	-	439,696,497	161,645,829		601,342,326
<b>Balance b/f as at July 1, 2020</b>	-	-	439,696,497	161,645,829		601,342,326
Assets estimated cost						-
<b>Deferred Income transferred to capital fund</b>						-
Total comprehensive income			61,159,944			61,295,583
Capital/Development grants received during the year						-
Transfer of depreciation/amortisation from capital fund to retained earnings						-
<b>Balance c/d as at June 30, 2021</b>	-	-	500,856,440	161,645,829		662,637,909

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

	Note	2020/2021 Kshs	2019/2020 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other Government entities/Govt. grants	1	160,357,500	128,862,250
Public contributions and donations	2	-	33,000
Rendering of services- Fees from students	3	65,366,321	197,156,718
Sale of goods	4	5,486,634	83,495
Finance income	5	8,186,906	9,659,691
Other income	6	130,300	426,640
Receivables from Exchange Transactions	14	4,525,397	27,201,547
Refundable Deposits from customers/students	21	13,059,959	26,234,508
Fees paid in advance	23	49,630,305	15,267,084
Receivables from Non-exchange transactions	15	-	446,643.00
<b>Total Receipts</b>		<b>306,743,322</b>	<b>405,371,575</b>
<b>Payments</b>			
Compensation of employees	8	51,728,557	66,261,954
Board of governors expenses	9	8,090,000	6,727,190
Use of goods and services	7	78,705,933	113,530,592
Finance cost	13	11,327,053	14,156,939
Repairs and Maintenance	11	50,780,646	16,161,785
Supplier payments	19	623,276	3,351,441
Rent Arrears paid	19	-	31,765
Receivables from Non-exchange transactions	15	679,077	-
Transfer to Mentoring Institutions	20	2,981,397	18,650,860
<b>Total Payments</b>		<b>204,915,940</b>	<b>238,872,527</b>
<b>Net cash flows from operating activities</b>		<b>101,827,382</b>	<b>166,499,049</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	17	- 219,252,139	- 106,683,704
Intangible Asset	18	- 9,396,000	- 175,000
<b>Net cash flows used in investing activities</b>		<b>- 228,648,139</b>	<b>- 106,858,704</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings	24	- 21,407,237	- 18,577,351
<b>Net cash flows used in financing activities</b>		<b>- 21,407,237</b>	<b>- 18,577,351</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>- 148,227,994</b>	<b>41,062,994</b>
Cash and cash equivalents at 1 July 2020		310,164,386	269,101,393
<b>Cash and cash equivalents at 30 June 2021</b>	13	<b>161,936,393</b>	<b>310,164,386</b>

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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		Explanation of material variances
	2020-2021	2020-2021	2020-2021	2020-2021	2021-2021	2021-2021	2020-2021	2020-2021	2020-2021	2020-2021	
Revenue	Kshs		Kshs		Kshs		Kshs		Kshs		
Transfers from other Govt entities	90,000,000	-	-	-	90,000,000	-	160,357,500	70,357,500	78%	a)	
Govt grants	-	-	-	-	-	-	-	-	0%	b)	
Public contributions and donations	198,752,100	-	-	-	198,752,100	-	114,854,510	-83,897,590	-42%	c)	
Rendering of services	12,332,000	-	-	-	7,332,000	-	5,486,634	- 1,845,366	-25%	d)	
Sale of goods	8,000,000	-	-	-	8,000,000	-	8,186,906	186,906	2%	e)	
Finance Income	309,084,100	-	-	-	304,084,100	-	288,885,550	112,814,250			
<b>Total income</b>											
<b>Expenses</b>											
Compensation of employees	68,395,440	-	-	-	66,856,440	-	51,728,557	15,127,883	23%	f)	
Use of Goods and services	142,137,520	-	-	-	128,676,520	-	78,163,000	50,513,520	39%	g)	
Repairs and Maintenance	18,163,000	32,000,000	-	-	50,163,000	-	50,780,646	- 617,646	-1%		
Finance costs	32,934,290	-	-	-	32,934,290	-	32,734,290	200,000	1%		
Board of Governors Expenses	6,948,000	1,693,000	-	-	8,641,000	-	8,090,000	551,000	6%		
Contracted Services	4,000,000	-	-	-	4,000,000	-	-	4,000,000	100%	h)	
<b>Total expenditure</b>	<b>272,578,250</b>	<b>18,693,000</b>	<b>18,693,000</b>	<b>18,693,000</b>	<b>291,271,250</b>	<b>12,812,850</b>	<b>221,496,493</b>	<b>69,774,757</b>			
<b>Surplus for the period</b>	<b>36,505,850</b>	<b>- 23,693,000</b>	<b>- 23,693,000</b>	<b>- 23,693,000</b>	<b>12,812,850</b>	<b>12,812,850</b>	<b>67,389,056</b>	<b>43,039,493</b>			

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*Explanation of material variance*

- a) There is a positive variance of 78% since we have received capitation grants on time.
- c) Revenue collection improved as the capitation grants was received on time
- d) Sale of tenders reduced unlike the previous year and catering sales income went down due to prolonged closure of the Institute during lock down.
- e) The institute was able to put funds in short term deposits and earn interest
- f) The management outsourced security services, thus shifting employee costs to outsourced security service.
- g) Use of goods and services declined due to shorter term dates disrupted by covid-19 effect
- h) Contracted service for valuation of assets was not carried out

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**XVIII. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Kiambu Institute of Science and Technology is established by and derives its authority and accountability from TVET Act 2013. The Kiambu Institute of Science and Technology is wholly owned by the Government of Kenya and is domiciled in Kenya. Kiambu Institute of Science and Technology principal activity is training.

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment. 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 accounting policies.

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.

This is the first time of adoption of accrual basis of accounting. The comparative balances have been restated to accrual basis of accounting.

**3 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 Kiambu Institute of Science and Technology 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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ii) Revenue from exchange transactions**

**Rendering of services**

Kiambu Institute of Science and Technology 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.

**b) Budget information**

The original budget for FY 2020/2021 was approved by the Council or Board on 12<sup>th</sup> August 2020.

The Institute 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 VIII of these financial statements.

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Taxes**

*Current income tax*

Kiambu Institute of Science and Technology is exempt from paying taxes as a public training institution

*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.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**d) Property, plant and equipment**

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

Land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on Property, plant and equipment is recognized in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Land	-
Buildings	2.5%
Motor vehicles	25%
Furniture and Fittings	12.5%
Computer	30%
Office Equipment	12.5%

A full year depreciation charge is recognised in the year of asset purchase. Depreciation charge is not recognised in the year of disposal.

The financial report for the period under review does not reflect the value of the land on which the Institute sits on as it is yet to be valued. Valuation of the Institute assets has been initiated.

The Institute obtained land title deed for 70 acres from Board of Trustees. The rest of the land which is about 122 acres is in the custody of the Registered Trustees of KIST (Board of Trustees). The title deed for the 70 acres is in the custody of Cabinet Secretary for National Treasury.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**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

**e) Research and development costs**

Kiambu Institute of Science and Technology expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when Kiambu Institute of Science and Technology 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.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**f) 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 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:

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**f) Financial instruments (Continued)**

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

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

*Financial liabilities*

*Initial recognition and measurement*

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The 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.

**g) 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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**g) 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.

**h) 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.

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**i) Nature and purpose of reserves**

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

**j) 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.

**k) Employee benefits**

**Retirement benefit plans**

The Institute operates a defined contribution scheme, Kiambu Institute of Science and Technology Staff Retirement scheme for its employees who are on permanent employment. 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.

**l) 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.

**m) 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.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**n) 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.

**o) 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.

**p) 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 various commercial banks at the end of the financial year.

**q) Comparative figures**

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

**r) Subsequent events**

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

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Provision for Depreciation**

This caters for reduction in the value of asset with the passage of time, due to wear and tear. The Institute use reducing balance method to depreciate its assets using the applicable rates of depreciation as given in note 4(d) above

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

<b>Unconditional grants</b>		
Capitation Grants	160,357,500	126,315,000
<b>Conditional grants</b>		
Library grant	-	2,547,250
<b>Total Government grants and subsidies</b>	<b>160,357,500</b>	<b>128,862,250</b>

2 PUBLIC CONTRIBUTIONS AND DONATIONS

Graduation contribution	-	33,000
		-
<b>Total Public Contributions and Donations</b>	<b>-</b>	<b>33,000</b>

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**3 RENDERING OF SERVICES**

Tuition fees,part time courses	87,084,071	112,764,615
Activity fees	14,389,925	11,077,736
Library fees	11,415	19,750
Facilities and materials seminars food & boarding,graduation gowns	22,449,192	25,450,111
boarding fees	4,119,300	13,797,241
bakery & hospitality class sales	202,975	391,328
centre fees	547,000	751,300
certifate storage,course cancellation,lost documents	5,917	241,989
KNDI Indexing,practicum in nutrition & dietetics	-	76,650
Development levy	73,000	217,265
Eectricity water & conservancy	14,003,830	11,097,695
Equipment maintenance	52,500	209,058
Exam materials External,exam processing,passports supp exam	4,684,290	2,998,208
Generator fuel	6,800	32,156
ICT and Internet	33,000	163,922
Industrial attachment ,Medical, insurance & OJT	12,031,360	10,616,464
personal emolument	49,484,160	40,134,758
Repairs maintenance&,improvement( R.MI)	7,291,360	5,708,271
sports & games	23,100	158,330
student Id ,boarding pass	1,315,700	1,490,600
Training materials	7,384,900	12,762,861
Local Transport and Travel (LT&T)	12,885,000	10,067,749
Application Fees	750,215	549,112
Registration fees	1,929,000	2,126,620
ICDL compute log books	-	7,300
kuccps registration fee	1,456,500	2,873,847
Bursary fund	522,500	
Less allocated capitation	-127,882,500	
<b>Total Rendering of Services</b>	<b>114,854,510</b>	<b>265,784,935</b>

**4 SALE OF GOODS**

Sale of farm produce	42,899	73,495
catering sales	5,443,735	11,046,720
Kitchen waste	-	10,000
<b>Total Sale of goods</b>	<b>5,486,634</b>	<b>11,130,215</b>

**5 FINANCE INCOME**

Cash investments on short term deposits	8,186,906	9,659,691
<b>Total Finance Income</b>	<b>8,186,906</b>	<b>9,659,691</b>

Finance income is revenue realised from interest earned on 3 months fixed deposits from commercial banks.

**6 OTHER INCOME**

Income from sale of tender	78,000	368,000
Rent income	29,040	-
Income from disposal of assets, grass, empty containers	23,260	58,640

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Total other income	130,300	426,640
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 USE OF GOODS AND SERVICES

catering goods		
Baking Unit	4,583,272	12,375,351
Training expenses	729,150	565,453
Cleaning materials	9,348,527	12,097,478
peri urban farm	1,853,925	1,229,653
Security costs	197,655	239,338
internet bills	1,508,200	49,000
Knec exam materials	2,936,338	3,110,362
Library Books purchases	6,146,740	5,734,156
office Expenses	10,500	114,447
office printing and stationery	1,247,194	129,686
Sewarage bills	2,805,154	3,438,603
seminar food & boarding and staff honoraria	3,492,335	5,006,976
Electricity	863,433	16,941,663
Water	4,864,069	5,581,240
iso certification consultancy fee	2,282,266	7,745,796
Uniform	-	411,405
staff development and training	119,120	928,580
Affiliation, Membership, Subscriptions fees- CAPA, KATTI, KUCCPS	596,859	245,640
Advertising	270,270	1,342,500
Bank charges	1,372,394	944,925
Workshops and seminars	279,116	180,303
Tivet fair & Robotics	3,562,110	4,136,644
Consulting fees	141,000	1,793,485
Consumables	960,664	851,000
Performance contracting	932,420	3,587,177
Fuel and oil	5,000	500
Insurance	1,963,050	2,191,735
Student insurance	1,680,642	2,532,861
Student medical	-	148,552
Legal expenses	562,142	287,873
Licenses and permits	700,000	800,000
Hire charges transport	15,450	8,000
Rent expenses	49,500	310,240
Graduation expenses	-	12,706
Newspapers and periodicals	-	1,676,148
Gatundu TTI General expenses	538,301	498,438
LARI TTI General expenses	56,000	-
Telephone, postage and airtime	-	692,036
student clubs	997,313	626,378
Student Industrial Attachment and Assessment	-	29,500
Educational trip	804,750	1,182,000
Prayer day	-	137,367
Travelling & subsistence	-	15,180
replacement damages	8,158,367	10,176,217
Welfare expenses	-	8,400
sports and games	50,900	53,606
Student Council photocopier expenses	277,500	1,044,745
New TTIs site meeting expenses	78,500	-
covid 19 respnse expences	-	376,200
Team building activities	9,387,875	
	1,735,000	1,636,883
<b>Total use of good and services</b>	<b>78,163,000</b>	<b>113,226,425</b>

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

**8 EMPLOYEE COSTS**

Salaries and wages	47,195,437	60,764,996
Employee related costs - contributions to retirement benefit scheme	752,620	1,090,748
management allowances	3,780,500	3,824,500
staff leave travelling allowances	-	581,710
<b>Total Employee costs</b>	<b>51,728,557</b>	<b>66,261,954</b>

**9 BOARD OF GOVERNORS EXPENSES**

Chairman monthly allowance	171,600	-
Sitting Allowances	7,918,400	6,727,190
<b>Total Board of Governors Expenses</b>	<b>8,090,000</b>	<b>6,727,190</b>

**10 DEPRECIATION AND AMORTIZATION EXPENSE**

Property, plant and equipment	27,766,650	25,382,490
<b>Total depreciation and amortization</b>	<b>27,766,650</b>	<b>25,382,490</b>

**11 REPAIRS AND MAINTENANCE**

Property	47,154,539	14,348,382
Equipment and machinery	1,267,488	1,189,510
Vehicles	780,019	623,893
Ict maintenance	1,578,600	-
<b>Total Repairs and Maintenance</b>	<b>50,780,646</b>	<b>16,161,785</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 FINANCE COSTS

Interest on loans from commercial banks	11,327,053	14,156,939
<b>Total finance costs</b>	<b>11,327,053</b>	<b>14,156,939</b>

13 CASH AND CASH EQUIVALENTS

Current account Cooperative bank	420,421	763,932
Current account Kenya commercial bank	1,701,350	980,164
Housing Finance	1,050,300	1,052,700
main savings account cooperative	56,270,889	54,808,696
KCB savings	59,749,661	97,607,729
Development account cooperative	5,706,520	5,708,020
cash & cheques current	757,160	1,600
petty cash	27,410	-
Fixed deposits account	34,292,215	144,273,923
kist Nachu TTI	706,118	725,777
Kist Lari TTI	94,613	337,513
Kist Gatundu TTI	393,145	395,545
kist Limuru TTI	766,591	3,508,788
<b>Total cash and cash equivalents</b>	<b>161,936,393</b>	<b>310,164,386</b>

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

**14 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

<b>14A) CURRENT RECEIVABLES</b>		
<b>(a) Students debtors</b>		
Student debtors b/f	75,267,183	23,803,880
less receipts	-	23,803,880
Add student debtors for the year	31,564,625	75,267,183
	<b>106,831,808</b>	<b>75,267,183</b>
<b>(b) Advances</b>		
Staff Advances b/f	125,351	49,103
Add paid during the year	-	457,480
Less recovered	- 108,571	- 381,232
Staff Advances c/f	<b>16,780</b>	<b>125,351</b>
<b>(c) Motor Vehicle Deposit</b>		
Bus Deposit b/f	-	2,200,000
Trasfered to Property Plant and Equipment	-	- 2,200,000
Bus Deposit c/f	-	-
<b>(d) Other Debtors</b>		
Other debtors b/f	2,085,480	-
sundry debtors	2,656,480	-
Advance payment on staff training	-	2,085,480
Other debtors c/f	<b>4,741,960</b>	<b>2,085,480</b>
<b>Total current receivables</b>	<b>111,590,548</b>	<b>77,478,014</b>
<b>14B) NON-CURRENT RECEIVABLES</b>		
<b>(e) Board of Trustees</b>		
Riara Farm Coffee Estate -loan b/f	<b>5,205,562</b>	<b>10,767,457</b>
Less: Receipts from Riara Coffee Estate	- 4,416,826	- 5,561,895
Receivable from Riara Coffee Estate c/f	<b>788,735</b>	<b>5,205,562</b>
<b>(f) Other Non-recurrent receivables</b>		
Electricity Deposit b/f	<b>404,000</b>	<b>401,500</b>
Electricity Deposit during the year	-	2,500
Electricity Deposit c/f	<b>404,000</b>	<b>404,000</b>
Board of Trustees Account	1,993,932	1,993,932
<b>Total non-current receivables</b>	<b>3,186,667</b>	<b>7,603,494</b>
<b>Total receivables</b>	<b>114,777,215</b>	<b>85,081,507</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

<b>Current receivables</b>		
<b>Receivables from Mentoring Institutions</b>		
<b>KIST Nachu operations cost</b>		
<b>Balance b/f</b>	150,000	550,000
Expenses / Advances during the year	1,016,640	2,070,000
Less Recovered during the year	- 520,540	- 2,470,000
	<b>646,100</b>	<b>150,000</b>
<b>KIST Lari operation cost</b>		
<b>Balance b/f</b>	625,563	<b>1312912</b>
Expenses incurred on behalf during the year	1,889,000	2,095,747
Less Recovered during the year	- 2,075,098	- 2,091,060
Transfer to LARI TTI General expenses	-	- 692,036
	<b>439,465</b>	<b>625,563</b>
<b>KIST Gatundu operation cost</b>		
<b>Balance b/f</b>	903,590	573,884
Expenses incurred on behalf during the year	5,122,670	2,404,706
Less Recovered during the year	- 6,547,500	- 2,075,000
	<b>521,240</b>	<b>903,590</b>
<b>KIST Limuru operation cost</b>		
<b>Balance b/f</b>	311,000	-
Expenses incurred on behalf during the year	2,813,750	311,000
Less Recovered during the year	- 1,019,845	-
	<b>2,104,905</b>	<b>311,000</b>
<b>Total current receivables from non-exchange transactions</b>	<b>2,669,230</b>	<b>1,990,153</b>

16 INVENTORIES

central stores	389,080	-
Hospitality and Bakery stores	705,609	128,614
Clinic stores	794,509	224,504
baking department stores	290,288	-
Catering stores	632,229	574,325
<b>Total inventories at the lower of cost and net realizable value</b>	<b>2,811,714</b>	<b>927,443</b>

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

**17 PROPERTY, PLANT AND EQUIPMENT**

	Buildings		Motor vehicles		Furniture and fittings		Computers		Plant and Equipment		Capital in Progress		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost														
At 1 July 2019	62,375,064	8,670,000	27,805,412	31,589,695	156,808,475	98,296,418	385,545,064							
Additions		8,873,500	4,848,137	380,000	2,291,886	90,290,181	106,683,704							
Disposals		-	-	-	-	-	-							
Transfers/adjustments	105,969,946	2,200,000	-	-	-	105,969,946	2,200,000							
At June 2020	168,345,011	19,743,500	32,653,549	31,969,695	159,100,361	82,616,653	494,428,768							
Additions	11,587,350.00	8,530,900	2,393,670	4,829,540	12,359,692	179,550,988	219,252,139							
Disposals		-	-	-	-	-	-							
Transfer/adjustments		-	-	-	-	-	-							
At end of year - June 2021	179,932,361	28,274,400	35,047,219	36,799,235	171,460,053	262,167,640	713,680,907							
Depreciation and impairment														
At 1 July 2019	11,651,420	8,183,264	15,637,609	28,370,726	36,153,101	-	99,996,120							
Depreciation	3,917,340	2,890,059	2,126,992	1,079,691	15,368,407	-	25,382,490							
On Disposals		-	-	-	-	-	-							
Impairment		-	-	-	-	-	-							
At 30 June 2020	15,568,760	11,073,323	17,764,602	29,450,417	51,521,509	-	125,378,609							
Depreciation for the year 2021	4,109,090	4,300,269	2,160,327	2,204,646	14,992,318	-	27,766,650							
On Disposals		-	-	-	-	-	-							
Impairment		-	-	-	-	-	-							
Transfer/adjustment		-	-	-	-	-	-							
At 30 June 2021	19,677,850	15,373,592	19,924,929	31,655,062	66,513,827	-	153,009,620							
Net book values														
At 30 June 2021	160,254,511	12,900,808	15,122,290	5,144,173	104,946,226	262,167,640	560,535,648							
At 30 June 2020	152,776,251	8,670,177	14,888,947	2,519,278	107,578,852	82,616,653	369,050,159							

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 NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 INTANGIBLE ASSETS-SOFTWARE

At beginning of the year	500,000	325,000
Additions	9,396,000	175,000
<b>Cost end of the year</b>	<b>9,896,000</b>	<b>500,000</b>
<b>Amortization and impairment</b>		
At beginning of the year	-	-
Amortization	-	-
<b>Amortization at end of the year</b>		
Less :Impairment loss	-	-
<b>At end of the year</b>		
<b>NBV</b>	<b>9,896,000</b>	<b>500,000</b>

19 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables b/f	623,276	623,276
Trade payables for the year	1,341,337	623,276
Trade payables b/f paid during the year	1,964,613	1,246,552
	- 623,276	- 623,276
<b>Total trade payables</b>	<b>1,341,337</b>	<b>623,276</b>
Riara Estate-house rent arrears b/f		31,765
Rent Arrears paid during the year	-	- 31,765
Riara Estate-house rent arrears c/f	-	-
<b>Total trade and other payables</b>	<b>1,341,337</b>	<b>623,276</b>

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

**20 TRANSFER TO OTHER INSTITUTIONS**

<b>New TTIs Project Funds:</b>			
<b>(a) Nachu TTI</b>			
KIST Nachu TTI b/f	776,128		776,128
less payments	-		-
less Bank charges	-		-
kist Nachu TTI c/f	<b>776,128</b>		<b>776,128</b>
<b>(b) Lari TTI</b>			
KIST Lari TTI b/f	342,598		2,065,899
Add receipts	-		-
less payments	-	241,000	-
less Bank charges	-		-
Kist Lari TTI c/f	<b>101,598</b>		<b>342,598</b>
<b>(c) Gatundu South TTI</b>			
KIST Gatundu TTI b/f	396,025		396,025
add receipts	-		-
less payments	-		-
less Bank charges	-		-
Kist Gatundu TTI c/f	<b>396,025</b>		<b>396,025</b>
<b>(d) Limuru TTI</b>			
KIST Limuru TTI b/f	3,511,788		17,439,346
Add receipts	-		-
less payments	-	2,740,397	-
less Bank charges	-		-
kist Limuru TTI c/f	<b>771,391</b>		<b>3,511,788</b>
<b>(e) New TVCs Operational grants:</b>			
<b>Balance b/f</b>	-		3,000,000
kist Nachu TTI	-		-
Kist Lari TTI	-		-
Kist Gatundu TTI	-		-
kist limuru operational	-		-
Operational grants transferred to mentoring TTIs	-	-	3,000,000
	-		-
<b>Total Transfer to other Institutions</b>	<b>2,045,142</b>		<b>5,026,539</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

<b>(a) Caution Money</b>			
Caution money b/f			
add receipts	8,251,957		7,235,452
less payments	1,903,000		2,133,505
Caution money c/f	-	27,500	-
	<b>10,127,457</b>		<b>8,251,957</b>
<b>(b) Student Council</b>			
student council b/f			
Add receipts	3,323,832		2,400,198
Less payments	4,449,409		3,083,804
student council c/f	-	1,219,210	-
	<b>6,554,031</b>		<b>3,323,832</b>
<b>(c) Examination Fees</b>			
Examination fee b/f			
add receipts	28,448,090		4,153,721
less payments	35,188,090		35,808,749
Balance c/f	-	38,837,030	-
	<b>24,799,150</b>		<b>28,448,090</b>
<b>(d) Graduation gown deposit</b>			
Receipt during the year			
less payment			439,500
Balance c/f		-	439,500
		-	-
<b>(e) Un allocated funds</b>			
National youth service			
higher education loan board	11,561,800		-
	41,400		-
	<b>11,603,200</b>		-
<b>Total deposits</b>	<b>53,083,838</b>		<b>40,023,879</b>

22 DEFERRED INCOME

Library construction grants	7,959,952	15,633,480
Transfer to capital fund	-	7,673,528
<b>Total Deferred Income</b>	<b>7,959,952</b>	<b>7,959,952</b>

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

**23 PAYMENTS RECEIVED IN ADVANCE**

Student Fees	49,630,305	15,267,084
	<b>49,630,305</b>	<b>15,267,084</b>

**24 BORROWINGS**

Balance at beginning of the period	97,470,593	116,047,944
Repayments of domestics borrowings during the period	21,407,237	18,577,351
Balance at end of the period	<b>76,063,356</b>	<b>97,470,593</b>

**24 a) ANALYSIS OF EXTERNAL AND DOMESTIC BORROWINGS**

	2020-2021	2019-2020
	KShs	KShs
<b>Domestic Borrowings</b>		
Kenya Shilling loan from Cooperative Bank	76,063,356	97,470,593
<b>Total balance at end of the year</b>	<b>76,063,356</b>	<b>97,470,593</b>

**24 b) BREAKDOWN OF LONG AND SHORT TERM BORROWINGS**

Description	2020-2021	2019-2020
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	76,063,356	97,470,593
<b>Total</b>	<b>76,063,356</b>	<b>97,470,593</b>

Loan facility is payable over forty five (45) termly instalments of Kshs. 10,911,430 which is inclusive of interest and principal repayment.

The interest rate applicable is 14% p.a.

The loan security is the fixed and floating debenture over the assets of KIST for an amount of Ksh. 158,000,000.00 equivalent to principal amount borrowed on June 2014.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 Reconciliation of Cash flow Items

Rendering of services	3	114,854,509	276,831,655
Less Fees paid in advance in previous year	23	- 15,267,084	- 4,407,754
Less Sundry debtors during the year	14(d)	- 2,656,480	-
Less Fees Student debtors during the year	14(a)	- 31,564,625	- 75,267,183
<b>Cash Inflow</b>		<b>65,366,321</b>	<b>197,156,718</b>

Use of goods and services	7	78,163,000	113,226,425
Less Accrued Expenses as at 30th June	19	- 1,341,337	- 623,276
Less Accrued Rent as at 30th June	19	-	-
Less Inventories at the beginning of the year	16	- 927,443	-
Add Inventories at the close of the year	16	2,811,714	927,443
<b>Cash outflow</b>		<b>78,705,933</b>	<b>113,530,592</b>

Receivables from Exchange Transactions	14		
Receipts from Student debtors		-	23,803,880
Riara Farm Coffee Estate loan payment		4,416,826	5,561,895
Advance payment for staff training		-	- 2,085,480.00
Advance payment for deposit of the bus		-	-
Advances paid		-	- 457,480
Advances recovered		108,571	381,232
Rent deposit paid		-	- 2,500
Advances for meals to students sponsored by the Ministry		-	-
<b>Cash Inflow from Exchange Transactions</b>		<b>4,525,397</b>	<b>27,201,547</b>

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

**26 FINANCIAL RISK MANAGEMENT**

The Institute activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The 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 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 company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Institute 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 2021</b>				
Receivables from exchange transactions	111,682,339	111,682,339	-	-
Receivables from non-exchange transactions	2,669,230	2,669,230	-	-
Bank balances	164,676,790	164,676,790		
<b>Total</b>	<b>279,028,359</b>	<b>279,028,359</b>	-	-
<b>At 30 June 2020</b>				
Receivables from exchange transactions	77,478,014	77,478,014	-	-
Receivables from non-exchange transactions	1,990,153	1,990,153	-	-
Bank balances	310,164,386	310,164,386		
<b>Total</b>	<b>389,632,553</b>	<b>389,632,553</b>	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

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

The Institute has significant concentration of credit risk on amounts due from student debtors.

The Board of Governors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Institute Board, who has built an appropriate liquidity risk management framework for the management of the Institute 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 2021</b>				
Trade payables	-	1,341,337	-	1,341,337
Current portion of borrowings		10,911,430	-	10,911,430
Provisions	-	-	-	-
Deferred income	-	-	7,959,952	7,959,952
Employee benefit obligation	-	-	-	-
<b>Total</b>		<b>12,252,767</b>	<b>7,959,952</b>	<b>7,959,952</b>
<b>At 30 June 2020</b>				
Trade payables	-	623,276	-	623,276
Current portion of borrowings		10,911,430	-	10,911,430
Provisions	-	-	-	-
Deferred income	-	-	7,959,952	7,959,952
Employee benefit obligation	-	-	-	-
<b>Total</b>		<b>11,534,706</b>	<b>7,959,952</b>	<b>19,494,658</b>

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

**27. FINANCIAL RISK MANAGEMENT (Continued)**

**(iii) Market risk**

The Board is in the process of establishing 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 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 company'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 exposure to market risks or the manner in which it manages and measures the risk.

**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 foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

a) Interest rate risk

Interest rate risk is the risk that the Institute 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 institutions that offer favourable interest rates.

b) Interest rate risk(continued)

*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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 96,597 (2019: KShs 39,585). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 482,985 (2019 – KShs 197,923)

iv) Capital Risk Management

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

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	500,992,079	439,696,497
Capital reserve	161,645,829	161,645,829
<b>Total funds</b>	<b>662,637,908</b>	<b>601,342,325</b>
Total borrowings	76,063,356	97,470,593
Less: cash and bank balances	( 164,676,790 )	( 310,164,386 )
Net debt/(excess cash and cash equivalents)	(88,613,434)	(212,693,793)
<b>Gearing</b>	<b>11.47%</b>	<b>16.21%</b>

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

**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.

The Institute related parties include:

- i) The National Government;
- ii) Ministry of Education;
- iii) KIST Board of Trustees
- iv) Key management;
- v) Board of Governors;

	2020-2021	2019-2020
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of goods (farm produce) to Staff	42,899	83,495
<b>Total</b>	<b>42,899</b>	<b>83,495</b>
<b>b) Grants from the Government</b>		
Grants from National Govt.	118,657,500	128,862,250
<b>Total</b>	<b>118,657,500</b>	<b>128,862,250</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for 110 (2020 205) employees	47,948,057	62,437,454
Extraneous allowances for 44 (2020, 40) management staff	3,780,500	3,824,500
<b>Total</b>	<b>51,728,557</b>	<b>66,261,954</b>
<b>d) Key management compensation</b>		
Board sitting allowance	8,090,000	6,727,190
<b>Total</b>	<b>8,090,000</b>	<b>6,727,190</b>

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

**28 CAPITAL COMMITMENTS**

<b>Capital commitments</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Water borehole	-	3,450,000
Generator	-	7,151,511
Construction of tuition block, Phase 2	25,000,000	175,500,000
<b>Total</b>	<b>25,000,000</b>	<b>186,101,511</b>

**29 EVENTS AFTER THE REPORTING PERIOD**

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

**30 ULTIMATE AND HOLDING KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY**

The Kiambu Institute of Science and Technology is a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

**31 Currency**

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

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

The Auditor General’s final audit report has not been received. The summary of issues which will have been raised by the external auditor, and management comments provided to the auditor will be captured in the table below when finalising and signing the final audited financial statements.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status (Resolved / Not Resolved)	Timeframe (If a date when you expect the issue to be resolved)

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

  
 Sammy K. Waititu

Principal

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**APPENDIX II: PROJECTS IMPLEMENTED BY KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY**

**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)
Library and ICT Resource Centre	1	GOK				Yes

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Library and ICT Resource Centre	200,000,000	114,864,289	80%			GOK
2							
3							

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**APPENDIX III: INTER-ENTITY TRANSFERS**


ENTITY NAME		KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY		
<b>Break down of transfers from the State Department of Vocational and Technical Training</b>				
<b>FY 2020/2021</b>				
<b>a</b>	<b>Recurrent Grants</b>	<b>Bank statement Date</b>	<b>Amount (Kshs)</b>	<b>FY</b>
	KIST capitation	06/11/2020	28,537,500.00	2020/2021
	KIST Capitation	02/07/2020	41,700,000.00	2020/2021
	Limuru TVC recurrent	09/11/2020	500,000.00	2020/2021
	Lari TVC recurrent	09/11/2020	500,000.00	2020/2021
	Gatundu South TVC recurrent	30/10/2020	500,000.00	2020/2021
	Lari TVC Capitation	09/11/2020	45,000.00	2020/2021
	Gatundu South TVC capitation	6/11/2020	1,275,000.00	2020/2021
	KIST capitation	2/12/2020	28,537,500.00	2020/2021
	Limuru TVC recurrent	22/02/2021	500,000.00	2020/2021
	Lari TVC recurrent	22/02/2021	500,000.00	2020/2021
	Gatundu South TVC recurrent	10/2/2021	500,000.00	2020/2021
	Lari TVC Capitation	12/02/2021	45,000.00	2020/2021
	Gatundu South TVC capitation	02/12/2021	1,275,000.00	2020/2021
	KIST capitation	31/03/2021	34,845,000.00	2020/2021
	Limuru TVC recurrent	30/03/2021	500,000.00	2020/2021
	Lari TVC recurrent	30/03/2021	500,000.00	2020/2021
	Gatundu South TVC recurrent	30/03/2021	500,000.00	2020/2021
	Lari TVC Capitation	30/03/2021	45,000.00	2020/2021
	Gatundu South TVC capitation	30/03/2021	1,012,500.00	2020/2021
	KIST capitation	30/06/2021	26,737,500.00	2020/2021
	Limuru TVC recurrent	05/07/2021	500,000.00	2020/2021
	Lari TVC recurrent	05/07/2021	500,000.00	2020/2021
	Lari TVC Capitation	30/06/2021	97,500.00	2020/2021
	Gatundu South TVC capitation	30/06/2021	1,447,500.00	2020/2021
		<b>Total</b>	<b>171,100,000.00</b>	
<b>b</b>	<b>Development Grants</b>	The Institute didn't receive any development grants		
<b>c</b>	<b>Donor receipts</b>	The Institute didn't receive any donor funding		

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

Finance Manager  
 Kiambu Institute of Science and Technology

Head of Accounting Unit  
 Ministry of Education

Sign



Sign-----