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REPORT BY:	MAJORITY WHIP HON. E. WANGE
CLERK-AT THE-TABLE:	SAMUEL KALAMA.

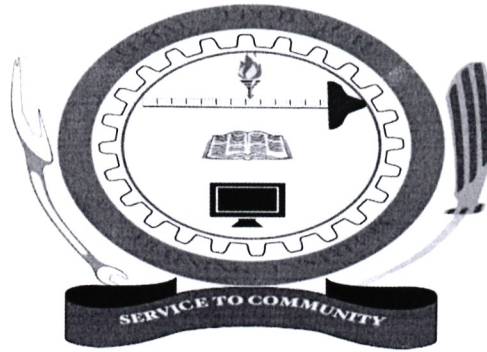
OF

THE AUDITOR-GENERAL

ON

ALDAI TECHNICAL TRAINING INSTITUTE

FOR THE YEAR ENDED  
30 JUNE, 2020



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# ALDAI TECHNICAL TRAINING INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
30 JUNE 2020

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

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## **I. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

The Aldai Technical Training Institute was established as a public institute under the provisions of the Education Act (Cap 211). The vision, mission and objectives have been developed in line with the prevailing external and internal conditions which will guide its growth and development. In response to the dynamic society, the Institute is addressing the goals and objectives as expressed in TVET Act 2013, the goals enshrined in the Kenya Vision 2030, MTP II, MDGs, Ministry's Sessional papers and issues contained in the Kenya constitution.

Emerging opportunities and challenges require continuous planning and reviewing by the Institute in order to enhance performance, customer focus and optimal service delivery, strengthening corporate image and social responsibility. The plan therefore articulates the Institute's position within the contemporary trends in TVET education system, emerging issues and challenges, carries out situational analysis, outline strategic issues and activities, reviews the institutional action plans, make projection while assessing financial resources and puts in place strategies and mechanisms for implementation, monitoring and evaluation.

### **(b) Principal Activities**

The principal activity of Aldai Technical Training Institute is to train

#### **Vision**

To be a centre of Excellence in Innovation, provision of skills and competence.

#### **Mission**

To provide diversified Vocational, Technical and Industrial skills relevant to the market needs for self-reliance and sustainable development.

#### **Core Values**

The Aldai Technical Institute is an integral part of the society and endeavours to exhibit high social and professional standards. Core Values are the fundamental values or ideals at the heart of Aldai Technical Institute that lay the foundation on which the Institute operates. Core values shape the culture and define the character of Aldai Technical Institute.

The staff will conduct their duties in accordance with the Public Service Code of conduct and Ethics and endeavour to project a supportive corporate culture among its members.

We have identified and selected core values that shall remain points for observance by the ATTI fraternity and will be the principles guiding the behaviour of all stakeholders in conducting the Institute business.

Guided by our vision and mission we shall uphold the following values at all times. These core values are:

- Integrity
- Quality

- Accountability
- Professionalism
- Commitment
- Leadership
- Diversity

**(c) Key Management**

Aldai TTI day to day management is under the following organs

- Board of Governors
- Principal as the accounting officer

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

Name of the Committee	Members
Finance and General Administration	1. Eng. Geoffrey Chepkwony –chairperson 2. Mr Kutoh Mike –member 3. The Mrs Cheramboss Hellen -member
Education, Training, Research, Audit and risk management	1. Mr Kemei Josphat -chairperson 2. Mrs Ony’ayo Priscilla –member 3. Mr Mwangi Festus –member 4. Mr Mutulili Gichuru -member

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

**(e) Entity Headquarters**

P.O. Box 149-30305  
KOBUJOI, KENYA

**(f) Entity Contacts**

Telephone :( 254) 700746828  
E-mail: [aldaitti@gmail.com](mailto:aldaitti@gmail.com)  
Website: [www.aldaitti.ac.ke](http://www.aldaitti.ac.ke)

**(g) Entity Bankers**

1. Kenya Commercial Bank  
P.O Box 164-30300  
Kapsabet, Kenya
2. Kenya Commercial Bank  
P.O Box 122-50308  
Serem Kenya

**(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

**II. BOARD OF GOVERNORS**



**Qualification:** PhD Educational Administration (Moi University), Masters degree in Education Administration and Planning (University of Eastern Africa-Baraton), Bachelor of Education (Science) Egerton University and National Senior Management Course in Education Management at Kenya Education Management Institute.

**Experience:** B.O.G Aldai technical, part time lecturer at Moi University, former Principal Kapkures secondary school and Meteitei boys, once a Treasurer Nandi South Sec Heads Association, educational research consultant in Smai Company limited

**DR SAMMY CHUMBA**

Date of birth: 24/10/1971

**CHAIRPERSON**



**Qualification:** Bachelors of Education Art, retired chief principal and head the industry committee

**LAY CANON HELLEN CHERAMBOSS**

Date of birth: 24/8/1952

**VICE CHAIRPERSON**



Bachelors of Education Science (Egerton University), has been Head of Department, Registrar and Deputy Principal RVTTI and Teacher at Kipsigis Girls

**MRS LOICE KUTOH YATOR**

Date of birth: 10/11/1967

**PRINCIPAL/ B.O.G SECRETARY**



**Qualification:** MBA in strategic management from KEMU, Bachelors of science in mechanical Engineering (Nairobi University), and work as factory unit manager at Chebut Tea Factory up to date he heads the engineering committee

**MR GEOFFREY CHEPKWONY**

Date of birth: 31/8/1974

**MEMBER**



**Qualification:** PhD in Business Management (on going Moi University), MBA strategic management and marketing (Moi University), Bachelors of Commerce Business Administration (University of Nairobi)

**Experience:** trained /consultant highland international management and consultant services limited and sales manager Rift valley bottlers and heads financial management committee

**MR KUTOH MIKE**

Date of birth: 2/6/1970

**MEMBER**



**Qualification:** Masters in computer application (KU) higher diploma in computer application and diploma in business management

**Experience:** ICT administrator Rift valley bottlers and heads ICT committee

**MR MWANGI FESTUS**

Date of birth: 4/10/1967

**MEMBER**



**Qualification:** MBA (Human Resource Management), MA (Sociology), BA in social science, Diploma in Human Resource Management. Head of Human Resource West Pokot, chief human resource officer city Council of Nairobi, chief administrative officer Nairobi, Principal Human Resource Officer Nairobi

**MR KEMEI JOSPHAT**

Date of birth: 22/12/1977

**MEMBER**



**Qualification:** Bachelor of laws (LL.B Hons) Moi University, Post graduate diploma in law (Kenya school of law). Senior magistrate Vihiga Law Courts, practicing advocate 2007-2010.

**MR WILLY CHERUIYOT**




Date of birth: 06/06/1977

**MEMBER/NANDI COUNTY GOVT. REPRESENTATIVE**



**MR MUTULILI GICHURU**  
**COUNTY DIRECTOR TVET/MEMBER**

**III. MANAGEMENT TEAM**

Name of the Staff		Responsibility
<b>MRS LOICE KUTOH YATOR</b> B.ED SCIENCE		<b>Principal</b>
<b>PETER SAGGAS</b> CPA PART 2		<b>Accountant</b>
<b>DANCAN KOECH</b> Diploma in Purchasing and Supply Chain Management		<b>Procurement Officer</b>

**IV. CHAIRMAN'S STATEMENT**

The Government through the Ministry of Education has continuously supported the institution in many ways and has lifted the institution to a higher level. In this regard, on behalf of the Board I sincerely convey our appreciation.

During the Financial Year Public Service employed a good number of trainers who have helped in improving services delivery and on the other hand reduced wage bill which could have gone up as the institution is in rapid growth stage. On the other hand, human resource has remained big challenge for as much as Public Service has employed the trainers, we still have shortage.

Earlier in the year, the Ministry disbursed part of the Development grant balance which enabled the Board to proceed with the One Storied 8 No. Classroom project which had stalled. In its completion the institution will ease strain in facilities with the additional 8 classrooms.

On behalf of the Board I wish to appreciate the Ministry and AfDB as Phase II project is currently on completion level and that the facility had been set to be commissioned in May 2020 but affected by the Spread of Covid -19 Pandemic. The project was partially utilized as from January 2020, awaiting the hand over and official opening.

Despite the achievements, the Board had challenges during the Year. The biggest challenge includes rugged terrain of our land, students' hostels, staff quarters and college bus. Late disbursement also has affected us a lot since programs are suspended due to uncertainty of disbursement.

The Institution has challenges in accessibility due to poor road network. The institution has also led to growth of the adjacent shopping center and also her growth whereas the power distributor KPLC has not considered the same this has led to frequent power outages. Likewise to internet connectivity due to remoteness of the area.

The Board is thinking of seeking alternative sources of funds including and not limited to tea and coffee farming, dairy farming and block production to cushion the institution during delay of disbursement.

Signed: .....  
Dr. Sammy K. Chumba

**V. REPORT OF THE PRINCIPAL**

**Training**

We have a good number of equipment in our institution in soil testing, survey, building and civil engineering, ICT and electrical engineering giving thanks to the government for the support. In order to expand our scope of training, we urge the government to consider giving us more especially on agricultural engineering. We appreciate the construction of phase II which is nearing completion and looking forward to the launch of phase III. With the implementation of competence based curriculum, cost of material for practical are on higher side making hard for a young institution like ours to carry out their practical. We have 33 courses ranging from diploma, certificate and artisan level taking period of 1 year for artisan, 2 years for craft certificate and 3 years for diploma

During the Financial Year Public Service employed a good number of trainers whom helped in improving services delivery and on the other hand reduced wage bill which could have gone up as the institution has grown.

Earlier in the year, the Ministry disbursed Sh. 1,528,350 which is part of Development grant balance which enabled the Board to proceed with the One Storied 8 No. Classroom project which had stalled. In its completion the institution will ease strain in facilities with the additional 8 classrooms.

On behalf of the institute I wish to appreciate the Ministry and AfDB as Phase II project is currently on defective stage and that the facility had been set to commissioned on May 2020 but affected by the Spread of Covid -19 Pandemic. The project was partially utilized as from January 2020, awaiting the hand over and official opening.

On the other hand, the institution had challenges during the Year. The biggest challenge includes land topology, students' hostels, staff quarters and college bus. Late disbursement also has affected as a lot of programmes are suspended due to uncertainty of disbursement.

The Board is thinking of seeking alternative sources of funds including and not limited to tea and coffee farming, dairy and block production to caution the institution during delay of disbursement.

**Challenges;**

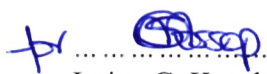
The Institution has challenges in accessibility due to poor road, network the institution has also led to growth of the adjacent shopping centre and also her growth whereas the power distributor KPLC has not considered the same this has led to frequency power outages. Likewise, to internet connectivity due to remoteness of the area.

Human resource is also a big challenge for as much as Public Service has employed teaching staff the number is still low as the institution is in the rapid growth stage.

**Future outlook**

Our institution had six and during the financial year, additional eighteen were recruited totalling to twenty four PSC and twenty two BOG trainers, the population of BOG trainers constrain the institution financially, the government to consider deployment of more trainers both technical and business categories as they both move hand in hand.

The government should also ensure that operational and development grants continues to ensure that all the stalled projects are completed to ensure smooth running of the learning process the fund should also be enhanced as there is anticipated increase in the number of trainees in the institution.

  
.....  
Loice C. Kutoh (Mrs)

**Aldai Technical Training Institute**  
**Annual Report for the year ended 30 June 2020**

**VI. REVIEW OF ALDAI TECHNICAL TRAINING INSTITUTE 'S PERFORMANCE FOR FY 2019/2020**

Aldai technical training institute has eighteen strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

- Pillar 1: Infrastructure
- Pillar 2: Information communication Technology
- Pillar 3: Quality Assurance
- Pillar 4: Gender & Disability Mainstreaming
- Pillar 5: Community Service
- Pillar 6: Human resource management
- Pillar 7: Teachers Welfare
- Pillar 8: Support staff Welfare
- Pillar 9: Students welfare
- Pillar 10: Energy
- Pillar 11: Water
- Pillar 12: Income Generating Activity& Resource mobilization
- Pillar 13: Transport
- Pillar 14: Security
- Pillar 15: Storage
- Pillar 16: Environment
- Pillar 17: Sports
- Pillar 18: Image of the Institution

Aldai T.T.I develops its annual work plans based on the above 18 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The institution achieved its performance targets set for the FY 2019/2020 period for its 16 strategic pillars, as indicated in the diagram below:

Strategic Issues	Objectives	Strategies/ Actions	Target Output	Performance Indicator	Achievements
<b>Infrastructure</b>	To upgrade facilities so as to correspond to standards of training required and expansion in enrolment	Repair and maintenance	Well refurbished facilities	Developed Functional program	Recurrent
		Construction of Electrical/ICT complex	Well refurbished Lab facilities and Classes	Practical classes and Lecture rooms	Completed on defect stage
		Construct Hostels	Increase student enrolment	More student enrolment	Not done
		Build modernized kitchen & Dining Hall	Increase student enrolment	More student enrolment in all courses	Not done

**Aldai Technical Training Institute**  
**Annual Report For The Year Ended 30 June 2020**

<b>Information Technology</b>	To ensure digitalization of modern information communication technology	Train the staff with up to date modern technology	Easy and fast adoption of adopted technology by the staff	Improved efficiency in using the technology	MIS supplier identification initiated Bulk SMS used, needs improvement
<b>Quality Assurance</b>	To ensure quality adherence	Adopt performance contracting (PC) standards	Quality improvement	PC guidelines & standards implemented	
<b>Community Service</b>	To be socially responsible to the community well being Provide one water point for the community	Promote and participate in community programs/ projects	Enhance community relationship	Operational funded projects in the community by the Institute	Some community members supplied with water as per application Potholes on the feeder road occasionally filled
<b>Human Resource Management</b>	To formulate policies and practices that promotes effective and efficient performance	Conduct job evaluations	Proper staff placement and training needs identification	Approved job evaluation reports	
		Conduct internal staff appraisal	Identification of staff job related needs.	Appraisal reports	
		Timely replacement of vacant position	To ensure continuous smooth flow of work.	New recruitment list/appointment letters.	
		Provide incentives to performing teachers	Enhance teachers moral/motivation	List of incentives given out.	
<b>Teachers Welfare</b>	To promote growth and development of teachers well-being	Support teachers' training capacity.	Enhanced teaching capacity	Training programs done or attended	
		Provide Protective equipment's to the support staff	Enhanced employee safety	Protective equipment bought and issued	
<b>Support staff Welfare</b>	To promote growth and development of	Organize tours for the support staff	Enhanced moral of the workers	Number of tours organized and attended	

**Aldai Technical Training Institute**  
**Annual Report For The Year Ended 30 June 2020**

	support staff well-being working in the in the institution	Provide uniforms to the support staffs	Neatness and easy identification	Uniforms purchased	Uniforms provided
<b>Students welfare</b>		Establish welfare policy in the institution	Provision of balanced diet and boarding facilities -Assisting students during bereavements	Maintain balanced diet, student organization and leadership	Social contribution provided for in the budget. Students union constitution adopted
<b>Energy</b>	To ensure efficient use of renewable energy	Plant more trees for future supply of firewood	Constant own supply of firewood	Institute tree plantations	500 seedlings planted
		Use energy saving bulbs and equipment	Reduced cost of energy	All-round Installed energy savers	
		Harvest rain water	Continuous supply of water to all points required	Availability of water	
<b>Water</b>	To ensure adequate supply and efficient usage of clean and safe water	Erect water tanks at different sections	Adequate Storage of water	Water tanks installed	
<b>Income Generating Activity &amp; Resource mobilization</b>	To provide sustain-nable projects for the institutions' growth	Host exhibitions	Attract more students, programs and trainings.	Number of exhibitions held	
		Hire out institute's infrastructure to the community activities	Increased income	Hire out records (receipts/accounting records)	
		Sale of milk	Enhanced income generation	Sales income	
		Institute fees	Collection of tuition fees	Fees collection & bursary awards & HELB loan award	
		Central Government Funding	Collection of Grants and Capitation	Receipts of Grants, capitation, HELB loan and CDF funding	
		Constituency Development	Funding of projects by CDF	Receipts of CDF funding for projects	

**Aldai Technical Training Institute**  
**Annual Report For The Year Ended 30 June 2020**

		Fund (CDF)	and student sponsorship	and student tuition sponsorship	
		Development partners	Partnership with funding organization eg, African Development Bank(ADB) Writing of funding proposals	Receipts of funding of partnership by partnership organization eg, ADB.	
<b>Transport</b>	To provide effective and efficient mobility in the institution	Continuous review of transport need	Identification of arising needs	Transport needs' report.	
		Develop replacement and management policy	Effective and efficient transport management	Maintenance policy document	
		Build car park and bus park	Good and orderly safe parking	Good parking site	
<b>Security</b>	To ensure there is adequate protection of property and the stakeholders within the institution	Employ more security guards	Safety and protection of property and individuals.	Increased number of security personnel	
		Train the staff and students on first aid and firefighting/ Disaster preparedness	Enhanced disaster management within the institution	Number of trainings done	
<b>Environment</b>	To provide an ecofriendly environment for posterity	Plant ornamental trees near the administration block	Enhanced beautification	Number of planted trees	500 seedlings planted
<b>Sports</b>	To promote sporting activities and ensure realization of talents	Introduce new sports	Increased co – curricular activities	No of new sports introduced	Rugby and basketball introduced
		Construct a football pitch	Improved sporting facilities	Constructed pitch	Not done
<b>Image of the Institution</b>	To brand the institution for its uniqueness	Renovate and paint the institution Advertise the	Enhance institutes' face lift Reach out for more students	Well renovated structures	
		Advertise the Institution in the media	joining the institution	Number of advertisements aired	

***Aldai Technical Training Institute  
Annual Report For The Year Ended 30 June 2020***

		Publish brochures and magazines for the Institution	Reach out for more students joining the institution	brochures and magazines published	
		Lay pavements leading to the gate and the entire institution	Beautification of the institution	Well done pavements	

## **VII. CORPORATE GOVERNANCE STATEMENT**

In the Financial Year 2019/20, the Board held 3 Full BOG meetings where all members attended except one Mrs Ong'ayo Priscilla who missed all the meetings. Four BOG committee meetings were also held. All committee members attended their respective meetings.

The Board of Governors are appointed to serve on a three-year term only renewable to two members for continuity through the following processes;

A member who misses three consecutive BOG meetings is automatically discontinued and removed from the Board. BOG members are entitled to sitting allowance of Ksh.10,000 per member, Ksh.15,000 for BOG chairperson and committee chairpersons (during committee meetings) who get and 12,000 respectively.

The Board is in place to perform the following functions;

- (a) Overseeing the conduct of education and training in the institutions in accordance with the provision of this Act and any other written law
- (b) Promoting and maintaining standards, quality and relevance in education and training in the institution in accordance with this and any other written law
- (c) Administering and managing the property of the institution.
- (d) Developing and implementing the institutions' strategic plan
- (e) Preparing annual estimates of revenue and expenditure for the institution and incurring expenditure on behalf of the institution.
- (f) Mobilizing resources for the institution
- (g) Determining the fees payable and prescribing conditions under which fees may be remitted in part or part or in whole in accordance with the guidelines developed under the provisions of this Act

## **VIII. MANAGEMENT DISCUSSION AND ANALYSIS**

During the Financial Year 2019/20 the institution operated smoothly despite some challenges. The year began well and we managed to collect Ksh.37,713,083 from fees, capitation grants of Ksh.12,840,000 and Development grants of Ksh. 1,528,350.

On the other hand, disbursement of funds delayed to 2019/2020 Financial year hence hindering the activities. The introduction of capitation and delayed HELB and NYS disbursement led to delay in meeting obligations as salary payments delayed and pending bills stands at Ksh.5,533,883

**IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Aldai T.T.I 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 and improving operational excellence. Below is a brief highlight of our achievements in each pillar

**1. Sustainability strategy and profile -**

In an effort to reduce cost the institution planted kales in college farm to be supplied to boarding section. The institution is also looking forward to production of milk, building blocks, tea and coffee to mitigate on financial constrains in future.

**2. Environmental performance**

Aldai T.T.I is keen on the environmental issues. In this financial year alone we have planted five hundred indigenous trees and fifty avocado trees in our compound

**3. Employee welfare**

The institution is keen on improving welfare of its staff. A scheme of service development has been initiated this financial year and the board is committed to seeing through to completion soonest. On the other hand the board has always been keen on provision of protective gear and other working environment key requirements during the budget preparation period.

**4. Market place practices-**

The institution held awareness and sensitisation meeting with its potential partners on available opportunities prior to advertisement of tenders for the financial year

**5. Community Engagements-**

The institute has encouraged community involvement in the growth and impact of its existence through partnering with them in provision of accommodation facilities for students admitted as boarders. Natural spring has been secured by the institution to provide safe and clean water to the community.

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

The Board members submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the institute's affairs.

**Principal activities**

The principal activities of Aldai technical training institute has continued to be imparting knowledge to trainees (Training)

**Results**

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

**BOARD OF GOVERNORS**

The members of the Board who served during the year are shown on page v-vii. During the year Mr. Justus H. K. Kosgei retired as Chief Principal and B.O.G secretary in September 2019 and Mrs Loice J. Kutoh Yator took over as principal and secretary to the board.

**Auditors**

The Auditor General is responsible for the statutory audit of Aldai Technical Training Institute in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act for the period ended June 30, 2019.

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

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

The board members are responsible for the preparation and presentation of the Aldai technical training institute financial statements, which give a true and fair view of the state of affairs of the institute for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the institute (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for the institutes financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the TVET Act. The Board of Governors members are of the opinion that the institute's financial statements give a true and fair view of the state of institute transactions during the financial year ended June 30, 2020, and of the institute's financial position as at that date. The board members further confirm the completeness of the accounting records maintained for the institute which have been relied upon in the preparation of the institute's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

Aldai Technical Training Institute financial statements were approved by the Board on 2<sup>nd</sup> October 2020 and signed on its behalf by:

.....  

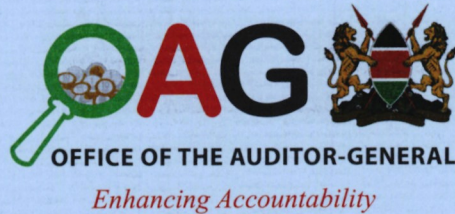

Chairperson of the Board

.....  


Accounting officer/Principal

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## REPORT OF THE AUDITOR-GENERAL ON ALDAI TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of Aldai Technical Training Institute set out on pages 1 to 42, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows, and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Aldai Technical Training Institute as 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act, 2013.

#### Basis for Adverse Opinion

##### 1.0 Presentation of the Financial Statements

The financial statements do not include appendices, progress on follow up of auditor recommendations, projects implemented by the entity, inter-entity transfers and recording of transfers from other government entities as required by the Public Sector Accounting Standards Board (PSASB). Inconsistencies were also noted between the Notes referenced in the financial statements and the information contained in the Notes. Further, transactions with related parties including the Ministry of Education, key management and Board of Directors have not been disclosed in Note 46 to the financial statements. In addition, the ICPAK membership number of the accountant who prepared the financial statements has not been provided.

Consequently, the financial statements do not comply with the financial reporting guidelines issued by the PSASB pursuant to the provisions of Section 194(1) of the Public Finance Management Act, 2012.

## **1.2 Variances between Financial Statements and Supporting Schedules and Ledgers**

The statement of financial performance reflects a balance of Kshs.21,817,908 under use of goods and services which as disclosed at Note 15 to the financial statements, includes Kshs.4,086,840 being examinations expenses and Kshs.1,119,176 being expenditure related to advertisement. A review of the supporting schedules and ledgers provided in support of the two expenditure components revealed variances as detailed below:

<b>Item</b>	<b>Financial Statements (Kshs.)</b>	<b>Supporting Schedules/Ledger (Kshs.)</b>	<b>Variances (Kshs.)</b>
Examinations	4,086,840	1,587,480	2,499,360
Advertisements	1,119,176	1,376,776	(257,600)

Consequently, the accuracy of the reported balance for the two expenditure items could not be confirmed.

## **2.0 Unsupported Transfers from the National Government**

The statement of financial performance reflects transfers from the National Government amounting to Kshs.16,725,000. However, the analysis of the receipts provided for audit review amounted to Kshs.14,368,350 resulting to an unreconciled variance of Kshs.2,356,650.

Therefore, the accuracy and completeness of the transfers of Kshs.16,725,000 from the National Government could not be confirmed.

## **3.0 Unsupported Rendering of Services - Fees from Students**

The statement of financial performance reflects Kshs.39,549,783 on rendering of services - fees from students of which was not supported with detailed analysis of fees charged per student. In addition, the balance includes an amount of Kshs.10,840,480 received from the National Youth Service and loans and bursaries of Kshs.19,095,025 whose details were not provided for audit.

Consequently, the accuracy and completeness of revenue from rendering of services balance of Kshs.39,549,783 could not be confirmed.

## **4.0 Unvalued and Unreported Property, Plant and Equipment Balance**

The statement of financial position reflects a property, plant and equipment balance of Kshs.14,332,304. As previously reported, the Institution stands on a 20.23 hectares parcel of land in Nandi County. However, the land had not been valued and recognized

in the Institute's books. Further, the asset register reflected assets with an acquisition cost of Kshs.14,095,472 which had not been reported in the financial statements. The details of the unreported assets are provided below;

S/no	Description	Year of Acquisition	Cost (Kshs.)
1	Ablution Block	2017	1,761,250
2	Block Making Shed	2017	2,787,500
3	Water System	2017	3,071,375
4	Generator House	2018	499,440
5	Computers	Not indicated	4,050,186
6	Electrical Tools	Not indicated	927,400
7	Furniture and Fittings	Not indicated	832,721
8	Kitchen Appliances	Not indicated	165,600
	<b>Total</b>		<b>14,095,472</b>

In addition, three (3) buildings including the security office, a pit latrine and a ladies' hostel all acquired/constructed in 2015 had not been valued and recognized as part of the Institute's assets.

Consequently, the accuracy and completeness of the property, plant and equipment of balance Kshs.14,332,304 could not be confirmed.

#### **6.0 Unsupported Receivables from Exchange Transactions**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.10,512,820. However, the Management did not provide the aging analysis for the trade receivables. Further, the Institute did not have a debtor's policy.

Consequently, the accuracy and recoverability of receivables from exchange transactions balance of Kshs.10,512,820 could not be confirmed.

#### **7.0 Unsupported Trade and Other Payables from Exchange Transactions.**

The statement of financial position reflects trade and other payables from exchange transactions of Kshs.2,528,109. However, the schedule provided for audit did not contain details such as works or services rendered. Further, the Management did not provide an ageing analysis, requisitions, invoices, certificate of works completed, local purchase orders, contracts documents, tender opening minutes, tender evaluation minutes and professional opinion to support the trade payables balance of Kshs.2,009,612.

Consequently, the accuracy and completeness of the trade and other payables from exchange transactions balance of Kshs.2,528,109 could not be confirmed.

#### **8.0 Lack of an Approved Budget**

The statement of comparison of budget and actual amounts reflects total actual expenditure on comparable basis of Kshs.10,853,945 whereas the statement of financial performance reflects a total expenditure of Kshs.35,991,215 resulting into an

unreconciled variance of Kshs.25,137,270. Further, the Management did not provide the Institute's approved budget for the year contrary to paragraph 22 of the Second Schedule of the Technical and Vocational Education and Training Act, 2013 which stipulates that the Board of Governors may incur expenditure for the purpose of the Institution in accordance with the estimates approved by the Cabinet Secretary, and any approved expenditure under any head of the estimates may not be exceeded without the prior approval of the Cabinet Secretary.

Consequently, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed

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

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE 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 sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1.0 Contract for Construction of Eight (8) Storey Classrooms**

The statement of financial position as at 30 June, 2020 reflects a property, plant and equipment balance of Kshs.14,332,304. As previously reported, the Institute had capital work in progress in respect of construction of eight (8) Storey Classrooms which was funded by the Ministry of Education. The tender was awarded to a construction company at a contract sum of Kshs.9,911,189. According to the project work plan, the project was to be completed by 27 February, 2018. However, audit inspection of the Project carried out on 13 April, 2021 revealed that the project completion was behind schedule by over three (3) years. Further, the Project had stalled, and the contractor had vacated the site.

In the circumstances, value for money from the expenditure amounting to Kshs.5,094,560 incurred on the Project could not be confirmed.

## **2.0 Lack of Imprest Warrants**

The statement of financial performance reflects expenditure on use of goods and services amounting to Kshs.21,817,908 which as disclosed at Note 15 to the financial statements includes local transport and travel expenses of Kshs.1,198,888. However, imprest warrants maintained as required under Regulations 91(1) and 93(2) of the Public Finance Management (National Government) Regulations, 2015 were not provided.

In the circumstances, the Management was in breach of the law.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1.0 Lack of Risk Management Strategies**

As previously reported, the Institute had not developed risk management strategies, which include fraud prevention mechanisms and a system of risk management and internal control that builds robust business operations

Consequently, ability to identify threats and definition of strategy to eliminate or minimize the impact of the risks could have been compromised.

#### **2.0 Lack of an Internal Audit Function**

The Institute had not established an internal audit department as required under Section 73 (1) (a) of the Public Finance Management Act, 2012. In the absence of an internal audit function, effective internal controls and compliance with relevant laws, rules and regulations could not be confirmed.

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

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

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

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

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

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

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 ability of the Institute 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**16 February, 2022**

*Aldai Technical Training Institute*  
*Financial Statements for the year ended 30 June 2020*

**IV. STATEMENT OF FINANCIAL PERFORMANC FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2019/2020	2018/2019
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the National Government – grants/ gifts in kind	6	16,725,000	13,140,000
Grants from donors and development partners	7	-	-
Transfers from other levels of government	8	-	-
Public contributions and donations	9	-	-
<b>Total Revenue from non-exchange transactions</b>		<b>16,725,000</b>	<b>13,140,000</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Fees from students	10	39,549,783	24,407,596
Sale of goods	11	82,000	263,840
Rental revenue from facilities and equipment	12	99,040	158,500
Finance income - external investments	13	-	-
Consultancy fees	14	-	-
Other income	31	486,738	4,000
<b>Revenue from exchange transactions</b>		<b>40,217,561</b>	<b>24,833,936</b>
<b>Total revenue</b>		<b>56,942,561</b>	<b>37,973,936</b>
<b>Expenses</b>			
Use of goods and services	16	21,817,908	26,251,319
Employee costs	17	10,853,945	4,691,079
Remuneration of directors	18	662,900	808,510
Depreciation and amortization expense	19	1,465,827	1,739,327
Repairs and maintenance	20	1,190,635	1,532,635
Contracted services	21	-	-
Grants and subsidies	22	-	-
General expenses	23	-	-
Finance costs	24	-	-
<b>Total expenses</b>		<b>35,991,215</b>	<b>35,022,870</b>
<b>Other gains/(losses)</b>			
Gain on sale of assets	25	-	-
Unrealized gain on fair value of investments	26	-	-
Impairment loss	27	-	-
<b>Total other gains/(losses)</b>		<b>-</b>	<b>-</b>
<b>Net Surplus for the year</b>		<b>20,951,346</b>	<b>2,951,066</b>
Attributable to:			
Surplus/(deficit) attributable to minority interest			
Surplus attributable to owners of the controlling entity			

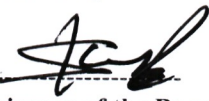
The notes set out on pages 6 to 45 form an integral part of the Annual Financial Statements.


**Aldai Technical Training Institute**  
**Financial Statements for the year ended 30 June 2020**


**V. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2020**

	Notes	2018/2019	2017/2018
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	28	19,576,535	1,288,053
Receivables from exchange transactions	29	10,512,820	7,895,870
Receivables from non-exchange transactions	30	3,885,000	5,070,000
Inventories	31	486,738	-
Investments	32	-	-
<b>Total Current Assets</b>		<b>34,157,562</b>	<b>14,253,923</b>
<b>Non-current assets</b>			
Property, plant and equipment	33	14,332,304	15,798,131
Intangible assets	34	-	-
Investment property	35	-	-
Long term receivables from exchange transactions	29	-	-
<b>Total Non-current Assets</b>		<b>14,332,304</b>	<b>15,798,131</b>
<b>Total assets</b>		<b>48,489,866</b>	<b>30,052,054</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	36	2,528,109	5,568,043
Refundable deposits from customers	37	1,050,572	524,172
Provisions	38	-	-
Finance lease obligation	39	-	-
Current portion of borrowings	44	-	-
Deferred income	40	-	-
Employee benefit obligation	41	-	-
Payments received in advance	42	-	-
<b>Total Current Liabilities</b>		<b>3,578,681</b>	<b>6,092,215</b>
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	41	-	-
Non-current provisions	43	-	-
Borrowings	44	-	-
<b>Total Non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>3,578,681</b>	<b>6,092,215</b>
<b>Capital and Reserves</b>			
Reserves		-	-
Accumulated surplus		37,077,760	16,126,414
Capital Fund		7,833,424	7,833,424
<b>Total Capital and Reserves</b>		<b>44,911,184</b>	<b>23,959,838</b>
<b>Total Liabilities and Capital &amp; Reserves</b>		<b>48,489,865</b>	<b>30,052,053</b>

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

  
 Chairman of the Board of Governors  
 Date.....17/5/2021

  
 Accountant  
 Date .....17/05/2021

  
 Principal  
 Date.....17/05/2021

*Aldai Technical Training Institute*  
*Financial Statements for the year ended 30 June 2020*

**VI. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2020**

	Revaluation reserve	Fair value adjustment reserve	Retained earnings/ Accumulated funds	Capital/		Total
				Development Grants/Fund		
<b>Balance b/f at July 1, 2018</b>			<b>13,175,348.00</b>	<b>7,069,249.00</b>		<b>20,244,597.0</b>
Revaluation gain						-
Fair value adjustment on quoted investments						-
Total comprehensive income			2,951,066			<b>2,951,066.00</b>
Capital/Development grants received during the year				764,175		<b>764,175.00</b>
Transfer of depreciation/amortisation from capital fund to retained earnings						-
<b>Balance c/d as at June 30, 2019</b>	<b>0</b>	<b>0</b>	<b>16,126,414</b>	<b>7,833,424</b>		<b>23,959,838.0</b>
<b>Balance b/f as at July 1, 2019</b>	<b>0</b>	<b>0</b>	<b>16,126,414</b>	<b>7,833,424</b>		<b>23,959,838.0</b>
Revaluation gain						-
Fair value adjustment on quoted investments						-
Total comprehensive income			20,951,346			<b>20,951,346.4</b>
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>	<b>0</b>	<b>0</b>	<b>37,077,760</b>	<b>7,833,424</b>		<b>44,911,184.4</b>

**I. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2018/2019 Kshs	2017/2018 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other Government entities/Govt. grants		16,725,000	13,140,000
Public contributions and donations			
Rendering of services- Fees from students		40,036,521	24,411,596
Sale of goods		82,000	263,840
Rental revenue from facilities and equipment		99,040	158,500
Finance income			
Consultancy income			
Other income, rentals and agency fees			
<b>Total Receipts</b>		<b>56,942,561</b>	<b>37,973,936</b>
<b>Payments</b>			
Compensation of employees		10,853,945	4,691,079
Use of goods and services		21,817,908	26,251,319
Remuneration of directors		662,900	-
Rent paid			
Taxation paid			
Repairs and maintenance		1,190,635	2,341,145
Grants and subsidies paid			
<b>Total Payments</b>		<b>34,525,388</b>	<b>33,283,543</b>
<b>Net cash flows from operating activities</b>	45	<b>22,417,173</b>	<b>4,690,393</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets			1,341,999
Proceeds from sale of property, plant and Equipment			
Decrease in non-current receivables		- 4,128,691	- 8,739,826
Increase in investments			
<b>Net cash flows used in investing activities</b>		<b>- 4,128,691</b>	<b>- 7,397,827</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings			
Repayment of borrowings			
Increase in deposits			310,400
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>310,400</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>18,288,482</b>	<b>- 2,397,034</b>
Cash and cash equivalents at 1 July 2018		1,288,053	3,685,087
<b>Cash and cash equivalents at 30 June 2019</b>	28	<b>19,576,535</b>	<b>1,288,053</b>

*Aldai Technical Training Institute  
Financial Statements for the year ended 30 June 2020*

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

	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Transfers from other Govt entities Govt grants	20,500,000		20,500,000	8,834,175	11,665,825
Public contributions and donations			-		-
Rendering of services- Fees from students	17,598,480		17,598,480	39,549,783	21,951,303
Sale of goods			-		-
Finance Income			-		-
Consultancy Income			-		-
Gains on disposal, rental income and agency fees	1,555,000		1,555,000	183,040	1,371,960
<b>Total income</b>	<b>39,653,480</b>		<b>39,653,480</b>	<b>48,566,998</b>	<b>8,913,518</b>
<b>Expenses</b>					
Compensation of employees	5,583,912		5,583,912	10,853,945	5,270,033
Use of Goods and services			-		-
Finance costs			-		-
Rent paid			-		-
Remuneration of directors			-		-
General expenses	33,609,565		33,609,565	-	33,609,565
Grants and subsidies paid			-		-
<b>Total expenditure</b>	<b>39,193,477</b>		<b>39,193,477</b>	<b>10,853,945</b>	<b>28,339,532</b>
<b>Surplus for the period</b>	<b>460,003</b>		<b>460,003</b>	<b>37,713,053</b>	<b>- 37,253,050</b>

**Budget notes**

1. Movement in grants income is due to removal of recurrent grant
2. Movement revenue from rendering services is due increase in student population beyond the budgeted
3. Movement on revenue from disposal due to failure of block production to take off

## **IX. NOTES TO THE FINANCIAL STATEMENTS**

### **1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

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

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

### **2. ADOPTION OF NEW AND REVISED STANDARDS**

#### **i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

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

**3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)**

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

<b>Standard</b>	<b>Effective date and impact:</b>
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ol>

Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1st January 2022:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> <li>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</li> <li>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</li> <li>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</li> <li>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</li> </ul>

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020.

#### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a) Revenue recognition**

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

###### **Transfers from other government entities**

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

##### **ii) Revenue from exchange transactions**

###### **Rendering of services**

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

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

###### **Sale of goods**

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

###### **Interest income**

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

###### **Dividends**

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

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

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

**a) Revenue recognition (Continued)**

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

**Rental income**

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

**b) Budget information**

The original budget for FY 2019/2020 was approved by the Board on 17/06/2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

**c) Taxes**

***Current income tax***

The entity is exempt from paying taxes.

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

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

**c) Taxes (continued)**

***Sales tax/ Value Added Tax***

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

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

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

**d) Investment property**

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

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

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

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

**e) Property, plant and equipment**

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

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

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

**f) Leases**

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

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

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

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

**g) Intangible assets**

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

**h) Research and development costs**

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

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

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

impairment annually with any impairment losses recognized immediately in surplus or deficit.

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

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

#### **i) Financial instruments**

##### ***Financial assets***

##### ***Initial recognition and measurement***

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

##### ***Loans and receivables***

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

##### ***Held-to-maturity***

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

##### ***Impairment of financial assets***

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

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

**i) Financial instruments (Continued)**

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

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

*Financial liabilities*

*Initial recognition and measurement*

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

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

*Loans and borrowing*

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

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

**i) Inventories**

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

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

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

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

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

**i) Inventories (Continued)**

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

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

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

**j) Provisions**

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

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

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

***Contingent liabilities***

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

***Contingent assets***

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

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

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

**k) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements

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

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

**m) Employee benefits**

**Retirement benefit plans**

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

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

**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

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

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

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

**p) Related parties**

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

**q) Service concession arrangements**

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

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

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

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

### **Estimates and assumptions**

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

### **Useful lives and residual values**

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

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

### **Provisions**

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

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.

**6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

Description	2019-2020	2018-2019
	KShs	KShs
<b>Unconditional grants</b>		
Operational grant		3,000,000
Capitation grants	16,725,000	10,140,000
<b>Conditional grants</b>		
Library grant		
Hostels grant		
Administration block grant		
Laboratory grant		
Learning facilities grant		
Other organizational grants		
<b>Total government grants and subsidies</b>	<b>16,725,000</b>	<b>13,140,000</b>

**6b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES**

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2018-2019 KShs
<b>Total</b>					

**7 GRANTS FROM DONORS AND DEVELOPMENT PARTNERS**

Description	2019-2020	2018-2019
	KShs	KShs
<b>Total grants from development partners</b>		

**Reconciliations of grants from donors and development partners**

Description	2019-2020	2018-2019
	KShs	KShs
<b>Balance unspent at beginning of year</b>		
Current year receipts		
Conditions met - transferred to revenue		
<b>Conditions to be met - remain liabilities</b>		

**8 TRANSFERS FROM OTHER LEVELS OF GOVERNMENT**

Description	2019-2020	2018-2019
	KShs	KShs
Transfer from County		
Transfer from University		
Transfer from institute		
<b>Total Transfers</b>		

**9 PUBLIC CONTRIBUTIONS AND DONATIONS**

Description	2019-2020	2018-2019
	KShs	KShs
Public donations		
Donations from local leadership		
Donations from religious institutions		
Donations from alumni		
Other donations		
<b>Total donations and sponsorships</b>		

**10 RENDERING OF SERVICES**

Description	2019-2020	2018-2019
	KShs	KShs
Tuition fees	31,591,249	16,968,577
Activity fees	1,623,600	469,100
Examination fees	2,572,429	2,095,178
Boarding fees	1,027,489	3,959,808
Insurance	0	173,141
Registration fees	157,100	149,200
Attachment fees	2,577,916	592,592
<b>Total revenue from the rendering of services</b>	<b>39,549,783</b>	<b>24,407,596</b>

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

**11 SALE OF GOODS**

11 SALE OF GOODS		
<b>Sale of goods</b>		
Sale of firewood	0	108,000
Sale of water	82,000	0
Sale of farm produce	0	155,840
<b>Total revenue from the sale of goods</b>	<b>82,000</b>	<b>263,840</b>

These are income generated internally, firewood and farm produce are used internally while water is sold to interested community members

**12 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT**

12 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT		
Hire out of equipment	99,040	158,500
Contingent rentals		
<b>Total rentals</b>	<b>99,040</b>	<b>158,500</b>

**13 FINANCE INCOME**

13 FINANCE INCOME		
Cash investments and fixed deposits		
Interest income from Treasury Bills		
Interest income from Treasury Bonds		
Interest from outstanding debtors		
<b>Total finance income</b>		

**14 OTHER INCOME**

14 OTHER INCOME		
Insurance recoveries		
Consultancy fees		
Income from sale of tender	2,000	4,000
Services concession income		
Skills development levy		
Income from disposal of assets		
<b>Total other income</b>	<b>2,000</b>	<b>4,000</b>

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

**15 USE OF GOODS AND SERVICES**

Description	2019-2020 KShs	2018-2019 KShs
Training materials, stationaries and cleaning materials	6,637,650	11,702,014
Local transport and travel	1,198,888	2,041,570
Boarding	3,675,847	4,853,096
Electricity water and conservancy	609,124	363,492
Activity	795,700	594,000
Examinations	4,086,840	2,451,350
Reference materials	14,000	250,908
Annual subscriptions	290,000	315,000
advertisements	1,119,176	522,680
TVET Fairs and robotics	688,364	547,911
Performance contracting	438,450	1,021,396
Attachment	300,237	348,390
Students union	67,130	183,550
Insurance	-	21,120
Block making machines	151,102	348,921
Production unit	-	191,078
MOE/KATTI Workshops	541,850	877,300
Automation	-	73,800
Internet cost	229,467	-
Contingencies	-	202,805
Social contributions	17,500	-
Farm	158,550	-
Students ID	28,390	-
Imprest	45,000	-
CBET implementation	22,830	-
Tendering expenses	19,200	-
Firewood harvesting	58,200	-
Classroom project	2,251,149	-
CAPA workshops	271,853	-
Bank charges	23,644	-
Other	373,916	149,448
<b>Total good and services</b>	<b>21,817,908</b>	<b>26,251,319</b>

**16 EMPLOYEE COSTS**

Salaries and wages	10,853,945	4,199,279
Employee related costs - contributions to pensions and medical aids		491,800
Travel, motor car, accommodation, subsistence and other allowances		
Housing benefits and allowances		
Overtime payments		
Performance and other bonuses		
Social contributions		
<b>Employee costs</b>	<b>10,853,945</b>	<b>4,691,079</b>

**17 B.O.G REIMBURSEMENTS**

Chairman's Honoraria		
B.O.G Reimbursements	662,900	808,510
Other allowances		
<b>Total director emoluments</b>	<b>662,900</b>	<b>808,510</b>

**18 DEPRECIATION AND AMORTIZATION EXPENSE**

Property, plant and equipment	1,465,827	1,739,327
Intangible assets		
Investment property carried at cost		
<b>Total depreciation and amortization</b>	<b>1,465,827</b>	<b>1,739,327</b>

**19 REPAIRS AND MAINTENANCE**

Property		
Investment property – earning rentals		
Equipment and machinery		
Vehicles		
Furniture and fittings		
Computers and accessories		
Repairs maintenances and improvement	1,190,635	1,532,635
<b>Total repairs and maintenance</b>	<b>1,190,635</b>	<b>1,532,635</b>

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

**20 REPAIRS AND MAINTENANCE**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Property		
Investment property – earning rentals		
Equipment and machinery		
Vehicles		
Furniture and fittings		
Computers and accessories		
Other		
<b>Total repairs and maintenance</b>		

**21 CONTRACTED SERVICES**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Actuarial valuations		
Investment valuations		
Property valuations		
<b>Total contracted services</b>		

**22 GRANTS AND SUBSIDIES**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Community development		
Education initiatives and programs		
Social development		
Community trust		
Sporting bodies		
<b>Total grants and subsidies</b>		

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

**23 FINANCE COSTS**

Borrowings (amortized cost)*		
Finance leases (amortized cost)		
Unwinding of discount		
Interest on Bank overdrafts		
Interest on loans from commercial banks		
<b>Total finance costs</b>		

**24 GAIN ON SALE OF ASSETS**

Property, plant and equipment		
Intangible assets		
Other assets not capitalised		
<b>Total gain on sale of assets</b>		

**25 UNREALIZED GAIN ON FAIR VALUE INVESTMENTS**

Investments at fair value		
<b>Total gain</b>		

**26 IMPAIRMENT LOSS**

Property, plant and equipment		
Intangible assets		
<b>Total impairment loss</b>		

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

**27 CASH AND CASH EQUIVALENTS**

Description	2019-2020	2018-2019
	KShs	KShs
Cash in hand	748	6,884
Current account	19,575,787	1,281,169
Fixed deposits account		
Staff car loan/ mortgage		
Others(specify)		
<b>Total cash and cash equivalents</b>	<b>19,576,535</b>	<b>1,288,053</b>

**28 (a). DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS**

Financial institution	Account number	2019-2020	2018-2019
		KShs	KShs
<b>a) Students account</b>			
Kenya Commercial bank	1169120555	15,031,366	379,108
<b>Sub- total</b>		<b>15,031,366</b>	<b>379,108</b>
<b>b) Operations account</b>			
Kenya Commercial bank	1169120717	3,842,378	41,779
<b>Sub- total</b>		<b>3,842,378</b>	<b>41,779</b>
<b>c) Development account</b>			
Kenya Commercial bank	1169120210	509,062	784,652
<b>Sub- total</b>		<b>509,062</b>	<b>784,652</b>
<b>d) Production unit account</b>			
Kenya Commercial bank	1210180197	192,981	75,610
<b>Sub- total</b>		<b>192,981</b>	<b>75,610</b>
<b>e) Others(specify)</b>			
Cash in transit			
Cash in hand		748	6,884
M pesa			
<b>Sub- total</b>		<b>748</b>	<b>6,884</b>
<b>Grand total</b>		<b>19,576,535</b>	<b>1,288,053</b>

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

**28 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

**29(a)**

Description	2019-2020	2018-2019
	KShs	KShs
<b>Current receivables</b>		
Student debtors	10,467,820	8,679,099
Imprest	45,000	
Consultancy debtors		
Other exchange debtors		
Less: impairment allowance		
<b>Total current receivables</b>	<b>10,512,820</b>	<b>8,679,099</b>

**29(b)**

Description	2019-2020	2018-2019
	KShs	KShs
<b>Non-current receivables</b>		
Refundable deposits		
Advance payments		
Public organizations		
Less: impairment allowance		
<b>Total</b>		
Current portion transferred to current receivables		
<b>Total non-current receivables</b>		
<b>Total receivables</b>		

**29 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Description	2019-2020	2018-2019
	KShs	KShs
<b>Current receivables</b>		
Transfers from other govt. entities		
Undisbursed funds	3,885,000	5,070,000
Other debtors (non-exchange transactions)		
Less: impairment allowance		
<b>Total current receivables</b>	<b>3,885,000</b>	<b>5,070,000</b>

**30 INVENTORIES**

Description	2019-2020	2018-2019
	KShs	KShs
Consumable stores	246,048	
Maintenance stores	112,840	
Health Unit stores		
Electrical stores		
Cleaning materials stores	54,250	
Catering stores	73,550	
<b>Total inventories at the lower of cost and net realizable value</b>	<b>486,738</b>	

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

**31 INVESTMENTS**

Description	2019-2020	2018-2019
	KShs	KShs
<b>a) Investment in Treasury bills and bonds</b>		
<b>Financial institution</b>		
CBK		
CBK		
<b>Sub- total</b>		
<b>b) Investment with Financial Institutions/ Banks</b>		
Bank		
Bank		
<b>Sub- total</b>		
<b>c) Equity investments (specify)</b>		
Equity/ shares in company		
<b>Sub- total</b>		
<b>Grand total</b>		

**d) Shareholding in other entities**

For investments in equity share listed under note 30 (c) above, list down the equity investments under the following categories:

Name of entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%	Shs	Current year	Prior year
				Shs	Shs	Shs

*Aldai Technical Training Institute*  
*Notes to the Financial Statements for the year ended 30 June 2020*

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

**32 PROPERTY, PLANT AND EQUIPMENT**

Cost	Land and Buildings		Motor vehicles		Furniture and fittings		Computers		Other Assets (Specify)		Plant and equipment		Capital		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2018	7,925,564	-	-	3,365,500	-	3,460,000	776,000	5,094,560	20,621,624	-	-	-	-	-	-	-
Additions																
Disposals																
Transfers/adjustments																
At 30 <sup>th</sup> June 2019	7,925,564	-	-	3,365,500	-	3,460,000	776,000	5,094,560	20,621,624	-	-	-	-	-	-	-
Additions																
Disposals																
Transfer/adjustments																
At 30 <sup>th</sup> June 2020	7,925,564	-	-	3,365,500	-	3,460,000	776,000	5,094,560	20,621,624	-	-	-	-	-	-	-
<b>Depreciation and impairment</b>																
At 1 July 2019	840,556			1,437,500		2,315,000	230,438		4,823,494							
Depreciation	202,639			420,688		745,500	97,000		1,465,827							
Impairment																
At 30 June 2018	1,043,196	-	-	1,858,188	-	3,060,500	327,438	-	6,289,321	-	-	-	-	-	-	-
Depreciation																
Disposals																
Impairment																
Transfer/adjustment																
At 30 <sup>th</sup> June 2019	1,043,196	-	-	1,858,188	-	3,060,500	327,438	-	6,289,321	-	-	-	-	-	-	-
<b>Net book values</b>																
At 30 <sup>th</sup> June 2020	6,882,369	-	-	1,507,313	-	399,500	448,563	-	14,332,304	-	-	-	-	-	-	-
At 30 <sup>th</sup> June 2019	7,085,008	-	-	1,928,000	-	1,145,000	545,563	-	15,798,131	-	-	-	-	-	-	-

1. The institute has 20.23 hectares of land which has not been valued and therefore has not been included in property, plant and equipment.
2. Donations of Equipment and computers received from the Ministry of Education has not been included in property, plant and equipment
3. The Capital work in progress relates to construction one storey building of classrooms  
Buildings donated by African development and Mugen Youth Polytechnic have not been valued and therefore have not been included in property, plant and equipment.

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

**33 INTANGIBLE ASSETS-SOFTWARE**

Description	2019-2020	2018-2019
	KShs	KShs
<b>Cost</b>		
<b>At beginning of the year</b>		
Additions		
<b>At end of the year</b>		
Additions–internal development		
<b>At end of the year</b>		
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>		
Amortization		
<b>At end of the year</b>		
Impairment loss		
<b>At end of the year</b>		
<b>NBV</b>		

**34 INVESTMENT PROPERTY**

Description	2019-2020	2018-2019
	KShs	KShs
<b>At beginning of the year</b>		
Additions		
Fair value gain		
Depreciation(where investment property is at cost)		
<b>At end of the year</b>		

**35 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Description	2019-2020	2018-2019
	KShs	KShs
Trade payables	2,528,109	5,533,883
Fees paid in advance		34,160
Employee advances		
Third-party payments		
Other payables		
<b>Total trade and other payables</b>	<b>2,528,109</b>	<b>5,568,043</b>

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

**36 REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS**

Description	2019-2020	2018-2019
	KShs	KShs
Consumer deposits		
Caution money	1,050,572	524,172
Other refundable deposits		
<b>Total deposits</b>	<b>1,050,572</b>	<b>524,172</b>

**37 CURRENT PROVISIONS**

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
<b>Balance at the beginning of the year</b>				
Additional Provisions				
Provision utilised				
Change due to discount and time value for money				
Transfers from non-current provisions				
<b>Total provisions</b>				

**38 FINANCE LEASE OBLIGATION**

Description	Minimum lease payments	Future finance charges	Present value of minimum lease payments	20xx-20xx
	KShs	KShs	KShs	KShs
Within current year				
Long term portion of lease payments				
<b>Total provisions</b>				

**39 DEFERRED INCOME**

Description	2019-2020	2018-2019
	KShs	KShs
National government		
International funders		
Public contributions and donations		
<b>Total deferred income</b>		

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

The deferred income movement is as follows:

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

**40 EMPLOYEE BENEFIT OBLIGATIONS**

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2019-2020	2018-2019
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation					
Non-current benefit obligation					
<b>Total employee benefits obligation</b>					

The entity does not operate a defined benefit scheme for all full-time employees from July 1, 2019. .

	2019-2020	2018-2019
	KShs	KShs
Valuation at the beginning of the year		
Changes in valuation during the year		
Valuation at end of the year		

The institution contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 6% of gross pay per employee per month.

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

**41 NON-CURRENT PROVISIONS**

Description	Long service leave	Gratuity	Other Provisions	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year				
Additional Provisions				
Provision utilised				
Change due to discount and time value for money				
Less: Current portion				
<b>Total deferred income</b>				

**42 BORROWINGS**

Description	2019-2020	2018-2019
	KShs	KShs
Balance at beginning of the period		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the year		
Repayments of domestic borrowings during the year		
Balance at end of the period		

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

	2019-2020	2018-2019
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan		
Sterling Pound denominated loan		
Euro denominated loan from		
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB		
Kenya Shilling loan from Barclays Bank		
Kenya Shilling loan from Consolidated Bank		
<b>Total balance at end of the year</b>		

There was no borrowing during the financial year

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

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

Description	2019-2020	2018-2019
	KShs	KShs
Short term borrowings(current portion)		
Long term borrowings		
<b>Total</b>		

**43 SERVICE CONCESSION ARRANGEMENTS**

Description	2019-2020	2018-2019
	KShs	KShs
Fair value of service concession assets recognized under PPE		
Accumulated depreciation to date		
Net carrying amount		
Service concession liability at beginning of the year		
Service concession revenue recognized		
Service concession liability at end of the year		

**44 CASH GENERATED FROM OPERATIONS**

	2019-2020	2018-2019
Surplus for the year before tax	KShs	KShs
<b>Adjusted for:</b>		
Depreciation		
Non-cash grants received		
Contributed assets		
Impairment		
Gains and losses on disposal of assets		
Contribution to provisions		
Contribution to impairment allowance		
Finance income		
Finance cost		
<b>Working Capital adjustments</b>		
Increase in inventory		
Increase in receivables		
Increase in deferred income		
Increase in payables		
Increase in payments received in advance		
<b>Net cash flow from operating activities</b>		

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

**45 FINANCIAL RISK MANAGEMENT**

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

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

**(i) Credit risk**

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2020</b>				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
<b>Total</b>				
<b>At 30 June 2020</b>				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
<b>Total</b>				

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

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

**(i) Credit risk (continued)**

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

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

**(ii) Liquidity risk management**

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

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

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
<b>At 30 June 2019</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
<b>Total</b>				
<b>At 30 June 2020</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
<b>Total</b>				

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

**(iii) Market risk**

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

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

The 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 entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

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

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2020</b>			
Financial assets(investments, cash ,debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

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

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

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 20120</b>			
Financial assets(investments, cash ,debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

**Foreign currency sensitivity analysis**

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

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

b) Interest rate risk

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

*Management of interest rate risk*

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

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

**46 FINANCIAL RISK MANAGEMENT (Continued)**

(iii) Market risk (Continued)

b) Interest rate risk(continued)

*Sensitivity analysis*

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

**iv) Capital Risk Management**

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

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve		
Retained earnings		
Capital reserve		
<b>Total funds</b>		
Total borrowings		
Less: cash and bank balances		
Net debt/(excess cash and cash equivalents)		
<b>Gearing</b>		

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

**46 RELATED PARTY BALANCES**

**Nature of related party relationships**

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

**Government of Kenya**

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

- i) The National Government
- ii) Ministry of Education
- iii) Key management
- iv) Board of governors

	2019-2020	2018-2019
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of goods		
Sales of services		
<b>Total</b>		
<b>b) Grants from the Government</b>		
Grants from National Govt		
Grants from County Government		
Donations in kind		
<b>Total</b>		
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages		
Payments for goods and services		
<b>Total</b>		
<b>d) Key management compensation</b>		
Directors' emoluments		
Compensation to the CEO		
Compensation to key management		
<b>Total</b>		

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

**47 SEGMENT INFORMATION**

**48 CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Court case against the company		
Bank guarantees in favour of subsidiary		
<b>Total</b>		

**49 CAPITAL COMMITMENTS**

<b>Capital commitments</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Authorised for		
Authorised and contracted for		
<b>Total</b>		

**50 EVENTS AFTER THE REPORTING PERIOD**

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

**51 ULTIMATE AND HOLDING ENTITY**

The entity is a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

**52 Currency**

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


APPENDICES

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

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

*Note: Previous year audit report has not been published. As a result, progress on follow up of auditor recommendations has not been completed*

for   
 Principal  
 Date: 17/05/2021

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

**Projects**

Projects implemented 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)
Electrical and ICT Complex	1	ADB/MOE	Not disclosed	Not disclosed	No	NO
2						

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	8-NO Classroom project	10,146,640	8,008,713	70%	5,000,000	1,578,500	MOE
2							
3							

**APPENDIX III: INTER-ENTITY TRANSFERS**

	<b>ENTITY NAME:</b>	<b>ALDAI TECHNICAL TRAINING INSTITUTE</b>		
	<b>Break down of Transfers from the State Department of TVET</b>			
	<b>FY 2019/2020</b>			
	a. Capitation Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		10/07/2019	5,070,000	2018/2018
		18/10/2019	982,500	2019/2020
		06/05/2020	6,787,500	2019/2020
		<b>Total</b>	<b>12,840,000</b>	
	b. Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		05/07/2019	1,528,350	2018/2019
		<b>Total</b>	<b>1,528,350</b>	
	c. Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>		
	d. Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>		

*Aldai Technical Training Institute  
 Appendices to the Financial Statements for the year ended 30 June 2020*

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

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized				Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	
Ministry of Education	05/07/2019	Development	1,528,350				1,528,350	1,528,350
Ministry of Education	10/07/2020	Capitation	5,070,000				5,070,000	6,598,350
Ministry of Education	18/10/2019	Capitation	982,500				982,500	7,580,850
Ministry of Education	06/05//2020	Capitation	6,787,500				6,787,500	14,368,350
<b>Total</b>			<b>14,368,350</b>				<b>14,368,350</b>	