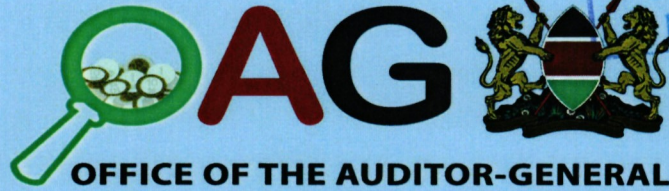


REPUBLIC OF KENYA



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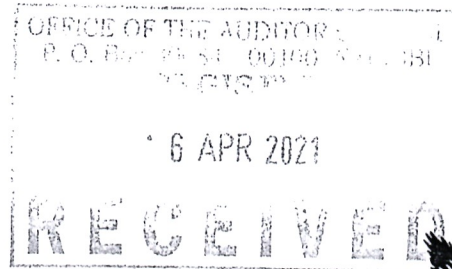
OF

THE AUDITOR-GENERAL

ON

KATINE TECHNICAL TRAINING INSTITUTE

**FOR THE YEAR ENDED
30 JUNE, 2020**



**International Public Sector Accounting Standards (IPSAS)
Annual Financial Reporting Template for
*Technical Vocational Education Training (TVET) Institutions, National Polytechnics and
Teacher Training Colleges***

KATINE TECHNICAL TRAINING INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2020**

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

Table of Contents

1. KEY ENTITY INFORMATION AND MANAGEMENT	xiv
2. THE BOARD OF GOVERNORS.....	xviii
3. MANAGEMENT TEAM.....	xx
4. CHAIRMAN'S STATEMENT	xxii
5. REPORT OF THE PRINCIPAL	xxiii
6. REVIEW OF KATINE TECHNICAL TRAINING INSTITUTE'S PERFORMANCE FOR FY 2019/2020.....	xxiv
7. CORPORATE GOVERNANCE STATEMENT	xxix
8. MANAGEMENT DISCUSSION AND ANALYSIS.....	xxxii
9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY	xxxiv
10. REPORT OF THE BOARD OF GOVERNORS	xxxvii
11. STATEMENT OF BOARD OF GOVERNOR' RESPONSIBILITIES.....	xxxviii
12. REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY.....	xxxix
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020.....	1
14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020	2
15. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2020....	3
16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020.....	4
17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019.....	5
18. NOTES TO THE FINANCIAL STATEMENTS.....	6
19. APPENDICES	42
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	42
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY.....	43
APPENDIX III: INTER-ENTITY TRANSFERS.....	44
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES	45

1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Katine Technical Training Institute is a public tertiary institution under the Ministry of Education, State Department of Vocational and Technical Training. The Institute receives full support from the Government through grants, training equipment and personnel.

Katine technical training institute was established in 2012 as a result of upgrading of Katine youth polytechnic that had been established in 1972, the institution changed from a youth club to a village polytechnic under the then ministry of culture and social services. In 2012, the then ministry of higher education, science and technology assessed the institution and upgraded it to a technical training institute to offer certificate and diploma courses. The institute currently sits on a 12 acres parcel of land donated by the local community. The institute is located approximately 1km from Tala town next to Tala High girls, and approximately 60 km east of Nairobi – kangundo road within Machakos County.

(b) Principal Activities

Provision of training in technical, vocational, entrepreneurial management and research

Fundamental Statement

i. Mission

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

ii. Vision

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

iii. Motto

“Shaping the Future for Kenyan Workforce “

(c) Key Management

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

- Principal
- Deputy Principal
- Registrar
- Dean of Students
- Finance Officer
- Heads of Departments

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2020

(h) Katine Technical Training Institute Bankers

Kenya Commercial Bank
P.O Box 173-90131
Tala

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






(i) Independent Auditors

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

(j) The Attorney General





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

2. THE BOARD OF GOVERNORS






<p>1. Priscillar M. Kioko</p>		<p>Date of birth. 1975. Qualifications. Law-LLB Pune University Work experience. 23 Years</p>
<p>2. Peter N. Thirima</p>		<p>Date of birth.1957 Qualifications. Bachelor of Arts (Building Economics) Work Experience. 35 years</p>
<p>3. Monica M.Nzive</p>		<p>Date of birth. 1973 Qualifications. Bachelor of laws-LLB Work Experience. 16 years</p>
<p>4. Rufus Nyaga</p>		<p>Date of birth.1986 Qualifications. Bachelor of Business-Information Technology Work Experience. 14 years</p>
<p>5. Mathew Mbyuki</p>		<p>Date of birth. 1980 Qualifications. BSC (Food Science &Technology) Work Experience. 13 years</p>

KATINE TECHNICAL TRAINING INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2020

<p>6. John Wamae</p>		<p>Date of birth. 1969</p> <p>Qualifications. Masters in Applied Statistics.</p> <p>Work Experience</p>
<p>7. Michael Odhiambo</p>		<p>Date of birth. 1980.</p> <p>Qualifications. Bachelors of Business Administration.</p> <p>Work Experience 15 years</p>
<p>8. CPA Duke Okeyo</p>		<p>Date of birth. 1988.</p> <p>Qualifications. Bachelors of Business Management (Accounting Option) CPAK</p> <p>Work Experience. Over 10 years of experience.</p>
<p>9. John M. Kimemia BOG Secretary/ Principal</p>		<p>Date of birth. 1961</p> <p>Qualifications: MBA</p> <p>Work experience: Over 30 years</p>

3. MANAGEMENT TEAM

1. John M. Kimemia		Principal /BOG Secretary
2. Kavita C. Kyuli		Deputy Principal
3. Michael M Maina		Registrar
4. Margret Gumba.		Dean of Students
5. Nicholas Munyao Mulili		Finance Officer

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2020

(k) Board Committees

Name of the Committee	Members
Finance Committee	1. Duke Okeyo (Chair) 2. Rufus Nyaga 3. John M Kimemia
Governance and Ethics Committee	1. Michael Odhiambo (Chair) 2. John M Kimemia 3. Monicah Nzive
Development Committee	1. Peter Thirima (Chair) 2. John M Kimemia 3. Mathew Mbyuki

4. CHAIRMAN'S STATEMENT

It's my pleasure to present the Institute's annual report and financial statement for the year ended 30 June 2020.

The Institute's Board of Governors note with appreciation the continued support of the government and other stakeholders in the daily running of the institute.

We thank the government for the new programmes on CBET aimed at matching skills in institution with industry needs. The BOG will work with industry and other partners to strategies in order to ensure that the skills offered Katine meet the industry needs.

During the year under review the institute continued working on various projects among them the construction of Katine TTI tuition block phase 1 and workshop, Mentoring Mwala TVC tuition block, classrooms, workshops (2 storey building) phase 1 and Katine TTI Electrical and Electronic workshop.

We are pleased of the achievements realised despite the financial challenges faced especially non- payment from NYS sponsored students.

Let me lastly thank the Government of Kenya, parents, guardians, suppliers and service providers for their trust, support and continued partnership and cooperation during the FY 2019/2020.


.....

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

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2020

5. REPORT OF THE PRINCIPAL

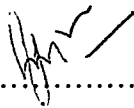
Let me take this opportunity to present Katine TTI financial statement for the FY ended 30 June 2020 in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS).

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

Katine TTI has also embarked on various completion of the project started in the financial year 2018/2019 and are geared towards achieving its objectives. The projects include:

- ✓ Construction of Katine TTI Tuition block and workshop phase 1
- ✓ Mentoring Mwala TVC tuition block, classrooms workshops (2 storey building) phase 1
- ✓ Katine TTI electrical and electronics workshops

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



THE PRINCIPAL
KATINE TECHNICAL TRAINING
INSTITUTE

.....
John M. Kimemia

Principal/ B.O.G Secretary

6. REVIEW OF KATINE TECHNICAL TRAINING INSTITUTE'S PERFORMANCE FOR FY 2019/2020

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

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

Pillar 1: Programme Implementation;

Pillar 2: Institutional Development

Pillar 3: Resource Development & Management

Katine Technical Training Institute develops its annual work plans based on the above 3 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *Katine Technical Training Institute* achieved its performance targets set for the FY 2019/2020 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar		Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Programme Implementation; I. Quality Technical Training;	Source and Implement of Market-Driven Programmes	To develop and implement relevant training programmes that facilitate acquisition of the necessary skills for improved service delivery and employability	1. Market intelligence reports	-Carry out market intelligence surveys	Information on courses being offered availed
			2. Number of programmes agreed upon	-Pre-training consultations with stakeholders	Decision made on market driven course by HODs
			3. Number of accredited programmes rolled out	-Implement accredited training programmes	-Mechatronics level 3 and 4 -Hair and beauty therapy implemented
			3. Number of CBET programmes rolled out.	Source and implement CBET programmes	Sourced 10 occupational standards and curricular

KATINE TECHNICAL TRAINING INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2020

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

			4.Number of accredited trainers and facilitators	Use accredited trainers and facilitators	Used accredited trainers and facilitators in teaching
ii. Research and Innovations development	Promote relevant research and innovation in the education and training in the institute	To promote and institutionalize Research and Innovation for informed decision-making in the institute and Kenya as large	<p>1.Operational research and innovation policy for KTTI</p> <p>2.Operational research and innovation policy for KTTI</p> <p>3.Number of motivational activities that promote quality research and innovation undertaken</p> <p>Number of staff capacity built and trained on research and innovations</p>	<p>Develop a research and innovation policy for KTTI</p> <p>Implement research and innovation policy for KTTI</p> <p>Undertake motivational activities that promote quality research and innovation in KTTI</p> <p>Capacity build and train staff on research and innovation</p>	<p>Assigned HOD to develop research policy.</p> <p>Research and innovation policy development in progress.</p> <p>Champions appointed to spearhead research and innovation to be presented to RVTI call for paper's seminar.</p> <p>Participated in TVET Fair innovation and Research presentations</p>
Pillar 2; INSTITUTIONAL DEVELOPMENT	Enhance Branding and Visibility	To enhance the institutional capacity, profile and corporate image to facilitate effective positioning in the market	<p>1.No. of best practices implemented</p> <p>2.Number of Produced and disseminated promotional materials</p> <p>3.Operational upgraded and</p>	<p>Conduct a benchmarking exercise on the Best practice from TVETs</p> <p>Production and dissemination of promotional materials</p> <p>Upgrade and update the</p>	<p>Implemented from Masai TTI, Thika TTI best practices in eLearning and quality assurance respectively. Produced and disseminated over 1000 promotional materials</p>

KATINE TECHNICAL TRAINING INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2020

			<p>updated institute's website</p> <p>4.Documented and operational institutional Marketing Strategy</p> <p>5.Number of exhibitions and open days participated in</p> <p>6.An operational alumni portal</p> <p>7.Public awareness index on the mandate and programmes of the institute</p> <p>8.Number of Corporate Social Responsibility programmes implemented</p>	<p>institute's website</p> <p>Develop and implement institutional Marketing Strategy Participation in exhibitions and open days</p> <p>Create and manage alumni portal</p> <p>Undertake public sensitization on mandate and programmes of the institute</p> <p>Develop and Implement a Corporate Social Responsibility framework</p>	<p>Upgraded and updated the institute's website</p> <p>Enhanced institutional Marketing Strategy</p> <p>Three (3) Exhibitions attended.</p> <p>Alumni portal was not created</p> <p>Increased public awareness on the mandate and programmes of the institute</p> <p>Linked 3 needy students to Kenya Red Cross for support.</p>
	Leverage on ICT	To enhance the institutional capacity, profile and corporate image to facilitate effective positioning in the market	<p>1.Operational ICT Policy and Strategy</p> <p>2.Number of staff trained on ICT</p> <p>3.Number of key processes automated</p> <p>4.Operational e-learning platform for KTTI courses</p>	<p>Develop and Implement an ICT Policy and Strategy</p> <p>Train staff in ICT</p> <p>Automate key processes</p> <p>Create e-learning platform for KTTI courses</p>	<p>Draft ICT policy developed.</p> <p>32 members of Staff trained on ICT</p> <p>5 Key processes automated</p> <p>Created e-learning platform for KTTI courses</p>

			5.Operational Data Recovery Plan	Develop Data Recovery Plan	Work is in progress derived from KTTI ICT policy
Pillar 3: Resource Development & Management	Attract and retain high performing staff	To build human resource capacity for quality service delivery	1.Operational Rewards and Sanctions Policy 2. No. of adjunct staff engaged	Develop and implement a Rewards and Sanctions Policy for BOG staff Recruitment of BOG teaching staff;	Improved staff motivation Recruited BOG teaching staff
	Foster a KTTI common work place culture	To build human resource capacity for quality service delivery	1.Number of trainees 2.Operational Code of Conduct 3.No. of coaching and mentorship programmes implemented	Establish, develop and maintain a common culture Review and implement Code of Conduct Implement coaching and mentorship programmes	KTTI culture Code of Conduct reviewed and implemented Coaching and mentorship programmes implemented

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2020

7. CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

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

1. Corporate governance statement

- a) Good corporate governance is the key to integrity and corporations and central to the institute stability
- b) Corporate governance their fore encompasses the system practices and procedures by which the individual corporation regulates itself to remain stable, competitive, sustainably and fair.
- c) The BOG follows principles of transparency and accountability in its stewarding institute's affairs'

- d) The role of the BOG is to ensure conformity by focusing and providing the institutes strategic direction and policy making as well as performance review through accountability, monitoring, supervision and internal control to safeguard the assets and ensure the reliability of financial information
- e) Management team comprising of the principal, deputy principal, head of departments and staff meet regularly to consider issues of operational and strategic importance.
- f) Below are key features of the existing governance practices within the institutes which are revised and improved from time to time

2. Institutes BOG

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

3. Related party disclosure

Related parties for the purposes of this report include:

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

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2020

8. MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial Performance

During the year ended 30 June 2020, the Institution had 400 students compared to 240 in year 2018/2019. The increased number of students attributed to Institutions increase in revenue from government capitation and rendering of services decreased from KES 22,512,395 in the FY 2018/2019 to KES 17,979,561 representing a 20% drop.

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

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

Compliance with Statutory Requirements

Katine technical training institute complies for all statutory deductions and remittances as required by the Kenyan laws.

Key Projects and Investment Decisions

Key projects and investment decisions Katine technical training institute is planning/implementing for the FY 2019/2020.

PROJECT NAME	FUNDING
1. Construction of Tuition block Katine TTI	Government financed (MOE)
2. Proposed erection and completion of twin workshop, classrooms and office blocks (2 storey) for the proposed Mwala TTI in Mwala Constituency	Government financed (MOE)
3. Construction of electrical and electronics workshop Katine TTI	Government financed (MOE)

- i. The above Projects are funded through recommendation by the director of TVET
- ii. The proposed Mwala TVC construction is a government sponsored and Katine TTI is the mentoring institution. All the funding of the project is financed through Katine Technical Training Institute.
- iii. The completion and sustainability of the above projects will depend on Government funding.

Financial and Management risks

Major risks facing the entity include

- Inadequate funding by the ministry of education- on capitation/operation and development grant
- Delayed funding
- Poor fees payments

- Untimely marketing due to late funding

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

Material arrears in Statutory and Financial Obligations

There were no material arrears in statutory and financial obligations for the financial year 2019/2010

Governance

There were no serious governance issues were reported during the FY 2019/2020.

Budget Achievement

Katine Technical Training Institute had a budget of Kshs.94,728,031 in F/Y 2019-2020. The Institute managed to realize Kshs. 63,851,749 which translates to 67% of the total budget. The Institute spent Kshs. 39,153,459 of the realised amount which translates to approximately 61% of the realised amount.

REALIZATION OF BUDGET

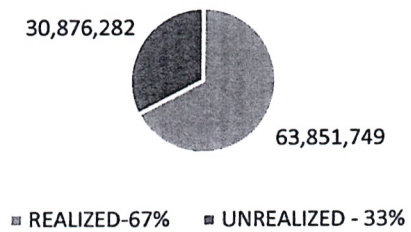


Figure 1: Budget realization for Katine TTI during F/Y 2019/2020

EXPENDITURE

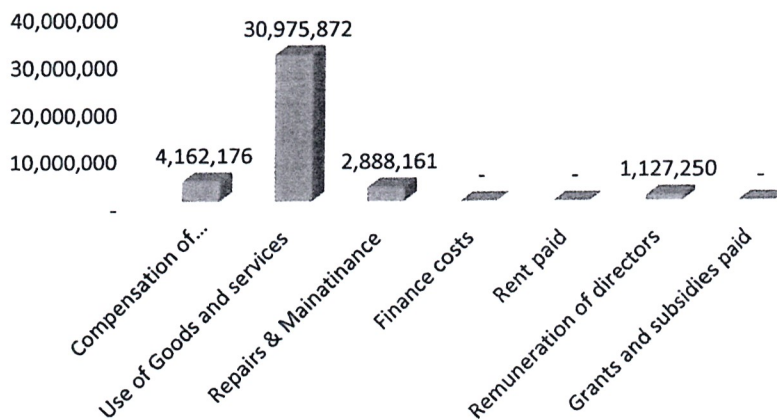


Figure 2: Bar graph showing Katine TTI expenditure for F/Y 2019-2020

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2020

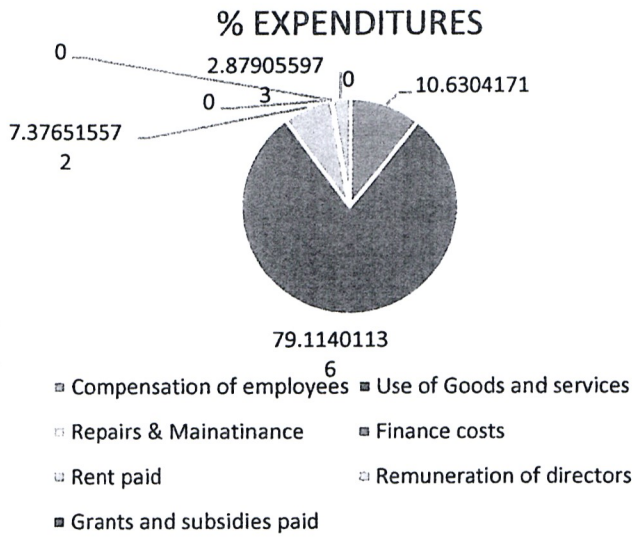


Figure 3: Pie Chart Showing % expenditure

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

1. Sustainability strategy and profile -

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

2. Environmental performance

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

3. Employee welfare

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

4. Market place practices-

Katine Technical Training institute signed with the Ministry of Education; State department of Vocational & Technical Training to Fight corruption in the performance Contract for the year 2019-2020. The Institute has achieved the set targets during the period

The Institute advertised for Pre-qualified suppliers for supply of works, goods and services for the period 2019-2020 to ensure fair competition. The Suppliers have been opportunity to provide services to the institute and payments were made promptly.

The Institute continued in its marketing by show casing her innovations in TVET fairs and Machakos County Fair organised by Machakos County Governor. The institute participated in Machakos ASK Show to reach out to potential clients.

The Institute continued to abide by the fee guideline issued by the government to be applied in all TVET institutions

5. Community Engagements-

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

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

Katine TTI being a public entity embraces the policy of the corporate social responsibility (CSR) through engaging itself with the following social responsibility:

- i. Financial support to needy students through coordinating bursary, HELB loans, support sustainability and sponsorship to students where possible as well work study programme.

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2020

- ii. Offering both social and economic support to external community through provision of casual labour opportunity and suppliers when opportunities arise
- iii. Environmental activities like planting of trees
- iv. Mentoring the youth e.g. Sponsorship by KCB sponsorship
- v. Offering careers advices to students in Matungulu constituency
- vi. Offering internship and industrial attachment to youth from surrounding community institutions in Kenya.

FUNCTIONS OF THE BOARD OF GOVERNORS

According to the TVET act 2013, the BOG shall have the following functions.

- i. Provide oversight and strategic leadership
- ii. Employ staff
- iii. Approve statutes
- iv. Approve policies for the institutes
- v. Approve budgets
- vi. Make new or additional regulations, amend or revoke existing regulations
- vii. Make appointments authorised by the law
- viii. Acquire land, buildings, premises, equipment, vehicles, machinery and facilities acquired for carrying out the work/duties of the institute.
- ix. Determine the method of recruitment, appointment and promotion of all staff of the institutes as per the law.
- x. Provide welfare for every person as per the law
- xi. Provide control and regulate finances
- xii. Control, manage and regulate finances
- xiii. Enter into contracts, vary carry, out or terminate contracts on behalf of the institutes
- xiv. Empower committee of the BOG appointed

Transact from time to time any other business of the institute which is covered by the law.

The Board member's committees are as follows:

- Finance
- Governance and ethics
- Development

The Board members' operations are guided by a board charter. The board has a conflict of interest register and at every meeting, members are required to declare any conflict of interest with regard to the matters under discussion.

While the Board members sets the direction and general guidance on policy, the day to day running of the Institute has been delegated to the Principal/ Secretary B.O.G. However, the Board members is responsible for the stewardship of the Institute and assumes responsibility for the effective control of the Institute.

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2020

10. REPORT OF THE BOARD OF GOVERNORS

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

Principal activities

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

Results

The financial performance of the institute for the year ended 30 June 2019 are set out on page 22 to page 43.

Board of Governors

The members of the Board who served during the year are shown on page 5 to page 8.

Auditors

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

By Order of the Board



.....
Board of Governors-Secretary

Katine Technical Training Institute

Date:..... 31/4/2021

THE PRINCIPAL
KATINE TECHNICAL TRAINING
INSTITUTE
P. O. BOX 10000 NAIROBI

11. STATEMENT OF BOARD OF GOVERNOR' RESPONSIBILITIES

Section 81(1) of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013 require the Board of Governors 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 and the operating results of the Institute for that year. The Board of Governors 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 are also responsible for safeguarding the assets of the Institute.

The Board of Governors are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year ended on 30 June 2019. This responsibility includes:


- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of the Institute;
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

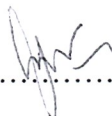
The Board of Governors accept responsibility for the Institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act (2012) and the State Corporations Act and section 29 of schedule 2 of the Technical and Vocational Education and Training Act. The Board of Governors are of the opinion that the Institute's financial statements give a true and fair view of the state of Institute's transactions during the financial year ended 30 June 2019, and of the Institute's financial position as at that date. The Board of Governors 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 to indicate that the *Institute* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

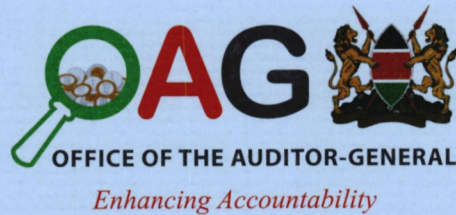
The Institute's financial statements were approved by the Board on **26/09/2020** and signed on its behalf by:

.....

Chairperson of the Board

.....

THE PRINCIPAL
KATINE TECHNICAL TRAINING
INSTITUTE
P. O. Box 100000, Harare
BOG Secretary/Principal

REPUBLIC OF KENYA

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



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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Katine Technical Training Institute set out on pages 1 to 42, which comprise of the statement of financial position as at 30 June, 2020, 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 Katine Technical Training Institute as at 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 Technical and Vocational Education Training Act, 2013 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Presentation and Disclosures in the Financial Statements

Review of the financial statements revealed unsatisfactory matters of presentation and disclosure as follows:

- i. The report on key entity information and management does not include the Board of Governors as part of key management, while the Chairman of the Board of Governors is erroneously listed as part of fiduciary management. Further, the report only indicates the name of fiduciary management committee members without providing a high-level description of the fiduciary oversight arrangements. In addition, the Audit Committee and its functions is not included as an oversight body.
- ii. The report of the Principal does not include some prescribed information such as; successes consolidated, challenges being faced and the way forward or

future outlook for the Institute. In addition, high level information on the financial performance has not been included.

- iii. The report of the Board of Governors indicates the financial performance of the Institute for the year ended 30 June, 2019 instead of 2020. The report further indicates that the financial performance of the Institute is set out on page 22 to page 43 while the reports are on pages 1 to 45. The same report has reported that the members of the Board who served during the year are shown on pages 5 to 8 while the financial statements reflect them on pages xviii to xx.
- iv. The statement of the Board of Governors' Responsibilities reported that the Board of Governors are responsible for preparation of financial statements for the year ended 30 June, 2019 instead of 30 June, 2020.
- v. The ICPAK membership number of the Finance Officer who signed the financial statements was not indicated.
- vi. Appendix 1 on progress on follow up of auditor recommendation does not indicate the previous year's audit issues and their subsequent resolution or otherwise.

In the circumstances, the financial statements are not accurately presented in accordance with International Public Sector Accounting Standards and the reporting template recommended by the Public Sector Accounting Standards Board.

2. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects Nil receipts on transfers from other Government entities, while the statement of financial performance and Note 6 to the financial statements reflects actual receipts of Kshs.2,800,750. Further, the heading of the statement of comparison of budget and actual amounts is indicated as for the year ended 30 June, 2019 instead of 30 June, 2020.

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

3. Inconsistencies in Referencing of Notes to the Financial Statements

Review of the financial statements revealed various inconsistencies between references to disclosure Notes to the financial statements and the actual numbering of the corresponding Notes as detailed out below;

Description	Report Component	Amount (Kshs.)	Indicated Note Reference	Actual Corresponding Note to Financial Statements
Cash and Cash Equivalents	Statement of Financial Position	43,353,691	26	27

Description	Report Component	Amount (Kshs.)	Indicated Note Reference	Actual Corresponding Note to Financial Statements
Current Portion of Receivables from Exchange Transactions	Statement of Financial Position	18,703,059	27(a)	29(a)
Cash flow from Operating Activities	Statement of Cash flows	27,499,040	44	45

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

4. Unsupported Property, Plant and Equipment Balance

The statement of financial position and as disclosed in Note 33 to the financial statements, reflects a balance of Kshs.153,323,654 in respect of property, plant and equipment. However, no supporting documents including valuation reports and ownership documents, were provided. Further, the Management did not provide a fixed asset register in support of the balances of the assets held by the Institute as at 30 June, 2020.

Consequently, the accuracy, completeness, existence, valuation and ownership of the property, plant and equipment balance of Kshs.153,323,654 could not be confirmed.

5. Unsupported Related Party Transaction

The statement of financial position reflects a related party balance of Kshs.37,884,284 under current assets which was not supported by way of a Note to the financial statements. Further, the balance was not supported with the relevant supporting documents.

Therefore, it was not possible to determine the validity and accuracy of the related party balance.

6. Unsupported Repairs and Maintenance Expenditure

The statement of financial performance and as disclosed in Note 19 to the financial statements reflects an amount of Kshs.2,757,141 in respect to repairs and maintenance expenses. Included in the expenditure is an amount of Kshs.1,282,981 which was not supported with adequate relevant supporting documents such as payment vouchers and invoices.

Consequently, the completeness, accuracy and validity of the repairs and maintenance expenditure of Kshs.1,282,891 could not be confirmed.

7. Unsupported Remuneration of Directors

The statement of financial performance and as disclosed in Note 17 to the financial statements reflects an expenditure on remuneration of Directors of Kshs.1,127,250.

The expenditure was not supported with adequate relevant documents such as payment vouchers and expenditure schedules.

Consequently, the completeness, accuracy and validity of the remuneration of Directors' expenditure of Kshs.1,127,250 could not be confirmed.

8. Overstated Administrative Fees

The statement of financial performance and as disclosed in Note 15 to the financial statements, reflects the use of goods and services expenditure of Kshs.30,975,872. The expenditure includes an amount of Kshs.19,163,199 in respect of administration fees which in turn includes Kshs.7,940,441 relating to inter-bank transfers (Kshs.6,440,441 transferred to EC Work and Kshs.1,500,000 refund of money borrowed from Co-operative Bank Development Account). Inter-bank transfers do not represent expenditures of the Institute and thus the administrative fees amount has been overstated by the amount of Kshs.7,940,441.

In the circumstances, the accuracy and completeness of the use of goods and services expenditure of Kshs.30,975,872 could not be confirmed.

9. Differences Between the Financial Statements and the General Ledger

Examination of the amounts and balances reflected in the financial statements, against the general ledger provided revealed variances as detailed below;

Component	Financial Statement Figure (Kshs.)	General Ledger Figure (Kshs.)	Variances (Kshs.)
Property Plant and Equipment	153,323,654	121,224,507	32,099,147
Transfers from the National Government-Grants	2,800,750	0	2,800,750
Reserves	55,785,145	190,285,893	(134,500,748)
Capital Fund	121,224,507	0	121,224,507

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be confirmed.

10. Unreconciled Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 27 to the financial statements reflects a balance of Kshs.43,353,691 in respect of cash and cash equivalents. The balance represents funds held in four (4) commercial bank accounts operated by the Institute. However, cash books for three (3) bank accounts were not up to date as at 30 June, 2020. Further, the bank reconciliation statements for three (3) bank accounts had not been prepared on a monthly basis for 6 months from January to June, 2020. This is contrary to Regulation 90(1) of the Public Finance Management, (National Government) Regulations, 2015.

In addition, the cash book for one (1) bank account was not provided for the audit.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.43,353,691 could not be ascertained.

11. Unsupported Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 29(a) to the financial statements reflects current portion of receivables from exchange transactions balance of Kshs.18,703,059 which relates to student debtors. However, the balance was not supported by way of a detailed debtors ageing analysis. Further, the provision for bad and doubtful debts was not made to recognize impairments on the balance.

Consequently, the accuracy, completeness and recoverability of the student debtors balance of Kshs.18,703,059 could not be confirmed.

12. Inaccuracy of the Financial Statements

The statement of financial position reflects a total net assets and liabilities amount of Kshs.253,788,768, while the statement of changes in net assets, reflects an amount of Kshs.204,508,692 thereby resulting in an unexplained variance of Kshs.49,280,076.

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

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.94,728,031 and Kshs.63,851,749 respectively resulting to an under-funding of Kshs.30,876,282 or 33% of the budget. Similarly, the Institute expended Kshs.39,153,459 against an approved budget of Kshs.94,728,031 resulting to an under-expenditure of Kshs.55,574,572 or 59% of the budget.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources 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. Delayed Completion of Administration and Tuition Block

The contract for the construction and completion of an administration and tuition block was awarded to a contractor on 20 November, 2015 at a contract sum of Kshs.19,969,041 a contract period of 52 weeks ending on 14 November, 2016. However, physical inspection carried out in February, 2021 revealed that the project had not been completed. The contractor had been paid Kshs.16,405,474 vide interim certificate No. 4 of 21 December, 2016 and two requests for payment had been submitted through interim certificates No.5 for Kshs.1,800,575 and No.6 for Kshs.1,882,110 but which were not honored due to a dispute.

Further, it was noted that the contractor had placed a demand for payment of Kshs.10,377,643 consisting of an outstanding balance from the awarded contract and claims for delay in settlement of the submitted interim certificates.

In addition, no documents were provided to confirm that an extension of time had been granted by the Institute to the contractor for the execution of the contract.

The delay may lead to additional costs since the Management had failed to manage the contract as required by Sections 139 and 140 of the Public Procurement and Asset Disposal Act, 2015.

Consequently, the Management breached the law.

2. Failure to Comply with Budget Approval Procedures

Review of records revealed that the Institute's Management prepared annual estimates for the year but the estimates were not submitted to the Cabinet Secretary for approval as required by Section 22 of the Second Schedule of the Technical and Vocational Education and Training Act, 2013, and Regulation, 31(1) and (2) of the Public Finance Management (National Government) Regulations, 2015.

Consequently, the Management breached 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 overall governance were not effective.

Basis for Conclusion

1. Lack of Approved Staff Establishment and Salary Grading Structure

During the audit it was noted that the Institute did not have an approved staff establishment. Further, there was no approved salary grading structure for the employees and it was not possible to confirm how the salaries and other terms of service were determined. This is contrary to Section C.2 (1) of the Human Resource Policies and Procedures Manual for the Public Service of May, 2016 which states that the Public Service salary structure will be based on the grading levels spelt out in the various career progression guidelines.

2. Irregular Recruitment of Staff

Review of the payroll records revealed that five (5) employees were recruited during the year under review. However, the Institute does not have an approved documented policy on recruitment and it was not clear whether the staff were recruited through a lawful and competitive process. Further, it was observed that, all the five (5) recruited employees were males implying that the requirement for gender balance was not observed. This is contrary to Section B.5 of the Human Resource Policies and Procedures Manual for the Public Service of May, 2016 which states that recruitment will be undertaken on the basis of fair competition and merit; representation of Kenya's diverse communities; adequate and equal opportunities to all gender, youth, members of all ethnic groups, persons with disabilities and minorities.

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

Responsibilities of Management and the Board of Governors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free

from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

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

I communicate with 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

17 February, 2022

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019-2020	2018-2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	6	2,800,750	18,942,751
Grants from donors and development partners	7		
Transfers from other levels of government	8		
Public contributions and donations	9		
		2,800,750	18,942,751
Revenue from exchange transactions			
Rendering of services- Fees from students	10	63,851,749	21,740,200
Sale of goods	11		
Rental revenue from facilities and equipment	12		262,550
Finance income - external investments	13		
Other income	14		452,715
Revenue from exchange transactions		63,851,749	22,455,465
Total revenue		66,652,499	41,398,216
Expenses			
Use of goods and services	15	30,975,872	15,772,924
Employee costs	16	4,162,176	4,545,959
Remuneration of directors	17	1,127,250	438,000
Depreciation and amortization expense	18	131,020	-
Repairs and maintenance	19	2,757,141	643,330
Contracted services	20	-	-
Grants and subsidies	21	-	-
Finance costs	22	-	-
Total expenses		39,153,459	21,400,213
Other gains/(losses)			
Gain on sale of assets	23	-	-
Gain on foreign exchange transactions		-	-
Unrealized gain on fair value of investments	24		
Impairment loss	25		
Total other gains/(losses)		-	-
Net Surplus for the year		27,499,040	19,998,003
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		27,499,040	19,998,003
		27,499,040	19,998,003


The notes set out on pages 7 to 45 form an integral part of the Annual Financial Statements.


KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020


14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2019-2020	2018-2019
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	26	43,353,691	28,987,529
Current portion of Receivables from exchange transactions	27(a)	18,703,059	11,792,080
Related Party(Mwala TVC)		37,884,284	-
Receivables from non-exchange transactions	28	-	-
Inventories	29	-	-
Investments	30	-	-
		99,941,034	40,779,609
Non-current assets			
Property, plant and equipment	33	153,323,654	136,230,043
Investments			-
Intangible assets	34	524,080	
Investment property	35		
Long term receivables from exchange transactions	27(b)		
		153,847,734	136,230,043
Total assets		253,788,768	177,009,652
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	36	5,942,264	10,903,309
Refundable deposits from customers	37	-	
Retention		7,751,896	7,751,896
Provisions	38		
Finance lease obligation	39		
Current portion of borrowings	43		
Deferred income	40	21,785,594	18,655,204
Employee benefit obligation	41		
Payments received in advance			
		35,479,754	37,310,409
Non-current liabilities			
Non-current employee benefit obligation	41		
Non-current provisions	42		
Borrowings	43		
Service concession liability	44		
Deferred tax liabilities	53		
		-	-
Total liabilities		35,479,754	37,310,409
Net assets		218,309,014	139,699,243
Reserves		55,785,145	19,998,003
Accumulated surplus		27,499,040	35,787,142
Capital Fund		121,224,507	121,224,507
Total net assets and liabilities		253,788,768	177,009,652

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


 Chairman of Council/Board of Governors
 Date: 3.4.2021


 Finance Officer
 ICPAK No
 Date 3/4/2021


 Principal
 Date: 3/4/2021

THE PRINCIPAL
 KATINE TECHNICAL TRAINING
 INSTITUTE
 P. O. Box 281-80181, TALA

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

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
At July 1, 2018	-	-	35,787,142	121,224,507	157,011,649
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	19,998,003	-	19,998,003
Capital/Development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	-	-	-
At June 30, 2019	-	-	55,785,145	121,224,507	177,009,652
At July 1, 2019	-	-	55,785,145	121,224,507	177,009,652
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	27,499,040	-	27,499,040
Capital/Development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	-	-	-
At June 30, 2020	-	-	83,284,185	121,224,507	204,508,692

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

		2019-2020	2018-2019
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	6	2,800,750	18,942,751
Public contributions and donations		-	-
Rendering of services- Fees from students	10	63,851,749	21,740,200
Sale of goods		-	-
Rental revenue from facilities and equipment	12	-	262,550
Finance income		-	-
Consultancy income		-	-
Other income, rentals and agency fees	15	-	452,715
Total Receipts		66,652,499	41,398,216
Payments			
Compensation of employees	17	4,162,176	4,545,959
Use of goods and services	16	30,975,872	15,772,924
Finance cost		-	-
Rent paid		-	-
Taxation paid		-	-
Other payments	17,19	4,015,411	1,081,330
Grants and subsidies paid		-	-
Total Payments		39,153,459	21,400,213
Cashflows from Operating Activities	44	27,499,040	19,998,003
Adjustments for			
Increase/Decrease in deferred income			
Net cash flows from operating activities		27,499,040	19,998,003
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and Equipment			
Decrease in non-current receivables		-	-
Capital Reserves		(2,800,750)	(28,853,234)
Increase in investments		-	-
Net cash flows used in investing activities		(2,800,750)	(28,853,234)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Increase/Decrease of Payables/receivables		(10,332,128)	25,518,329
Net cash flows used in financing activities		(10,332,128)	25,518,329
Net increase/(decrease) in cash and cash equivalents		14,366,162	16,663,098
Cash and cash equivalents at 1 JULY 2018	27	28,987,529	12,324,431
Cash and cash equivalents at 30 JUNE 2019	27	43,353,691	28,987,529

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		% Difference	
	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	%
Revenue												
Transfers from other Govt entities Govt grants	26,265,543		-		26,265,543		-		26,265,543			-
Public contributions and donations	-		-		-		-		-			-
Rendering of services- Fees from students	68,462,488		-		68,462,488		63,851,749		4,610,739			93
Sale of goods	-		-		-		-		-			-
Finance Income	-		-		-		-		-			-
Consultancy Income	-		-		-		-		-			-
Gains on disposal, rental income and agency fees	-		-		-		-		-			-
Total income	94,728,031		-		94,728,031		63,851,749		30,876,282			67
Expenses												
Compensation of employees	4,979,960		-		4,979,960		4,162,176		817,784			84
Use of Goods and services	70,900,886		-		70,900,886		30,975,872		39,925,014			44
Repairs & Maintenance	13,302,750		-		13,302,750		2,888,161		10,414,589			22
Finance costs	-		-		-		-		-			-
Rent paid	-		-		-		-		-			-
Remuneration of directors	5,544,435		-		5,544,435		1,127,250		4,417,185			20
Grants and subsidies paid	-		-		-		-		-			-
Total expenditure	94,728,031		-		94,728,031		39,153,459		55,574,572			41
Surplus for the period	-		-		-		24,698,290		(24,698,290)			

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Katine Technical Training Institute entity is established by and derives its authority and accountability from the Technical and Vocational Education and Training Act, 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Provision of training in technical, vocational, entrepreneurial management and research

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

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

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

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

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

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Standard	Effective date and impact:
resulting from IPSAS 41, Financial Instruments	<ul style="list-style-type: none"> 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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.
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> 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 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 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. 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.

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.

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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. 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. Accordingly, the entity recorded additional appropriations on the FY 2019/2020 budget following the Council/ Board's approval.

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 and are depreciated over a period of years.

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

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

e) Property, plant and equipment

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

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

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:

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

- The debtors or 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, 2019.

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 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. Additional disclosure of these estimates of provisions is included in Note xxx.

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

6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2019-2020	2018-2019
	KShs	KShs
Unconditional grants		
Operational grant	-	3,500,000
Other grants	-	-
	-	3,500,000
Conditional grants		
Library grant	-	-
Hostels grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
Learning facilities grant(Mwala TVC)	-	15,442,751
Other organizational grants	2,800,750	-
Total government grants and subsidies	2,800,750	18,942,751

7 GRANTS FROM DONORS AND DEVELOPMENT PARTNERS

Description	2019-2020	2018-2019
	KShs	KShs
JICA- Research grant	-	-
World Bank grants	-	-
Other grants	-	-
Total grants from development partners	-	-

8 TRANSFERS FROM OTHER LEVELS OF GOVERNMENT

Description	2019-2020	2018-2019
	KShs	KShs
	-	-
	-	-
	-	-
Total Transfers	-	-

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	-	-
Total donations and sponsorships	-	-

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

10 RENDERING OF SERVICES

Description	2019-2020	2018-2019
	KShs	KShs
Tuition fees	6,740,040	7,071,797
Application Fees	90,300	47,450
Activity fees	445,550	870,177
Medical fund	-	12,195
Personal Emolument	1,532,160	6,465,941
Repairs Maintenance & Improvements	242,725	2,378,460
Electricity, Water & Conservancy	433,580	439,860
Local Travelling & Transport	397,005	366,440
Administration	1,914,535	463,010
Boarding Fee	8,989,366	3,624,870
Facilities and materials	-	-
NYS	43,066,488	
Registration fees	-	-
Total revenue from the rendering of services	63,851,749	21,740,200

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 SALE OF GOODS

Description	2019-2020	2018-2019
	KShs	KShs
Sale of goods		
Sale of books	-	-
Sale of publications	-	-
Sale of farm produce	-	-
Other(include in line with your organisation)	-	-
Total revenue from the sale of goods	-	-

12 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2019-2020	2018-2019
	KShs	KShs
Straight-lined operating lease receipts	-	-
Hire of Facilities	-	262,550
Contingent rentals	-	-
Total rentals	-	262,550

13 FINANCE INCOME

Description	2019-2020	2018-2019
	KShs	KShs
Cash investments and fixed deposits	-	-
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
Total finance income	-	-

14 OTHER INCOME

Description	2019-2020	2018-2019
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender	-	40,000
IGAs	-	2,400
Development Fund	-	26,205
Fee Arrears	-	123,705
Hostel	-	88,000
Attachment Fee	-	165,605
Library	-	6,800
Income from disposal of assets	-	-
Total other income	-	452,715

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

15 USE OF GOODS AND SERVICES

Description	2019-2020	2018-2019
	KShs	KShs
Electricity	157,155.00	150,650.00
Local Transport & Travel	-	3,227,820.00
School Equipment & Stores	4,136,130.00	2,454,504.00
Boarding Fee Charges	3,239,214.00	4,765,138.00
Water	-	-
Security	-	-
Professional services	-	-
Subscriptions/Activities	3,208,620.00	978,947.00
Advertising	467,554.00	380,735.00
Audit fees	-	-
Conferences and delegations	-	-
Consulting fees	-	-
Consumables	-	-
Admin fees	19,163,199.00	2,782,330.00
Training expenses (CAPA)	374,000.00	524,800.00
Other (Strategic Plan Review)	230,000.00	508,000.00
Total good and services	30,975,872.00	15,772,924.00

16 EMPLOYEE COSTS

	2019-2020	2018-2019
	KShs	KShs
Salaries and wages	4,009,176	4,382,559
Employee related costs - contributions to pensions and medical aids	153,000	163,400
Travel, motor car, accommodation, subsistence and other allowances	-	-
Housing benefits and allowances	-	-
Overtime payments	-	-
Performance and other bonuses	-	-
Social contributions	-	-
Employee costs	4,162,176	4,545,959

17 REMUNERATION OF DIRECTORS

Description	2019-2020	2018-2019
	KShs	KShs
Chairman's Honoraria	-	-
Directors emoluments	-	-
Other allowances	1,127,250	438,000
Total director emoluments	1,127,250	438,000

18 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018-2019
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	131,020	-
Investment property carried at cost	-	-
Total depreciation and amortization	131,020	-

19 REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	KShs	KShs
Property	-	-
Investment property – earning rentals	-	-
Equipment and machinery	-	-
Vehicles	-	-
Furniture and fittings	-	-
Computers and accessories	-	-
Other	2,757,141	643,330
Total repairs and maintenance	2,757,141	643,330

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 CONTRACTED SERVICES

Description	2019-2020	2018-2019
	KShs	KShs
Actuarial valuations	-	-
Investment valuations	-	-
Property valuations	-	-
Total contracted services	-	-

22 GRANTS AND SUBSIDIES

Description	20xx-20xx	20xx-20xx
	KShs	KShs
Description	2019-2020	2018-2019
	KShs	KShs
Community development	-	-
Education initiatives and programs	-	-
Social development	-	-
Community trust	-	-

23 FINANCE COSTS

Description	2019-2020	2018-2019
	KShs	KShs
Borrowings (amortized cost)*	-	-
Finance leases (amortized cost)	-	-
Unwinding of discount	-	-
Interest on Bank overdrafts	-	-
Interest on loans from commercial banks	-	-
Total finance costs	-	-

24 GAIN ON SALE OF ASSETS

Description	2019-2020	2018-2019
	KShs	KShs
	-	-
Property, plant and equipment	-	-
Intangible assets	-	-
Other assets not capitalised	-	-
Total gain on sale of assets	-	-

25 UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

Description	2019-2020	2018-2019
	KShs	KShs
Investments at fair value	-	-
Total gain	-	-

26 IMPAIRMENT LOSS

Description	2019-2020	2018-2019
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total impairment loss	-	-

27 CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	KShs(30th June 2019)	KShs(30th June 2019)
KCB(Operations)	43,353,331	28,987,472
Cash	360	57
On - call deposits	-	-
Fixed deposits account	-	-
Staff car loan/ mortgage	-	-
Others(specify)	-	-
Total cash and cash equivalents	43,353,691	28,987,529

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

Financial institution	Account number	2019-2020	2018-2019
		KShs	KShs
a) Current account			
Kenya Commercial bank	1141253852	18,278,331	1,064,800
Kenya Commercial bank	1235950875	3,289,766	298,103
Cooperative I	1129343916700	17,758,036	7,021,292
Cooperative II	1129343916701	4,027,558	20,603,277
Sub- total		43,353,691	28,987,472
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Fixed deposits account			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
d) Staff car loan/ mortgage			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

e) Others(specify)		-	-
Cash in transit		-	-
cash in hand			57
M pesa		-	-
Sub- total		-	57
Grand total		43,353,691	28,987,529

29 RECEIVABLES FROM EXCHANGE TRANSACTIONS

29(a)

Description	2019-2020	2018-2019
	KShs	KShs
Current receivables		
Student debtors	18,703,059	11,792,080
Rent debtors	-	-
Consultancy debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total current receivables	18,703,059	11,792,080

29(b)

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

30 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
Current receivables		
Transfers from other govt. entities	-	-
Undisbursed donor funds	-	-
Other debtors (non-exchange transactions)	-	-
Less: impairment allowance	-	-
Total current receivables	-	-

31 INVENTORIES

Description	2019-2020	2018-2019
	KShs	KShs
Consumable stores	-	-
Maintenance stores	-	-
Health Unit stores	-	-
Electrical stores	-	-
Cleaning materials stores	-	-
Catering stores	-	-
Total inventories at the lower of cost and net realizable value	-	-

32 INVESTMENTS

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

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:

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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	Shs	Shs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
Entity D	-	-	-	-	-	-
	-	-	-	-	-	-

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 PROPERTY, PLANT AND EQUIPMENT

Cost	Land and Buildings		Motor vehicles		Furniture and fittings		Computers		Other Assets (Specify)		Plant and equipment		Capital Work in progress		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2018		102,992,307	-	-	17,000,000	1,232,200	-	-	-	-	-	15,005,536	-	-	136,230,043	-
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 th June 2019		102,992,307	-	-	17,000,000	1,232,200	-	-	-	-	-	15,005,536	-	-	136,230,043	-
Additions	-	-	-	-	-	-	-	-	655,100	-	-	-	-	-	655,100	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 th June 2020		102,992,307	-	-	17,000,000	1,232,200	-	-	655,100	-	-	16,569,531	-	-	153,454,674	-
Depreciation and impairment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 1 July 2019		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2020		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment		-	-	-	-	-	-	-	131,020	-	-	-	-	-	-	-
At 30 th June 2020		-	-	-	-	-	-	-	131,020	-	-	-	-	-	-	-
Net book values		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 th June 2019		102,992,307	-	-	17,000,000	1,232,200	-	-	-	-	-	15,005,536	-	-	136,230,043	-
At 30 th June 2020		102,992,307	-	-	17,000,000	1,232,200	-	-	524,080	-	-	31,575,067	-	-	153,323,654	-

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 INTANGIBLE ASSETS-SOFTWARE

Description	2019-2020	2018-2019
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	655,100	-
At end of the year	655,100	-
Additions-internal development	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	131,020	-
At end of the year	131,020	-
Impairment loss	-	-
At end of the year	524,080	-
NBV	524,080	-

35 INVESTMENT PROPERTY

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

36 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
Trade payables	5,942,264	8,019,083
Fees paid in advance	-	-
Employee advances	-	-
Third-party payments	-	-
Other payables	-	-
Total trade and other payables	5,942,264	8,019,083

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2019-2020	2018-2019
	KShs	KShs
Consumer deposits	-	-
Nita exams	-	559,940
Knec Exams	-	295,660
Helb Loan	-	1,206,100
RD Cheque	-	7,030
Bursary	-	716,500
Student ID	-	23,250
Fee Collection	-	40,746
Caution money	-	35,000
Other refundable deposits	-	-
Total deposits	-	2,884,226

38 CURRENT PROVISIONS

Description	Leave provision	Bonus provision	Other provision	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	-	-	-	-
Transfers from non -current provisions	-	-	-	-
Total provisions	-	-	-	-

39 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	-	-	-	-
Total provisions	-	-	-	-

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

40 DEFERRED INCOME

Description	2019-2020	2018-2019
	KShs	KShs
National government	21,785,594	18,655,204
International funders	-	-
Public contributions and donations	-	-
Total deferred income	21,785,594	18,655,204

41 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	-	-	-	-	-
Total employee benefits obligation	-	-	-	-	-

42 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	-	-	-	-
Total deferred income	-	-	-	-

43 BORROWINGS

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

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Repayments of external borrowings during the year	-	-
Repayments of domestics borrowings during the year	-	-
Balance at end of the period	-	-

43 a) ANALYSIS OF EXTERNAL AND DOMESTIC BORROWINGS

	2019-2020	2018-2019
	KShs	KShs
External Borrowings		
'	-	-
Domestic Borrowings	-	-
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Total balance at end of the year	-	-

43 b) BREAKDOWN OF LONG AND SHORT TERM BORROWINGS

Description	2019-2020	2018-2019
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

44 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	-	-

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
45 CASH GENERATED FROM OPERATIONS

	2019-2020	2018-2019
Surplus for the year before tax	KShs	KShs
Adjusted for:	27,499,040	19,998,003
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	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in deferred income	-	-
Increase in payables	-	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	27,499,040	19,998,003

46 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:

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	11,792,080	11,792,080	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	28,987,529	28,987,529	-	-
Total	40,779,609	40,779,609	-	-
At 30 June 2019			-	
Receivables from exchange transactions	18,703,059	18,703,059	-	-
Receivables from non-exchange transactions			-	-
Bank balances	43,353,691	43,353,691	-	-
Total	62,056,750	62,056,750	-	-

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 entity has significant concentration of credit risk on amounts due from transactions.

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.

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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
At 30 June 2019			
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
	10%	-	-
	10%	-	-
		-	-
	10%	-	-
	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.

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax

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	-	-
	-	-
Total funds	-	-
	-	-
	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	%	%

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management;
- iv) Board of directors;

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

48 SEGMENT INFORMATION

There is no segment information is available.

49 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	2019-2020	2018-2019
	Kshs	Kshs
	-	-
	-	-
Total	-	-

50 CAPITAL COMMITMENTS

Capital commitments	2019-2020	2018-2019
	Kshs	Kshs
	-	-
	-	-
Total	-	-

51 EVENTS AFTER THE REPORTING PERIOD

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

52 ULTIMATE AND HOLDING ENTITY

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

53 Currency

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

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

19. APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from the State Department o			
	FY xx/xx			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND 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	Tuition fee for students	
Ministry of Education	08/07/2020	Development	2,800,750	2,800,750		2,800,750			2,800,750
National Youth Service	08/08/2019	Others	4,922,158	4,922,158				4,922,158	4,922,158
National Youth Service	31/01/2020	Others	11,597,100	11,597,100				11,597,100	11,597,100
National Youth Service	17/01/2020	Others	8,091,630	8,091,630				8,091,630	8,091,630
National Youth Service	30/06/2020	Others	6,609,100	6,609,100				6,609,100	6,609,100
National Youth Service	30/06/2020	Others	11,846,500	11,846,500				11,846,500	11,846,500