

# **NATIONAL INDUSTRIAL TRAINING AUTHORITY**

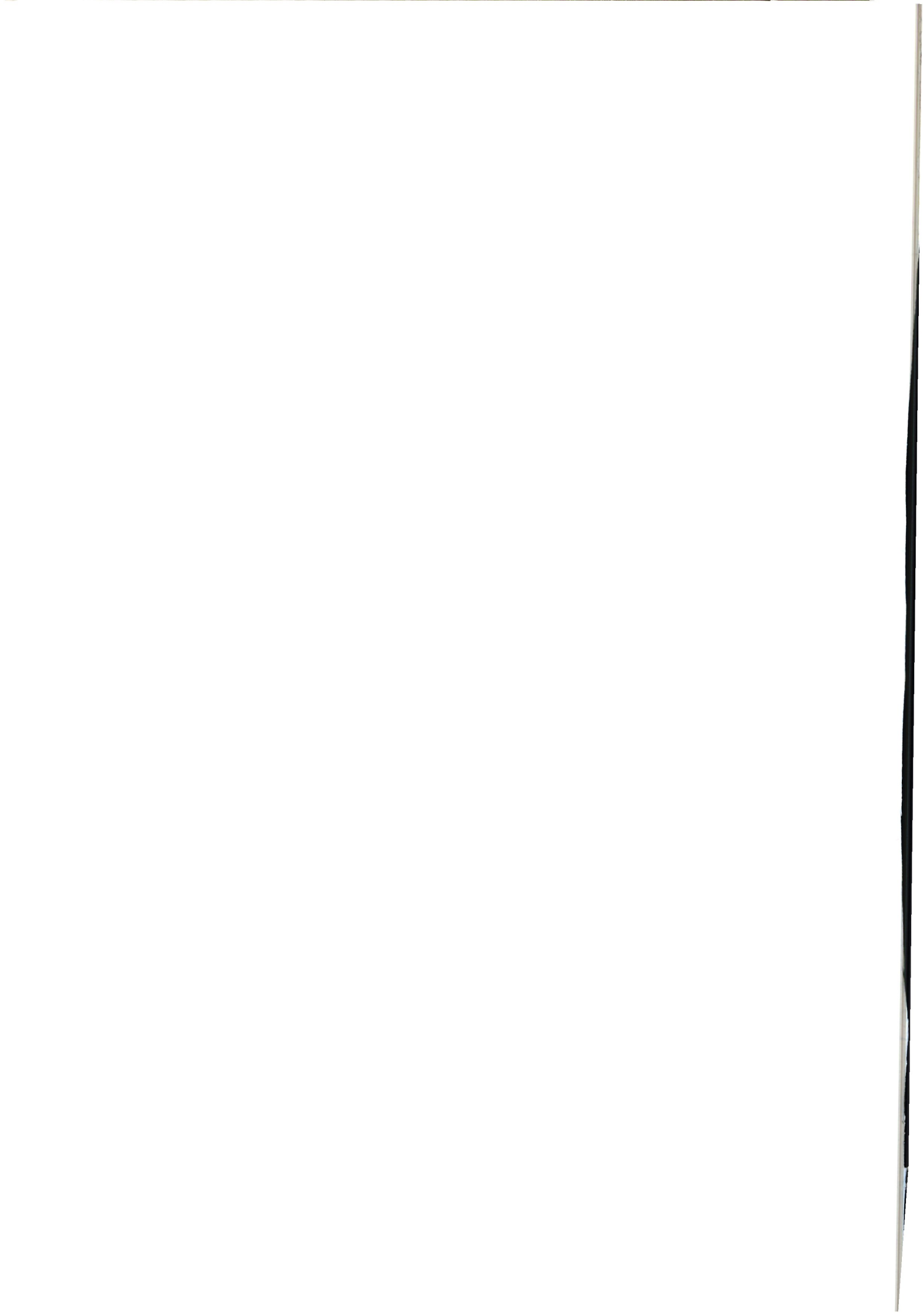
## **REPORT OF THE AUDITOR-GENERAL**

**ON**

## **THE FINANCIAL STATEMENTS OF NATIONAL INDUSTRIAL TRAINING AUTHORITY FOR THE YEAR ENDED 30 JUNE 2012**

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**National Industrial Training Authority  
P.O. Box 74494 00200 Nairobi, Kenya  
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REPUBLIC OF KENYA



**KENYA NATIONAL AUDIT OFFICE**

**REPORT OF  
THE  
AUDITOR- GENERAL**

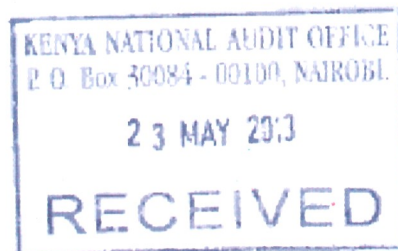
**ON**

**THE FINANCIAL STATEMENT OF  
NATIONAL INDUSTRIAL TRAINING  
AUTHORITY FOR THE YEAR  
ENDED 30 JUNE 2012**

National Industrial Training Authority  
Annual Report and Accounts  
For the year ended June 2012

# Annual Report and Accounts

2011 - 2012



NATIONAL INDUSTRIAL TRAINING AUTHORITY

# Annual Report and Accounts

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2011- 2012

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National Industrial Training Authority  
Annual Report and Accounts  
For the year ended June 2012

## Corporate Information

### ESTABLISHMENT

The Authority is established in Kenya under the Industrial Training Amendment Act No. 34 of 2011. It is a semi autonomous government agency under the ministry of Labour and Human Resources Development

### Principal Place of Business & registered Office

Commercial Street, Industrial Area

P.O. Box 74494 – 00200, NAIROBI

KENYA

Email: [info@nita.go.ke](mailto:info@nita.go.ke)

Website: [www.nita.go.ke](http://www.nita.go.ke)

### Principal Bankers

Kenya Commercial Bank, Industrial Area Branch,

P.O. Box 18031 – 00500, NAIROBI

KENYA

National Bank of Kenya, Harambee Avenue  
Branch

P.O.BOX 41862- 00100

Nairobi

KENYA

### PRINCIPAL ACTIVITY

The Authority provides, facilitates, promotes, regulates and coordinates integrated industrial training for a globally competitive human resource.

## Board of Directors

Prof. Thomas Ekamais Akuja	Chairman
George M. Muchai, MBS	Vice Chairman
Jacqueline Mugo, OGW	Member
Rajabu Mwondi, MBS	Member
Hirji Shah, OGW	Member
Eng. Aram Mbui	Member
Tom Khakame	Member
Ernest Nadome	Member
Alfred Mogere	Member
Ndungu Gakungu	Member
Chris S. Nambanga	Member
Elizabeth Kimenyi	Ag. Director General/Secretary(Retired: 30-10-2012)
Patrick Omutia	Director General/Secretary (Appointed :1-11-2012)



## DIRECTORS' REPORT

The Directors submit their report and the audited accounts for the year ended 30 June 2012 which show the state of the Authority's affairs with respect to the training levy fund.

### RESULTS

The results for the year are summarized below:

	2012	2011
	KSHs'000	KSHs'000
<b>Surplus for the Year</b>	<b><u>107,640</u></b>	<b><u>46,801</u></b>

### FINANCIAL STATEMENTS

As at the date of this report, the Directors were not aware of any circumstances which would have rendered the values attributed to the assets in the financial statements misleading.

## DIRECTORS

The Directors who served during the year and to the date of this report were as listed here below.

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Prof. Thomas Ekamais Akuja	Chairman	Appointed on 14 May 2012
George M. Muchai, MBS	Vice Chairman	Appointed on 14 May 2012
Jacqueline Mugo, OGW	Member	Appointed on 14 May 2012
Rajabu Mwondi, MBS	Member	Appointed on 14 May 2012
Hirji Shah, OGW	Member	Appointed on 14 May 2012
Eng. Aram Mbui	Member	Appointed on 14 May 2012
Tom Khakame	Member	Appointed on 14 May 2012
Ernest Nadome	Member	Appointed on 14 May 2012
Alfred Mogere	Member	Appointed on 14 May 2012
Ndungu Gakungu	Member	Appointed on 14 May 2012
Chris S. Nambanga	Member	Appointed on 14 May 2012
Elizabeth Kimenyi	Ag. Director General/Secretary	Appointed on 14 May 2012 & Retired on 30 October 2012
Patrick Omutia	Director General/Secretary	Appointed on 1 November 2012

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## KEY OFFICERS

Elizabeth Kimenyi	Ag. Director General (Retired on 30 October 2012)
Patrick Omutia	Director General (Appointed on 1 November 2012)
Francis Gitaka	Ag. Director/ Industrial training
Justus Mwilidza	Ag. Director/Operations

## DIRECTORS' BENEFITS

Since the last Annual Report of the Authority (then Directorate of Industrial Training) to the date of this report, no Director has received or become entitled to receive any benefit other than Directors' fees and amounts received under employment contract for the Director General. The aggregate amount of emoluments for Directors' services rendered in the financial year is disclosed in notes 4(iii) and 9.

## AUDIT AND COMPLIANCE COMMITTEE

Chris S. Nambanga	Chairman
Rajabu Mwondi, MBS	Member
Hirji Shah, OGW	Member
Tom Khakame	Member
Ernest Nadome	Member
Paul M. Mutuku	Senior Internal Auditor/Secretary

## INDEPENDENT AUDITORS

The Auditor -General is the independent auditor in accordance with the Public Audit Act, 2003 and the State Corporations Act CAP 446 and continues in office.

By order of the Board



Patrick Omutia- Director General/Secretary

## CORPORATE GOVERNANCE STATEMENT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The Authority is committed to the Standards of good Corporate Governance. The following disclosures aim at emphasizing this commitment.

### ROLE OF THE BOARD

The Board is responsible for:

- Establishing the strategic plan and guiding its implementation.
- Ensuring that appropriate management structures and policies are in place.
- Approving performance targets including budgets and monitoring their achievements.
- Ensuring preparation and presentation of the annual financial statements in accordance with International Financial Reporting Standards and disclosures of other relevant information to shareholders.
- Identifying and mitigating risks and overseeing the implementation of governance processes that promote compliance with legislation, professional standards and the best corporate governance practices promulgated by relevant authorities.

The Board meets regularly as scheduled but special meetings may be called when the need arises. Board members are given notices and agenda for all meetings which are circulated on a timely basis together with the respective documents for discussion. They are required to declare any conflicts of interest on any matters before the Board and are disqualified from participating in deliberations where there is such a conflict. Board members have signed a code of ethics while employees have signed a code of conduct. Non-executive members of the Board are institutional and hold office for at least three years. The Board appoints committees to assist in executing its mandate. The Board also co-opts expertise to its committees for the discharge of its business. The execution of the Board's policies is vested in the Director General who is appointed by the Minister for Labour and is also responsible for the effective performance of the Management team which provides support and advice to the Board and its Committees.

### COMPOSITION OF THE BOARD

The Board is composed of eleven non-executive Directors from whom the Chairman is appointed by the Minister for Labour. The executive member of the Board is the Director General. All the non-executive Directors are independent of management.

### BOARD COMMITTEES

#### i) AUDIT AND COMPLIANCE COMMITTEE

The composition of the members of this committee is listed under the Director's report. It is responsible for assisting the Board to discharge its corporate governance responsibilities as follows:

- Review of financial information in particular annual financial statements to ensure compliance with accounting standards, legislation and other disclosure requirements.
- Liaison with the external auditors.
- Maintaining oversight on internal control systems.
- Ensuring that the risk management framework that is in place is effective and addresses all key business risks.
- Review of the function, operations and findings of the Internal Audit Department

## ii) FINANCE AND LEVY ADMINISTRATION COMMITTEE

The composition of this committee is as follows:

George M. Muchai, MBS	Chairman
Jacqueline Mugo, OGW	Member
Eng. Aram Mbui	Member
Tom Khakame	Member
Alfred Mogere	Member
Elizabeth Kimenyi	Ag. Director General/Secretary (Retired: 30-10-2012)
Patrick Omutia	Director General/Secretary (Appointed:1-11-2012)

It is responsible for assisting the Board to discharge its corporate governance responsibilities as follows:

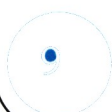
- Relationship with the external auditors.
- Reliability and appropriateness of the disclosures in the financial statements and other external financial communications.
- Implementation of an effective business risk management framework.
- Formulation of the Authority's annual budget.
- Ensuring compliance with internal controls.
- Review of financial information in particular annual financial statements to ensure compliance with accounting standards and other disclosure requirements.
- Formulation of the Authority's Financial, Levy Administration, Information Technology, Planning, Supply Chain and Commercial services policies.
- Review of periodic performance reports and targets.

## iii) INDUSTRIAL TRAINING COMMITTEE

The composition of this committee is as follows:

Hirji Shah, OGW	Chairman
Eng. Aram Mbui	Member
Ndungu Gakungu	Member
Chris S. Nambanga	Member
George M. Muchai, MBS	Member
Elizabeth Kimenyi	Ag. Director General/Secretary (Retired: 30-10-2012)
Patrick Omutia	Director General/Secretary (Appointed:1-11-2012)

It is responsible for advising the Board on matters that pertain to industrial training issues as follows:



#### IV) HUMAN RESOURCES MANAGEMENT COMMITTEE

The composition of this committee is as follows:

Ernest Nadome	Chairman
Jacqueline Mugo, OGW	Member
Rajabu Mwondi, MBS	Member
Alfred Mogere	Member
Ndungu Gakungu	Member
Elizabeth Kimenyi	Ag. Director General/Secretary (Retired: 30-10-2012)
Patrick Omutia	Director General/Secretary (Appointed: 1-11-2012)

It is responsible for assisting the Board to discharge its human capital responsibilities as follows:

- Ensure compliance with statutory and regulatory requirements
- Deal with policy issues on human resource, administration and logistics.

The Board appoints other committees as and when the need arises.

#### INTERNAL AUDIT FUNCTION

The Authority has an Internal Audit function and is currently headed by the Senior Internal Auditor. The function is responsible for evaluating business and operating risks and the internal controls put in place to mitigate the risks. It is also responsible for evaluation of the Authority policies and procedures. The function reports to the Board Audit and Compliance Committee and administratively to the Director General.

#### COMMUNICATION WITH SHAREHOLDERS/STAKEHOLDERS

The Authority is committed to:

- Ensuring that stakeholders are provided with full and timely information about its performance.
- Complying with the statutory communication requirements.
- Distributing information to the stakeholders through the periodic reports and stakeholder forums.

#### DIRECTORS' BENEFITS AND LOANS

All the non-executive Directors have continued to receive Directors' fees as prescribed and no additional benefits or allowances have been given to the Directors. The aggregate amount of Directors' fees is disclosed in notes 4(iii) and 9 to these financial statements.

DIRECTOR \_\_\_\_\_ DATE 21/05/ 2013

DIRECTOR \_\_\_\_\_ DATE 21/05/ 2013


## STATEMENT OF DIRECTORS' RESPONSIBILITIES


The Industrial Training (Amendment) Act, 2011 and the State Corporations Act CAP 446 of the Laws of Kenya requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Authority, as at the end of the financial year and of its operating results for the year. It also requires the Directors to ensure that the Authority keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority and of its operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

The statement was approved by the Board of Directors on 24<sup>TH</sup> September, 2012 and signed on its behalf by:

DIRECTOR  DATE 21/05/2013

DIRECTOR  DATE 21/05/2013



## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR-GENERAL ON NATIONAL INDUSTRIAL TRAINING AUTHORITY FOR THE YEAR ENDED 30 JUNE 2012

#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Industrial Training Authority set out on pages 12 to 26, which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in reserves and statement of cash flows 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 14 of the Public Audit Act, 2003. 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.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with

International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

### **Basis for Adverse Opinion**

#### **1. Investments**

As previously reported, the statement of financial position as at 30 June 2012 includes an amount of Kshs.7,017,240 relating to investments in shares held in the Consolidated Bank of Kenya Ltd which were acquired in 1993 as explained under Note 10 to the financial statements. However, and as reported in 2010/2011, no dividends have been recorded or received from the investments from the time they were acquired. Further, and as noted in the previous year, no provision has been made in the financial statements for the diminution in value of the investments.

#### **2. Deposits**

As previously reported, the statement of financial position reflects bank and other financial institutions deposits balance of Kshs.424,465,000 as at 30 June 2012, which includes deposits totalling Kshs.129,465,000 placed in eleven financial institutions which have since been placed under liquidation. Recoverability of these deposits however is doubtful yet no provision has been made in the financial statements regarding this amount. In the circumstances, it has not been possible to confirm the short term deposits balance of Kshs.129,465,000 as at 30 June 2012.

### **3. Cash at Bank**

#### **(i) National Bank of Kenya**

The cash and bank balance of Kshs.103,170,000 includes Kshs.58,474,710 in respect of National Bank of Kenya which the Authority used certificate of bank balance instead of the reconciled cash book balance in their reconciliations. In addition, included in the bank reconciliation statements are unrepresented stale cheques, receipts in bank statement not recorded in cash book, payment in bank statement not yet recorded in cash book and receipts in cash book not yet recorded in the bank statement of Kshs.54,062,734, Kshs.7,700,356, Kshs.11,289,551 and Kshs.252,375 respectively which have been outstanding for more than three years.

#### **(ii) Kenya Commercial Bank**

The cash and bank balance of Kshs.103,170,000 also includes Kshs.44,099,123 in respect of Kenya Commercial bank where the Authority used certificate of bank balance instead of the reconciled cash book balance as no reconciliations were done on this account.

#### **(iii) Standard Chartered Bank**

Further, included in cash and bank balance of Kshs 103,170,000 is Kshs.240,430 relating to a Standard Chartered Bank Account. The Authority did not maintain a cash book for the bank account and details as to what the account was opened for were scanty.

In the circumstances, it has not been possible to confirm that the cash and bank balance of Kshs.103,170,000 as at 30 June 2012 is fairly stated.

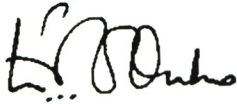
### **4. Property Plant and Equipment**

The Authority did not maintain proper records of assets especially for land and buildings. Although disclosure has been made in the financial statements, there were no records to indicate the land owned by the Authority as the delinking process from the Ministry of Labour had not been completed by the time of audit. In addition, the Authority has too many obsolete/unserviceable equipments and other assets of undeterminable value in most of its centers which have not been disclosed in the financial statements.

### **Adverse Opinion**

In my opinion, because of significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly the financial position of the National Industrial Training Authority as at 30 June 2012

and of its financial performance and cash flows for the year then ended in accordance the with International Financial Reporting Standards and does not comply with the Industrial Training Act, Cap 237 of the Laws of Kenya as amended by Act No.34 of 2011.



**Edward R.O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**03 June 2013**

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2012


	Note	2012 Kshs'000	2011 Kshs'000
<b>OPERATING INCOME</b>	3	417,611	392,298
<b>Total</b>		<b>417,611</b>	<b>392,298</b>
<b>EXPENSES</b>			
Operations	4	305,858	340,806
Maintenance	5	3,796	4,691
Other expenses	6	317	NIL
<b>Total</b>		<b>309,971</b>	<b>345,497</b>
<b>Surplus Before Interest &amp; Tax</b>	7	<b>107,640</b>	<b>46,801</b>
Finance costs		NIL	NIL
<b>SURPLUS BEFORE TAX</b>		<b>107,640</b>	<b>46,801</b>
Tax	8	NIL	NIL
<b>Net Surplus for the year</b>		<b>107,640</b>	<b>46,801</b>

## STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE 2012

ASSETS	NOTE	2012	2011
NON- CURRENT ASSETS		Kshs'000	Kshs'000
Property, plant and equipment	9	2,356	NIL
		2,356	NIL
CURRENT ASSETS			
Investment in shares	10(a)	7,017	7,017
Short term investments	10(b)	295,000	NIL
Short term Deposits	10(c)	129,465	292,465
Receivables	11	7,768	6,203
Cash and Cash equivalent	12	103,170	154,736
		542,420	460,421
<b>TOTAL ASSETS</b>		<b>544,776</b>	<b>460,421</b>
CAPITAL FUND AND LIABILITIES			
CAPITAL FUND			
Accumulated Fund	13	437,136	413,620
Surplus for the year		107,640	46,801
<b>TOTAL CAPITAL FUND AND LIABILITIES</b>		<b>544,776</b>	<b>460,421</b>

The financial statements on pages 12 to 26 were approved by the Board of Directors on 24<sup>TH</sup> September, 2012 and signed on its behalf by:

  
Patrick Omutia – Director General

  
Prof. Thomas Ekamais Akuja - Board Chairman

DATE 21/05/2013

Date 21/05/2013

## STATEMENT OF CHANGES IN RESERVES AS AT 30<sup>th</sup> JUNE 2012

	Accumulated Fund	Revenue Reserves	Total
	Kshs'000	Kshs'000	Kshs'000
As at 1 July 2010	424,619		424,619
Provision for doubtful debts	(10,999)		(10,999)
Surplus for the year		46,801	46,801
At 30 June 2011	413,620	46,801	460,421
As at 1 July 2011	413,620	46,801	460,421
Error in brought forward balance	(23,285)		(23,285)
Surplus for the year		107,640	107,640
At 30 June 2012	<u>390,335</u>	<u>154,441</u>	<u>544,776</u>

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2012

	NOTE	2012	2011
		Kshs'000	Kshs'000
<b>Operating activities:</b>			
Cash generated from operations	15	63,075	41,656
Interest received		20,031	4,210
<b>Net cash generated from operating activities</b>		<b>83,106</b>	<b>45,866</b>
<b>Cash flow from investing activities:</b>			
Purchase of property, plant and equipment		(2,672)	-
<b>Net cash used in investing activities</b>		<b>(2,672)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>80,434</b>	<b>45,866</b>
<b>Movement in cash and cash equivalents:</b>			
At 1 July		447,201	401,335
<b>Increase/(Decrease)</b>		<b>80,434</b>	<b>45,866</b>
<b>At 30 June</b>		<b>527,635</b>	<b>447,201</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. For purposes of reporting under the State Corporations Act and Industrial Training (Amendment) Act 2011, the Balance sheet in these financial statements is represented by the statement of Financial Position and the profit and loss account is presented in the statement of comprehensive income. These policies have been consistently applied over the years unless otherwise stated:

#### a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRSs). The financial statements are prepared under the historical cost basis of accounting and presented in the functional currency, Kenya Shillings (Kshs) rounded to the nearest thousands of Kenya Shilling (Kshs '000).

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions. It also requires Directors to exercise their judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment and complexity, or where assumptions and estimates are significant to the financial statements are disclosed in note 2.

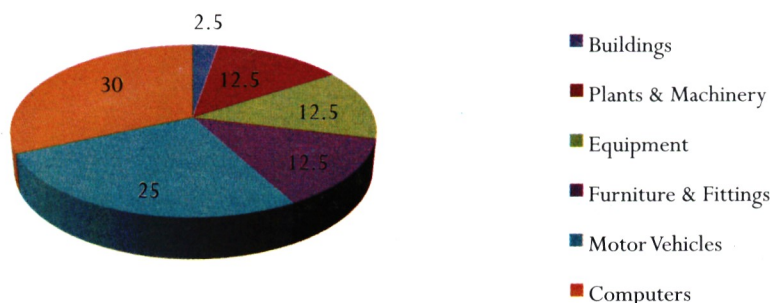
#### b) Property, plant, equipment and depreciation

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment in value.

Subsequent costs are included in the assets' carrying amount or recognized as separate assets as appropriate, only where it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the items can be measured reliably. All other repairs and maintenance costs are charged to the income statement in the financial year in which they are incurred.

Property, plant and equipment acquired under hire purchase agreements and finance lease hire arrangements are capitalized at the date of the agreement. The interest element of each installment is charged to the income statement at the time each installment falls due. Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the property, plant and equipment over their expected useful lives. The rates in use are:

### Depreciation Rates



## NOTES TO THE FINANCIAL STATEMENTS..... CONTINUED

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and value in use.

If any such indications exist and where the carrying values exceed the recoverable amount, property, plant and equipment are written down to their recoverable amounts.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating surplus / (deficit).

### c) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, trade and other receivables, trade and other payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### d) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognized.

### Training levy and Registration of trainers

Revenue from training levy is recognized when the demand advices are raised by the Authority. However, the amounts will be subjected to adjustments when errors are realized, in relation to number of employees covered.

### Miscellaneous income and interest income

Miscellaneous income is recognized when the service has been provided and billed while interest income is recognized on accrual basis.

### e) Receivables

Receivables are recognized at anticipated realizable value less an allowance for any uncollectible amounts.

General provisions are made based on directors' valuation of the receivables and other exposure in respect of losses, which, although not specifically identified, are known from experience to be present in the receivables.

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.

### f) Taxation

Income from levy is exempted from income tax.

**NOTES TO THE FINANCIAL STATEMENTS..... CONTINUED**

**g) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand.

**h) Revenue reserve**

Surpluses / (deficits) from the income statement are accumulated in the Accumulated Fund on an annual basis.

**2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**i) Critical accounting estimates and assumptions**

Critical estimates are made by Directors in determining depreciation rates for property, plant, and equipment. The rates used are set out in note 1(b) above.

**ii) Critical judgments in applying the entity's accounting policies**

In the process of applying the Authority's accounting policies, Directors have made judgments in determining:

- The classification of financial assets and leases.
- Whether assets are impaired.
- Provisions and contingent liabilities.
- Presentation of financial statements.

**3. OPERATING INCOME**

	2012	2011
	Kshs.'000	Kshs.'000
Training levy	395,002	384,167
Registration of trainers	2,425	2,554
Miscellaneous income	153	1,367
Income from investments	20,031	4,210
	<b>417,611</b>	<b>392,298</b>

Miscellaneous income comprises income such as sale of curriculum documents, equiting certificates, and sale of boarded goods .

NOTES TO THE FINANCIAL STATEMENTS .....CONTINUED

4. OPERATIONS

	Sub-note	2012	2011
		Kshs'000	Kshs'000
Training expenses	(i)	136,541	168,911
Trade test expenses	(ii)	78,427	82,246
Training inspectorate expenses		5,236	7,365
Curriculum Development		3,463	1,759
Part-time lecturers		801	-
Library		38	-
Staff development		99	-
Seminars & workshops		1,546	2,717
Transport, travelling & subsistence		23,041	11,903
Printing services & sundry expenses		4,362	9,830
Stationery		2,835	-
Bank charges		485	-
Courier services		977	-
Hospitality		747	-
Computer expenses		1,922	2,977
Sector committee expenses		5,029	7,652
Council/Board expenses	(iii)	35,058	42,628
Advertisement & Publicity		5,211	4,577
		<b>305,858</b>	<b>342,806</b>

- (i) Training expenses comprise reimbursement to contributors, reimbursement for items for apprentices, industrial attachment, courses and hostel fees and female sponsorship.
- (ii) Trade test expenses comprise trade test development, examiners/instructors fees, examiners per diem and related courier services.
- (iii) Council/Board expenses comprise honoraria, council/board and committees expenses. The Board replaced the council on 14 May 2012.

NOTES TO THE FINANCIAL STATEMENTS .....CONTINUED

5. MAINTENANCE

	2012	2011
	Kshs'000	Kshs'000
Office tools & Equipment	688	4,691
Workshop tools & equipment	935	-
Buildings	2,173	-
<b>Total</b>	<b>3,796</b>	<b>4,691</b>

6. OTHER EXPENSES

	Note	2012	2011
		Kshs'000	Kshs'000
Provision for bad and doubtful debts	16	-	10,999
Depreciation of property, plant and equipment	15	317	-
		<b>317</b>	<b>10,999</b>

7. SURPLUS BEFORE TAX

	2012	2011
	Kshs'000	Kshs'000
<b>The surplus before tax is stated after charging:</b>		
Depreciation of property, plant and equipment	317	-
<b>Directors' emoluments:</b>		
-Fees	35,058	42,628
-Other emoluments	-	-
Auditors' remuneration	-	-
Provision for bad and doubtful debts	-	10,999
<b>And after crediting:</b>		
Investment income	20,031	4,210
Miscellaneous income	153	1,367

NOTES TO THE FINANCIAL STATEMENTS..... CONTINUED

**8. TAXATION**

Income from levy is exempted from income tax.

**9. PROPERTY, PLANT AND EQUIPMENT**

According to section 33(2) of the National Industrial Training (Amendment) Act 2011, "all property, which immediately before the commencement of this Act was vested in the Directorate of Industrial Training shall on the commencement of this Act, vest in the Authority subject to all interests, liabilities, charges, obligations and trusts affecting such property." An inventory of such property has been made and is due for valuation before the values are included in the financial statements.

COST	COMPUTER & RELATED EQUIPMENT
	KSHS'000
At 1 July 2011	-
Additions at Cost	2,672
Charge for the year	317
<b>Net Book Value as at 30<sup>th</sup> June 2012</b>	<b>2,355</b>

**10. Investments**

The investments comprise shares held, treasury bills, and short term deposits including such deposits held in the collapsed banks:

(a) The shares in Consolidated Bank (K) Limited whose face value is Ksh.8,400,000.00 are valued at Kshs. 7,017,240 comprise:

Cost	Amount
	KSHS'000
90,000 Ordinary shares of Ksh.20 each less amount written off 1998	417
330,000 4 % Non-cumulative Preference shares of ksh.20 each	6,600
	<b>7,017</b>

The shares were acquired in 1993 through capitalization of deposits and accrued interest received from Home Savings and Mortgages Limited, Business Finance Company Limited and Jimba Credit Corporation limited as at 31st March, 1990.

(b) Treasury bills invested through financial institutions and short term fixed deposits comprising:

Institution	2012	2011
	Treasury bills KSHS'000	Fixed deposits KSHS'000
NIC bank	-	43,000
Kenya Commercial Bank	115,000	6,600
Diamond Trust Bank (K) Ltd	-	40,000
National Bank	100,000	
Co-operative Bank	80,000	80,000
	<b>295,000</b>	<b>163,000</b>

NOTES TO THE FINANCIAL STATEMENTS..... CONTINUED

(c) Deposits held with collapsed banks

Institution	2012	2011
	Treasury bills	Fixed deposits
	KSHS'000	KSHS'000
Prudential Bank Ltd	50,595	50,595
Nairobi Finance Company	8,530	8,530
Pioneer Building Society	15,000	15,000
Continental Credit Finance Ltd	8,830	8,830
Country Building Society	2,000	2,000
Allied Credit Limited	5,388	5,388
Middle Africa Finance Co. Ltd	5,345	5,345
United Trustee Finance Co. Ltd	1,300	1,300
Thabiti Finance Company	26,029	26,029
Inter Africa Credit Ltd	2,461	2,461
Meridian BIAO Bank (K) Ltd	3,988	3,988
	<b>129,466</b>	<b>129,466</b>

11. RECEIVABLES

	2012	2011
	Kshs'000	Kshs'000
Receivables	6,982	6,203
Outstanding imprest	786	-
Other receivables	10,999	10,999
	<b>18,767</b>	<b>17,202</b>
Less: provision for bad and doubtful debts	10,999	10,999
<b>Net Receivables</b>	<b>7,768</b>	<b>6,203</b>

Specific provision has been made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success. The other receivables comprises unaccounted bank withdrawals and money lost in a bank robbery while on transit from the bank, now deemed lost following the acquittal of the accused officers on charges leveled against them.

The opening balance for the Debtors was restated to reflect the unaccounted bank withdrawals which were not captured in 2010/2011

NOTES TO THE FINANCIAL STATEMENTS..... CONTINUED

12. CASH AND CASH EQUIVALENTS

	Note	2012 Kshs'000	2011 Kshs'000
Cash in hand		355	37
Cash at Bank		102,814	154,36
Deposits with financial institutions	10(a) &(b)	424,465	292,46
<b>Total</b>		<b>527,634</b>	<b>447,20</b>

For purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, cash at bank and depo with financial institutions.

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13. ACCUMULATED FUND

	Note	2012 Kshs'000	2011 Kshs'000
At 1 July		460,421	424,619
Restatements		(23,285)	(10,999)
Restated Opening balance		437,136	413,620
Surplus for the year		107,640	46,801
At 30 June		544,776	460,421

Accumulated fund comprises accumulated surpluses over the years.

14. RESTATEMENTS (PRIOR YEAR ADJUSTMENTS)

Restated values comprise the following: Sub-notes

	Sub-note	2012 Kshs'000	2011 Kshs'000
<b>To Accumulated Fund:</b>			
Error in brought forward balance	(i)	23,285	-
Provision for bad and doubtful debts	(ii)	-	10,999
		<b>23,285</b>	<b>10,999</b>

NOTES TO THE FINANCIAL STATEMENTS..... CONTINUED

15. CASH GENERATED FROM OPERATIONS

Reconciliation of surplus before tax with cash generated from operations:	2012	2011
	Kshs. '000	Kshs. '000
Surplus for the year before tax	107,640	46,801
<b>Adjustment for :</b>		
Finance income	(20,031)	(4,210)
Depreciation	317	-
Error in Brought forward cash Balance	(23,285)	
<b>Cash generated from operations before working capital changes</b>	<b>64,641</b>	<b>42,591</b>
<b>Movements in:</b>		
Receivables	(1,566)	(935)
<b>Cash generated from operations</b>	<b>63,075</b>	<b>41,656</b>

16. RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk management

The Authority's activities expose it to a variety of financial risks including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Authority's overall risk management policies are set out by the board and implemented by management, and focus on the unpredictability of changes in the business environment and seek to minimize the potential adverse effects of such risks on the Authority's performance by setting acceptable levels of risk. The Authority does not hedge against any risk.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge on obligation. Credit risk mainly arises from financial assets, and is managed on a Authority-wide basis. The Authority does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

Credit Risk on receivables is managed through a monthly review of outstanding balances. Payments not received within the contractual credit period are enforced through recovery measures. Any errors in the demand notes that can delay revenue realization are adjusted on a monthly basis.

**NOTES TO THE FINANCIAL STATEMENTS .....CONTINUED**

The maximum exposure of the Authority to credit risk as at the balance sheet date is as follows:

	Fully Performing Kshs'000	Past due but not impaired Kshs'000	Past due and Impaired Kshs'000	Total Kshs'000
30 <sup>th</sup> June 2012				
<b>Financial assets</b>				
Receivables	6,983			<b>6,983</b>
Outstanding imprest	786			<b>886</b>
Other receivables	-		10,999	<b>10,999</b>
Shares	7,017			<b>7,017</b>
Treasury bills	295,000			<b>295,000</b>
Short-term deposits		129,466		<b>129,466</b>
Cash and Bank balances	103,170			<b>103,170</b>
Gross financial assets	<b>412,956</b>	<b>129,466</b>	<b>10,999</b>	<b>553,421</b>
Less: Impairment allowance	-	-	(10,999)	(10,999)
	<b>412,956</b>	<b>129,466</b>	-	<b>542,422</b>

	Fully Performing Kshs'000	Past due but not Impaired Kshs'000	Past due and Impaired Kshs'000	Total Kshs'000
30 <sup>th</sup> June 2011				
<b>Financial assets</b>				
Receivables	6,203	-	-	<b>6,203</b>
Other receivables	-	-	10,999	<b>10,999</b>
Shares	7,017	-	-	<b>7,017</b>
Short-term deposits	163,000	129,466	-	<b>292,466</b>
Cash and Bank balances	154,736			<b>154,736</b>
Gross financial assets	<b>330,956</b>	<b>129,466</b>	<b>10,999</b>	<b>471,421</b>
Less: Impairment allowance	-	-	(10,999)	(10,999)
	<b>330,956</b>	<b>129,466</b>	-	<b>460,422</b>

The ageing analysis of past due but not impaired trade receivables is:

The past due debtors are not impaired and continue to be paid. An impairment provision of Kshs 10,999,050(2011: NIL) is held against the impaired receivables. The Authority does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

**NOTES TO THE FINANCIAL STATEMENTS .....CONTINUED**

*ii) Liquidity risk*

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the Authority's short, medium and long-term liquidity risk by continuously reviewing forecasts and actual cash flows.

*iii) Market risk*

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk and other price risk.

*Currency risk*

The Authority operates wholly within Kenya and its assets and liabilities are reported in the local currency. It, therefore, had no foreign currency exposure at 30 June 2012 (2011: nil).

**(b) Capital management**

The Authority manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Authority consists of equity comprising capital fund and revenue reserve as disclosed in notes. In order to improve on the capital structure, the Authority may improve on the efficient management of working capital particularly the accounts receivables.

	<b>2012</b>	<b>2011</b>
	<b>Kshs '000</b>	<b>Kshs'000</b>
Total equity	544,776	460,421
Net debt	NIL	NIL
<b>Total capital resources</b>	<b>544,776</b>	<b>460,421</b>
<b>Gearing ( net debt over total capital resources)</b>	<b>0%</b>	<b>0%</b>

**17. COMPARATIVES**

Comparative figures have been adjusted to conform to changes in presentation in the current year where necessary.