


REPUBLIC OF KENYA



Enhancing Accountability

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|  THE NATIONAL ASSEMBLY PAPER NO. 10 | |
| DATE: REPORT | DAY: Tue |
| TABLED BY: | Majority Whip Hon Wergu |
| CLERK-AT THE TABLE: | B. Izofu |

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THE AUDITOR-GENERAL

ON

**KARUMO TECHNICAL TRAINING
INSTITUTE**

**FOR THE YEAR ENDED
30 JUNE, 2019**



KARUMO TECHNICAL TRAINING INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2019**

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



**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)/NATIONAL
POLYTECHNIC/TEACHER TRAINING COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30/06/2019**

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

- I.** Karumo Technical Training Institute (KTTI) is located in Athwana Location, Tigania West Sub-county in Meru County. It is approximately 3 kilometres off Meru-Maua road along kwa Amos Junction-Isiolo road at coordinates 0.21544, 37.751301. It occupies an area of approximately 25 acres. The area receives an annual rainfall of between 400 and 600 mm. The road transport infrastructure in the area is good; meaning that accessibility to this Institute has been made easy by available trunk roads.
- II.** It was established in 2015 under certificate of registration number RC/0006/2014 in recognition of the fact that Technology is a part of everyday life.
- III.** KTTI is managed by a Board of Governors (BOG) under the direction of the Ministry of Education. It operates under the TVET Act (2013) of the Laws of Kenya as well as Constitution of Kenya 2010, KNEC Act, PSC Act, KASNEB ACT, Policy guidelines among others.

(b) Principal Activities:

VISION

An outstanding institute in Technical and Vocational Education & Training (TVET) and innovation.

MISSION STATEMENT:

To provide holistic Technical and Vocational Education and Training (TVET) programmes for self-reliance, community development and global competence.

THE CORE MANDATE:

- a. To teach and train in Technical and Vocational Education & Training; Research and innovation and community service.

b. Key Management

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

- Board of Governors Management
- Accounting officer/ Principal
- Management team

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(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|-----|------------------------|--------------------------|
| 1. | Principal | MUTEMBEI KIGIGE |
| 2. | Head of Finance | FAITH KATHURE |
| 3. | Head of Procurement | DAVID GICHUNGE |
| 4. | Deputy Principal | HUMPRY NYAGAH |
| 5. | Registrar | MATHEW NKARICHIA |
| 6. | Dean of Students | CATHERINE MUGAMBI |
| 7. | Guidance & counselling | ALICE MUGAA |

(Include all positions regarded as top management in your organisation).

(d) Fiduciary Oversight Arrangements

| Name of the Committee | Members |
|---|---|
| Finance infrastructure and human resource | 1. Daniel Kabira (chairman) 2. Rose Jumwa 3. Joy Murithi |
| Education, Research and Training | 1. Isaac Kaberia (Chairman) 2. Kennedy Thiongo 3. Rose Jumwa 4. TVET county Director |
| Audit and Risk management | 1. Ann Chelagat (Chairman) 2. Daniel Kabira 3. Governor Representative |

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(e) Entity Headquarters

P.O. BOX 276-60602
KIANJAI
MERU MAUA ROAD ALONG KWA AMOS JUNCTION
MERU, KENYA

(f) Entity Contacts

Telephone: (254) 705636443
E-mail: karumotti@gmail.com
Website: info@karumotti.ac.ke

(g) Entity Bankers

1. Equity bank Kenya limited
Meru - Makutano branch
p.o.box 75104
Meru, Kenya
2. Kenya Commercial Bank
Meru- Makutano branch
p.o.box
meru, Kenya
3. National bank Kenya limited
Kianjai branch
p.o.box 261-60602
kianjai Kenya

(h) Independent Auditors




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

(i) Principal Legal Adviser

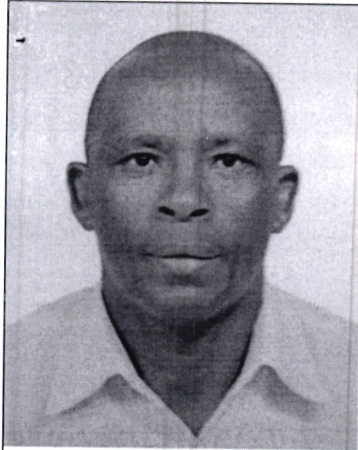
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)/NATIONAL
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THE BOG/BOARD OF GOVERNORS

| | |
|---|---|
|  <p>Major (Rtd) Andrew Nkiiri- BoG Chair</p> | <p>The chairman of the BOG is a retired Army officer. He is a qualified air craft engineer but currently self-employed in the fields of clearing and forwarding (Cargo handling services)</p> |
|  <p>Dr. Isaac Kaberia- BoG Member</p> | <p>A university Don. Currently the chairman of the Education, Research and Training committee of the BOG Lecturer at Embu University</p> |
|  <p>Joy Muriithi- BoG Member</p> | <p>A civil engineer by training on private practice. A member of the BOG</p> |

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Kennedy Thiong'o- BoG Member

University Graduate in management and BOG Member
Finance specialist.



Mutembei Kigige- BoG Secretary

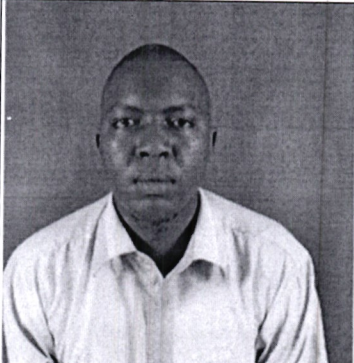
Holds an MBA in finance,
Principal of the institute/Secretary to the BOG



Ann Chelagat- BoG Member

CPA (K) internal auditor with KTDA and
chairperson of the Audit and Risk management
committee of the BOG.


Accountant





Daniel Kabera- BoG Member

A graduate in Business management and the
Chairman of Finance infrastructure and human
resource committee of the BOG
Finance Manager

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| | | | |
|---|--|-------------------|--|
|  | | Quantity Surveyor | |
| Rose Njumwa- BOG Member | | | |

MANAGEMENT TEAM

| | | |
|---|--|---|
|  | | Holds an MBA in finance, Principal of the institute/Secretary to the BOG |
| Mutembei Kigige- Principal | | |
| Humphrey Nyaga- Deputy Principal | | Retired |
|  | | Holds a Higher Dip in Building and civil engineering |
| Nkarichia Mathews- Registrar | | |

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Catherine Kageni- Dean of Students

Holds a Bed



Faith Kathure- Finance Officer

Bachelor in Business Admin, CPA

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CHAIRMAN'S STATEMENT

Karumo TTI is a fully pledged Institution registered under the ministry of education under the TVET Act, 2013 to offer Technical and Vocational education and Training courses. It opened its doors for training in 2016. Karumo TTI was primarily constructed as a centre of excellence in Building and civil engineering but over time and due to the increasing demand for technical training in Kenya, we have found ourselves expanding our scope to offer other supporting high demand courses in electrical engineering, ICT, business courses, institutional management and Cosmetology. The BOG which was in operation during the first half of the financial period expired and a new BOG was appointed and inaugurated in January 2019. The current Principal/Secretary to the BOG was also deployed to Karumo TTI beginning of February 2019. As the chairman of BOG, I have committed to ensure prudent use of the available resources both financial and non-financial resources of the institute. We have also endeavoured to attract and retain competent staff to offer services in an efficient manner. During the second half of the FY, we were able to streamline the finance department by deploying one more officer to assist in the finance department.

To be able to offer proper oversight and policy guidance, the Board has chosen to work with three committees namely; Finance, Infrastructure and Human Resource, Education, Research and Training and Audit and risk management committees.

As the chairman, I fully own this annual report and financial statements for FY 2018/2019 and its content.

REPORT OF THE PRINCIPAL

Karumo TTI is a government Public Institution offering TVET courses. Karumo Technical Training Institute (KTTI) is located in Tigania west in Meru county. It is located in an hardship area and occupies approximately 24 acres of land. It was established in 2015 and opened its doors for training in October 2015. It is managed by a Board of Governors (BOG) under the direction of the Ministry of Education and as per TVET Act, 2013. The Vision of Karumo TTI is 'An outstanding institute in Technical and Vocational Education & Training (TVET) and innovation'. Our mission is 'To provide holistic Technical and Vocational Education and Training (TVET) programmes for self-reliance, community development and global competence. Currently, we have a student Population of 640 trainees, 42 trainers and 7 non-academic staff.

TVET training has over time received a lot of attention by the government and therefore we hope to increase rapidly going forward due to the increased demand as a result.

The preparation of Karumo TTI financial statements in conformity with IPSAS requires us 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. In respect, we have endeavoured to implement proper and approved working budgets every financial year. During the FY2018/2019, we received a total revenue of Ksh. 31,700,782.00 from the services we render including fees collected, production activities and Ksh. 527,560 from the farm sales. At the close of the FY, we had a grand total balance from KCB and Equity banks national bank and cash at hand of kshs 29,040,637.00. However, our total uncollected balances stood at Ksh. 19,085,568.00. The debtors are primarily due to dishonored NYS and Tigania west CDF promises.

Karumo TTI BOG has however been very supportive in the implementation of the performance targets of the institute and has chosen to work with sub-committees for effectiveness and efficiency. This report has therefore been prepared as a true reflection of our achievements for the financial period.

CORPORATE GOVERNANCE STATEMENT

The mandate of any TVET institution globally is to provide Technical and Vocational Education and Training. In Kenya, the mandate is spelt out in the TVET Act.2013. Every TVET Institution is governed by a governing body in the form of a Board/BOG which is responsible for providing the required leadership in developing appropriate plans and strategies that will contribute to a sustainable execution of its mandate to satisfy the socioeconomic advancement of the nation and the region. Each Institution is headed by a Principal/Director, who acts as the secretary to the governing Board/BOG. The Board/BOG consists of the Chairperson and other members as may be spelt out in the existing Act. In Kenya, the TVET Act 2013 gives the composition of Board/BOG as follows:

- (a) a chairperson;
- (b) a representative of the PS in the Ministry responsible for TVET
- (c) a representative of the county Governor of the county the area
- (d) six other persons appointed from fields of;

- (i) leadership and management;
- (ii) Financial management;
- (iii) Technology;
- (iv) Industry;
- (v) Engineering;
- (vi) Information Communication Technology

There must be at least two thirds gender representation in the membership. The Board/BOG meets quarterly on average, with a three-year term renewable once and for memory, one or two members are re-appointed. The Board/BOG may have working sub-committees to like;

- i. Education, Research and Training,
- ii. Finance, Infrastructure and Human Resource,
- iii. Audit and Risk Management.

The Sub-Committees can co-opt persons of special expertise during their deliberations.

At the operational level, the Principal/Director is the team leader (CEO) assisted by the Deputy Principal(s)/Director(s) to ensure a smooth work/learning environment. For proper management and mentorship for sustainability, he/she appoints departmental heads, section heads and supervisors at each operational area. Together, the team ensures sustainable quality, access, relevance and equity in the programs and services offered to its customers and a back and forth smooth flow of feedback.

Each institution has clearly espoused its mandate in its statements of intention in the form of Vision, Mission and core values. There also exists a documented Strategic Plan

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(SP) with documented achievable strategic objectives. The achievement of these objectives is monitored at the operational levels through measurable documented quality objectives

MANAGEMENT DISCUSSION AND ANALYSIS

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING**

The institute did not undertake corporate social responsibility during the financial year 2018 /2019

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REPORT OF THE BOG/BOARD OF GOVERNORS

The BOG/Board members submit their report together with the audited financial statements for the year ended June 30,2019 which show the state of the institute's affairs.

Principal activities

The principal activities of the entity are:

- a. To conduct training at tertiary level in technical and vocational education and training fields.
- b. To determine curricula appropriate for training of the various manpower category and specialization required by the labour market through careful selection of available syllabi from local or international institutions recognized by the Ministry of Education (MoE).
- c. To foster linkages with industry and other institutions for the promotion of quality and relevant training.
- d. To promote and inculcate Entrepreneurial skills and culture within the institute's staff and students.
- e. To conduct Applied Research.
- f. To undertake income-generating activities through production, consultancy and tailor-made short courses, in-service courses, equipment and facility hiring and hospitality services to compliment Government grants and fees revenue.
- g. Foster spiritual growth among community members both staff and students.

Results

The results of the entity for the year ended June 30 are set out on page 16-20

BOG/BOARD OF GOVERNORS

The members of the Board /BOG who served during the year are shown on page v. During the year 2018/2019 The former board expired and another one was appointed with effect from January 2019. The secretary BOG was also transferred and the current one took over with effect from 05/03/2019.

Auditors

The Auditor General is responsible for the statutory audit of Karumo *T T I* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015, as from 2018/2019 FY. Previously, the audit was carried out by schools' audit ministry of Education.

By Order of the Ministry

Ministry of Education
Corporate Secretary
Nairobi

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STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITIES

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

The BOG members are responsible for the preparation and presentation of Karumo TTI financial statements, which give a true and fair view of the state of affairs of the *Institute* for and as at the end of the financial year (period) ended on June 30, 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 *entity*; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Institute (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The BOG members accept responsibility for Karumo TTI financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 *and the TVET Act*. The BOG members are of the opinion that Karumo TTI financial statements give a true and fair view of the state of *Institutes* transactions during the financial year ended June 30, 2019, and of Karumo TTI financial position as at that date. The BOG members further confirm the completeness of the accounting records maintained for the *Institute*, which have been relied upon in the preparation of Karumo TTI financial statements as well as the adequacy of the systems of internal financial control.

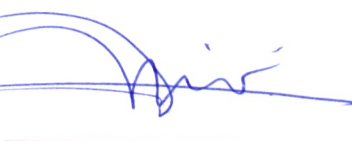
Nothing has come to the attention of the BOG members to indicate that Karumo TTI will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

Karumo TTI financial statements were approved by the Board on 25/02/2020 and signed on its behalf by:


BOG CHAIR


BOG Member


SECRETARY

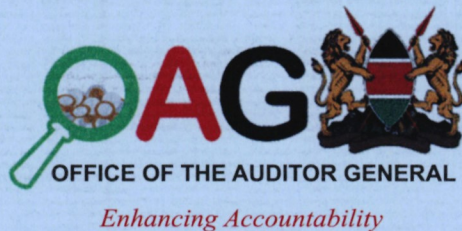


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**REPORT OF THE INDEPENDENT AUDITORS ON (*KARUMO TECHNICAL TRAINING
INSTITUTE*)**

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KARUMO TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Karumo Technical Training Institute set out on pages 16 to 60, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1.0 Accuracy of the Financial Statements

1.1 Unbalanced Statement of Financial Position

The statement of financial position as at 30 June, 2019 reflects Kshs.51,921,205 in respect to total assets. However, the same statement reflects Kshs.27,706,083 in respect to total liabilities and nil balance in respect to reserves resulting to an unexplained variance of Kshs.24,215,122 in respect to the statement of financial position whereby the total assets should balance with total liabilities and reserves.

Further, the statement of financial position as at 30 June, 2019 does not include balances of capital fund and deficit for the year of Kshs.24,472,679 and Kshs.(1,419,162) respectively which are reflected in the statement of changes in net assets for the year ended 30 June, 2019.

In the circumstances, the accuracy, completeness, and validity of the statement of financial position as at 30 June, 2019 could not be confirmed.

1.2 Statement of Changes in Net Assets

The statement of changes in net assets for the year ended 30 June, 2019 reflects total net assets of Kshs.24,472,679 comprising of opening capital/development grants of Kshs.20,908,179 and capital/development grants received during the year of Kshs.3,564,500. However, records maintained by both the institute and the Ministry of Education which were availed for audit revealed that over the three financial years, the Institute had received a total of Kshs.16,212,939 in capital grants. This resulted in an unreconciled variance of Kshs.8,259,740.

Further, the total net assets balance of Kshs.24,472,679 does not take into account a net deficit for the year of Kshs.1,419,162 and therefore the total net assets have been overstated by the same amount.

In addition, included in the total net assets of Kshs.24,472,679 is a capital development grant of Kshs.20,908,179 received during the financial year 2017/2018. However, the Institute's audited financial statements for the year 2017/2018 were not availed for audit review to confirm the balances.

In the circumstances, the accuracy, validity and completeness of the statement of changes in net assets for the year ended 30 June, 2019 could not be confirmed.

1.3 Statement of Cash Flows

The statement of cash flows for the year ended 30 June, 2019 reflects Kshs.29,040,637 in respect to cash and cash equivalents as at 30 June, 2019 includes a decrease in cash and cash equivalents balance of Kshs.3,384,824 being the net cash flows deficit for the year under review. However, a recast of cash flows from operating, investing and financing activities shows a decrease in cash and cash equivalents balance of Kshs.1,419,162 resulting to an unreconciled and unexplained variance of Kshs.1,965,662. The cash and cash equivalents as at 30 June, 2019 is therefore understated by the Kshs.1,965,662.

Further, the cash and cash equivalents balance of Kshs.29,040,637 as at 30 June, 2019 includes a cash and cash equivalents balance as at 1 July, 2018 of Kshs.32,425,461. However, the source and the accuracy of the Kshs.32,425,461 could not be ascertained as no audited 2017/2018 financial statements were made available in support of the same balance.

In the circumstances, the accuracy, validity and completeness of the statement of cash flows for the year ended 30 June, 2019 could not be confirmed.

1.4 Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects a final budget of Kshs.72,046,250 for seven (7) components while the approved 2018/2019 budget reflects a balance of Kshs.90,056,783 on the same

components resulting into an unreconciled and unexplained variance of Kshs.18,010,533 as follows;

| Items | Amount as per Statements of Comparison of Budget and Actual Amounts (Kshs.) | Amount as per Approved Budget (Kshs.) | Variance (Kshs.) |
|--|---|---------------------------------------|--------------------|
| Revenue | | | |
| Ministry of Education Grants | 0 | 3,500,000 | 3,500,000 |
| Rendering of Services - Fees from Students | 30,152,500 | 32,585,833 | 2,433,333 |
| G.O.K. | 0 | 15,000,000 | 15,000,000 |
| CDF | 0 | 3,000,000 | 3,000,000 |
| Total | 30,152,500 | 54,085,833 | 23,933,333 |
| Expenses | | | |
| Compensation of Employees | 12,852,000 | 13,812,000 | 960,000 |
| Use of Goods and Services | 19,206,750 | 16,097,750 | (3,109,000) |
| General Expenses | 9,835,000 | 6,061,200 | (3,773,800) |
| Total | 41,893,750 | 35,970,950 | (5,922,800) |

In view of the foregoing, the accuracy of the statement of comparison of budget and actual amounts for the year ended 30 June, 2019 could not ascertained.

1.5 Variances between the Transfer (Development Grants) from National Government and the Institute's Balances

The statement of changes in net assets for the year under review reflects Kshs.3,564,500 in respect to development grants from the Ministry of Education. However, records from the Ministry of Education reflects Kshs.7,129,000 on the same items resulting to unexplained and unreconciled variance of Kshs.3,564,500.

In the circumstances, the accuracy and completeness of the Kshs.3,564,500 development grants transfer from the Ministry of Education for the year ended 30 June, 2019 could not be ascertained.

2.0 Property, Plant and Equipment

The statement of financial position as at 30 June, 2019 reflects a nil balance in respect to Property, Plant and Equipment (PPE). However, review of the expendables stores register revealed that the Institution has assets including furniture, 500 Kva Generator, 100-seater tent, 49 inch and 24-inch Samsung digital television sets all of unknown value which were not included in the statement of financial position as at 30 June, 2019. In addition, physical verification revealed that the Institution has buildings including an administration block, lecture halls, kitchen and ablution block, land of twenty-five (25) acres, training equipment and computers of unknown value which were also not reported in the statement of financial position under property, plant and equipment. The financial

position as at 30 June, 2019 therefore is misstated in the absence of property, plant and equipment which is contrary to International Public Sector Accounting Standard number 17 (IPSAS 17) paragraph 96 which requires that an entity that adopts accrual accounting for the first time in accordance with IPSAS shall initially recognize property, plant and equipment at cost or fair value. Further, no valuation report was availed for audit review.

Consequently, these financial statements are understated by the undetermined values of the excluded property, plant and equipment as at 30 June, 2019.

3.0 Unsupported Current Liabilities

The statement of financial position as at 30 June, 2019 reflects current liabilities totalling Kshs.27,706,083 which includes Kshs.2,905,704 and Kshs.327,700 both totalling to Kshs.3,233,404 in respect to trade and other payables from exchange transactions and refundable deposits to customers respectively. However, the respective supporting accounting documents including ledgers and schedules were not provided for audit review.

Consequently, the accuracy and validity of the current liability balance of Kshs.3,233,404 as at 30 June, 2019 could not be confirmed.

4.0 Deferred Income

The statement of financial position reflects a balance of Kshs.27,706,083 in respect to current liabilities which includes Kshs.24,472,679 in respect to deferred income. However, records availed for audit review including grants ledgers revealed that as at 30 June, 2019, the Institute had received conditional grants in the last three financial years totalling Kshs.31,600,564 for putting up a perimeter wall resulting to an unexplained and unreconciled variance of Kshs.7,127,886. In addition, documents availed for audit revealed that the perimeter wall has not been constructed and no explanation was given for the delay in implementation of the project.

Consequently, the accuracy and value for money for the Kshs.24,472,679 deferred incomes as at 30 June, 2019 could not be confirmed.

5.0 Revenue from Exchange Transactions

5.1 Unreported Revenue

Note 10 to the financial statements for the year under review reflects a balance of Kshs.31,700,782 in respect to rendering of services (fees from students). However, records availed for audit review including fee ledgers revealed that the National Youth Service (NYS) student's fees and County bursary of Kshs.8,163,330 and Kshs.901,800 respectively both totalling to Kshs.9,065,130 are not included in the reported balance of Kshs.31,700,782.

In the circumstances, the accuracy and completeness of the Kshs.31,700,782 revenues for the year ended 30 June, 2019 could be ascertained.

5.2 Sale of Goods

Note 11 to the financial statements reflects Kshs.527,560 in respect to sale of goods for the year ended 30 June, 2019. However, respective supporting documents including stores records, banking slips, board minutes authorizing the prices for the produce harvested were not provided for audit review.

In the circumstances, the accuracy and validity of the Kshs.527,560 balance for the year ended 30 June, 2019 could not be confirmed.

6.0 Expenses

6.1 Use of Goods and Services: Purchase of Textbooks

Note 15 to the financial statements for the year under review reflects Kshs.17,153,239 in respect to use of goods and services which includes Kshs.5,503,874 in respect to school equipment and stores which further includes Kshs.658,533 paid to a firm for the purchase and delivery of textbooks. However, the respective supporting documents including the requisition, quotations, evaluation minutes, professional opinion, notification of award of contract and inspection report were not provided for audit review.

In the circumstances, the propriety and value for money for the Kshs.658,533 expenditure for the year under review could not be confirmed.

6.2 Employees Costs

Note 16 to the financial statements for the year under review reflects Kshs.9,919,353 in respect to employees cost which includes Kshs.3,567,240 in respects to travel, motor car, accommodation, subsistence and other allowances. However, the relevant supporting documents in relation to the expenditure were not availed for audit review.

In the circumstances, the accuracy, authenticity and propriety of the Kshs.3,567,240 expenditure for the year ended 30 June, 2019 could not be confirmed.

6.3 General Expenses

6.3.1 Security Costs

Note 22 to the financial statements for the year under review reflects Kshs.8,796,640 in respect to general expenses which further includes Kshs.502,919 in respect to security costs paid to a firm. However, the procurement documents including quotations, evaluation and award minutes and contract agreement were not provided for audit review.

Consequently, the propriety and value for money for the Kshs.502,919 expenditure for the year ended 30 June, 2019 could not be confirmed.

6.3.2 Advertising Services

Note 22 to the financial statements for the year under review reflects Kshs.8,796,640 in respect to general expenses which includes Kshs.453,800 in respect to advertisement services which further includes Kshs.339,800 paid to a supplier for the supply of brochures for advertising the courses offered by the Institution. However, supporting document including requisition forms, quotations, evaluation minutes, notification to the winning bidder and the regret letters to the unsuccessful bidders were not availed for audit review.

In the circumstances, the propriety and value for money for the Kshs.339,800 expenditure for the year under review could not be confirmed.

7.0 Non-Provision of Audit Fees

The statement of financial performance for the year under review reflects Kshs.36,647,504 in respect to total expenses. However, the expenses for the year do not include provision for audit fees totaling to Kshs.617,902 which is payable to the Office of the Auditor-General in accordance to Section 41(1)(c) of the Public Audit Act, 2015 which states that the funds of the Office of the Auditor-General shall consist of audit fees charged at the rates prescribed by the Auditor- General.

In the circumstances, the Institute is in breach of the law and the expenditure for the year ending 30 June, 2019 is under stated to the extent of the audit fee not provided for.

8.0 Budgetary Control and Performance

8.1 Revenue Analysis

The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects budgeted receipts of Kshs.44,774,500 and actual receipt of Kshs.35,228,342 resulting to a variance of Kshs.9,546,158. However, a recasting of the variance resulted in a sum of Kshs.9,186,158 as follows:

| Items | Approved Budget (Kshs.) | Actual Receipts (Kshs.) | Variation (Kshs.) | Percentage (%) |
|--|-------------------------|-------------------------|-------------------|----------------|
| Transfer from Other Entities-Govt-Grants | 14,000,000 | 10,590,000 | 3,410,000 | 24 |
| Rendering of Services - Fees from Students | 30,152,500 | 24,110,782 | 6,041,718 | 20 |
| Sale of Goods | 622,000 | 527,560 | 94,440 | 15 |
| Total | 44,774,500 | 35,228,342 | 9,186,158 | |

Overall, the Institute failed to actualize its budget by Kshs.9,186,158 or 21 % an indication that some of the programmes and activities that had been planned were not implemented.

Therefore, there is a need for the management to review its budget making process with a view to formulating a realistic budget that would be actualized for the service delivery to the intended beneficiaries.

8.2 Expenditure Analysis

The statement of comparison of budget and actual amounts for the year under review reflects budgeted expenditure of Kshs.42,724,750 and actual expenditure of Kshs.36,647,504 resulting to under expenditure of Kshs.6,077,246, while recasting of the final budgeted expenses gave a total of Kshs.42,727,750 as follows:

| Audit Components | Final budget (Kshs.) | Actual Expenditure (Kshs.) | Variation (Kshs.) | Percentage (%) |
|--------------------------------------|---------------------------------|---|------------------------------|---------------------------|
| Compensation of Employees | 12,852,000 | 9,919,353 | 2,932,647 | 23 |
| Use of Goods and Services | 19,206,750 | 17,153,239 | 2,053,511 | 11 |
| Repairs, Maintenance and Improvement | 834,000 | 778,272 | 55,728 | 7 |
| General Expenses | 9,835,000 | 8,796,640 | 1,038,360 | 11 |
| Total Expenditure | 42,727,750 | 36,647,504 | 6,080,246 | |

The Institution underspent its budget by Kshs.6,080,246 or 14% of the total budget allocation. The funds could have been allocated to other deserving areas that would have improved delivery of goods and services to the beneficiaries. There is need therefore for the Management to re-look at its budgeting mechanism with a view to focusing on areas which will improve service delivery to the beneficiaries.

In the circumstances, the intended beneficiaries did not get expected services equivalent to the Kshs.6,080,246 under expenditure for the year ended 30 June, 2019.

8.3 Unbalanced Budget

The statement of comparison of budget and actuals amounts for the year under review reflects Kshs.44,774,500 and Kshs.42,724,750 in respect to approved budget receipts and expenditure respectively resulting to Kshs.2,049,750 budgeted receipts without corresponding budgeted expenditures. This is contrary to Section 33(c) of the Public Finance Management (National Government) regulations, 2015 which states that the budget shall be balanced.

Consequently, the Institute is in breach of the law.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES.

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance

of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis of Conclusion

1.0 Boarding Equipment and Stores

Note 15 to the financial statements for the year under review reflects Kshs.17,153,239 in respect to use of goods and services which includes Kshs.6,552,062 in respect to boarding equipment and stores which further includes Kshs.5,131,780 paid to a firm for provision of meals to the students from the National Youth Service (NYS). However, records availed including pre-qualified list of suppliers reveal that the firm was not included in the list of prequalified firms contrary to Section 95(3) of the Public Procurement and Asset Disposal Act, 2015 which stipulates that a procuring entity shall invite tenders from only the approved persons who have been pre-qualified.

In the circumstance, the Institution is in breach of the law.

2.0 Presentation of Financial Statements

The financial statements for the year under review contains various anomalies which are not in line with the template issued in June, 2019 by the Public Sector Accounting Standards Board (PSASB) as shown below.

| Items/Component/Issue | Observation |
|---|---|
| The Management discussion and analysis | The report is not included in the financial statements |
| Board Members | Date of birth for board members not indicated |
| Inconsistency in the financial statements | Background information reflects that the institute occupies approximately 25 acres while the principal statement indicates that it occupies 24 acres. The Chairman report indicates that the institute opened its doors for training in 2016 while the principal indicates that it opened its doors for training in 2015 |
| The chairman, principal and the Board of management reports | The three report are not signed |
| Page XIII | The page is blank |

Consequently, the presentation of the financial statements for the year under review do not conform to the prescribed PSASB.

3.0 Establishment of Internal Audit Unit

During the year under review, the Institute did not have an audit department contrary to Section 73(1)(a) of the Public Finance Management Act, 2012 which states that every

national government entity shall ensure that it complies with this Act and has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.

In the circumstances, the Institute is in breach of the law.

4.0 Submission of Financial Statements

4.1 Non-Submission of the Financial Statements

The Institute's Board of Governors has not submitted its financial statements for audit by the Auditor-General for two (2) financial years (2016/2017 and 2017/2018) contrary to Section 68(2)(k) of the Public Finance Management Act, 2012 which require an accounting officer to prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Auditor-General for audit. In addition, Section 47(1) of the Public Audit Act, 2015 stipulates that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

4.2 Late Submission of the Financial Statements

The financial statements for the year under review were submitted to the Auditor-General on 08 October, 2019 approximately eight (8) days after the legal deadline of three (3) months from the end of the financial year contrary to Section 47(1) of the Public Audit Act, 2015 which stipulates that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of Management and those Charged with Governance

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

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

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the International Public Sector Accounting Standards (Accrual Basis) of accounting unless Karumo Technical Training Institute either intends to liquidate the institute or to cease operations, or have no realistic alternative but to do so.

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.

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


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for

Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of Karumo Technical Training Institute 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

08 October, 2021

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)/NATIONAL
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V. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

| | Notes | 2018-2019 | 2017-2018 |
|--|-------|-----------------------|-----------|
| | | Kshs | Kshs |
| Revenue from non-exchange transactions | | | |
| Transfers from the National Government – grants/ gifts in kind | 6 | 10,590,000.00 | |
| Grants from donors and development partners | 7 | 00 | |
| Transfers from other levels of government | 8 | 00 | |
| Public contributions and donations | 9 | 00 | |
| | | 10,590,000.00 | |
| Revenue from exchange transactions | | | |
| Rendering of services- Fees from students | 10 | 24,110,782.00 | |
| Sale of goods | 11 | 527,560.00 | |
| Rental revenue from facilities and equipment | 12 | 00 | |
| Finance income - external investments | 13 | 00 | |
| Consultancy fees | 14 | 00 | |
| Other income | | 00 | |
| Revenue from exchange transactions | | 24,638,342.00 | |
| Total revenue | | 35,228,342.00 | |
| Expenses | | | |
| Use of goods and services | 15 | 17,153,239.00 | |
| Employee costs | 16 | 9,919,353.00 | |
| Remuneration of directors | 18 | 00 | |
| Depreciation and amortization expense | | 00 | |
| Repairs and maintenance | 19 | 778,272.00 | |
| Contracted services | 21 | 00 | |
| Grants and subsidies | | 00 | |
| General expenses | 22 | 8,796,640.00 | |
| Finance costs | 24 | 00 | |
| Total expenses | | 36,647,504.00 | |
| Other gains/(losses) | | | |
| Gain on sale of assets | 25 | 00 | |
| Gain on foreign exchange transactions | 26 | 00 | |
| Unrealized gain on fair value of investments | | 00 | |
| Impairment loss | | (00) | |
| Total other gains/(losses) | | 00 | |
| Net Surplus for the year | | (1,419,162.00) | |
| Attributable to: | | | |
| Surplus/(deficit) attributable to minority interest | | 00 | |
| Surplus attributable to owners of the controlling entity | | 00 | |
| | | 00 | |


The notes set out on pages 21 to 40 form an integral part of the Annual Financial Statements.

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)/NATIONAL
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V. STATEMENT OF FINANCIAL POSITION AS AT 30/6/2019

| | Notes | 2018-2019 Kshs | 2017-2018 Kshs |
|---|-------|----------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 27 | 29,040,637.00 | 00 |
| Receivables from exchange transactions | 28 | 19,085,568.00 | 00 |
| Receivables from non-exchange transactions | 29 | 3,795,000.00 | 00 |
| Current portion of long-term receivables from exchange transactions | 30 | 00 | 00 |
| Inventories | 31 | 00.00 | 00 |
| Investments | 32 | 0 | 00 |
| | | 51,921,205.00 | 00 |
| Non-current assets | | | |
| Property, plant and equipment | 33 | 00 | 00 |
| Investments | 32 | 00 | 00 |
| Intangible assets | 34 | 00 | 00 |
| Investment property | 35 | 00 | 00 |
| Long term receivables from exchange transactions | 30 | 00 | 00 |
| | | 00 | 00 |
| Total assets | | 51,921,205.00 | 00 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | 35 | 2,905,704.25 | 00 |
| Refundable deposits from customers | 36 | 327,700.00 | 00 |
| Other accounts payable | | 00 | 00 |
| Provisions | 38 | 00 | 00 |
| Finance lease obligation | 39 | - | - |
| Current portion of borrowings | 43 | 00 | 00 |
| Deferred income | 39 | 24,472,679.00 | 00 |
| Employee benefit obligation | 41 | 00 | 00 |
| Payments received in advance | | 00 | 00 |
| | | 27,706,083.25 | 00 |
| Non-current liabilities | | | |
| Non-current employee benefit obligation | 41 | 00 | 00 |
| Non-current provisions | 42 | 00 | 00 |
| Borrowings | 43 | 00 | 00 |
| Service concession liability | 44 | 00 | 00 |
| Deferred tax liabilities | 53 | 00 | 00 |
| | | 00 | 00 |
| Total liabilities | | 27,706,083.25 | 00 |
| Net assets | | 00 | 00 |
| Reserves | | 00 | 00 |
| Accumulated surplus | | 00 | 00 |
| Capital Fund | | 00 | 00 |
| Total net assets and liabilities | | 24,215,121.75 | 00 |

The Financial Statements set out on pages 15 to 58 were signed on behalf of the Institute BOG/ Board of Governors by:


Chairman of Board of Governors

Date: 25/2/2020


Finance Officer
ICPAK No 24784
Date: 24/02/2020



TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)/NATIONAL POLYTECHNIC/TEACHER TRAINING COLLEGE
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VI. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2019

| | Revaluation reserve | Fair value adjustment reserve | Retained earnings | Capital/Development Grants/Fund | Total |
|--|---------------------|-------------------------------|--------------------|---------------------------------|----------------------|
| At July 1, 2017 | | | | | |
| Revaluation gain | | | | | |
| Fair value adjustment on quoted investments | | | | | |
| Total comprehensive income | | | | | |
| Capital/Development grants received during the year | | - | - | 20,908,179.00 | 20,908,179.00 |
| Transfer of depreciation/amortisation from capital fund to retained earnings | - | - | | | |
| At June 30, 2018 | | | | | |
| At July 1, 2018 | | | | | |
| Revaluation gain | | | | | |
| Fair value adjustment on quoted investments | | | | | |
| Total comprehensive income | - | - | | | |
| Capital/Development grants received during the year | | - | | 3,564,500.00 | 3,564,500.00 |
| Transfer of depreciation/amortisation from capital fund to retained earnings | - | - | | | |
| At June 30, 2019 | | | (1,419,162) | 24,472,679.00 | 24,472,679.00 |

Note:

1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustments should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.

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VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

| STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019 | | | |
|--|----|-----------------------|----------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfers from other Government entities/Govt. grants | 6 | 10,590,000.00 | |
| Public contributions and donations | | 00 | |
| Rendering of services- Fees from students | 10 | 24,110,782.00 | |
| Sale of goods | 11 | 527,560.00 | |
| Rental revenue from facilities and equipment | | 00 | |
| Finance income | | 00 | |
| Consultancy income | | 00 | |
| Other income, rentals and agency fees | | 00 | |
| Total Receipts | | 35,228,342.00 | |
| Payments | | | |
| Compensation of employees | 16 | 9,919,353.00 | |
| Use of goods and services | 15 | 17,153,239.00 | |
| Repairs and maintainance | 19 | 778,272.00 | |
| Finance cost | | 00 | |
| Rent paid | | 00 | |
| Taxation paid | | 00 | |
| Other payments (general expense) | 22 | 8,796,640.00 | |
| Grants and subsidies paid | | 00 | |
| Total Payments | | 36,647,504.00 | |
| Net cash flows from operating activities | | (1,419,162.00) | |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and intangible assets | | 00) | |
| Proceeds from sale of property, plant and Equipment | | | |
| Decrease in non-current receivables | | 00 | |
| Increase in investments | | (00) | |
| Net cash flows used in investing activities | | (00) | |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 00 | |
| Repayment of borrowings | | (00) | |
| Increase in deposits | | 00 | |
| Net cash flows used in financing activities | | (00) | |
| Net increase/(decrease) in cash and cash equivalents | | (3,384,824.00) | |
| Cash and cash equivalents at 1 JULY | 27 | 32,425,461.00 | |
| Cash and cash equivalents at 30 JUNE | 27 | 29,040,637.00 | 32,425,461.00 |

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation).

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)/NATIONAL POLYTECHNIC/TEACHER TRAINING
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/6/2019**

VII. 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 | |
|--|----------------------|-------------|----------------------|-----------|-----------------------|-----------------------|----------------------------|-----------|------------------------|-----------|
| | 2018-2019 | 2018-2019 | 2018-2019 | 2018-2019 | 2018-2019 | 2018-2019 | 2018-2019 | 2018-2019 | 2018-2019 | 2018-2019 |
| | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs |
| Revenue | | | | | | | | | | |
| Transfers from other Govt entities Govt grants | 14,000,000 | (00) | 14,000,000 | | 10,590,000.00 | (3,050,000.00) | | | | |
| Public contributions and donations | 00 | (00) | 00 | | 00 | (00) | | | | |
| Rendering of services- Fees from students | 30,152,500.00 | (00) | 30,152,500.00 | | 24,110,782.00 | (6,041,718.00) | | | | |
| Sale of goods | 622,000.00 | - | 622,000.00 | | 527,560.00 | (94,440.00) | | | | |
| Finance Income | 00.00 | - | 00.00 | | 00 | 00 | | | | |
| Consultancy Income | 00.00 | - | 00.00 | | 00 | 00 | | | | |
| Gains on disposal, rental income and agency fees | 00.00 | 00 | 00.00 | | 00 | 00 | | | | |
| Total income | 44,774,500 | (00) | 44,774,500.00 | | 35,228,342.00 | (9,546,158.00) | | | | |
| Expenses | | | | | | | | | | |
| Compensation of employees | 12,852,000.00 | - | 12,852,000.00 | | 9,919,353.00 | (2,932,647.00) | | | | |
| Use of Goods and services | 19,203,750.00 | (00) | 19,206,750.00 | | 17,153,239.00 | (2,053,511.00) | | | | |
| Finance costs | 00 | (00) | 00.00 | | 00 | 00 | | | | |
| Rent paid | 00 | (00) | 00.00 | | 00 | 00 | | | | |
| Remuneration of directors | 00 | (00) | 00.00 | | 00 | 00 | | | | |
| Repairs maintenance and improvements | 834,000.00 | 00 | 834,000.00 | | 778,272.00 | (55,728.00) | | | | |
| General expenses | 9,835,000.00 | - | 9,835,000.00 | | 8,796,640.00 | (1,038,360.00) | | | | |
| Grants and subsidies paid | 00 | - | 00.00 | | 00.00 | 00.00 | | | | |
| Total expenditure | 42,724,750.00 | (00) | 42,724,750.00 | | 36,647,504.00 | 6,077,246.00 | | | | |
| Surplus for the period | 2,049,750.00 | 00 | 2,049,750.00 | | (1,419,162.00) | (3,468,912.00) | | | | |

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

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VIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Karumo TTI is established by and derives its authority and accountability from TVET Act, 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide Technical and Vocational Education & Training.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the TVET Act 2013 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 2019

| 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. |

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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 2019

| 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>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. |

iii. Early adoption of standards

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The entity did not early – adopt any new or amended standards in year 2019.

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.

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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 2018/2019 was approved by the BOG or Board on *June 2018*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

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

c) Taxes

Current income tax

The entity is exempt from paying taxes.

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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 .xxx 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.

However, the value of assets is not known and the process of revaluation is underway.

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.

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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:

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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

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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. *Entity to state the reserves maintained and appropriate policies adopted.*

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.

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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

This is the first-time adoption to IPSAS Accrual basis of reporting and therefore no comparative figures since it's the base year.

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.

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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

There were no Provisions raised during the financial year estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

| Description | 2018-2019 | 2018-2019 |
|--|----------------------|-----------|
| | KShs | KShs |
| Unconditional grants | | |
| Operational grant | 3,000,000.00 | |
| Other grants (capitation) | 7,590,000.00 | |
| | 10,590,000.00 | |
| Conditional grants | | |
| Library grant | 00 | |
| Hostels grant | 00 | |
| Administration block grant | 00 | |
| Laboratory grant | 00 | |
| Perimeter wall grant | 3,564,500.00 | |
| Learning facilities grant | 00 | |
| Other organizational grants | 00 | |
| Total government grants and subsidies | 14,154,500.00 | |

6b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

| Name of the Entity sending the grant | Amount recognized to Statement of Comprehensive Income KShs | Amount deferred under deferred income KShs | Amount recognised in capital fund. | Total grant income during the year | 2017-2018 |
|--------------------------------------|---|--|------------------------------------|------------------------------------|-----------|
| | | | KShs | KShs | KShs |
| Education Ministry/State Department | 10,590,000.00 | 3,564,500.00 | 00 | 14,154,500.00 | |
| Ministry | 00 | 00 | 00 | 00 | |
| Total | 10,590,000.00 | 3,564,500.00 | 0 | 14,154,500.00 | |

(NB: capitation grants amounting to kshs 3,795,000.00 was accrued income and received in July 2019)

7 GRANTS FROM DONORS AND DEVELOPMENT PARTNERS

| Description | 2018-2019 | 2018-2019 |
|---|-----------|-----------|
| | KShs | KShs |
| JICA- Research grant | 00 | |
| World Bank grants | 00 | |
| Other grants | 00 | |
| Total grants from development partners | 00 | |

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Reconciliations of grants from donors and development partners

| Description | 2018-2019 | 2018-2019 |
|--|----------------------|-----------|
| | KShs | KShs |
| Balance unspent at beginning of year | 20,908,179.00 | |
| Current year receipts | 3,564,500.00 | |
| Conditions met - transferred to revenue | 00 | |
| Conditions to be met - remain liabilities | 24,472,679.00 | |

NB: These are funds received for the Perimeter wall project that had not taken off as at the 30th June 2019. These funds are in a different account in KCB Development bank account with a balance of kshs 24,472,679.00 at the end of the trading period ended 30th June 2019.

8 TRANSFERS FROM OTHER LEVELS OF GOVERNMENT

| Description | 2018-2019 | 2018-2019 |
|----------------------------------|-----------|-----------|
| | KShs | KShs |
| Transfer from County Governments | 00 | |
| Transfer from University | 00 | |
| Transfer from institute | 00 | |
| Total Transfers | 00 | |

9 PUBLIC CONTRIBUTIONS AND DONATIONS

| Description | 2018-2019 | 2018-2019 |
|---|-----------|-----------|
| | KShs | KShs |
| Public donations | 00 | |
| Donations from local leadership | 00 | |
| Donations from religious institutions | 00 | |
| Donations from alumni | 00 | |
| Other donations | 00 | |
| Total donations and sponsorships | 00 | |

(Provide brief explanation for this revenue)

10 RENDERING OF SERVICES

| Description | 2018-2019 | 20xx-20xx |
|---|----------------------|-----------|
| | KShs | KShs |
| Tuition fees | 11,453,152.00 | |
| Activity fees | 1,485,865.00 | |
| Examination fees | 2,405,760.00 | |
| Library fees | 00 | |
| Facilities and materials (other tuition related) | 16,354,305.00 | |
| Registration fees | 1,700.00 | |
| Total revenue from the rendering of services | 31,700,782.00 | |

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NB: THE TOTAL INCOME FROM RENDERING OF SERVICES IS KSHS 31,700,782.00 LESS 7,590,000.00 CAPITATION TOTALLING TO KSHS 24,110,782.00. CAPITATION IS PART OF THE FEES INVOICED TO STUDENTS THEREFORE, ON THE STATEMENT OF FINANCIAL PERFORMANCE IT IS RECOGNISED AS INCOME FROM NON-EXCHANGE TRANSACTIONS AND THE BALANCE OF KSHS 24,110,782.00 RECOGNISED AS INCOME FROM EXCHANGE TRANSACTIONS.

FACILITIES AND MATERIALS (OTHER TUITION RELATED)

| | | |
|------------------------------------|---------------------|----------------------|
| ACCOMODATION | 3,662,300.00 | |
| APPLICATION FEES | 110,000.00 | |
| ATTACHMENT FEES | 1,293,600.00 | |
| BOG TEACHERS LEVY | 364,500.00 | |
| COMPUTER PACKAGES | 55,000.00 | |
| EXAM FEES & STATIONERY | 7,950.00 | |
| ICT FUND | 258,000.00 | |
| INSURANCE FUND | 1,000.00 | |
| PERSONAL EMOLUMENTS | 5,476,224.00 | |
| MATERIAL FEES | 243,000.00 | |
| MEDICAL FEES | 72,900.00 | |
| SCHOOL EQUIPMENT AND STORES | 729,000.00 | |
| STUDENT ID | 55,500.00 | |
| STUDENT WALFARE | 535,800.00 | |
| EWC | 1,210,537.00 | |
| REPAIRS AND MAINTAINANCE | 610,632.00 | |
| LOCAL TRANSPORT AND TRAVEL | 1,108,862.00 | |
| KUCCPS REGISTRATION | 559,500.00 | 16,354,305.00 |
| | | |
| | | |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 SALE OF GOODS

| Description | 2018-2019 | 2018-2019 |
|--|----------------|-----------|
| | KShs | KShs |
| Sale of goods | | |
| Sale of books | 00 | |
| Sale of publications | 00 | |
| Sale of farm produce | 527,560 | |
| Other(include in line with your organisation) | 00 | |
| Total revenue from the sale of goods | 527,560 | |

(Provide brief explanation for this revenue)

12 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

| Description | 2018-2019 | 20xx-20xx |
|---|-----------|-----------|
| | KShs | KShs |
| Straight-lined operating lease receipts | 00 | |
| Contingent rentals | 00 | |
| Total rentals | 00 | |

(Provide brief explanation for this revenue)

13 FINANCE INCOME

| Description | 2018-2019 | 20xx-20xx |
|-------------------------------------|-----------|-----------|
| | KShs | KShs |
| Cash investments and fixed deposits | 00 | |
| Interest income from Treasury Bills | 00 | |
| Interest income from Treasury Bonds | 00 | |
| Interest from outstanding debtors | 00 | |
| Total finance income | 00 | |

(Provide brief explanation for this revenue)

14 OTHER INCOME

| Description | 2018-2019 | 2018-2019 |
|--------------------------------|-----------|-----------|
| | KShs | KShs |
| Insurance recoveries | 00 | |
| Income from sale of tender | 00 | |
| Services concession income | 00 | |
| Skills development levy | 00 | |
| Income from disposal of assets | 00 | |
| Total other income | 00 | |

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 USE OF GOODS AND SERVICES

| | | |
|--------------------------------|----------------------|--|
| Electricity | 952,053.25 | |
| Water | 00.00 | |
| Security | 502,919 | |
| Professional services | 00.00 | |
| Subscriptions | 10,000.00 | |
| Boarding equipment and stores | 6,552,062.00 | |
| School equipment and stores | 5,503,874.00 | |
| Student activities costs | 2,677,461.00 | |
| Other developments | 954,870.00 | |
| Total good and services | 17,153,239.00 | |

Nb: 418,035 on school equipment and stores is the cost of items that were previously recognized as inventories and are now expensed as school equipment and stores.

16 EMPLOYEE COSTS

| | | |
|---|---------------------|--|
| Salaries and wages | 6,352,113.00 | |
| Employee related costs - contributions to pensions and medical aids | 00 | |
| Travel, motor car, accommodation, subsistence and other allowances | 3,567,240.00 | |
| Housing benefits and allowances | 00 | |
| Overtime payments | 00 | |
| Performance and other bonuses | 00 | |
| Social contributions | 00 | |
| Employee costs | 9,919,353.00 | |

17 REMUNERATION OF DIRECTORS

| | | |
|----------------------------------|------------|--|
| Chairman's Honoraria | 00 | |
| Directors emoluments | 00 | |
| Other allowances | 00 | |
| Total director emoluments | 000 | |

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18 DEPRECIATION AND AMORTIZATION EXPENSE

| Description | 2018-2019 | 2017-2018 |
|--|-----------|-----------|
| | KShs | KShs |
| Property, plant and equipment | 00 | |
| Intangible assets | 00 | |
| Investment property carried at cost | 00 | |
| Total depreciation and amortization | 00 | |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 REPAIRS AND MAINTENANCE

| Description | 2018-2019 | 2017-2018 |
|---------------------------------------|-------------------|-----------|
| | KShs | KShs |
| Property | 00 | |
| Investment property – earning rentals | 00 | |
| Equipment and machinery | 130,972.00 | |
| Vehicles | 00 | |
| Furniture and fittings | 315,000.00 | |
| Computers and accessories | 00 | |
| plumbing | 15,660.00 | |
| electricals | 148,650.00 | |
| Other | 167,990.00 | |
| Total repairs and maintenance | 778,272.00 | |

20 CONTRACTED SERVICES

| Description | 2018-2019 | 2017-2018 |
|----------------------------------|-----------|-----------|
| | KShs | KShs |
| Actuarial valuations | 00 | |
| Investment valuations | 00 | |
| Property valuations | 00 | |
| Total contracted services | 00 | |

21 GRANTS AND SUBSIDIES

| Description | 2018-2019 | 2017-2018 |
|------------------------------------|-----------|-----------|
| | KShs | KShs |
| Community development | 00 | |
| Education initiatives and programs | 00 | |
| Social development | 00 | |
| Community trust | 00 | |
| Sporting bodies | 00 | |
| Total grants and subsidies | 00 | |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 GENERAL EXPENSES

| | | |
|--------------------------------------|---------------------|--|
| Advertising | 453,800.00 | |
| Admin fees | 00.00 | |
| Audit fees | 00.00 | |
| Conferences and delegations | 00.00 | |
| Consulting fees | 00.00 | |
| Consumables | 310,774.00 | |
| Electricity | 00.00 | |
| Fuel and oil | 00.00 | |
| Insurance | 00.00 | |
| Legal expenses | 00.00 | |
| Licenses and permits | 00.00 | |
| Postage | 00.00 | |
| Printing and stationery | 00.00 | |
| Hire charges | 00.00 | |
| Rent expenses | 00.00 | |
| Security costs | 502,919.00 | |
| Sewage treatment costs | 00.00 | |
| Skills development levies | 00.00 | |
| Performance contract expenses | 630,084.00 | |
| Telecommunication | 125,054.00 | |
| Training expenses | 622,553.00 | |
| Robotic /Automation Expenses | 1,109,000.00 | |
| Student union expenses | 550,141.00 | |
| Production units' expenses | 191,450.00 | |
| Management information systems | 1,218,000.00 | |
| Bank charges | 47,050.00 | |
| News papers and periodicals | 18,000.00 | |
| Internet services | 465,700.00 | |
| Hospitality and Refreshment Expenses | 78,850.00 | |
| Marketing expenses | 16,000.00 | |
| Student group medical expenses | 40,825.00 | |
| Other (exam costs) | 2,416,440.00 | |
| Total general expenses | 8,796,640.00 | |

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23 FINANCE COSTS

| Description | 2018-2019 | 2018-2019 |
|---|-----------|-----------|
| | KShs | KShs |
| Borrowings (amortized cost)* | 00 | |
| Finance leases (amortized cost) | 00 | |
| Unwinding of discount | 00 | |
| Interest on Bank overdrafts | 00 | |
| Interest on loans from commercial banks | 00 | |
| Total finance costs | 00 | |

*Borrowing costs that relate to interest expense on acquisition of non-current assets and do not qualify for Capitalisation as per IPSAS 5: no borrowing costs should be included under this note.)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 GAIN ON SALE OF ASSETS

| | 00 | |
|-------------------------------------|-----------|--|
| Property, plant and equipment | 00 | |
| Intangible assets | 00 | |
| Other assets not capitalised | 00 | |
| Total gain on sale of assets | 00 | |

25 UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

| Investments at fair value | 00 | |
|---------------------------|-----------|--|
| Total gain | 00 | |

26 IMPAIRMENT LOSS

| Property, plant and equipment | 00 | |
|-------------------------------|-----------|--|
| Intangible assets | 00 | |
| Total impairment loss | 00 | |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 CASH AND CASH EQUIVALENTS

| Current account | 29,029,737.00 | 32,396,961.00 |
|--|----------------------|----------------------|
| On - call deposits | 00 | |
| Fixed deposits account | 00 | |
| Staff car loan/ mortgage | 00 | |
| Others(specify) cash in hand | 10,900.00 | 28,500.00 |
| Total cash and cash equivalents | 29,040,637.00 | 32,425,461.00 |

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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

| Financial institution | Account number | 2018-2019 KShs | 2017-2018 KShs |
|------------------------------------|----------------|----------------------|----------------------|
| a) Current account | | | |
| Kenya Commercial bank | | 24,472,679.00 | 25,590,674.00 |
| Equity Bank, etc | 1040264542354 | 4,212,664 | 6,661,433.00 |
| National Bank 1 | 01025088277900 | 343,000.00 | 143,460.00 |
| National Bank 2 | 01020088277900 | 1,394.00 | 1,394.00 |
| Sub- total | | 29,029,737.00 | 32,396,961.00 |
| b) On - call deposits | | | |
| Kenya Commercial bank | | 00 | |
| Equity Bank - etc | | 00 | |
| Sub- total | | 00 | |
| c) Fixed deposits account | | | |
| Kenya Commercial bank | | 00 | |
| Bank B | | 00 | |
| Sub- total | | 00 | |
| d) Staff car loan/ mortgage | | | |
| Kenya Commercial bank | | 00 | |
| Bank B | | 00 | |
| Sub- total | | 00 | |
| e) Others(specify) | | | |
| Cash in transit | | 00 | |
| cash in hand | | 10,900.00 | 28,500.00 |
| M pesa | | 0 | |
| Sub- total | | 10,900.00 | 28,500.00 |
| Grand total | | 29,040,637.00 | 32,425,461.00 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 RECEIVABLES FROM EXCHANGE TRANSACTIONS

| Description | 2018-2019 KShs | 2017-2018 KShs |
|----------------------------------|----------------------|-------------------|
| Current receivables | | |
| Student debtors | 19,085,568.00 | |
| Rent debtors | 00 | |
| Consultancy debtors | 00 | |
| Other exchange debtors | 00 | |
| Less: impairment allowance | 00 | |
| Total current receivables | 19,085,568.00 | |
| Non-current receivables | | |
| Refundable deposits | 00 | |

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| | | |
|--|----------------------|----|
| Advance payments | 00 | 00 |
| Public organizations | 00 | 00 |
| Less: impairment allowance | 00 | |
| Total | 00 | |
| Current portion transferred to current receivables | 00 | |
| Total non-current receivables | 00 | |
| Total receivables | 19,085,568.00 | |

29 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| Description | 2018-2019 | 2017-2018 |
|---|---------------------|-----------|
| | KShs | KShs |
| Current receivables | | |
| Transfers from other govt. entities | 3,795,000.00 | |
| Undisbursed donor funds | 00 | |
| Other debtors (non-exchange transactions) | 00 | |
| Less: impairment allowance | (00) | |
| Total current receivables | 3,795,000.00 | |

30 INVENTORIES

| Description | 2018-2019 | 2017-2018 |
|--|--------------|-----------|
| | KShs | KShs |
| Consumable stores | 00.00 | |
| Maintenance stores | 00 | |
| Health Unit stores | 00 | |
| Electrical stores | 00 | |
| Cleaning materials stores | 00 | |
| Catering stores | 00 | |
| Total inventories at the lower of cost and net realizable value | 00.00 | |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 INVESTMENTS

| Description | 2018-2019 | 2017-2018 |
|---|-----------|-----------|
| | KShs | KShs |
| a) Investment in Treasury bills and bonds | | |
| Financial institution | | |
| CBK | 00 | |
| CBK | 00 | |
| Sub- total | 00 | |
| b) Investment with Financial Institutions/ Banks | | |
| Bank x | 00 | |
| Bank y | 00 | |
| Sub- total | 00 | |

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| | | |
|--|--|-----------|
| c) Equity investments (specify) | | |
| Equity/ shares in company xxx | | 00 |
| Sub- total | | 00 |
| Grand total | | 00 |

d) Shareholding in other entities

For investments in equity share listed under note 31 (c) above, list down the equity investments under the following categories:

| Name of entity where investment is held | No of shares | | | Nominal value of shares | Fair value of shares | Fair value of shares |
|---|---------------------|-----------------------|------------------------|-------------------------|----------------------|----------------------|
| | Direct shareholding | Indirect shareholding | Effective shareholding | | | |
| | % | % | % | Shs | Shs | Shs |
| Entity A | 00 | 00 | 00 | 00 | 00 | 00 |
| Entity B | 00 | 00 | 00 | 00 | 00 | 00 |
| Entity C | 00 | 00 | 00 | 00 | 00 | 00 |
| Entity D | 00 | 00 | 00 | 00 | 00 | 00 |
| | 00 | 00 | 00 | 00 | 00 | 00 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 PROPERTY, PLANT AND EQUIPMENT

| Cost | Land and Buildings | Motor vehicles | Furniture and fittings | Computers | Other Assets (Specify) |
|-------------------------------------|--------------------|----------------|------------------------|------------|------------------------|
| | Shs | Shs | Shs | Shs | Shs |
| At 1 July 2018 | 00 | 00 | 00 | 000 | 00 |
| Additions | 00 | 00 | 00 | - | 00 |
| Disposals | 00 | 00 | - | - | 00 |
| Transfers/adjustments | 00 | 00 | 00 | (000) | 00 |
| At 30th June 2019 | 00 | 00 | 00 | 000 | 00 |
| Additions | 00 | 00 | 00 | - | 00 |
| Disposals | 00 | -00 | - | - | 00 |
| Transfer/adjustments | 00 | 00 | 00 | (000) | 00 |
| At 30th June 2019 | 000 | 000 | 000 | 000 | 00 |
| Depreciation and impairment | | | | | |
| At 1 July 2018 | 00 | (00) | (000) | (000) | - |
| Depreciation | 00 | (00) | (000) | (000) | - |
| Impairment | 00 | - | - | - | - |
| At 30 June 2019 | 00 | 000 | 000 | 000 | - |
| Depreciation | 00 | (000) | (000) | - | 000 |
| Disposals | 00 | - | - | - | |

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| | | | | |
|---|------------|------------|------------|------------|
| Impairment | 00 | 000 | - | - |
| Transfer/adjustment | 00 | (000) | (000) | 000 |
| At 30th June 2018 | 000 | 000 | 000 | 000 |
| Net book values | | | | |
| At 30th June 2019 | 00 | 00 | 000 | 000 |
| At 30th June 2019 | 00 | 00 | 000 | 000 |
| <i>[Include brief description of WIP as a footer]</i> | | | | |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 INTANGIBLE ASSETS-SOFTWARE

| | |
|------------------------------------|----|
| Cost | |
| At beginning of the year | 00 |
| Additions | 00 |
| At end of the year | 00 |
| Additions-internal development | 00 |
| At end of the year | 00 |
| Amortization and impairment | |
| At beginning of the year | 00 |
| Amortization | 00 |
| At end of the year | 00 |
| Impairment loss | 00 |
| At end of the year | 00 |
| NBV | 00 |

34 INVESTMENT PROPERTY

| | |
|---|------|
| At beginning of the year | 00 |
| Additions | 00 |
| Fair value gain | 00 |
| Depreciation (where investment property is at cost) | (00) |
| At end of the year | 00 |

35 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

| | |
|---------------------------------------|---------------------|
| Trade payables | 2,905,704.25 |
| Fees paid in advance | 00 |
| Employee advances | 00 |
| Total trade and other payables | 2,905,704.25 |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

| Description | 2018-2019 | 2017-2018 |
|---------------------------|-------------------|-----------|
| | KShs | KShs |
| Consumer deposits | 00 | |
| Caution money | 327,700.00 | |
| Other refundable deposits | 00 | |
| Total deposits | 327,700.00 | |

37 CURRENT PROVISIONS

| Description | Leave provision | Bonus provision | Other provision | Total |
|---|-----------------|-----------------|-----------------|------------|
| | KShs | KShs | KShs | KShs |
| Balance at the beginning of the year | 00 | 00 | 000 | 000 |
| Additional Provisions | 00 | 00 | 000 | 000 |
| Provision utilised | (000) | (000) | (000) | (000) |
| Change due to discount and time value for money | (000) | (000) | (000) | (000) |
| Transfers from non -current provisions | 00 | 000 | 000 | 000 |
| Total provisions | 000 | 000 | 000 | 000 |

38 FINANCE LEASE OBLIGATION

| Description | Minimum lease payments | Future finance charges | Present value of minimum lease payments | 20xx-20xx |
|-------------------------------------|------------------------|------------------------|---|------------|
| | KShs | KShs | KShs | KShs |
| Within current year | 00 | 00 | 000 | 000 |
| Long term portion of lease payments | 00 | 00 | 000 | 000 |
| Total provisions | 000 | 000 | 000 | 000 |

39 DEFERRED INCOME

| Description | 2018-2019 | 2017-2018 |
|------------------------------------|----------------------|-----------|
| | KShs | KShs |
| National government | 24,472,679.00 | |
| International funders | 00 | |
| Public contributions and donations | 00 | |
| Total deferred income | 24,472,679.00 | |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

The deferred income movement is as follows:

| | National government | International funders/donors | Public contributions and donations | Total |
|-------------------------------|---------------------|------------------------------|------------------------------------|---------------|
| Balance brought forward | 20,908,179 | 00 | 000 | 20,908,179.00 |
| Additions during the year | 3,564,500 | 00 | 000 | 3,564,500.00 |
| Transfers to Capital fund | (000) | (000) | (000) | (000) |
| Transfers to income statement | (00) | (000) | (000) | (000) |
| Other transfers | (000) | (000) | (000) | (000) |
| Balance carried forward | 24,472,679.00 | 000 | 000 | 000 |

40 EMPLOYEE BENEFIT OBLIGATIONS

| Description | Defined benefit plan | Post-employment medical benefits | Other Provisions | | |
|---|----------------------|----------------------------------|------------------|-------------------|-------------------|
| | KShs | KShs | KShs | 2018-2019 KShs | 20xx-20xx KShs |
| Current benefit obligation | 00 | 00 | 00 | 00 | 000 |
| Non-current benefit obligation | 00 | 00 | 00 | 00 | 00x |
| Total employee benefits obligation | 00 | 00 | 00 | 00 | 00 |

The entity does not operate a defined benefit scheme for its employees.

| | 2018-2019 KShs | 2017-2018 KShs |
|--|-------------------|-------------------|
| Valuation at the beginning of the year | 00 | 00 |
| Changes in valuation during the year | 00 | 00 |
| Valuation at end of the year | 000 | 000 |

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

41 NON-CURRENT PROVISIONS

| Description | Long service leave | Gratuity | Other Provisions | Total |
|---|-----------------------|------------|---------------------|------------|
| | KShs | KShs | KShs | KShs |
| Balance at the beginning of the year | 00 | 000 | 000 | 000 |
| Additional Provisions | 00 | 000 | 000 | 000 |
| Provision utilised | (000) | (000) | (000) | (000) |
| Change due to discount and time value for money | 00 | 000 | 000 | 000 |
| Less: Current portion | (00) | (000) | (000) | (000) |
| Total deferred income | 000 | 000 | 000 | 000 |

(NB: The current portion deducted in this note should tie to line on current portion transferred from non-current provisions under note 37)

42 BORROWINGS

| Description | 2018-2019 | 2017-2018 |
|---|------------|-----------|
| | KShs | KShs |
| Balance at beginning of the period | 00 | |
| External borrowings during the year | 00 | |
| Domestic borrowings during the year | 00 | |
| Repayments of external borrowings during the year | (00) | |
| Repayments of domestic's borrowings during the year | (00) | |
| Balance at end of the period | 000 | |

42 a) ANALYSIS OF EXTERNAL AND DOMESTIC BORROWINGS

| | 2018-2019 | 2017-2018 |
|---|-----------|-----------|
| | KShs | KShs |
| External Borrowings | | |
| Dollar denominated loan from 'organisation' | 00 | |
| Sterling Pound denominated loan from 'yyy organisation' | 00 | |
| Euro denominated loan from zzz organisation' | 00 | |
| Domestic Borrowings | | |
| Kenya Shilling loan from KCB | 00 | |
| Kenya Shilling loan from Barclays Bank | 00 | |
| Kenya Shilling loan from Consolidated Bank | 00 | |
| Total balance at end of the year | 00 | |

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/2019**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

42 b) BREAKDOWN OF LONG- AND SHORT-TERM BORROWINGS

| | | |
|--|-----------|--|
| Short term borrowings(current portion) | 00 | |
| Long term borrowings | 00 | |
| Total | 00 | |

(NB: the total of this statement should tie to note 42 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

43 SERVICE CONCESSION ARRANGEMENTS

| | | |
|--|------------|--|
| Fair value of service concession assets recognized under PPE | 000 | |
| Accumulated depreciation to date | (000) | |
| Net carrying amount | 000 | |
| Service concession liability at beginning of the year | 000 | |
| Service concession revenue recognized | (000) | |
| Service concession liability at end of the year | 000 | |

44 CASH GENERATED FROM OPERATIONS

| | | |
|--|------------|--|
| Adjusted for: | | |
| Depreciation | 00 | |
| Non-cash grants received | (000) | |
| Contributed assets | (000) | |
| Impairment | 000 | |
| Gains and losses on disposal of assets | (000) | |
| Contribution to provisions | 000 | |
| Contribution to impairment allowance | 000 | |
| Finance income | (000) | |
| Finance cost | 000 | |
| Working Capital adjustments | | |
| Increase in inventory | (000) | |
| Increase in receivables | (000) | |
| Increase in deferred income | 000 | |
| Increase in payables | 000 | |
| Increase in payments received in advance | 000 | |
| Net cash flow from operating activities | 000 | |

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

| | Total amount Kshs | Fully performing Kshs | Past due Kshs | Impaired Kshs |
|--|----------------------------------|--------------------------------------|------------------------------|--------------------------|
| At 30 June 2019 | | | | |
| Receivables from exchange transactions | 19,085,568.00 | 19,085,568.00 | 00 | 00 |
| Receivables from non-exchange transactions | 3,795,000.00 | 3,795,000.00 | 00 | 00 |
| Bank balances | 00 | 00 | 00 | 00 |
| Total | 22,880,568.00 | 22,880,568.00 | 000 | 00 |
| At 30 June 20xx | | | | |
| Receivables from exchange transactions | 14,254,088.00 | 00 | 00 | 00 |
| Receivables from non-exchange transactions | 00 | 00 | 00 | 00 |
| Bank balances | | 00 | 00 | 00 |
| Total | 14,254,088.00 | 00 | 00 | 00 |

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)/NATIONAL
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45. 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 students.

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

(ii) Liquidity risk management

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

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

| | Less than 1 month | Between 1-3 months | Over 5 months | Total |
|-------------------------------|----------------------|-----------------------|------------------|----------------------|
| | Kshs | Kshs | Kshs | Kshs |
| At 30 June 2019 | | | | |
| Trade payables | 2,905,704.25 | 00 | 00 | 2,905,704.25 |
| Current portion of borrowings | 00 | 00 | 00 | 00 |
| Provisions | 00 | 00 | 00 | 00 |
| Deferred income | 24,472,679.00 | 00 | 00 | 24,472,679.00 |
| Employee benefit obligation | 00 | 00 | 00 | 00 |
| Total | 27,378,383.25 | 00 | 00 | 27,378,383.25 |
| At 30 June 2018 | | | | |
| Trade payables | 00 | 00 | 00 | 00 |
| Current portion of borrowings | 00 | 00 | 00 | 00 |
| Provisions | 00 | 00 | 00 | 00 |
| Deferred income | 20,677,679.00 | 00 | 00 | 00 |
| Employee benefit obligation | 00 | 00 | 00 | 00 |
| Total | 20,677,679.00 | 00 | 00 | 20,677,679.00 |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

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

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

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

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

a) Foreign currency risk

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

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

| | Ksh | Other currencies | Total |
|---|------|---------------------|-------|
| | Kshs | Kshs | Kshs |
| At 30 June 2019 | | | |
| Financial assets (investments, cash, debtors) | | | |
| Liabilities | | | |
| Trade and other payables | | | |
| Borrowings | | | |
| Net foreign currency asset/(liability) | | | |

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 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 of KShs 000 (2016: KShs 000). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 000 (2012 – KShs 000)

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:

| | 2018-2019 | 2017-2018 |
|---|-----------------|-----------|
| | Kshs | Kshs |
| Revaluation reserve | 00 | |
| Retained earnings | | |
| Capital reserve | | |
| Total funds | | |
| Total borrowings | 0 | |
| Less: cash and bank balances | (29,040,637.00) | |
| Net debt/(excess cash and cash equivalents) | | |
| Gearing | 00% | |

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**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)/NATIONAL
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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

47 SEGMENT INFORMATION

(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segments)

48 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

| Contingent liabilities | 2018-2019 | 2017-2018 |
|---|------------------|------------------|
| | Kshs | Kshs |
| Court case xxx against the company | 00 | |
| Bank guarantees in favour of subsidiary | 00 | |
| Total | 000 | |

(Give details)

49 CAPITAL COMMITMENTS

| Capital commitments | 2018-2019 | 2017-2018 |
|-------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Authorised for | 00 | |
| Authorised and contracted for | 00 | |
| Total | 000 | |

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

50 EVENTS AFTER THE REPORTING PERIOD

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

51 ULTIMATE AND HOLDING ENTITY

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

52 Currency

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

**TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)/NATIONAL
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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/2019**

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) |
|--|-----------------------------------|---------------------|--|-----------------------------------|--|
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Guidance Notes:

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

Principal


Chairman of the Board

Date.....



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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 |
|---|----------------------|--------------------------|------------------------------|-------------------------|---------------|---------------|-----------------------------|
| 1 | PERIMETER WALLING | | 73,380.00 | 0% | 29 MILLION | 27 MILLION | MINISTRY OF EDUCATION |
| 2 | | | | | | | |
| 3 | | | | | | | |

TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)/NATIONAL
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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/2019

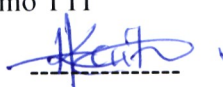
APPENDIX III: INTER-ENTITY TRANSFERS

| ENTITY NAME: | | | | |
|---|--------------------|----------------------------|----------------------|--|
| Break down of Transfers from the State Department of Education | | | | |
| FY 2018/2019 | | | | |
| | | | | |
| | | | | |
| a. | Recurrent Grants | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | 05/10/2018 | 3,000,000 | 2018/2019 |
| | | | 00 | |
| | | | 00 | |
| | | Total | 3,000,000 | |
| | | | | |
| b. | Development Grants | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | 08/10/2018 | 1,782,250 | 2018/2019 |
| | | 11/03/2019 | 1,782,250 | 2018/2019 |
| | | | 00 | |
| | | Total | 3,564,500 | |
| | | | | |
| c. | Direct Payments | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | 18/02/2019 | 3,795,500 | 2018/2019 |
| | | 10/07/2019 | 3,795,500 | 2018/2019 |
| | | | 00 | |
| | | Total | 7,590,000 | |
| | | | | |
| d. | Donor Receipts | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | | 00 | |
| | | | 00 | |
| | | | 00 | |
| | | Total | 000 | |

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

Finance Manager
Karumo TTI

Sign


247842

Head of Accounting Unit
Karumo TTI

Sign



TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)/NATIONAL POLYTECHNIC/TEACHER TRAINING COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/2019

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/Donor Fund/Other | Total Amount - KES | Where Recorded/recognized | | | | | Others - must be specific | Total Transfers during the Year |
|--|-------------------------------------|--|--------------------|------------------------------------|--------------|-----------------|-------------|----|---------------------------|---------------------------------|
| | | | | Statement of Financial Performance | Capital Fund | Deferred Income | Receivables | | | |
| Ministry of Education | 05/10/2018 | Recurrent | 3,000,000 | 3,000,000 | 00 | 00 | 00 | 00 | 00 | 3,000,000 |
| Ministry of Education | 08/10/2018 AND 11/03/2019 | Development | 3,564,500 | | 3,564,500 | 3,564,500 | 00 | 00 | 00 | 3,564,500 |
| USAID | | Donor Fund | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| Ministry of Education | 18/02/2019 AND 10/07/2019 | capitation | 3,795,000 | 7,590,000 | 00 | 00 | 3,795,000 | 00 | 00 | 7,590,000 |
| Total | | | 10,359,500 | 10,590,000 | 3,564,500 | 3,564,500 | 3,795,000 | 00 | 00 | 14,154,500 |

