


REPUBLIC OF KENYA



*Enhancing Accountability*



 <b>REPORT</b> THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 30 MAR 2022	DAY: Wed
TABLED BY: LDM	OF
CLERK-AT THE-TABLE: P. Karam	

**THE AUDITOR-GENERAL**

**ON**

**SIAYA INSTITUTE OF TECHNOLOGY**

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



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**TECHNICAL AND VOCATIONAL EDUCATION TRAINING(TVET)  
SIAYA INSTITUTE OF TECHINOLGY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30<sup>th</sup> June 2019**

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

**INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

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**Table of Contents**

Information And Management .....	ii
Governors.....	v
Team .....	viii
Statement .....	x
Principal .....	xi
Governance Statement .....	xi
Discussion And Analysis .....	xiii
General Responsibility Statement/Sustainability reporting.....	xv
Board Of Governors Members' Responsibilities.....	xx
Statement Of Financial Performance For The Year Ended 30 <sup>th</sup> June 2019 .....	1
Statement Of Financial Position As At 30 <sup>th</sup> June 2019 .....	2
Statement Of Cash Flow As At 30 <sup>th</sup> June 2019.....	4
Statement Of Comparison Of Budget & Actual Amounts For The Year Ended 30 June 2019.....	5
Notes To The Financial Statements.....	6

## SIAYA INSTITUTE OF TECHNOLOGY

### ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

## INSTITUTE INFORMATION AND MANAGEMENT

### Background information

Siaya Institute of Technology (SIT) is a Government Institution under the Ministry of Education. It is situated in Siaya County, along the Siaya-Ugunja Road on a 40-acre piece of land, just after the Siaya County Referral Hospital. It was established in 1987 by the District Development Committee (DDC) Siaya, as a community initiative, to provide training in Masonry, Plumbing, Agriculture and Business courses.

Over the years, the Institute has had to invest in infrastructural development to meet the demands of an ever-growing student population, rapid technological advancement and changes in TVET subsector reforms and trends. Some of the recent developments include acquisition of construction of more classrooms, a new administration block complex and equipping the Information Communication Technology (ICT) Laboratory. The Institute has also acquired state of the art equipment for Building and Civil Engineering and for Life Sciences Workshops and Laboratories respectively.

The Institute is staffed by the Public Service Commission (PSC) and is currently headed by a Principal assisted by Deputy Principals. Admissions, Registration and Assessments of Trainees are coordinated by the Registrar's office. The office of the Dean of Students deals with students' welfare, catering and accommodation.

The Institute has a very close collaboration of the Institute with the Ministry of Education State Department of Vocational Technical Training and the Regulator Technical and Vocational Education and Training Authority (TVETA), Kenya National Audit Unit (KENAU) to standards and quality of training as well as management and governance.

Currently there are nine Academic Departments offering various courses at Artisan, Craft certificate, Diploma and Higher Diploma levels which are examined by Kenya National Examinations Council (KNEC), Kenya National Examinations Council (KASNEB) and Curriculum Development, Evaluation and Certification Council (CDACC). It also enjoys partnership with professional bodies like Institute of Certified Public Accountants of Kenya (ICPAK) and Kenya Nutritionists and Dieticians Institute (KNEDI).

Non-academic departments such as ICT Services, Performance Contracting, Guidance and Counselling and Co-curricular Activities contribute are embedded in a Quality Assurance and Performance Management system to ensure that SIT products acquire the requisites skills, attitudes and values with competencies to produce an all rounded individual.

The programs offered by Siaya Institute of Technology have a significant impact in contributing to Kenya's Big Four Pillars of Affordable Housing, Manufacturing, Food Security, and Universal Healthcare all anchored in Vision 2030 and the Sustainable Development Goals (SDG).

The ultimate goal of SIT is to admit and produce competent graduates who meet global industry and market standards. SIT will endeavor to re-engineer and remain relevant in the TVET sector and thus this strategic plan will guide the management in delivering on the set strategies and activities.

### Principal Activities

The principal activity/mission/ mandate of the Siaya Institute of Technology is to

- Impart skills to learners
- Promote and carryout research relating to its mandate
- Promote recognition of cultural values through hosting culture week

**SIAYA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

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

**Key Management**

The Siaya Institute of Technology day-to-day management is under the following key organs:

- Board of Governors
- Accounting Officer
- Deputy Principal
- Registrar
- Dean of Students
- Finance Officer
- Supply Chain Officer

**Fiduciary Management**

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

No.	Designation	Name
1.	Principal	Okumu JW Odhiambo
2.	Deputy Principal	Luke Sawanda Kodera
3.	Registrar	Felix Odhiambo
4.	Head of Finance	Joseph Ochieng
5.	Head of Procurement	Mary Okoth
6.	Dean of Student	Hellen Okoth

**Institute Headquarters**

Siaya Institute of Technology  
 P.O. Box 1087-40600  
 Long Siaya – Rangala Road  
 Siaya, Kenya

**Contacts**

Telephone : 0703564522  
 E-mail: info@siayainstitute.ac.ke, siaya.institute@yahoo.com,  
 Website: www.siayainstitute.ac.ke

**Institute Bankers**

Kenya Commercial Bank

P.O. Box 52

Siaya, Kenya

Account numbers

0490 8875

0685 7135

0306 6399

0564 3730

0564 4036

**INSTITUTE OF TECHNOLOGY**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

**INSTITUTE INFORMATION AND MANAGEMENT (Continued)**

Cooperative Bank of Kenya

Siaya Branch

Email: [customerservice@coopbank.co.ke](mailto:customerservice@coopbank.co.ke)

Account number

112 0255 255

**Independent Auditors**

Auditor General

Office of Auditor General

Anniversary Towers, Institute Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue




P.O. Box 40112

City Square 00200




Nairobi, Kenya

**ROYA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**


**BOARD OF GOVERNORS**

Name, Passport size photo and key profession/academic qualifications	Qualification	Work Experience
 Mr. Kawa Chairman	B.E.D & Diploma in Education	<ul style="list-style-type: none"> <li>• Secondary school principal</li> <li>• Secondary school deputy principal</li> <li>• Head of dept. secondary school</li> <li>• KNEC examiner</li> <li>• Guiding and counselling</li> </ul>
 Mr. JW Odhiambo Secretary	B.E.D (Science) and Diploma in Technical Education	He has over 27 years of teaching experience in which he has taught Technical Education in Engineering, Drawing and Metal/ Mechanical Technology besides serving in various administrative positions in public institutions. He has attended and trained in several Executive Management and Corporate Governance programs. He represents National Polytechnics in the TVET Curriculum Development, Assessment and Certificate Council (TVET CDACC). He is a full member with the Kenya Engineering Technologist Registration Board.
 Mr. Ongadi Member	-Masters in Business Administration -CPA	Has over 18 years of experience in private sector management. 10 of these years was working with multi national companies. Has worked in various capacities in fields such as operation management, Finance and Administration management, customer and sales support among others. He attended advanced computer handling skills courses at Strathmore university and is also a trained VCT counsellor.

**UJA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

 <p>Stephen Pangla Member</p>	<p>-Bachelor of Education and Diploma in Education</p>	<p>Secondary school head of Department Humanities, Guidance and Counselling teacher, secondary school deputy principal, principal in a number of secondary schools and representative of the Governor to the board.</p>
 <p>Otieno Member</p>	<p>- Bachelor of science in Public Health Diploma in Community Health and development.</p>	<p>Currently working as a sales and marketing representative at Harsh Distributors Ltd from 2004. Has also volunteered at Foundation Institute(FIA) of Africa as a field assistant. She volunteered at Care Kenya(UHAI Lake Forum) as data collector. She is an ambitious person who has developed a mature and responsible to tasks. She is also a team player with excellent communication and presentation skills all acquired through a rich experience background on FMCG and community work.</p>
 <p>Dwitti Member</p>	<p>Certified Information Systems Auditor(CISA),ISACA, Bachelor of Education in Science at UoN</p>	<p>Jona is a teacher and trainer by profession. Has previously taught Mathematics at high school level for 3 years. currently lecturing(part-time) on information security and IT Governance at tertiary/University level(14 years to date), and a frequent speaker at national and international conferences/seminars/workshop(18 years to date. He is an Information(computer) system auditor (31 years) and a former regional IT audit manager for Africa, Middle East and Pakistan Region(10 years out of the 31 years of auditing) in global oil/energy company. Has previously been a member of Board of Management (BoM) in 4 public</p>

**ISSA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

		high schools (2003-2011), he is a motivational speaker.
 <p>Mr. Joel Odhiambo Member</p>	-Bachelor of Science in Survey & photogrammetry	A licensed land surveyor by profession. Has over 30 years in the field having graduated from the university of Nairobi in 1988, and worked with the government for 20 years before joining the private sector. Currently a consultant land surveyor in private practice with a wealth of experience in surveying mapping, GIS, and GPS positioning. Served as a consultant surveyor in the Rwandan Land Tenure Regularization Program(2010-2012). Was previously employed as a Land surveyor in the Kenya Ministry of Lands and rose through the ranks to the office of Assistant Director of Surveys. Has served as a member of the Sites and Camps Committee of the Kenya Scouts Association. Is currently a member of the Land Surveys Board and board of management of a public high school. He is a full member of the Institution of Surveyors of Kenya(MISK), and he plays an active role in his local church groups.

The Institute of Technology is made up of nine board members divided into two sub committees

**Administration Finance and Infrastructure whose members are;**




- Mr Joel Odhiambo Chairman
- Mr Moses Kawa
- Mr Lucas Ocharo
- Mr Oscar Mujumba
- Ms Doris Otiemo
- Mr Stephen Pangla  
Principal/Deputy Principal

**Education Research and Training whose members are;**




- Ms Violet Wainaina Chairman
- Mr Moses Kawa
- Mr Lucas Ocharo
- Mr Oscar Mujumba
- Mr Jona Owitti
- Eng. Mercy Chepkoech  
Principal/Deputy Principal

**UNIVERSITY OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

**MANAGEMENT TEAM**

Name of Staff	Qualification	Area of Responsibility
 Okumu JW Odhiambo	- Bachelor of Mechanical Engineering	Principal Provides innovative and visionary leadership, creates and sustains highly motivated, participatory management team, coordinates the implementation of the board of governor's strategies, promotes academic excellence and efficient administrative and governance practices, maintains public relations as well as linkages among others.
 Sawanda Koderia	-Masters in Social Work and Community Studies	Deputy Principal in charge of Academic and Students Affairs Coordinates lesson attendance and syllabi coverage.
 Felix Barclays Odhiambo	-Diploma in Electrical and Electronic	Registrar in charge of student's admission, records, trainees evaluation and public relations as well as in-charge of all non academic staff in the institution.

**SIAYA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

 <p>4. Hellen Okoth</p>	<p>-Bachelor of Home Science</p>	<p>Dean of students in charge of students welfare, guidance and counselling, sports and recreation, catering services for students meals as well as coordinating the Institutes calendar of events.</p>
 <p>5. Joseph Ochieng</p>	<p>- B. Com(Finance) and CPA</p>	<p>-Finance Officer in charge of accounting and heads finance department. Develops and implements adequate accounting systems, controls and supervises finance function in the institute. Maintains accounting standards and ensures compliance with statutory obligations.</p>
 <p>6. Mary Okoth</p>	<p>-Bachelor in Procurement and Contract Management</p>	<p>Supply Chain Officer in charge of all procurement duties and heads the supply chain department. Develops and implements supply chain functions, controls and maintains procurement records as well as complying with procurement regulations and standards.</p>

SIAYA INSTITUTE OF TECHNOLOGY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

**CHAIRMAN'S STATEMENT**

Siaya Institute of Technology is mandated to undertake/offer courses at Artisan, Craft Certificate, Diploma and Higher Diploma levels in various disciplines. The Institute mainly produces middle level human resources that are well equipped with technical and business skills required in industry, infrastructure and service sectors.

• **Budget Allocation**

In the financial year 2018/2019 Siaya Institute of Technology had a gross budget of Kshs. 159,679,950.59 of which Kshs. 94,840,196 was for recurrent vote and Kshs. 64,839,956 for development vote.

• **Key Achievements**

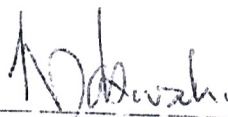
- Completion of proposed Seme Technical and Vocational College up to handing over.
- Construction of administration /Library complex up to 30% level of completion.
- Construction of IM classroom/ Restaurant up to 85% level of completion.
- Construction of 4 no. classroom from internally generated funds up to 90% level of completion.
- Participating in National ball games and achieving National Champions in Netball Girls.
- Completion of ISO processes up to certification audit based on ISO 9001-2015.
- Compliance with TVE1 Act 2013 and other statutory and regulatory requirements.
- Introduction of ERP System with the aim of enhancing service delivery.
- Creation of new office spaces to decongest the problem of office space for the Registrar, Finance, Human Resource, Procurement, Internal Audit and System Administration Offices.
- Participating in Regional and National TVET Fair contest and obtained 2 trophies from the Exhibits that appeared in position 1 and 2, 1 trophy at National for position 2.
- Procurement of additional 30 desktops for ICT laboratory.
- Human Resource capacity enhancement by sponsoring staff for various upgrading and on job training programs.
- Developed the new strategic plan for the period 2019-2024 and other policy document like meritorious award policy, internal control policy and human resource policy among others.
- Induction of the BOG on their roles and other emerging issues.

• **Challenges**

In the financial year 2018/2019, Siaya Institute of Technology faced the following challenges:-

- Inadequate training staff from PSC.
- Low funding from the Ministry as only Kshs. 5,956,550.00 was disbursed against a projection of Kshs. 24 Million for recurrent grand.
- Delayed disbursement of funds for NYS sponsored students.
- Only a small group of students placed by Kenya University and Colleges Central Placement Service report for the training.
- Acute shortage of training equipments on the technical departments.
- Valuation of assets in accordance with accrual basis of accounting under the IPSAS for lack of allocation in the budget.
- Inadequate classrooms for training as a result of increasing number of trainees.

Sign: \_\_\_\_\_



Date: \_\_\_\_\_

9<sup>th</sup> July 2020

**SIAYA INSTITUTE OF TECHNOLOGY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

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**REPORT OF THE PRINCIPAL**

Siaya Institute of Technology is a training Institute charged with the mandate to offer courses at Artisan, Craft Certificate, Diploma and Higher Diploma levels in various disciplines.

Since its inception in 1987, Siaya Institute of Technology has made several milestones despite a number of challenges attributed to lack of enough trainers, training facilities, equipments and enhanced funding from the Government of Kenya for infrastructural development.

The milestones include:-

- Construction of classrooms
- Construction of electrical, building and automotive workshop.
- Construction of ICT laboratory
- Acquisition of a 62 seater bus
- Acquisition of science laboratory equipments from the ministry
- Acquisition of state of art equipment for building technology
- Construction of dining hall
- Moderation of the existing building through repair, maintenance and improvement
- Hosting 3 graduation ceremonies
- Continuous planting of trees in the compound
- Partnering with Kenya Seeds for improved food security
- Establishment of new programs to meet the market and industry demands
- The B.O.G endeavours to continue serving the nation by providing quality service, efficiently and effectively.

Sign: \_\_\_\_\_



Date: \_\_\_\_\_

PRINCIPAL  
25 JUL 2019  
SIAYA INSTITUTE OF TECHNOLOGY  
P.O. BOX 1087 SIAYA 40200

**SIAYA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

**STATEMENT OF THE PRINCIPAL.**

As a technical training institute, Siaya Institute of Technology is well placed to provide adequate and relevant knowledge to its trainees to enable them to graduate as skilled individuals who have a positive impact in the society.

During the training of our students, the institute factors in the role of technical and vocational training colleges towards the achievement of the country's vision 2030 and the Government's Big four Agenda and all the presidential directives as they are released.

In the course of undertaking our core mandate, we have consistently reviewed our academic programs and managerial systems to ensure that they are competitive in terms of quality, reliability and relevance.

The board of governors has put a lot of effort in setting up systems, structures policies and guidelines that assist in the attainment of the institute's strategic objectives and ease flow of work while still adhering to the standards set by the law.

The sources of funding during the financial year, ending 30<sup>th</sup> June, 2019 were internally generated revenue of and development grant of. During the year we did receive any government capitation of Kshs.45,030,000.00 and government grant of Kshs30,040,523.00. We managed to receive HELB amounting to Kshs 21,180,500.00. Siaya Institute of Technology maintains close relationship with the local/county government for bursaries and Impact among other organizations that sponsor student's education.

In conclusion, it has been a tough financial year for the institute because of the financial constrain due to the disbursement of government grants and subsidy.



Sign: \_\_\_\_\_

Date: \_\_\_\_\_

PRINCIPAL  
SIAYA INSTITUTE OF TECHNOLOGY  
P.O. BOX 1087 SIAYA 40800

**SIAYA INSTITUTE OF TECHNOLOGY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

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**CORPORATE GOVERNANCE STATEMENT.**

- Siaya Institute of Technology, Board of Governance is accountable to the stakeholders and to the government of Kenya for the board's performance and governance.
- The Board has a guide clearly establishing the relationship between the Board and the management.
- The primary role of the Board is to provide the overall oversight on the management team. Currently, the Board has established two committees to give detailed consideration to policy matters and key issues in respect of corporate management.
- The Board meets frequently and has the formal schedule to that effect. In the year under review, the board comprised of ten members with seven being institutional and industry representatives, the principal who is also the secretary to the Board, the ministry representative and the chairman.
- The board shall endeavour to remain committed to transforming the lives of Kenyans by imparting skills to trainees that matches markets and industry needs.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INSTITUTE OF TECHNOLOGY OPERATIONAL AND FINANCIAL PERFORMANCE**

Institute of Technology is National institution under the Ministry of Education Directorate of Technical Education. The institution was established by the government to foster its agencies in food production and processing and farm services. Over times the institution has been embracing government policies and strategies as stipulated in the parent ministries policy paper and strategies.

The government under vision 2030 has come up with vibrant strategies to achieve vision 2030 M.D.G's and the Big 4 Agenda of the government. This government development strategy has been castigated to all government agencies. The institution as a government agency has adopted the ministry strategies and strategies as follows;

- The institution has developed a strategic plan incorporating the government agenda.
- The institute has numerous courses and training programmes that are industry driven and oriented.
- The institute has vibrantly marketed itself and increased the student population taking various courses to help industrialize Kenya.
- The institute has implemented the National Cohesion Policy in employment and administration.
- In implementing the above strategies, the institute has experienced the following challenges.
- Lack of adequate funding to support the programmes.
- Lack of adequate skilled manpower to drive the strategies and policies
- Strain on limited resources that exist within its environment.
- Competition from higher learning institution e.g universities and national polytechnics
- Drugs and substance abuse by youths that form a larger population of the largest group.
- Negative attitude towards technical education
- Opportunities
- Linkages with industries mounting industry driven courses
- Government policies strategies and commitments in sponsoring of trainees through KUCCPS and ELB
- Large population of high school leavers
- Development partner's willingness to support TVET sector.
- Employment opportunities in the private sector

**SIAYA INSTITUTE OF TECHNOLOGY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**



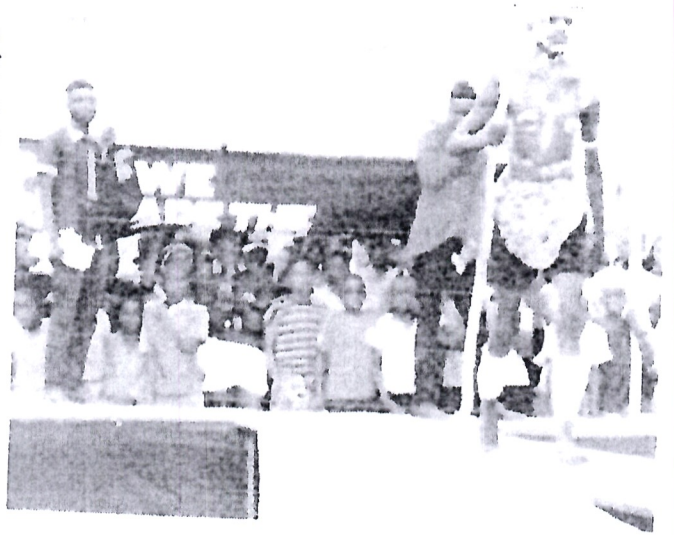
Siaya Institute of Technology Fraternity participated in the annual environment day by cleaning the whole of Siaya Town Centre. This created awareness to the entire community on the importance of keeping environment clean, an enhance sanitation.

Members of Siaya Institute of Technology participating in cleaning the environment around the Siaya town



**SIAYA INSTITUTE OF TECHNOLOGY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

The annual Siaya Institute of Technology Culture Week and Sports Event held at Siaya Institute of Technology to promote Diversity in culture through sports, fashion, music etc. This event helped the community by bringing people from different cultural background and uniting them to show the diversity.



Members of the football team (comprising Siaya Institute Fraternity and members of the Community) who participated in the Culture and Sports Events.

**INSTITUTE OF TECHNOLOGY**  
**REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 30<sup>TH</sup> JUNE 2019**

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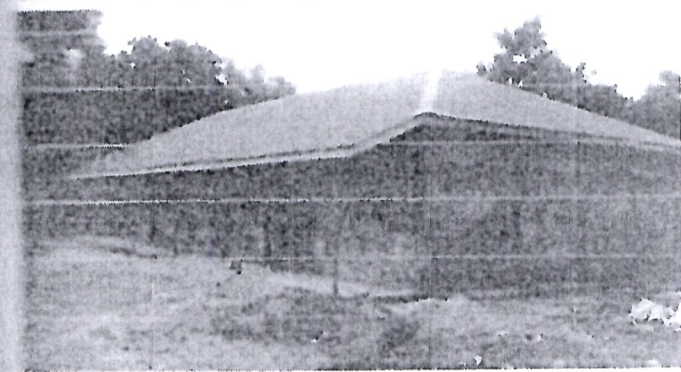
of the milestones in the infrastructure improvements are as shown below:



Renovated building currently hosting the registrar's office, examination office, registry, finance department, administrators office, internal audit office, human resource office and the supply chains management office.



4 No. Classrooms meant to take care of the classrooms affected by creation of more spacious offices for efficient service delivery.



Institutional Management  
easening the congestion in  
Food and Beverage Service  
Production area

INSTITUTE OF TECHNOLOGY  
REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 30<sup>TH</sup> JUNE 2019

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ways for purposes of improving the  
environment

SIAYA INSTITUTE OF TECHNOLOGY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

**REPORT OF THE BOARD OF GOVERNORS**

The Board members submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Siaya Institute of Technology affairs.

**Principal activities**

The principal activity/mission/mandate of the Siaya Institute of Technology is to

- Impart skills to learners
- Promote and carryout research relating to its mandate
- Promote recognition of cultural values through hosting culture week

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

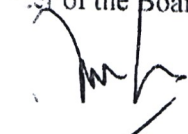
**BOARD OF GOVERNORS**

The members of the Board who served during the year are shown on page iv to vi.

Members

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

Secretary of the Board



J.W. Odhiambo  
Secretary

PRINCIPAL  
SIAYA INSTITUTE OF TECHNOLOGY  
P.O. BOX 1087 SIAYA A0800

**INSTITUTE OF TECHNOLOGY**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

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

Section 14 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, 2013 and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013 - (entities include those that regulate the applicable legislation under which they are regulated)) require the council members to prepare and present financial statements in respect of that Siaya Institute of Technology, which give a true and fair view of the state of affairs of the S.I.T at the end of the financial year/period and the operating results of that year/period. The B.O.G members are also required to ensure that S.I.T keeps proper accounting records which disclose with reasonable accuracy the financial position of S.I.T. The B.O.G members are also responsible for safeguarding the assets of S.I.T.

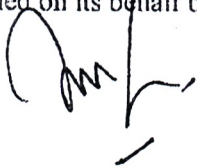
B.O.G members are responsible for the preparation and presentation of S.I.T financial statements, which give a true and fair view of the state of affairs of S.I.T for and as at the end of the financial year ended June 30, 2019. This responsibility includes: (i) maintaining adequate financial management systems and ensuring that these continue to be effective throughout the reporting period; (ii) keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of S.I.T; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

B.O.G members accept responsibility for S.I.T 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 TVET Act 2018. The B.O.G members are of the opinion that the S.I.T financial statements give a true and fair view of the state of S.I.T transactions during the financial year ended June 30, 2019, and of the S.I.T financial position as at that date. The council members further confirm the correctness of the accounting records maintained for the S.I.T, which have been relied upon in the preparation of S.I.T Financial statements as well as the adequacy of the systems of internal financial control.

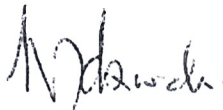
Nothing has come to the attention of the council members to indicate that S.I.T will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Siaya Institute of Technology financial statements were approved by the Board on 11<sup>th</sup> October 2019 and signed on its behalf by:



Principal/BoG Secretary



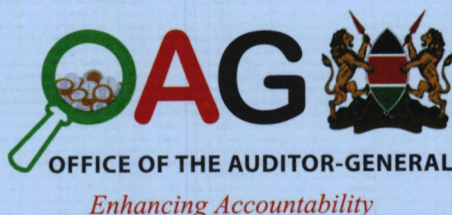
Board Chairman



Board Member

PRINCIPAL  
SIAYA INSTITUTE OF TECHNOLOGY  
P.O. BOX 1087 SIAYA 40000

# REPUBLIC OF KENYA



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

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

## REPORT OF THE AUDITOR GENERAL ON SIAYA INSTITUTE OF TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2019

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### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of Siaya Institute of Technology set out on pages 1 to 21, which comprise the statement of financial position as at 30 June, 2019, the statements of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Siaya Institute of Technology as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with Public Finance Management Act, 2012.

#### Basis for Adverse Opinion

##### 1. Inaccuracies in the Financial Statements

###### 1.1 Capital Reserves

Included in the statement of changes in net assets is total net assets of Kshs.352,739,878 which includes capital reserves of Kshs.299,805,813 while the statement of financial position reflects capital reserves of Kshs.4,039,106 resulting to unreconciled difference of Kshs.295,766,707.

###### 1.2 Property, Plant and Equipment

Included in the statement of financial position under Note 25 to the financial statements is property, plant and equipment net book value of Kshs.251,177,961 as at 30 June, 2019. However, the following anomalies were observed;

- i) The opening balance of property, plant and equipment of Kshs.278,319,065 as at 1 July, 2018 was not supported by an asset valuation report.
- ii) The Institution did not keep a comprehensive fixed asset register and the depreciation policy in place was not disclosed in the financial statements.

Consequently, the accuracy and validity of property, plant and equipment balance of Kshs.251,177,961 as at 30 June, 2019 could not be confirmed.

### **1.3. Government Grants**

Included in the financial statements under Note 5 to the financial statements is Government grants and subsidies balance of Kshs.31,040,523 which includes conditional grants of Kshs.25,083,973 that differ with the ledger balance of Kshs.18,153,973 resulting in unexplained and unreconciled balance of Kshs.6,930,000. Further, although Note 5 to the financial statements reflects conditional grants of Kshs.25,083,973, the statement of changes in net assets and Note 23 to the financial statements reflects Kshs.21,025,742. It is not clear how the difference of Kshs.4,058,231 has been accounted for in these financial statements.

### **1.4 Net Assets**

The statement of financial position reflects net assets of Kshs.376,763,685 but a recasting of the statement reflects Kshs.377,341,285 resulting in an unexplained difference of Kshs.577,600. Further, total liabilities and capital add up to Kshs.71,317,258 while total assets add up to Kshs.412,711,114 resulting in an imbalance of Kshs.341,393,856.

Consequently, the accuracy and validity of the financial statements for the year ended 30 June, 2019 could not be confirmed.

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

### **Key Audit Matters**

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

## **Other Matter**

### **Budgetary Control and Performance**

During the financial year 2018/2019, the Institute had an approved revenue budget of Kshs.243,149,074 against actual receipts of Kshs.160,212,218 resulting in total under-funding of Kshs.82,936,856 equivalent to 34% of the budget.

The significant under-funding negatively impacted on the attainment of the Institute's objectives and also service delivery to the public.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

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

## **Responsibilities of Management and 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 overall governance.

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

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

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

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

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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


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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

10 February, 2022

SIAYA INSTITUTE OF TECHNOLOGY  
 ANNUAL REPORT AND FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

	Notes	2018/2019	2017/2018
		Ksh	Ksh
<b>Revenue from non-exchange transactions</b>			
Transfers from National Government Ministries Operational Grants	5	5,956,550.00	0
<b>Total Revenue from non-exchange transactions</b>		<b>5,956,550.00</b>	<b>0</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Fees from students	6	123,643,484.00	0
Other income	7	5,528,211.00	0
<b>Revenue from exchange transactions</b>		<b>129,171,695.00</b>	<b>0</b>
<b>Total revenue</b>		<b>135,128,245.00</b>	<b>0</b>
<b>Expenses</b>			
Employee costs			
Remuneration of Board of Governors	8	13,963,389.00	0
Repairs and maintenance	9	1,253,000.00	0
Contracted services	10	3,706,048.00	0
General Expenses	11	1,864,319.00	0
Depreciation	12	9,806,368.00	0
Rendering of Training Services - Expenses	22	48,397,427.00	0
<b>Total expenses</b>	<b>21</b>	<b>24,228,473.00</b>	<b>0</b>
<b>Net Deficit/Surplus for the year</b>		<b>103,219,922.00</b>	<b>0</b>
Attributable to:		<b>31,908,323.00</b>	<b>0</b>
Surplus/(deficit) attributable to minority interest			
Surplus attributable to owners of the controlling Institute			

SIAYA INSTITUTE OF TECHNOLOGY  
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2019

Statement of Financial Position	Notes	2018/2019 R, '000	2017/2018 R, '000
<b>Assets</b>			
Equivalents	12	54,084,102.00	0
From exchange transactions	14	60,630,563.00	0
From non-exchange transactions	15	41,390,888.00	0
	16	1,850,000.00	0
<b>Intangible Assets</b>		<b>160,955,553.00</b>	<b>0</b>
<b>Plant Assets</b>			
Land and equipment	23	251,177,961.00	0
	24	500,000.00	
	24	77,600.00	
<b>Current Assets</b>		<b>251,755,561.00</b>	<b>0</b>
		<b>412,711,114.00</b>	<b>0</b>
<b>Liabilities</b>			
Other payables from exchange transactions	17	11,513,781.00	0
Projects	20	16,173,407.00	
Accrued in Advance	19	7,682,641.00	
<b>Current Liabilities</b>		<b>35,369,829.00</b>	<b>0</b>
		<b>376,763,685.00</b>	
Accumulated Surplus		31,908,423.00	
Reserves		4,039,106.00	
<b>Liabilities and Capital &amp; Reserves</b>		<b>413,711,214.00</b>	<b>0</b>

The Statements set out on pages 1 to 4 were signed on behalf of the Institute Board of Governors by:

*[Signature]*  
 Chairman  
 of Board of Governors  
 9<sup>th</sup> July 2020

*[Signature]*  
 Finance Officer  
 Date: 9/07/2020

*[Signature]*  
 Principal  
 Date: \_\_\_\_\_  
 PRINCIPAL  
 SIAYA INSTITUTE OF TECHNOLOGY  
 P.O. BOX 1067 SIAYA 40000

**INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

Details	Development Grant Received	Capital Reserve	Accumulated Surplus	Total
Balance at 1 <sup>st</sup> July 2018		-	-	-
Change for the period			31,908,323.00	31,908,323.00
Development Grant Received	21,025,742.00			21,025,742.00
Capital Reserve		299,805,813.00		299,805,813.00
	21,025,742.00	299,805,813.00	31,908,323.00	352,739,878.00

**IA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

**STATEMENT OF CASH FLOW AS AT 30<sup>TH</sup> JUNE 2019**

Statement of Cash Flow	Note	2018/2019 Rmb	2017/2018 Rmb
<b>Cash flows from operating activities</b>			
Income from other Government entities: Govt. grants	5	5,956,550.00	
Income from services- Fees from students	6	123,643,484.00	
Income from other sources	7	5,528,211.00	
<b>Receipts</b>		<b>135,128,245.00</b>	
Payments			
Operating Costs	8	13,963,389.00	
Contribution of Board of governors	9	1,253,000.00	
Repairs and Maintenance	10	3,706,948.00	
Professional Services	11	1,864,319.00	
Administrative Expenses	12	9,806,368.00	
Depreciation	22	48,397,427.00	
Income from Training Services - Expenses	21	24,228,473.00	
<b>Payments</b>		<b>103,219,922.00</b>	
<b>Cash flows from operating activities</b>		<b>31,908,323.00</b>	
<b>Cash flow from investing activities</b>			
Investment Expenses	18	(36,271,646.00)	
<b>Cash flow from investing activities</b>		<b>(4,363,323.00)</b>	
<b>Cash flow from financing activities</b>			
Government Grant	23	21,025,742.00	
<b>Cash flow from financing Activities</b>		<b>16,662,419.00</b>	
Increase/Decrease in Cash in Hand		37,421,683.00	
Cash and cash equivalents as per the Balance Sheet		54,084,102.00	

**SIAYA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

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

Statement of Comparison of Budget & Actual Amounts	Original Budget		Adjustments		Final Budget		Actual Amounts		Variance difference	Explanatory
	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs		
<b>Revenue</b>										
Transfers from other Govt entities	84,662,501.00		20,000,000.00		104,662,501.00		31,040,523.00	73,621,978.00		a
Rendering of services- Fees from students	124,126,523.00				124,126,523.00		123,643,484.00	483,039.00		
Production unit	14,360,050.00				14,360,050.00		5,528,211.00	8,831,839.00		b
<b>Total income</b>	<b>223,149,074.00</b>		<b>20,000,000.00</b>		<b>243,149,074.00</b>		<b>160,212,218.00</b>	<b>82,936,856.00</b>		
<b>Expenses</b>										
Compensation of employees	15,105,999.00		3,215,417.00		18,321,416.00		13,963,389.00	4,358,027.00		
Rendering of services	32,844,106.00				32,844,106.00		32,575,688.00	268,418.00		c
Remuneration of directors	1,380,000.00				1,380,000.00		1,253,000.00	127,000.00		
Grants and subsidies paid	0		36,617,667.00		36,617,667.00		35,617,667.00	0		
<b>Total expenditure</b>	<b>49,330,105.00</b>		<b>39,833,084.00</b>		<b>89,163,189.00</b>		<b>84,409,744.00</b>	<b>4,753,445.00</b>		
<b>Surplus for the period</b>	<b>173,818,969.00</b>		<b>-19,833,084.00</b>		<b>153,985,885.00</b>		<b>75,802,474.00</b>	<b>78,183,411.00</b>		

**Explanatory Notes**

- a) Delayed disbursement of funds from the ministry
- b) Poor performance of the hotel due to stiff competition
- c) Expenditure on production unit was dependent on the revenue as stated in b above.

**SIAYA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

**NOTES TO THE FINANCIAL STATEMENTS**  
**GENERAL INFORMATION**

Siaya Institute of Technology is established by and derives its authority and accountability from the TVET Act 2015. The Institute is wholly owned by the Government of Kenya and is domiciled in Kenya. The Institute's principal activity is Training.

**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 Institute's accounting policies.

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

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

**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 Institute 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

**b) Budget information**

The original budget for FY 2018/2019 was approved by the Board on *22<sup>nd</sup> of June 2018*. Subsequent revisions or additional appropriations were not made to the approved budget in accordance with specific approvals from the appropriate authorities. There were no additional appropriations added to the original budget by the Institution in order to conclude the final budget.

The Institution'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

**IA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

financial performance, whereas the budget is prepared on a cash basis. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

**c) Taxes**

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

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

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

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

**d) Investment property**

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

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

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

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

**e) Property, plant and equipment**

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

**f) Leases**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Institute. 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 Institute 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 Institute 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 Institute. 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 Institute expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Institute 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.

**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 Institute determines the classification of its financial assets at initial recognition.

***Loans and receivables***

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

***Held-to-maturity***

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

***Impairment of financial assets***

The Institute assesses at each reporting date whether there is objective evidence that a financial asset or an Institute of financial assets is impaired. A financial asset or a Institute 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 Institute of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Institute 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***

IAA INSTITUTE OF TECHNOLOGY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

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

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

*Loans and borrowing*

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

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

**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

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

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

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

**j) Provisions**

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

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

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

***Contingent liabilities***

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

***Contingent assets***

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

**k) Nature and purpose of reserves**

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

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

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

**m) Employee benefits**

**Retirement benefit plans**

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

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

**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.

**UYA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

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**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.

**p) Related parties**

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

**q) Service concession arrangements**

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

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Subsequent events**

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

**SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

**SIAYA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note \_\_\_

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.

**TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

Description	2018-2019 KShs	2017-2018 KShs
<b>Unconditional grants</b>		
Operational grant	5,956,550.00	-
	<b>5,956,550.00</b>	-
<b>Conditional grants</b>		
Ugenya TVC	6,070,000.00	-
Seme TVC	13,723,973.00	-
Admin/Library Complex	5,290,000.00	-
	<b>25,083,973.00</b>	-
<b>Total government grants and subsidies</b>	<b>31,040,523.00</b>	-

**AYA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

**RENDERING OF TRAINING SERVICES**

Description	2018-2019	2017-2018
	KShs	KShs
Tuition fees	5,557,930.00	-
Boarding	7,303,475.00	-
Local Transport & Traveling	1,069,715.00	-
Electricity, Water & Conservancy	1,316,715.00	-
Activity	2,571,797.00	-
Medical	163,370.00	-
Student Organization	187,175.00	-
Bursaries & Capitation	102,509,587.00	-
Industrial Attachment	1,284,505.00	-
Graduation	903,400.00	-
Library Levy	193,150.00	-
Registration Levy	582,665.00	-
<b>Total revenue from the rendering of services</b>	<b>123,643,484.00</b>	-

**OTHER INCOME**

Description	2018-2019	2017-2018
	KShs	KShs
Hotel Proceeds	5,484,211.00	-
Sale of Tender Documents	44,000.00	-
<b>Total revenue from the sale of goods</b>	<b>5,528,211.00</b>	-

**EMPLOYEE COSTS**

Description	2018-2019	2017-2018
	KShs	KShs
Salaries and wages	12,562,434.00	-
Employee related costs	1,400,955.00	-
<b>Employee costs</b>	<b>13,963,389.00</b>	-

**REMUNERATION OF BOARD OF GOVERNORS**

Description	2018-2019	2017-2018
	KShs	KShs
BoG Allowances	1,253,000.00	-

**AYA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

<b>Total BoG Allowances</b>	<b>1,253,000.00</b>	-
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**10 REPAIRS AND MAINTENANCE**

Description	2018-2019 KShs	2017-2018 KShs
Paint works	607,268.00	-
Cleaning materials	437,264.00	-
Fumigation	119,000.00	-
Masonry works	2,059,840.00	-
Plumbing Works	483,576.00	-
<b>Total repairs and maintenance</b>	<b>3,706,948.00</b>	-

**11 CONTRACTED SERVICES**

Description	2018-2019 KShs	2017-2018 KShs
Security Services	1,864,319.00	-
<b>Total contracted services</b>	<b>1,864,319.00</b>	-

**12 GENERAL (CONTINGENCY) EXPENSES**

Description	2018-2019 KShs	2017-2018 KShs
Research & Innovation	1,772,290.00	-
Performance Contracting	2,387,473.00	-
Printing Services	489,027.00	-
ISO Certification Course	1,061,978.00	-
Subscriptions	90,000.00	-
Skills Development Costs	4,005,600.00	-
<b>Total general expenses</b>	<b>9,806,368.00</b>	-

**13 CASH AND CASH EQUIVALENTS**

Description	2018-2019 KShs	2017-2018 KShs
<b>Current account</b>		
KCB A/c 110 685 7135	17,912,011.00	-
COOP A/c 011 20255 255900	185,207.75	-
KCB A/c 125 561 3730	8,214,808.00	-
KCB A/c 125 564 4036	4,793,209.00	-
<b>Total Current account</b>	<b>31,105,235.75</b>	-
<b>On-call Deposit</b>		
KCB A/c 110 490 8875	20,388,274.00	-
KCB A/c 111 330 6399	2,507,364.00	-
<b>Total On-call Deposit</b>	<b>22,895,638.00</b>	-

**MAYA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

Others-Cash in Hand	83,228.00	-
<b>Total cash and cash equivalents</b>	<b>54,084,101.75</b>	-

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

**RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Description	2018-2019 KShs	2017-2018 KShs
<b>Current receivables</b>		
NYS Student Debtors	28,856,016.00	-
Capitation	22,515,000.00	-
Other Students	9,259,547.00	-
<b>Total current receivables</b>	<b>60,630,563.00</b>	-
<b>Total receivables</b>	<b>60,630,563.00</b>	-

**RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Description	2018-2019 KShs	2017-2018 KShs
<b>Current receivables</b>		
Admin/Library Complex	42,105,000.00	-
Ugenya TVC	1,285,000.00	-
Seme TVC	1,000,000.00	-
<b>Total current receivables</b>	<b>44,390,000.00</b>	-
(Undisbursed Ministry Funds)		

**INVENTORIES**

Description	2018-2019 KShs	2017-2018 KShs
Consumable stores	800,000.00	-
Maintenance stores	158,000.00	-
Health Unit stores	28,500.00	-
Electrical stores	256,500.00	-
Cleaning materials stores	209,500.00	-
Catering stores	397,500.00	-
<b>Total inventories at the lower of cost and net realizable value</b>	<b>1,850,000.00</b>	-

**TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Description	2018-2019 KShs	2017-2018 KShs
Trade payables	11,513,781.00	-
<b>Total trade and other payables</b>	<b>11,513,781.00</b>	-

**SIAYA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

**18 DEVELOPMENT COST**

Description	2018-2019	2017-2018
	KShs	KShs
Mentorship Cost	16,528,381.00	-
Internal Projects Cost	19,743,265.00	-
<b>Total Development Cost</b>	<b>36,271,646.00</b>	-

**19 FFE PAID IN ADVANCE**

Description	2018-2019	2017-2018
	KShs	KShs
Fees paid in advance	5,293,516.00	-
Undistributed bursaries	2,389,125.00	-
<b>Total Fee Paid in Advance</b>	<b>7,682,641.00</b>	-

**20 PAYABLES FOR PROJECTS**

Description	2018-2019	2017-2018
	KShs	KShs
Library Admin Complex	8,214,808.00	-
Seme TVC	4,793,209.00	-
Ugenya TVC	3,165,390.00	-
<b>Total Payables For Projects</b>	<b>16,173,407.00</b>	-

**21 RENDERING OF TRAINING SERVICES(EXPENSES)**

Description	2018-2019	2017-2018
	KShs	KShs
Tuition fees	3,807,480.00	-
Boarding	6,772,927.00	-
Local Transport & Traveling	2,511,885.00	-
Electricity, Water & Conservancy	992,843.00	-
Activity	1,287,390.00	-
Medical	62,664.00	-
Student Organization	140,360.00	-
Bursaries	5,876,670.00	-
Industrial Attachment	1,384,626.00	-
Graduation	1,384,128.00	-
Library	7,500.00	-
<b>Total revenue from the rendering of services</b>	<b>24,228,473.00</b>	-

SIAYA INSTITUTE OF TECHNOLOGY  
 ANNUAL REPORT AND FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

22 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	48,397,427.00	-
<b>Total depreciation and amortization</b>	<b>48,397,427.00</b>	<b>-</b>

23 DEVELOPMENT GRANT

Description	2018-2019	2017-2018
	KShs	KShs
Siaya Institute of Technology	5,290,000.00	-
Seme TVC	15,735,742.00	-
<b>Total Development Grant</b>	<b>21,025,742.00</b>	<b>-</b>

24 OTHER CURRENT ASSETS

Description	2018-2019	2017-2018
	KShs	KShs
Mattresses	500,000.00	-
Animals	77,600.00	-
<b>Total Other current assets</b>	<b>577,600.00</b>	<b>-</b>

**SIAYA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

**25 PROPERTY, PLANT AND EQUIPMENT**

	Land and Buildings Shs	Motor vehicles Shs	Furniture and fixtures Shs	Computers Shs	Machinery Shs	Tools and equipment Shs	Capital Work in progress Shs	Prepaid salaries Shs	Library Shs	Cafeteria Shs	Total Shs
At 1 July 2018	226,901,715	13,776,363	8,015,927	4,595,777	16,438,353	3,410,995	0	78,000,000	3,215,430	1,886,505	278,319,065
Additions	-	-	793,690	-	-	-	0	-	-	-	21,256,323
Disposals	-	-	-	-	-	-	0	-	-	-	-
Depreciation	-	-	-	-	-	-	0	31,880	564,530	768,525	48,397,427
At 30 <sup>th</sup> June 2019	26,60,381	10,138,363	3,575,437	1,423,771	3,546,830	1,787,710	0	31,880	564,530	768,525	48,397,427
Net book values											
At 30 <sup>th</sup> June 2019	200,441,334	3,638,000	5,134,090	3,172,006	12,891,523	1,623,285	20,462,723	46,120	2,650,900	1,117,980	251,177,961

*Note*  
 That work in progress of K.shs. 20,462,723.00 as per work certified by local clerk of works as at 30<sup>th</sup> June 2019 for the ongoing construction of Library Addition Complex

## FINANCIAL RISK MANAGEMENT

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

The 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 Board of Governors. 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.

### (ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Institute's Board of Governors, 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.

### (iii) Interest rate risk

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

### (iv) Management of interest rate risk

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

## 27 EVENTS AFTER THE REPORTING PERIOD

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

## 28 ULTIMATE AND HOLDING ENTITY

The Institute is a State Corporation under the Ministry of Education. Its ultimate parent is the Government of Kenya.

## 29 Currency

**SIAYA INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

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

**APPENDIX I: PROJECTS IMPLEMENTED BY SIAYA INSTITUTE OF TECHNOLOGY**

Siaya Institute of Technology is currently undertaking the following projects aimed at improving service delivery in connection with its core mandate;

No	Project Title	Estimated cost	Financer	Percentage Completion
1	Administration Lib. Complex	77,338,714.00	G.O.K	30%
2	I.M Classroom	4,300,000.00	B.O.G	85%
3	4 No. classrooms	4,200,000.00	B.O.G	90%

**VIABILITY OF THE PROJECTS IN SUPPORTING GOVERNMENT STRATEGIC OBJECTIVES AND POLICIES.**

1. The two projects are key in enhancing training and providing a practical approach curriculum delivery and assessment.
2. The projects provide easy access to the training opportunities in TVET sectors.
3. The projects are evidence of the government commitment to provide a good working environment to enhance employee motivation to improve productivity in public sectors.
4. The projects supports the government motive to provide a state of art facilities and equipment in TVET institutions to help realize achievement of vision 2030

**DISCLOSURES**

Siaya Institute of Technology being a first time adopter of IPSAS Accrual, previously was on cash basis is given a window period under IPSAS 33 of three years to recognize specific assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. It also addresses situations when reliable historical cost information about the assets and liabilities is not available and addresses the presentation of comparative information in transitional IPSAS financial statement and entity's first IPSAS-compliant financial statement.

AYA INSTITUTE OF TECHNOLOGY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

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