

**REPORT**

THE NATIONAL ASSEMBLY

PARLIAMENT OF KENYA LIBRARY

DATE: 05 JUL 2023 DAY: WED

TABLED BY: Hon Owen Baya CB, MP Deputy Leader, majority  
CLERK AT THE TABLE: Fintayo Mvuki

**THE AUDITOR-GENERAL**

**ON**

**COAST INSTITUTE OF TECHNOLOGY**

**FOR THE YEAR ENDED  
30 JUNE, 2022**

OFFICE OF THE AUDITOR GENERAL  
P.O.Box 95202, MOMBASA

05 JUN 2023

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**COAST INSTITUTE OF TECHNOLOGY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30<sup>TH</sup> JUNE 2022**

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

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**For the Year ended 30<sup>th</sup> June 2022**

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**I. Key Entity Information and Management**

**(a) Background information**

Coast Institute of Technology was incorporated/established under the TVET Act on 1981 by the government to provide business and technical skills. The Institute is domiciled in Kenya in Taita Taveta County, Voi town, just about 150km north of Mombasa and 350 km from the Nairobi City. The institute is under the Ministry of Education. CIT is built on a 42 acres piece of land registered by the TVETA as per the TVET Act 2013. The institute implements TVET-CDACC, KICD, KASNEB, ABE and City & Guilds curriculum in all its fields as developed and examined by TVET-CDACC, KNEC, KASNEB, ABE and City & Guilds respectively. CIT is staffed by the Ministry of Education through the State Department of Vocational and Technical Training, Directorate of TVET.

The expansion and reforms witnessed in technical and vocational training has been necessitated by Kenya's objective of industrialization as contained in the Vision 2030 and the MDGs. For these to be realized, it is imperative to develop and effectively utilize the country's human, physical and financial resources. The Kenya Vision 2030 blue print recognizes human resource development as key to rapid development. Highly trained and flexible human resource that has the relevant knowledge and skills requires sustained and continuous Training and training of content developed and implemented in close consultation with industry.

CIT has two campuses. The town campus is situated in the central business district of Voi Town. The main campus is situated in the rich tourism region of Tsavo and its proximity to the various hotels, Camps and The Tsavo National Park that makes CIT an ideal campus for the type of training it offers. The Main campus offers both residential and off Campus training. The institute has well equipped training restaurants, a tourist class hotel which is still under construction. This facility is intended to serve both as a training facility and as an incubation facility serving other clients in search of quality and affordable hospitality services. The institute has also established a food processing factory that produces food products to the local community at the same time offering the much-needed hands on experience to the hospitality and Institutional management trainees.

**(b) Principal Activities**

The principal activity of the Institute is to provide technical, vocational, entrepreneurship training and research.

**Vision:**

To be a Centre of Excellence in Technical Training, Education, Science and Technology in Kenya and beyond.

**Mission:**

To provide relevant high-quality education and training in science and Technology for sustainable development.

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**Core Values**

- i. Uprightness and honesty
- ii. Transparency and accountability
- iii. Integrity
- iv. Respect for change
- v. Prudent environmental management
- vi. Professionalism
- vii. Respect for cultural diversity
- viii. Provision of equal opportunities for all
- ix. Respect for human dignity

**Motto**

Skills for Self-reliance

**Quality policy**

As an ISO certified institution, Coast Institute of Technology is committed to providing affordable, accessible, and sustainable and quality training by ensuring our services are effective and efficient and meet the customer needs and expectations. The Institute is committed to complying with requirements of ISO 9001:2015 Quality Management Systems. To achieve this, the Institute has established Quality Objectives which shall be reviewed from time to time for continuous improvement.

**The key Quality Objectives are to:**

- Achieve and maintain a level of quality training which enhance the institutions' reputation with customers.
- Ensure compliance with the TVET Act 2013 and other relevant statutory and safety requirements.
- Endeavour to always maximize customer satisfaction.

**The Mandate of CIT is to:**

- i. Produce morally upright, relevant, high quality and competitive graduates to the job market.
- ii. Enhance the Training and working environment.
- iii. Optimize utilization of human and physical resources in the institute.
- iv. Increase capacity for training, research and consultancy services in line with changing technology.
- v. Improve exploitation of locally available resources for innovation.
- vi. Improve and maintain linkages and collaboration with industries.
- vii. Enhance the utilization of ICT in training and management of the institution.

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viii. Increase access taking into account gender balance and regional disparities.

**(c) Key Management**

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

- Governing board
- Accounting officer
- Deputy principal administration
- Deputy principal academics
- Registrar
- Dean of students

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal.	<b>Stephen Ngome Gofwah</b>
2.	Deputy principal Administration, Finance and Planning.	<b>Martin Makokha</b>
3.	Deputy principal Academics.	<b>Gloria Monikombo</b>
4.	Registrar.	<b>Geoffrey Nyambeche</b>
5.	Dean of students.	<b>Dickens Odum</b>
6.	Head of Finance.	<b>Nashon Mchemi</b>
7.	Head of Procurement.	<b>Asenath Bwana</b>

**(e) Fiduciary Oversight Arrangements**

- **Audit and Risk Management Committee**

**Roles.**

Review Annual reports and financial statements.

Review the Quarterly Internal Audit reports, Internal Audit policies and Risk management policies.

- **Administration, Finance and Human Resources Committee**

**Roles.**

Review draft Annual budgets and report to the full Board.

Review Annual reports and quarterly financial statements.

- **Academic, Research, Innovation and Student Affairs Committee**

**Roles.**

Formulate, review and recommend academic policies for implementation.

- **Planning, Estates and Infrastructure Committee**

**Roles.**

Recommend infrastructural developments to be undertaken annually.

Review infrastructural implementation policies.

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**Key Entity Information and Management (Continued)**






- (f) **Entity Headquarters**  
Coast Institute of Technology  
P.O. Box 34-80300  
Sofia, Tsavo Road  
Voi, Kenya
- (g) **Entity Contacts**  
Telephone: 0202169229/ 041 2011393  
E-mail: [voicampuscit@yahoo.com](mailto:voicampuscit@yahoo.com)  
Website: [www.cit.ac.ke](http://www.cit.ac.ke)
- (h) **Entity Bankers**
- |   |   |
|---|---|
| 1. Kenya Commercial Bank<br>Voi Branch<br>P.O. Box 137-80300<br>Voi, Kenya. | 3. Equity Bank<br>Voi branch<br>P.O Box 325-80300<br>Voi, Kenya         |
| 2. Co-operative bank<br>Voi Branch<br>P.O. Box 770-80300<br>Voi, Kenya.     | 4. Diamond Trust bank<br>Voi Branch<br>P.O. Box 055-80300<br>Voi, Kenya |
- (i) **Independent Auditors**  
Auditor-General  
Office of Auditor General  
Anniversary Towers, Institute Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya
- (j) **Principal Legal Adviser**  
The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

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**II. The Board of Governors**







1.	<p><u>Eng. A. S Kitololo.</u></p> 	<p>Name: Eng. A. S. Kitololo          DOB: 08/03/1941          Position: Chairman of the Board          Qualifications: Bachelor of Science in Engineering-Civil.          Work Experience: Worked Nairobi and Mombasa as an Assistant Engineer and Senior Engineer in different Companies. He is a Director at Kitololo Consultants in charge of Professional, technical performance and administration matters.</p>
2.	<p><u>Prof. Julius Mwabora.</u></p> 	<p>Name: Julius Mwabora          DOB: 26/07/1965          Position: Board Member.          Qualifications: B.sc, M.sc, PhD          Work experience: He is a Professor at The University of Nairobi (UON) and is the current Chairman, Department of Physics. He is a member of several Professional bodies.</p>
3.	<p><u>Mr. Githinji Thiong'o.</u></p> 	<p>Name: Mr. Githinji Thiong'o          DOB: 22/07/1974          Position: Board Member.          Qualifications: BSc. Agriculture, MSc. Plant Pathology          Work experience: He is an Agronomist working with Kenya Cereal Enhancement programme- IFAD &amp; European Union Funded Programme (Coast Region).</p>
4.	<p><u>Mr. Julius Mosoti.</u></p> 	<p>Name: Mr. Julius Mosoti          DOB: 19/06/1963          Position: Board Member.          Qualifications: CPA (K), BA (Finance &amp; Accounting Option), MBA.          Work experience: He is a Lead consultant at Julmeric Management Consultancy Limited. Has vast experience in Audit and is also a member of IIA (Institute of Internal Auditors-Kenya)</p>
5.	<p><u>Mrs. Christine Saru Kilalo.</u></p> 	<p>Name: Mrs. Christine Saru Kilalo          DOB: 26/12/1955          Position: Board Member          Qualification: Master of Arts.          Work experience: She is a consultant and has practised as a Nurse, Midwife and Public Health Nurse. She has helped many Community Based Organization in writing project proposal and supervised to realization.</p>

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6.	Mrs. Faith Lumonya Ngaira.	 <p>Name: Faith Lumonya Ngaira          DOB:12/05/1952          Position: Board Member.          Qualifications: BSc. In Electrical Engineering          Work experience: She worked with Ministry of Education and currently is an Education Consultant.</p>
7.	Mrs. Jeddy Munyao.	 <p>Name: Jeddy Munyao          DOB: 27/09/1983          Position: Board member.          Qualifications: BSc. In Information Technology          Work Experience: She is currently working with Quadtel Services Limited as Accounts Manager</p>
8.	Mr. Simon Mwachia.	 <p>Name: Edward Mburu          DOB:27/08/1966          Position: Board Member          Qualifications: Bachelors of Arts          Work experience: He is a Representative of the County Government of Taita Taveta and the Chief Officer in charge of Vocational Training Centres. Has vast experience in Teaching and Management.</p>
9.	Mr. Edward Mburu.	 <p>Name: Edward Mburu          DOB: 09/11/1965          Position: PS Representative to the Board          Qualifications: MSc IT Management, BSc Electrical Engineering          Work experience: Serves as the Deputy Director TVET and Chair of KEBS National tertiary committee.</p>
10.	Mr. Stephen Ngome.	 <p>Name: Stephen Ngome          Position: Principal/CEO          Qualifications: Bachelor's Degree          Work experience: Served previously as the Principal at Ahmed Mwidani TVC, Mombasa</p>

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**III. Management Team**

1	<p><b>Mr. Stephen Ngome</b></p> 	<p>Name: Stephen Ngome          Position: Principal/CEO          Qualifications: Bachelor's Degree          Work experience: Served previously as the Principal at Ahmed Shahame Mwidani TVC, Mombasa.</p>
2	<p><b>Mr. Martin Makokha</b></p> 	<p>Name: Martin Makokha          Position: Deputy Principal Administration, Finance and Planning          Qualifications: Masters Degree          Work experience: Served previously in the capacity of HOD Business department at CIT.</p>
3	<p><b>Md. Gloria Monikombo</b></p> 	<p>Name: Gloria Monikombo          Position: Deputy Principal Academics          Qualifications: Masters Degree          Work experience: Served previously as the Registrar at Coast institute of technology.</p>
4	<p><b>Mr. Geoffrey Nyambeche</b></p> 	<p>Name: Geoffrey Nyambeche          Position: Registrar.          Qualifications: Bachelor degree          Work experience: Served previously as the Deputy registrar at Coast Institute of Technology.</p>
5	<p><b>Mr. Dickens Odum</b></p> 	<p>Name: Dickens Odum          Position: Dean of Students.          Qualifications: Masters Degree.          Work experience: Served previously as the HOD Tourism Department, CIT.</p>
6	<p><b>Mr. Nashon Mchemi, CPA</b></p> 	<p>Name: Mr. Nashon Mchemi, CPA          Position: Finance officer. Head of Finance Department.          Qualifications: B Com (Finance option), CPA (K), Accountancy Diploma.          Work experience: Served for seven years as the CIT finance officer.</p>

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7	<p>Mrs. Asenath Bwana</p> 	<p><b>Name:</b> Asenath Bwana <b>Position:</b> Procurement Officer. Head of Procurement and stores Department. <b>Qualifications:</b> MSc. Procurement &amp; Logistics. <b>Work experience:</b> She has over several years' experience in Procurement, having worked at the Kisii Teaching &amp; Referral Hospital and the Institute of Human Resource Management (IHRM).</p>
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**IV. Chairman's Statement**

On behalf of the Institute Board of Governors, I am pleased to present to you the Coast Institute of Technology Annual Reports and financial statements for the year ended 30th June 2022. During the period, the institute continued to deliver on our core mandate of provision of quality technical educational and training (TVET), research and community outreach, that is market driven and well aligned with the big four agenda.

The government of Kenya has embarked on a comprehensive reform on technical and vocational training in order to develop highly skilled manpower to provide the technical skills needed by the industry. The national plans and other strategic priorities have consistently placed emphasis on development of skills that match the industry requirements. Coast Institute of Technology reviewed the strategic plan (2019 - 2023) on the basis of the vision 2030 and the big 4 agenda of the government as outlined in the constitution of Kenya 2010. I recognize with much appreciation the critical role that TVET's play in building the foundation which will move this country to a fully industrialized economy.

During the F/Y year 2021/2022, the Institute projected to focus on increasing student enrollment, improvement of infrastructure and human resource to support teaching, learning and research. In that spirit the institute completed and launched a 12 no Classroom Project which has eased congestion in the existing classrooms. There have been improvements including tiling and replacement of asbestos roofs of the classroom blocks and installation of whiteboards to replace the traditional blackboards. This has made the classrooms more conducive for learning.

Finally, I wish to acknowledge with gratitude the Government of Kenya, through the Ministry of Education for its goodwill and immense support to the institute as it strives to implement its strategic goals and objectives. I also wish to appreciate the vital support that we have continued to receive from our development partners, students, customers, staff and sponsors. The Board of Governors shall continue to provide the much-needed resources, advice and foresight to support the Institute and ensure it grows to the next level.



.....  
**Mr. Peter Mwangi**

**Chair of the Board of Governors**

**DATE.. 05/07/2022**.....

## **V. Report of the Principal**

### **Dear Stakeholder,**

Coast Institute of Technology has positioned itself as a leading technical training institution in the region. In line with the Institute growth aspirations, the strategic plan (2019-2023) was reviewed in the year 2019 based on the vision 2030 and other strategic priorities of the Government of Kenya as outlined in the constitution of Kenya 2010. Our commitment is to improve service delivery, efficiency and leadership.

The Institute's core values of uprightness, honesty, transparency, accountability, integrity, respect for change, prudent environmental management, professionalism, respect for cultural diversity, provision of equal opportunities for all and respect for humanity have played a great role in realizing the Institute's dream of impacting skills for self-reliance.

The college planned for and embarked on infrastructural development in order to increase access to technical education. This was achieved by the completion and the commissioning of the 12 no classroom project, improvements in the classrooms and installation of ICT equipment to help curb the increasing number of students and facilitate the introduction of e-learning.

### **Key projects**

During the year, the college undertook several development projects including major renovation works in the college kitchen such as tiling and replacement of the roof, in the classroom blocks including tiling, replacement of old roofs, installation of whiteboards, installation of water tanks to address unforeseen water shortages, paving of roads i.e., the road to the pavilion and to the Sapphire hotel, installation of a power transformer and modern switchboard among other minor works.

### **Operational and Financial Performance**

The Institute is committed to deliver on its key mandate of provision of quality education, training, and research. The financial year 2021/2022 recorded a surplus of **Kshs 78,311,463.00** compared to the financial year 2020/2021 which recorded a surplus of **KShs 62,596,282**. The net surplus for the year was due to the timely disbursements of capitation funds by the Government and HELB, increase in sales recorded by the institute's production units, increase in income from sale of goods, seminars income due to the slight economic recovery experienced post covid-19 and increase in income from bakery sales due to more market exploitation.

### **Compliance with Statutory Requirements**

During the F/Y 2021/2022, the Institute complied with all its statutory obligations including compliance with Public Procurement Regulations, remittance of PAYE, NHIF, NSSF, Pensions and HELB recovery within the stipulated deadlines. The Institute does not foresee any potential for contingent liabilities arising from non-compliance with statutory obligations.

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**Major risks and challenges facing the institute**

Coast Institute of Technology continues to face pressure on existing resources due to inadequate learning infrastructure caused by the increase in student enrollment. The teaching and non-teaching staff to student ratio remains low. Budgetary constraints have contributed to stalled projects including the Phase II of the Centre of Excellence Complex comprising of 2 restaurants and 4 conference facilities, which is in dire need of funding to realize the aspired benefits. Inadequate funds arising from failure by the government to remit the capitation for Quarter Four contributed greatly in failure to achieve some of the budgetary plans for the year.

**Future outlook**

We look forward to harnessing the ISO 9001:2015 certification and strategic plan (2019 - 2023) to guide the Institute's future developments, improve service delivery and achieve set goals and objectives. We also anticipate an increase in student enrollment in the future, attain adequate staffing levels, teaching and non-teaching and improve learning infrastructure. Our ultimate objective is to acquire National polytechnic status. CIT as a result of the Covid-19 pandemic through the help of the Board of Governors has managed to roll out an e-learning platform to benefit residential and ODEL students. This has also been facilitated by training of teaching staff and technicians on the needs of the online platforms.

**Conclusion**

I take this opportunity to thank our stakeholders for their continued support and partnership in the realization of our mandate.

I commend the Board, Management and staff for their tireless efforts and commitment to the attainment of the institute goals. I am truly honored to serve alongside you as we endeavor to redefine the role played by CIT and TVETs and drive the Institute towards realizing its vision, strategic goals and objectives.

On behalf of Board, Management, Staff and Students, I would like to appreciate the support accorded to Coast Institute of Technology by the GOK through The National Treasury & the Ministry of Education, State Department for Vocational and Technical Training. We look forward to your continued support and commitment.

**Mr. Stephen Ngome Gofwah**  
for **Principal/Secretary BOG**

Date 25-4-23

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**VI. Statement of Performance against Predetermined Objectives**

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

Coast Institute of Technology develops its annual work plans based on 4 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Institute achieved its performance targets set for the FY 2021/2022 period for its 4 strategic pillars, as indicated in the table below:

<b>Strategic Pillar</b>		<b>Objective</b>	<b>Key Performance Indicators.</b>	<b>Activities</b>	<b>Achievements</b>
Pillar 1:	Human Resource Development	To improve human resource capacity	Number of additional BOG staff engaged.	Employ more BOG staff	Additional BOG staff employed.
Pillar 2:	ICT	To fully integrate ICT in the Institute.	Number of ICT Equipment purchased and installed.	Purchase additional ICT equipment for the Institute. Train staff on needs of ICT.	ICT equipment purchased. More staff and technicians trained under the ODEL/LMS proje
Pillar 3:	Gender and youth development	To develop responsible youth to contribute to national development.	Number of Drug and substance Abuse and HIV/AIDS sensitization forums conducted.	Conduct Free medical camps, talks on Drug abuse Put free condoms at every strategic point in the institution	Information on drugs and substance abuse and HIV/AIDS provided by the Guidance and Counselling office
Pillar 4:	Education and training	New and modern methods of Training enhanced	Introduce modern ICT learning and training methods.	New modern methods of Training enhanced.	Modern Training techniques in place such as online classes.

## **VII. Corporate Governance Statement**

Coast Institute of Technology is committed to the values and principles of good corporate governance as an integral part of corporate culture and guides the manner in which its Governors, management, staff and students conduct the business of the organization. As a public organization dedicated to providing quality service to its stake holders, the Institutes decisions are guided by the core tenets prescribed in the Public Officers Ethics Act, The leadership and Integrity Act, The Authorities Code of Conduct, Corporate Governance Guidelines Board and Board Committee Charters. The Institute endeavors to develop, strengthen and sustain the trust that the Government, employees, students and general public has placed in it. The Board of Governors is committed to regular evaluation of national and international emerging standards in a responsible, transparent and efficient management, with a view of enhancing corporate governance at the Institution and consistently deliver on its statutory mandate.

### **Role of the Board of Governors**

The primary function of the Board of Governors is to provide effective strategic leadership and direction to enhance the long-term achievement of the Institute's strategic plan. The strategic plan overall objective is to enhance the achievement of the institute's objectives on priority basis and in line with the policies of the Ministry of Education (MOE), the Vision 2030 and the big 4 agenda of the government.

### **The Board Size, Composition and Independence**

The Board of Governors is made up of 10 members. Its composition draws a perfect mix of Qualifications, skills, experience, training and proficiencies in various fields.

### **Board Remunerations**

The non-executive Board members earn sitting allowances for every meeting attended. Governor's fees are paid to non-executive Board members who do not represent any Government institution.

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The Board had four committees constituted as follows:

<b>Name of the Committee</b>	<b>Members</b>
1. Audit and Risk Management committee.	1. Julius N. Mosoti- Chairman 2. Prof. Julius Mwabora -member 3. Githinji Thiong'o-member
2. Administration, Finance and Human Resources Management committee.	1. Simon Mwachia -chairman 2. Jeddy Munyao – Member 3. Christine Kilalo -member 4. Edward Mburu -member
3. Academic, Research, Innovation and Student Affairs Committee	1. Faith Ngaira- chairman 2. Prof. Julius Mwabora-member 3. Christine S. Kilalo -member.
4. Planning, Estates and Infrastructure Committee.	1. Julius Mwabora- Chairman 2. Christine Kilalo- member 3. Edward Mburu- member 4. Faith Ngaira- member

Board members are appointed by the Ministry of Education and serve a maximum of two terms of three years each. Board remuneration is in the form of sitting allowances for physical and virtual meetings attended. Subsistence/perdiem and transport allowances are paid depending on their geographical locations.

During the F/Y 2021/2022, members held meetings as follows;

<b>Quarter 1</b>	<b>Meeting</b>	<b>Members attendance.</b>
07/07/2021	Full Board meeting	8 members
16/07/2021	Handing over of Kasigau campus	2 members
18/08/2021	PC negotiations- virtual meeting	2 members
03/09/2021	Handing over of 12 no classrooms	2 members
04/09/2021	Academic, research, innovation and student affairs	4 members
27/09/2021	PEI(Infrastructure) committee	4 members
<b>Quarter 2</b>		
05/10/2021	Audit and risk management committee	3 members
08/10/2021	Full board meeting	8 members
14/10/2021	Admin, Finance and HR committee	2 members
26/11/2021	Full board meeting	9 members

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17/12/2021	PEI(Infrastructure) committee	4 members
20/12/2021	Academic Research, Innovation and student affairs	4 members
<b>Quarter 3</b>		
05/01/2022	Admin, Finance and HR committee	3 members
07/01/2022	Audit and risk management committee	4 members
10/01/2022	Full board committee	8 members
29/03/2022	PEI(Infrastructure) committee	4 members
29/03/2022	Audit and risk management committee	3 members
<b>Quarter 4</b>		
06/04/2022	Admin, Finance and HR committee	4 members
07/04/2022	Audit and risk management committee	4 members
08/04/2022	Full board committee	9 members
17/06/2022	Academic Research, Innovation and student affairs	4 members
20/06/2022	PEI(Infrastructure) committee	3 members

**VIII. Management Discussion and Analysis**

Coast Institute of Technology continues to be the leading technical training institution in the region. In line with the Institute growth aspirations, the strategic plan (2019-2023) was reviewed in 2019. The strategic plan was reviewed on the basis of the vision 2030 and other strategic priorities of the government as outlined in the constitution of Kenya 2010.

The Institute's core values have played a great role in realizing the Institute's dream of impacting skills for self-reliance. The college has since embarked on infrastructural development in order to increase access to quality technical education. The Institute has completed and opened a 12 no. Classroom project that has helped to ease congestion. Other repair and maintenance works have also been done in the existing classrooms and hostels to ensure that the students stay in a conducive environment.

During the Financial Year, the Institute complied with its statutory obligations including compliance with Public Procurement Regulations, remittance of PAYE, NHIF, NSSF, Pension and HELB within the stipulated deadlines. The Institute does not foresee any potential for contingent liabilities arising from non-compliance with statutory obligations.

Coast Institute of Technology continues to face pressure on existing resources due to inadequate learning infrastructure caused by the increasing student enrolment. Budgetary constraints have contributed to stalled projects. Phase II of the Centre of Excellence Complex comprising of 2 restaurants and 4 conference facilities are in dire need of funding to realize the aspired benefits. Inadequate funding from the Ministry of Education also led to some of the projects being unachievable.

The teachers and non-teaching staff to student ratio remains low. The College has since completed the Construction of a 12 number Classroom Project which has helped accommodate the increasing number of students. The college also runs a bakery and has introduced a driving school to help raise additional income to the institute.

We are looking forward to harnessing the ISO 9001:2015 certification and strategic plan (2019 - 2023) to guide the Institute's future developments, improve service delivery and achieve set goals and objectives. We also anticipate an increase in student enrolment, attain adequate staffing levels and improve learning infrastructure. Our ultimate objective is to acquire Polytechnic status. CIT as a result of the Covid-19 pandemic through the help of the Board of Governors has rolled out an e-learning platform to benefit both residential and ODEL students.

I take this opportunity to thank our stakeholders for their continued support and partnership in the realization of our mandate.

## **IX.Environmental and Sustainability Reporting Statement**

Coast Institute of Technology exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant technical and practical training, and improving operational excellence. Below is a highlight of strategies and activities that promote the organisation's strategic objectives.

### **Sustainability strategy and profile**

The management of Coast Institute of Technology through its Board of Directors is committed towards achieving sustainability in its operations. They have put in measures to ensure minimal interference and maximum focus towards achieving its strategic goals. The management has put in great strides to gain political goodwill that is vital for the existence, growth and expansion of the institution. There have been engagements with local leaders on issues affecting the institute.

### **Environmental performance**

Coast Institute of Technology continues to take an interest in environmental conservation and management. It boasts a strong department managing environmental conservation, engaging in activities such as tree planting activities at least once every term, an activity that brings on board both the management and the students.

The students also participate in tree planting and waste collection and management activities within the surrounding environments including Voi town area especially during the college community days in an attempt to speed up environmental conservation and keep the environment safe.

The Institute is also in the process of developing an extensive Environmental management QMS manual that will serve to guide its operations and seek to fill the gaps in management of the environment.

### **Employee welfare**

Human Resource development remains a major strategic pillar of Coast Institute of Technology. The institute has a strong Human Resource department that works closely with the administration and board of directors to ensure quality staff additions to the institution. Staff are hired on merit through a thorough recruitment process starting from the advertisements to shortlisting to interviews.

The Institute staff gender ratio is balanced with people with disabilities and women given priority during the recruitment process. Staff are continually appraised as this helps to improve their efficiency with promotions done when necessary. Outstanding members of staff are awarded during the college open days for their performances. Members of staff operating in essential areas such as food processing and food handling undergo medical examinations and certification annually, funded by the organisation in an attempt to comply with the health and safety Act. The institute also undergoes Health and safety checks done

by the County Government department of health services to ensure its environments are fit for stay.

**Market place practices.**

**a) Responsible competition practice.**

The institute ensures adherence to principles of fair competition as outlined in the constitution. It also creates awareness and has made tremendous efforts in the fight against corruption through sensitization forums and corruption reporting boxes installed at strategic places. The institute conducts its activities and engagements in respect to the community values but does not bend to any political influence as it seeks to provide equal opportunities to all. There is an open and transparent registration and recruitment process.

**b) Responsible Supply chain and supplier relations.**

The institute has committed to maintain good working relationships with its creditors by ensuring equal and fair treatment when it comes to award of tenders. It also operates in line with the public procurement laws. Creditors are paid on time following availability of funds. The creditors are however required to provide high quality goods and services.

**c) Responsible marketing and advertisement.**

The Institute has continued to conduct extensive marketing of its services through legal and reputable print, audio and visual media sources. There has also been road shows and door to door distribution of brochures as it strives to have a personal touch with the outside community and clients. Prompt feedback and good customer relationships also enables the institute to maintain a good relationship with its customers

**d) Product stewardship.**

The institute offers high quality accredited academic programs and has highly qualified trained personnel. Students are given an equal opportunity to participate in sports, games and other extra-curricular activities. The institute has a dispensary and a trained nurse in an attempt to ensure access to emergency healthcare. Staff are given an equal opportunity in their career advancements by attending seminars, workshops and trainings.

**Corporate Social Responsibility / Community Engagements**

In line with its mission and values, Coast Institute of Technology is sensitive to the impact of our activities on our students, employees, partners and other stakeholders, as well as on the community and its environment.

The College is committed to maintaining standards, respect and accountability across all its activities, including: treating employees fairly and with respect, support staff development through allowing staff to attend trainings and workshops, volunteering in community, county, and national government activities

The college has the founders' seed bursary, an initiative that seeks to empower needy students from within Taita Taveta County. The bursary allocates Kshs 500, 000 towards the selected beneficiaries.

The student council has a budget allocated towards a community day where students visit children's homes within Voi and the Coast region. The students also engage in cleaning exercises and tree planting within and around Voi town during environmental days in coordination with partners such as the KWS and the Red Cross.

Most of the students reside within Sofia and around Voi town. This has boosted local investments especially through construction of more hostels, rental houses and food joints.

The College purposes to continue collaborating with all stakeholders on issues that benefit the development of the country, growth of industries as well as giving back to the society. CIT therefore shall continue to play its crucial role towards attainment of vision 2030 and the Big Four Agenda as spelt out clearly in the Government priorities areas under the social, political and economic pillars.

**X. Report of the Board of Governors**

The Board members submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Institute's affairs.

**Principal activities**

The principal activity of the entity is to provide relevant and high-quality technical education, training and research.

**Results**

The results of the entity for the year ended June 30 2022 are set out on page xiii.


**Board of Governors**

The members of the Board who served during the year are shown on page viii and ix. During the year 2022 Mr. Simon Mwachia, Mr. Githinji Thiong'o and Mrs Christine Kilalo resigned and Mrs. Evelyn Mngoda was appointed with effect from June 2022.

**Auditors**

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

By Order of the Board

  
.....  
for Mr Stephen Ngome Gofwah  
Secretary of the Board  
Date. 25/4/23. ....

**XI. Statement of Board of Governors Responsibilities**

Section 81 of the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act of 2013 require the board to prepare financial statements in respect of Coast Institute of Technology, which give a true and fair view of the state of affairs of Coast Institute of Technology at the end of the financial year and the operating results of the entity for that year. The board is also required to ensure that the institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Coast Institute of Technology. The board is also responsible for safeguarding the assets of the College.

The board is responsible for the preparation and presentation of the institute's financial statements, which give a true and fair view of the state of affairs of Coast Institute of Technology for and as at the end of the financial year ended on June 30, 2022. 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 Coast Institute of Technology; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board accepts responsibility for Coast Institute of Technology 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 Technical and Vocational Education and Training Act of 2013. The board is of the opinion that Coast Institute of Technology financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2022, and of the Institute's financial position as at that date. The board further confirm the completeness of the accounting records maintained for the institute, which have been relied upon in the preparation of the Coast Institute of Technology financial statements as well as the adequacy of the systems of internal financial control.

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

**COAST INSTITUTE OF TECHNOLOGY**  
*Annual Reports and Financial Statements*  
*For the Year ended 30<sup>th</sup> June 2022*

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**Approval of the financial statements**

Coast Institute of Technology financial statements were approved by the Board on 25/04/2023 and signed on its behalf by

**Name: Mr. Peter Mwangi**

Signature.....

**Chairperson of the Board**

25-10-4-2023

**Name: Mr. Stephen Ngome Gofwah**

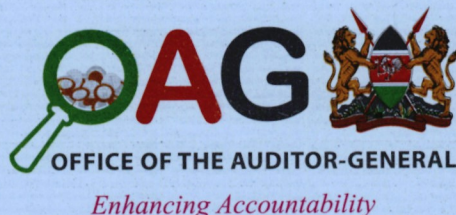
Signature.....

**Accounting Officer/Principal**

25/4/23

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
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P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON COAST INSTITUTE OF TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has Instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Adverse Opinion**

I have audited the accompanying financial statements of Coast Institute of Technology set out on pages 1 to 38, which comprise the statement of financial position as at 30 June, 2022, and statement of financial performance, statement of changes in equity, 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

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*Report of the Auditor-General on Coast Institute of Technology for the year ended 30 June, 2022*

explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Coast Institute of Technology as at 30 June, 2022, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2015 and the Technical and Vocational Education and Training Act, 2013.

## **Basis for Adverse Opinion**

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

Review of the annual report and financial statements submitted for audit revealed the following:

#### **1.1 Unexplained Variance in Expenditure on Use of Goods and Services**

The statement of financial performance and Note 11 to the financial statements reflects expenditure on use of goods and services totalling to Kshs.130,008,869 while the statement of cash flows reflects corresponding expenditure totalling to Kshs.104,587,788 resulting to unexplained variance of Kshs.25,421,081.

#### **1.2 Unexplained Variances between the Statement of Financial Performance and Ledger Amounts**

Review of the statement of financial performance revealed unexplained variances in amounts under five (5) items and their corresponding ledgers as indicated in the table below:

<b>Item</b>	<b>Note</b>	<b>Financial Performance Amount (Kshs.)</b>	<b>Ledger Amount (Kshs.)</b>	<b>Absolute Variance (Kshs.)</b>
Student Benevolent	7	1,458,000	-	1,458,000
Examination	7	20,447,110	745,804	19,701,306
Student Council	7	2,189,510	4,170,687	1,981,177
Bursary Funds	7	41,871,043	5,982,456	35,888,587
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	12	8,210,686	7,888,866	321,820

### 1.3 Inaccurate Charge of Depreciation on Property, Plant and Equipment

The statement of financial performance and Note 14 to the financial statements reflect an expenditure of Kshs.32,956,835 in respect of depreciation and amortization expense. Included in this expenditure is Kshs.31,578,710 in respect of property, plant and equipment. However, the depreciation rates applied varied with the rates provided in the Institute's Finance Policy Manual as detailed below:

Asset	Depreciation Rate Used	Depreciation Amount (Kshs.)	Depreciation Rate as per Finance Manual	Depreciation Amount (Kshs.)	Variance (Kshs.)
Building	2%	8,648,026	2.5%	10,810,033	2,162,007
Pavement	2%	137,724	None	N/a	137,724
Furniture	10%	1,071,390	12.5%	1,339,238	267,848
Plant, M.E	15%	16,008,353	12.5%	13,340,294	2,668,059
Computers	30%	3,618,387	None	N/a	3,618,387
Motor Vehicle	20%	2,094,830	None	N/a	2,094,830

### 1.4 Unsupported Current Receivables from Exchange Transactions Balance

The statement of financial position and Note 17(a) to the financial statements reflects current portion of receivables from exchange transactions balance of Kshs.235,134,201, being 120% increase from the previous year's receivables balance of Kshs.106,739,576. However, Management did not provide explanations for the significant increase in the receivables. Further, the debtors' balance was not supported with a ledger, ageing analysis or a debtors' movement schedule.

In addition, out of the reported balance of Kshs.235,134,201, an amount of Kshs.230,625,644 was in relation to student debtors. However, records provided in support of student fees indicated a balance of Kshs.37,808,825, resulting to unsupported fees balance of Kshs.192,816,819 while computation of the student debtors resulted to a balance of Kshs.226,261,150 resulting to unexplained variance of Kshs.4,364,494.

### 1.5 Unsupported Trade and Other Payables Balances

The statement of financial position and Note 21 to the financial statements reflect trade and other payables balance of Kshs.29,998,369 which include balances in respect of students' fees paid in advance of Kshs.21,972,984, trade payables for previous year of Kshs.4,577,288, trade payables of Kshs.2,948,097 and audit fees of Kshs.500,000. However, the balances were not supported with ledgers, aged analysis or supplier invoices/statements.

### 1.6 Unsupported Expenditure on Students Council Allowances

The statement of financial performance and Note 11 to the financial statements reflect expenditure of Kshs.130,008,869 in respect of use of goods and services. Included in this expenditure is the Student's Council expenses totalling to Kshs.5,758,278. Review of the records revealed that members of Student's Council are paid monthly stipends of

Kshs.5,000 and Kshs.4,000 for the Students Council Chairperson and members respectively. However, no approval of the Board of Governors was provided for audit review.

### **1.7 Unsupported Expenditure on Town Campus Expenses**

The statement of financial performance and Note 11 to the financial statements reflect expenditure on use of goods and services of Kshs.130,008,869. Included in the amount is Kshs.3,816,293 in respect of Town Campus expenses, out of which Kshs.1,073,700 was paid as rent for leased premises. However, the lease agreement was not provided for audit.

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

## **2. Accuracy of Cash and Cash Equivalents Balance**

The statement of financial position and Note 16 to the financial statements reflect cash and cash equivalents balance of Kshs.29,021,441. Review of cash books and bank reconciliation statements revealed the following:

### **i. KCB Main Account**

The bank reconciliation statement as at 30 June, 2022 reflects unrepresented cheques amounting to Kshs.2,640,809. However, as at the time of reporting, March, 2023, the cheques had not been presented for payment and were stale. In addition, an amount of Kshs.2,250,530 was indicated as receipts in bank not yet recorded in cash book out of which Kshs.1,800,560 were in respect of direct credits received in April and May, 2022. No explanation was provided for failure to update the cash book with these receipts.

### **ii. Equity Bank Account**

The bank reconciliation statement reflects an amount of Kshs.473,671, being receipts in bank not recorded in cashbook for transactions effected in the months of August, 2021 to June, 2022. No explanation was provided for non-clearance of the items. In addition, the receipts of Kshs.473,671 include Kshs.176,210 whose details were not provided.

### **iii. Diamond Trust Bank Account**

The bank reconciliation statement reflects an amount of Kshs.132,330, in respect of receipts in bank not yet recorded in cash book for transactions effected from July, 2021 to June, 2022. No explanation was provided for non-clearance of the items.

### **iv. Co-operative Bank Account**

The bank reconciliation statement reflects an amount of Kshs.577,330, in respect of receipts in bank not yet recorded in cash book for transactions effected from July, 2021 to June, 2022. No explanation was provided for non-clearance of these items.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.29,021,441 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Coast 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.

## **Emphasis of Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts of Kshs.277,820,000 and Kshs.324,711,806 respectively, resulting in over-collection of Kshs.46,891,806 or 14% of the budget. Similarly, Management incurred expenditure totalling to Kshs.213,443,508 against an approved budget of Kshs.240,238,913, resulting in under-expenditure of Kshs.26,795,405 or 14% of the budget.

The under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

### **2. Encroachment of Institution Land**

The statement of financial position reflects property, plant and equipment balance of Kshs.673,680,493. Included in this balance is Kshs.126,000,000 recorded as land owned by the Institute and measuring approximately forty-six (46) acres under a lease of ninety-nine (99) years. However, documents provided for audit and physical inspection undertaken in March, 2023 revealed that, a portion of the land measuring approximately 0.604 Ha (or 1.5 Acres) had been encroached upon. However, there was no evidence of any legal action initiated by the institution to address the situation or impairment of the land to reflect the true carrying amount.

In the circumstances, the land valued at Kshs.126,000,000 as at 30 June, 2022 is not fairly stated.

## **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**

### **Prior Year Matters**

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues nor given any explanation for the delay in resolving them.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Non-Compliance with One Third Rule on Basic Pay**

Review of payroll data provided for audit revealed that eleven (11) employees were paid net salary less than one third (1/3) of their basic pay, contrary to Section 19(3) of the Employment Act, 2012 which provides that the total amount of all deductions which may be made by an employer from wages of his employee at any one time shall not exceed two-thirds of such wages.

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

#### **2. Irregular Payment of Allowances to Board Members**

The statement of financial performance and Note 13 to the financial statements reflect remuneration of directors amounting to Kshs.4,987,600. Included in this amount was payment of allowances totalling to Kshs.233,100 to the representative of the Principal Secretary, State Department for Vocational Training, while attending sub-committees' meetings of which he was not a member. In addition, the Chairman was paid board allowances amounting to Kshs.259,500 while attending sub-committees' meetings, contrary to Circular No. OP/CAB.9/1A dated 11 March, 2020 on establishment of board committee which states that the chairpersons shall not sit in committees as members or in attendance.

In the circumstances, Management was in breach of law.

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

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

### **Conclusion**

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

## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether 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 Board of Governors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls 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 sustain its services, disclosing, as applicable, matters related to sustainability of its 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.

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Institute's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 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 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 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

31 May, 2023

**COAST INSTITUTE OF TECHNOLOGY**  
**Annual Report and Financial Statements**  
**For the year ended 30th June 2022**

**XIII. Statement of Financial Performance for the year ended 30<sup>th</sup> June 2022**

	Notes	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the National Government – grants/ gifts in kind	6	158,701,200	89,362,500
<b>Total Revenue from non-exchange transactions</b>		<b>158,701,200</b>	<b>89,362,500</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Fees from students	7	215,335,594	163,812,195
Sale of goods	8	25,865,427	17,483,238
Rental revenue from facilities and equipment	9	408,350	228,700
Other income	10	1,922,435	114,100
<b>Revenue from exchange transactions</b>		<b>243,531,806</b>	<b>181,638,233</b>
<b>Total revenue</b>		<b>402,233,006</b>	<b>271,000,733</b>
<b>Expenses</b>			
Use of goods and services	11	130,008,869	126,829,223
Employee costs	12	141,212,370	39,148,149
Remuneration of directors	13	4,987,600	3,051,210
Depreciation and amortization expense	14	32,956,835	33,167,252
Repairs and maintenance	15	14,755,868	6,208,617
<b>Total expenses</b>		<b>323,921,543</b>	<b>208,404,451</b>
<b>Surplus/(Deficit) for the Year</b>		<b>78,311,463</b>	<b>62,596,282</b>

The Financial Statements set out on pages 1 to 40 were signed by:

.....  .....  .....  .....

**Chairman of Council/Board**

**Finance Officer**

**for Principal**

**ICPAK No 25495**

**Date**

25/04/2022

**Date**

25/04/2023

**Date**

25. /4/23

**COAST INSTITUTE OF TECHNOLOGY**  
**Annual Report and Financial Statements**  
**For the year ended 30th June 2022**

**XIV. Statement of Financial Position as at 30<sup>th</sup> June 2022**

	Notes	2021-2022	2020-2021
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	29,021,441	73,751,627
Current portion of receivables from exchange transactions	17(a)	235,134,201	106,739,576
Receivables from non-exchange transactions			
Inventories	18	1,853,005	13,566,120
		<b>266,008,647</b>	<b>194,057,323</b>
<b>Non-current assets</b>			
Property, plant and equipment	19	673,680,493	663,139,179
Intangible assets	20	4,134,375	5,512,500
		<b>677,814,868</b>	<b>668,651,679</b>
<b>Total assets</b>		<b>943,823,515</b>	<b>862,709,002</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	21	29,998,369	27,692,020
Refundable deposits from customers	22	3,498,716	3,002,016
Students prepayment			-
<b>Total liabilities</b>		<b>33,497,085</b>	<b>30,694,036</b>
<b>Net assets</b>			
Capital Reserves		311,637,296	311,637,296
Accumulated funds		256,687,074	178,375,610
Revaluation reserve		317,207,202	317,207,202
Capital fund			
<b>Total</b>		<b>24,794,858</b>	<b>24,794,858</b>
<b>Total net assets and liabilities</b>		<b>910,326,430</b>	<b>832,014,966</b>
		<b>943,823,515</b>	<b>862,709,002</b>

The Financial Statements set out on pages 1 to 40 were signed by:

.....

**Chairman of Board**

Date 25/04/2023

.....

**Finance Officer**

ICPAK No 25495

Date 25/04/2023

.....

**Principal**

Date

25/4/23

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**XV. Statement of Changes in Net Asset for the year ended 30 June 2022**

	Capital Reserves	Accumulated surplus	Revaluation Reserve	Capital fund	Total
<b>At July 1, 2019</b>	321,039,780	128,368,760	-	24,794,858	474,203,398
Revaluation gain	-	-	317,207,202	-	317,207,202
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	(12,589,432)	-	-	(12,589,432)
Transfer of depreciation/amortization from capital fund to retained earnings	(9,402,484)	-	-	-	(9,402,484)
<b>At June 30, 2020</b>	311,637,296	115,779,328	317,207,202	24,794,858	769,418,684
<b>At July 1, 2020</b>	311,637,296	115,779,328	317,207,202	24,794,858	769,418,684
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	62,596,282	-	-	62,596,282
<b>At June 30, 2021</b>	311,637,296	178,375,610	317,207,202	24,794,858	832,014,966
<b>At July 1, 2021</b>	311,637,296.00	178,375,611	317,207,202.00	24,794,858.00	813,663,463.04
Total comprehensive income	-	78,311,462.85	-	-	78,311,462.85
Capital/Development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	-	-	-
<b>At June 30, 2022</b>	311,637,296.00	256,687,073.79	317,207,202.00	24,794,858.00	891,974,925.89

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**XVI. Statement of Cash Flows for the year ended 30 June 2022**

	Note	2021-2022 Kshs	2020-2021 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other Government entities/Govt. grants		81,180,000	89,362,500
Rendering of services- Fees from students		86,765,010	163,812,195
Sale of goods		20,134,974	17,483,238
Rental revenue from facilities and equipment		308,350	228,700
Other income		1,922,435	114,100
<b>Total Receipts</b>		<b>190,310,769</b>	<b>271,000,733</b>
<b>Payments</b>			
Compensation of employees		63,369,350	39,148,149
Use of goods and services		104,587,788	126,829,223
Remuneration of Directors		4,987,600	3,051,210
Repair and maintenance		14,755,868	6,208,617
<b>Total Payments</b>		<b>187,700,606</b>	<b>175,237,199</b>
<b>Net cash flows from operating activities</b>		<b>2,610,163</b>	<b>95,763,534</b>
<b>Working Capital Changes</b>			
Adjusted of changes in current assets			
Provision for depreciation & amortization		-	-
Provision for Audit fees		-	-
Trade Payables			5,366,196
Trade Receivables			(183,410,485)
Inventory			1,671,251
<b>Total adjusted</b>			<b>(176,373,038)</b>
<b>Net cash flows from operating activities</b>	43	<b>2,610,163</b>	<b>(104,922,669)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(42,120,024)	(23,063,945)
<b>Net cash flows used in investing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(44,730,186)</b>	<b>(14,576,088)</b>
Cash and cash equivalents at 1 JULY 2020	26	73,751,627	89,763,369
<b>Cash and cash equivalents at 30 JUNE 2021</b>	26	<b>29,021,441</b>	<b>73,751,627</b>

The Financial Statements set out on pages 1 to 40 were signed by:

.....  
 Chairman of Council/Board

.....  
 Finance Officer

.....  
 Principal

Date: 25/04/2023

ICPAK No 25495  
 Date: 25/04/2023

Date: 25/4/23

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**XVII. Statement of Comparison of Budget & Actual amounts for the year ended 30<sup>th</sup> June 2022**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Utilization Difference
	2021-2022 Kshs	2021-2022 Kshs	2021-2022 Kshs	2021-2022 Kshs	2021-2022 Kshs	2021-2022 %
<b>Revenue</b>						
Transfers from other Govt entities Govt grants	138,702,863	(48,702,863)	90,000,000	81,180,000	8,820,000	11
Rendering of services- Fees from students	147,426,050	12,573,950	160,000,000	215,335,594	(55,335,594)	(26)
Sale of goods	35,610,000	(10,110,000)	25,500,000	25,865,427	(365,427)	(1)
Rental and hire of facilities income	500,000	(180,000)	320,000	408,350	(88,350)	(22)
Other income	3,500,000	(1,500,000)	2,000,000	1,922,435	77,565	4
<b>Total income</b>	<b>325,738,913</b>		<b>277,820,000</b>	<b>324,711,806</b>	<b>(46,891,806)</b>	<b>(14)</b>
<b>Expenses</b>						
Compensation of employees	69,670,000	-	69,670,000	63,691,170	5,978,830	9
Use of Goods and services	239,668,913	(90,000,000)	149,668,913	130,008,869	19,660,044	15
Repair and maintenance	13,400,000	2,000,000	15,400,000	14,755,868	644,132	4
Remuneration of directors	3,000,000	2,500,000	5,500,000	4,987,600	512,400	10
<b>Total expenditure</b>	<b>325,738,913</b>		<b>240,238,913</b>	<b>213,443,508</b>	<b>26,795,405</b>	<b>13</b>
<b>Surplus for the period</b>				<b>111,268,298</b>		

**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

**XVIII. Notes to the Financial Statements**

**1. General Information**

Coast Institute of Technology is established by and derives its authority and accountability from TVET Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is provision of Technical Education.

**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 Institute'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 5.

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.

**Notes to the Financial Statements (Continued)**

**3. Adoption of New and Revised Standards**

**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2022.**

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.**

Standard	Effective date and Impact.
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>

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<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>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> <p>(a) The nature of such social benefits provided by the Entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul>

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	<p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p><b>IPSAS 44:</b></p> <p>Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**iii. Early adoption of standards**

The institute did not early-adopt any new or amended standards in year 2022.

**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.

**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 2021/2022 was approved by the Board on **31<sup>st</sup> January 2021**. 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 **XVII** of these financial statements.

**c) Taxes**

***Current income tax***

The Institute is exempt from paying 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.

**Notes to the Financial Statements (Continued)**

**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.

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

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

**e) Property, plant and equipment**

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

**Notes to the Financial Statements (Continued)**

**4 Summary of Significant Accounting Policies (Continued)**

**f) Leases**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the 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 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 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 Entity can demonstrate:

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

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

During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**Notes to the Financial Statements (Continued)**

**4 Summary of Significant Accounting Policies (Continued)**

**i) Financial instruments**

***Financial assets***

***Initial recognition and measurement***

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

***Loans and receivables***

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

***Held-to-maturity***

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

***Impairment of financial assets***

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

4 Summary of Significant Accounting Policies (Continued)

i) Financial instruments (Continued)

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

- The debtors or an 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.

j) Inventories

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

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

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

**Notes to the Financial Statements (Continued)**

**4 Summary of Significant Accounting Policies (Continued)**

**Inventories (Continued)**

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

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

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

**k) 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.

**Notes to the Financial Statements (Continued)**

**4 Summary of Significant Accounting Policies (Continued)**

**l) Nature and purpose of reserves**

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

**m) 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.

**n) 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 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.

**o) 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.

**p) Borrowing costs**

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

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

**Notes to the Financial Statements (Continued)**

**4 Summary of Significant Accounting Policies (Continued)**

**q) Related parties**

The Institute 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 Principal and senior managers.

**r) 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 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.

**s) 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.

**t) Comparative figures**

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

**u) 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, 2022.

**5. Significant Judgments and Sources of Estimation Uncertainty**

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 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 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.

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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**Notes to the Financial Statements (Continued)**

**6. Transfers from other National Government entities**

Description	2021-2022	2020-2021
	KShs	KShs
<b>Unconditional grants</b>		
Capitation grants		
Operational grant	81,180,000	73,407,500
Grant In Kind		15,955,000
	77,521,200	-
<b>Total government grants and subsidies</b>	<b>158,701,200</b>	<b>89,362,500</b>

The grant in kind is the amount recognised for trainers of PSC VTT Department as salaries

**(a) Transfers from other Government entities (Categorized)**

Name Of The Entity Sending The Grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2020-2021
	Kshs	Kshs			
			Kshs	Kshs	Kshs
Ministry of Education	158,701,200.00	-	-	158,701,200.00	89,362,500.00
<b>Total</b>	<b>158,701,200.00</b>	<b>-</b>	<b>-</b>	<b>158,701,200.00</b>	<b>89,362,500.00</b>

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**7. Rendering of Services**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
Tuition fees	73,214,118.00	92,559,870.00
Activity fees	7,935,350.00	7,003,400.00
Industrial attachment fees	7,176,180.00	6,199,350.00
Library fees	8,700.00	2,540.00
Registration fees	268,900.00	181,600.00
Boarding fees	4,627,115.00	5,548,180.00
Centre fees	10,300.00	46,450.00
Course uniform	21,000.00	11,500.00
Development fund	4,646,730.00	3,922,000.00
E.W.C	7,736,580.00	6,920,260.00
Field practical fees	1,473,500.00	1,400,000.00
L.T& T	7,245,660.00	6,152,265.00
Personal emolument	20,518,360.00	18,223,360.00
Practical	6,573,982.00	6,059,050.00
R.M.I	3,892,215.00	3,438,225.00
Tour	224,000.00	13,790.00
Tuition-P	110,000.00	58,800.00
Application fees	130,620.00	69,400.00
Damages	158,526.00	192,035.00
Graduation Fees	1,426,370.00	1,272,400.00
Student ID	398,800.00	275,000.00
Graduation	582,030.00	275,000.00
Teaching practice	16,500.00	125,400.00
Library fine	99,405.00	38,070.00
Data bundle-online classes	9,600.00	2,410,800.00
Packages	614,250.00	388,050.00
Student benevolent	1,458,000.00	1,010,300.00
Student council constitution	-	100.00
KUCCPS Placement fees	-	15,000.00
Examination	20,447,110.00	
Bursary Fund	41,871,043.00	
ICT Fees	150,000.00	
Miscellaneous	101,140.00	
Student council	2,189,510.00	
<b>Total revenue from the rendering of services</b>	<b>215,335,594.00</b>	<b>163,812,195.00</b>

**These are amounts charged to students based on an approved fees structure. The amount paid by each student depends on the nature of the course and the module**

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**8. Sale of Goods**

Description	2021-2022	2020-2021
	KShs	KShs
Seminars	13,331,815.00	5,661,000.00
Bakery	6,944,677.00	4,374,965.00
Catering	2,537,757.00	1,418,910.00
Farm income	473,772.50	723,021.00
Other production units	0.00	723,742.00
Project income	0.00	4,581,600.00
hairdressing sales	1,900.00	0.00
IM Sales	145,480.00	0.00
Poultry Sales	1,459,585.00	0.00
Dairy Farm	19,440.00	0.00
Driving School Income	951,000.00	0.00
<b>Total revenue from the sale of goods</b>	<b>25,865,426.50</b>	<b>17,483,238.00</b>

These are revenue received from the institute's production units.

**9. Rental revenue from facilities and equipment**

Description	2021-2022	2020-2021
	KShs	KShs
Hire of facilities and equipment	234,350.00	140,200.00
Rent Income	174,000.00	88,500.00
<b>Total</b>	<b>408,350.00</b>	<b>228,700.00</b>

These are income from hire of facilities and rent from staff quarters.

**10. Other Income**

Description	2021-2022	2020-2021
	KShs	KShs
Disposal of assets		81,100.00
Tender sales	7,000.00	3,000.00
KATTI regional activity	1,748,855.00	29,000.00
Other income	10,080.00	1,000.00
KATTI Coast Regional TVET Fair	78,000.00	
Clubs	78,500.00	
<b>Total other income</b>	<b>1,922,435.00</b>	<b>114,100.00</b>

These are income from tender sales, KATTI regional office and clubs.

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**11. Use Of Goods and Services**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
Development fund expenses	-	285,776.00
Teaching and learning materials	9,490,691	22,239,938.00
Industrial attachment costs	6,697,673	511,300.00
Electricity, Water and fuel	9,142,651	7,143,384.00
Subscriptions	1,062,290	636,180.00
Advertising- Enrollment and marketing	3,093,468	698,797.00
Exam expenses	1,616,873	430,620.00
Audit fees	1,000,000	500,000.00
Catering, Conferences, and delegations	7,883,434	4,852,492.00
Conferences, and delegations-seminar expenses	11,241,423	2,966,838.00
TVET fairs and shows	1,217,096	-
Insurance	852,975	1,249,288.00
Tours expenses	159,816	5,300.00
Grant expenditure	-	12,172,038.00
Medical expenses	2,828,755	855,944.00
Hire charges		24,000.00
Internet expenses-telecommunication	1,701,680	2,912,345.00
Boarding equipment and stores	2,981,652	1,984,122.00
Farm expenses	1,587,562	2,039,880.00
Bakery expenses	5,512,119	4,707,926.00
Practical expense	14,338,035	8,565,184.00
Student Activity expense	2,589,498	317,536.00
Production unit expenses	1,550,352	8,879,240.00

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Mentee expenses	10,031,536	23,855,311.00
Town campus expenses	3,816,293	2,164,594.00
Graduation expenses	1,701,394	323,935.00
Tender expenses	61,500	171,500.00
Covid response expenses	4,554,049	5,686,728.00
Miscellaneous	1,209,775	3,733,192.00
Driving school	767,438	-
VAT deduction	-	633,936.00
Student council	5,758,278	597,979.00
Examination fees		5,683,920.00
Supplementary		
Students IDs	415,650	
KATTI Regional activity expenses	1,473,100	
Student Benevolent fund expenses	52,800	
KATTI Coast Regional activity exp	431,821	
Solar Power	412,830	
Other general exp	1,122,948	
Staff development	2,363,949	
ISO	1,067,300	
Club expenses	23,000	
Capacity building	6,602,535	
Student refund	656,000	
Seminar	23,500	
Poultry Expenses	915,130	
<b>Total good and services</b>	<b>130,008,869</b>	<b>126,829,223.00</b>

These comprise expenses incurred in the daily running of the institute.

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**12. Employee Costs**

	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and wages	31,302,087.00	23,990,007.52
Employee related costs - contributions to pensions and medical aids-nssf, nhif and paye	24,178,396.76	12,200,319.50
Travel, motor car, accommodation, subsistence and other allowances-LT T	8,210,686.00	2,957,821.62
Salaries for PSC Trainers	77,521,200.00	0
<b>Employee costs</b>	<b>141,212,369.76</b>	<b>39,148,148.64</b>

Includes wages and other employees' costs.

Amount recognised for trainers sent by PSC VTT Department as salaries.

**13. Remuneration of directors**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
Chairman's Honoraria		
Directors emoluments	4,987,600	3,051,210
Other allowances	-	
<b>Total director emoluments</b>	<b>4,987,600</b>	<b>3,051,210</b>

These are payments made to the Board of Governors as allowances.

**14. Depreciation and Amortization expense**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
Property, plant and equipment	31,578,710	31,329,752
Intangible assets	1,378,125	1,837,500
<b>Total depreciation and amortization</b>	<b>32,956,835</b>	<b>33,167,252</b>

These constitute depreciation and amortisation charged on assets at approved rates.

**15. Repairs and Maintenance**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
Property, equipment and machinery	10,448,921	3,981,467.58
Electricals and mechanicals	1,853,005	1,353,327.40
Motor Vehicles	854,156	473,512
Environment and beautification	771,777	381,160
Other	88,019	19,150
<b>Total repairs and maintenance</b>	<b>14,015,878.47</b>	<b>6,208,616.98</b>

Expenses include repair, maintenance and improvement costs incurred.

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**16. Cash and Cash Equivalents**

<b>Financial institution</b>	<b>Account number</b>	<b>2021-2022</b>	<b>2020-2021</b>
		<b>KShs</b>	<b>KShs</b>
<b>a) Current account</b>			
Co-operative bank-	01129220357100	1,796,921	2,649,352
Diamond trust bank-	0255123001	2,560,249	860,000
Equity Bank-	0790299323142	4,399,361	3,870,892
Kenya commercial bank-	1104806185	1,263,000	3,627,576
Kenya commercial bank-	1119962285	17,345,862	61,137,523
<b>Sub- total</b>		<b>27,365,392</b>	<b>72,145,343</b>
<b>e) Others</b>			
Cash in hand	0	600	85,315
Mobile Money account-	4030613	1,655,449	1,520,969
<b>Sub- total</b>		<b>1,656,049</b>	<b>1,606,284</b>
<b>Grand total</b>		<b>29,021,441</b>	<b>73,751,627</b>

**17. Receivables from Exchange transactions**

**17(a) Current Receivables from Exchange transactions**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
<b>Current receivables</b>		
Student debtors	230,625,644	97,690,566
Rent debtors	100,000	-
Trade debtors	3,200,840	5,368,120
Imprest	1,207,717	3,680,890
<b>Total current receivables</b>	<b>235,134,201</b>	<b>106,739,576</b>

**These include fee arrears from students, rent arrears from staff and Imprests.**

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**Notes to the Financial Statements (Continued)**

**18. Inventory**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
Catering stores	0.00	125,887
Bakery	151,973	223,815
Farm stores	1,231,211	105,655
Consumable stores	379,381.00	13,110,763.00
Health unit stores	90,440.00	0.00
<b>Total inventory at the lower of cost and net realizable value</b>	<b>1,853,005</b>	<b>13,566,120</b>

These constitute estimates of closing inventory at year end.

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**Notes to the Financial Statements (Continued)**

**19. Property, Plant and Equipment**

	Land		Building		Pavements		Computers		Furniture		Plant M.E		Motor Vehicles		Work-in-Progress		Total		
	Shs	0	Shs	0.02	Shs	0.02	Shs	0.3	Shs	0.1	Shs	0.15	Shs	0.2	Shs	Shs	Shs	Shs	
Cost																			
Cost or valuation																			
At 1 July 2019	126,000,000		408,000,000				12,194,620		11,962,935		135,950,159	5,321,000						699,428,714	
Additions																			
Disposals																			
Transfers/adjustments																			
At 30 <sup>th</sup> June 2020	126,000,000		408,000,000			12,194,620		11,962,935		135,950,159	5,321,000							699,428,714	
Additions																			
Disposals																			
Accumulated Depreciation																			
At 30 <sup>th</sup> June 2020			8,160,000				3,658,386		1,196,294		20,392,524	1,064,200						34,471,403	
Depreciation and impairment																			
At 1 July 2020	126,000,000		399,840,000			8,536,234		10,766,642		115,557,635	4,256,800							664,957,311	
Additions during the year																			
Depreciation																			
At 30 <sup>th</sup> June 2021			7,996,800				2,356,070		99,500		100,000	3,892,105						23,063,945	
Net book values																			
At 30 <sup>th</sup> June 2021			7,996,800				3,267,912		1,086,614		17,348,645	1,629,781						31,329,752	
At 30 <sup>th</sup> June 2021	126,000,000		391,843,200			7,624,392		9,779,528		98,308,990	6,519,124							663,139,179	

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At 1st July 2021	126,000,000	391,843,200	7,624,392	9,779,528	98,308,990	6,519,124	23,063,945	663,139,179
Depreciation and impairment								
At 1st July 2021	-						(23,063,945)	(23,063,945)
Additions during the year	-	36,041,230	4,436,898	934,376	8,255,111	3,955,027	-	53,622,642
Additions during the year	-	4,516,892	6,886,185		158,250			11,561,327
Depreciation	-	8,648,026	137,724	1,071,390	16,008,353	2,094,830		(31,578,710)
At 30th June 2022	126,000,000	423,753,296	6,748,461	8,708,137	90,555,749	8,379,321		673,680,493
Net book values								
At 30th June 2022								

\*Property, plant and Equipment's were valued in June 2020 by GolInvest Limited, Independent Valuers, on the basis of Current market value. The carrying amount of the assets was credited to the Revaluation reserve in line with Accrual basis of Accounting method under the International Public sector accounting standards (IPSAS) During the year the College recorded new assets and work in progress (W-In-P) was recognised as part of the Building since the classroom project was 100% complete, the college renovated the dining hall, Caters office, kitchen and classrooms this were recognised as part of building as per IAS 16.16(b). The college uses the following rates for its depreciation; Building -2%, Pavements- 2%, Computers- 30%, Furnitures- 10%, Plant ME- 15%, and Motor vehicles- 20%, the College applies reducing balance method of depreciation

Included in this amount is Kshs 126,000,000 recorded as land owned by the institution measuring 46 acres under leasehold for 99 years. A portion measuring approximately 0.604 Ha (1.5 Acres) had been encroached by private developers. This is a major potential risk on the Asset.

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**Notes to the Financial Statements (Continued)**

**20. Intangible Assets**

<b>Description</b>	<b>2021-2022</b>	<b>2021-2020</b>
	<b>KShs</b>	<b>KShs</b>
<b>Cost</b>		
<b>At beginning of the year</b>	5,512,500	7,350,000
Additions		
<b>At end of the year</b>	5,512,500	7,350,000
Additions—internal development	-	-
<b>At end of the year</b>	5,512,500	7,350,000
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	5,512,500	7,350,000
Amortization	(1,378,125)	(1,837,500)
<b>At end of the year</b>	4,134,375	5,512,500
Impairment loss	-	-
<b>At end of the year</b>	<b>4,134,375</b>	<b>5,512,500</b>

A record of the intangible assets held at year end.

**21. Trade and Other Payables from Exchange transactions**

<b>Description</b>	<b>2021-2022</b>	<b>2021-2020</b>
	<b>KShs</b>	<b>KShs</b>
Trade payables	2,948,097	10,724,850
Trade payables for previous year	4,577,288	-
Fees paid in advance	21,972,984	15,911,537
Employee advances	-	555,633
Audit fees	500,000	500,000
Other payables		
<b>Total trade and other payables</b>	<b>29,998,369</b>	<b>27,692,020</b>

These include amounts owed to creditors, fee prepayments and audit fee.

**22. Refundable Deposits from Customers/Students**

<b>Description</b>	<b>2021-2022</b>	<b>2021-2020</b>
	<b>KShs</b>	<b>KShs</b>
Consumer deposits	0	400
Caution money	3,498,716	3,001,616
Other refundable deposits		
<b>Total deposits</b>	<b>3,498,716</b>	<b>3,002,016</b>

These include funds held as refundable deposits from students.

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**23. Cash generated from operations**

	<b>2021-2022</b>	<b>2021-2020</b>
	<b>KShs</b>	<b>KShs</b>
<b>Surplus for the year before tax</b>	78,311,463	62,596,282
<b>Adjusted for:</b>		
Depreciation	32,956,835	33,167,252
<b>Working Capital adjustments</b>		
Increase in inventory	11,713,115	1,671,251
Increase in receivables	(128,394,625)	(183,410,485)
Increase in payables	2,803,049	5,366,196
<b>Net cash flow from operating activities</b>	<b>(2,610,163)</b>	<b>(80,609,503)</b>

#### **24. 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 company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

##### **(i) Credit risk**

The institute 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

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The institute'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 institute's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2021</b>				
Receivables from exchange transactions	30,928,593	30,928,593		
Bank balances	89,763,369	89,763,369		
<b>Total</b>	<b>120,691,962</b>	<b>120,691,962</b>		
<b>At 30 June 2022</b>				
Receivables from exchange transactions	235,134,201	235,134,201		
Bank balances	29,021,441	29,021,441		
<b>Total</b>	<b>264,155,642</b>	<b>264,155,642</b>		

**44. Financial Risk Management (Continued)**

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

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

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

**(ii) Liquidity risk management**

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

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**Notes to the Financial Statements (Continued)**

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.

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2020</b>				
Trade payables	9,843,866		-	9,843,866
Other payables	2,589,116		-	2,589,116
<b>Total</b>	<b>12,432,982</b>			<b>12,432,982</b>
<b>At 30 June 2021</b>				
Trade payables	10,724,850		-	10,724,850
Other payables	16,967,170		-	16,967,170
<b>Total</b>	<b>27,692,020</b>			<b>27,692,020</b>

**(iii) Market risk**

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

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**Notes to the Financial Statements (Continued)**

**a) Interest rate risk**

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

**Management of interest rate risk**

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

**b) Interest rate risk(continued)**

**Sensitivity analysis**

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

**IV) Capital Risk Management**

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

	<b>2022-2021</b>	<b>2021-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Capital Reserves	311,637,296	311,637,296
Accumulated funds	160,024,107	115,779,328
Revaluation reserve	317,207,202	317,207,202
Capital fund	24,794,858	24,794,858
<b>Total</b>	<b>813,663,463</b>	<b>769,418,684</b>

**25. Related Party Balances**

**Nature of related party relationships**

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

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**Notes to the Financial Statements (Continued)**

**Government of Kenya**

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

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

The transactions and balances with related parties during the year are as

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Transactions with Related Parties</b>		
<b>B) Purchases from related parties</b>		
Purchases of electricity from KPLC & Tavevo water	9,142,651	7,143,384
<b>Total</b>	<b>9,142,651</b>	<b>7,143,384</b>
<b>a) Grants /Transfers from the Government</b>		
Grants from National Govt	81,180,000	89,362,500
Grants in Kind- PSC Trainers Salaries	77,521,200	0
<b>Total</b>	<b>158,701,200</b>	<b>89,362,500</b>
<b>b) Expenses incurred on behalf of related parties</b>		
Payments of Salaries and Wages for PSC Trainers Employees	77,521,200	0
<b>Total</b>	<b>77,521,200</b>	<b>0</b>
<b>c) Key Management Compensation</b>		
Directors' emoluments	4,987,600	3,051,210
<b>Total</b>	<b>4,987,600</b>	<b>3,051,210</b>

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**Notes to the Financial Statements (Continued)**

**26. Events After The Reporting Period**

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

**27. Ultimate And Holding Entity**

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

**28. Currency**

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

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**XIX. Appendices**

**Appendix 1: Implementation Status of Auditor-General Recommendations**

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

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

**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.  
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**Mr. Stephen Ngome Gofwah  
Accounting Officer  
Principal/Secretary BOG**

Date **25/4/23.**

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**Appendix III- Inter-Entity Confirmation Letter**

**MINISTRY OF EDUCATION**  
**DEPARTMENT OF VOCATIONAL AND TECHNICAL TRAINING**  
**COAST INSTITUTE OF TECHNOLOGY**



**P.O. BOX 34 CODE 80300 TEL:0202169229, VOI**  
 Email: [voicampuscit@yahoo.com](mailto:voicampuscit@yahoo.com)/principal@cit.ac.ke  
[www.cit.ac.ke](http://www.cit.ac.ke)

**ISO 9001:2015 Certified**

**Our Vision: To Be A Centre Of Excellence For Education & Training In Science and Technology**

**COAST INSTITUTE OF TECHNOLOGY**  
**P. O BOX 34-80300**  
**VOI**

The Ministry of Education wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Reference Number	Date Disbursed	Amounts Disbursed by Ministry of Education (Kshs) as at 30th June 2022				Amount Received by CIT (KShs) as at 30 <sup>th</sup> June 2021 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
FT2132243LQN	18.11.2021	1,500,000	0	0	1,500,000	0	1,500,000
FT2206102LHQ	02.03.2022	25,792,500	0	0	25,792,500	15,877,500	9,915,000
		25,792,500	0	0	25,792,500	15,877,500	9,915,000

**Confirmation of amounts received by Coast Institute of Technology as at 30<sup>th</sup> June 2022**

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FT22154B6M77	03.06.2022	28,095,000	0	0	28,095,000	17,227,500	10,867,500
		0	0	0	0	20,385,000	(20,385,000)
<b>Total</b>		<u>81,180,000</u>	<u>0</u>	<u>0</u>	<u>81,180,000</u>	<u>69,367,500</u>	<u>11,812,500</u>

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of CIT:

Name: Nashon Luge Mchemi Sign:  Date: 25.06.2023

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