
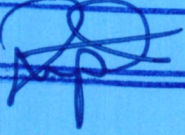


REPORT

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THE AUDITOR-GENERAL

ON

KENYA TECHNICAL TRAINERS COLLEGE

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



KENYA TECHNICAL TRAINERS COLLEGE

P.O. Box 44600-00100, KEBS ISO 9001:2015 CERTIFIED Nairobi, Kenya.
Phone:- +254-20-7120212/3/4, Fax +254-20-7120088 .



KENYA TECHNICAL TRAINERS COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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



Annual Report and Financial Statements For the year ended 30 June, 2020

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I. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Kenya Technical Trainers College (KTTC) was started in 1978 when it enrolled its first students. Since its inception, the College has continued to train Technical Teachers and it is among the leading Institutions of this kind in Eastern and Central Africa. KTTC derives its authority from the Education Act Cap. 211 (revised in 1980) and Legal Notice no. 242 of 1978. In the Year 2013 an act (TVET Act 2013) was passed to govern the Technical Training in Kenya. These policy documents mandate (KTTC) to train Technical Teachers for Technical and other Institutions of learning in the Country.

In July 2014, the Institution acquired a National Polytechnic status. This was done through a legal order Number 115 of July 2014.

Currently the College has 183 administrative and support staff, 98 teaching staff establishment and a student population of 4,646.

Kenya Technical Trainers College is a public institution under the State Department of Vocational and Technical Training in the Ministry of Education. The overall management of the college is vested in the Governing Council appointed by the Cabinet Secretary in accordance with the law. One of the functions of the Governing Council is to appoint qualified persons to hold or to act in offices within the college establishment. The Council executes its mandate through committees responsible for various functions. The Principal is the Chief Executive Officer and is assisted in the day-to-day running of the college by two Deputy Principals, various Heads of Departments (HODs) and section heads.

In the wider democratic dispensation, the Principal incorporates elected Students' Representative Council in an all inclusive College management structure. Governed by an organized Students' Code of Regulations, the Student Representative Council (SKETTCO) forms an appropriate management link that facilitates harmony of communication and discharge of duties and responsibilities in both curriculum and co-curriculum matters.

Annual Report and Financial Statements For the year ended 30 June, 2020

As part of the wider organization and administrative structure, the Principal also includes elected leadership from both the Training and the Non-Training staff.

b) Principal Activities

The principal activity/mission of the *College* continues to be, to Train Technical Trainers and Technologists.

c) Key Management

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

- Chief Principal
- Deputy Principal Planning, Administration & Finance
- Deputy Principal Academic Affairs
- Registrar
- Deans of Students
- Chief Finance Officer
- Heads of Departments

d) Fiduciary Management

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

<u>No.</u>	<u>Designation</u>	<u>Name</u>
1.	Chairman of the Council	Mathew Adams Karauri
2.	Chief Principal	Dr. Edwin Tarno PhD HSC
3.	Deputy Principal Planning, Administration & Finance	Thomas Mweu Kitonyi
4.	Chief Finance Officer	Elizabeth Wangaruro
5.	Supply Chain Manager	Robert Maruti

Annual Report and Financial Statements For the year ended 30 June, 2020

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

e) Fiduciary Oversight Arrangements

Finance & General Purposes committee activities

The Committee shall exercise all the powers of Council in financial matters except in relation to the items which are reserved to Council in these Standing Orders, on which the Committee shall advise Council.

Terms of Reference

The role of the Committee shall be to monitor the financial status of the College on behalf of Council. In addition the Committee's responsibilities include:

- a) To monitor and facilitate the implementation of the College's strategy with regard to financial matters.
- b) To receive reports of the extent and condition of the College estate including the efficiency of space utilisation, the consumption of energy and the adequacy of property insurance arrangements.
- c) To consider the adequacy of the College estate and proposals for its maintenance and development, including opportunities to dispose of and acquire new properties.
- d) To determine the fees and charges made for College services and facilities.
- e) To supervise the financial administration of the College and make recommendations to Governing Council where appropriate.
- f) To supervise the arrangements for safeguarding the College's assets.
- g) To ensure the proper financial evaluation and control of projects.
- h) To supervise the arrangements for investing the College's funds, including monitoring the performance of investments.
- i) To ensure the appropriate exploitation of the College's intellectual property.
- j) To make recommendations to Governing Council on the financing of projects.
- k) To supervise the effective and efficient procurement and use of resources in accordance with the objectives of the College.
- l) To supervise the College's purchasing procedures and practices.
- m) To submit an annual statement on its activities to Governing Council.

Annual Report and Financial Statements For the year ended 30 June, 2020

- n) To keep under review the activities of the College's various departments.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Audit committee activities

The audit committee responsibilities include:

- a. Ensuring that financial statements are understandable, transparent, and reliable.
- b. Ensuring the risk management process is comprehensive and ongoing, rather than partial and periodic.
- c. Helping achieve an organization wide commitment to strong and effective internal controls, emanating from the tone at the top.
- d. Reviewing corporate policies relating to compliance with laws and regulations, ethics, conflicts of interest, and the investigation of misconduct and fraud.
- e. Reviewing current and pending corporate-governance-related litigation or regulatory proceedings to which the institution is a party.
- f. Continually communicating with senior management regarding status, progress, and new developments, as well as problematic areas.
- g. Ensuring the internal auditors' access to the audit committee, encouraging communication beyond scheduled committee meetings.
- h. Reviewing internal audit plans, reports, and significant findings.
- i. Establishing a direct reporting relationship with the external auditors.

Senior Management Activities

The main purpose of the Senior Management Team is to:

- 1) Ensure that KTTC's Governing Council is able to take strategic decisions relating to KTTC's activities
- 2) Provide leadership in communicating KTTC's mission, values, plans and achievements effectively and consistently to Governing Council Members, staff, Government, the voluntary and community sector, the general public and other stakeholders;
- 3) Be accountable for the development and implementation of KTTC's strategic, corporate and business plans in line with the mission and values;
- 4) Take a strategic overview of performance in all areas of KTTC's activities.

Annual Report and Financial Statements For the year ended 30 June, 2020

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Specifically the Senior Management Team:

- 1) Makes recommendations to the Council on the implementation and achievement of the Governing Council’s Strategic Framework;
- 2) Agrees KTTC’s Corporate Plan, and monitor delivery through appropriate key management and performance information reporting to the Governing Council as appropriate.
- 3) In the light of income projections and forecasts, considers the annual grants and operational expenditure and monitors such expenditure;
- 4) Develops, agrees, monitors and reviews strategies relevant to the effective and efficient operation of KTTC, making recommendations as appropriate to the Governing Council and/or its relevant Committees;
- 5) Determines strategic issues arising from the introduction of new policies or process, including actively managing risk across the organisation and regularly reviewing the corporate risk register;
- 6) Oversees and monitors KTTC’s joint work with the other stakeholders
- 7) Considers the impact of external factors and developments, including specific political initiatives and the response to key consultation documents and where appropriate make recommendations to the Governing Council and/or its relevant Committees.
- 8) Leads in motivating and developing KTTC staff to deliver the highest standards of performance and customer service.

Government oversight activities

The government of Kenya’s oversight role include provision of Grants for both Operations and Development as well as provision of the regulatory framework.

f) College Location and address

College Headquarters

P.O. Box 44600-00100
 United Nations Avenue
 Limuru Road
 Nairobi, KENYA

College Contacts

Telephone : (+254) 0722 277631
 E-mail : info@kttc.ac.ke
 Website : www.kttc.ac.ke



Annual Report and Financial Statements For the year ended 30 June, 2020

g) College Bankers

- | | |
|---|---|
| 1. Kenya Commercial Bank of Kenya Limited
Village Market Branch
Nairobi | 2. Barclays Bank of Kenya Limited
Muthaiga Branch
Nairobi, Kenya |
| 3. Equity Bank Limited
Gigiri Square,
United nations Avenue
Nairobi | 4. Cooperative Bank of Kenya Limited
Gigiri Square
United nations Avenue
Nairobi |

h) College Auditors







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

i) College Legal Advisor

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

Annual Report and Financial Statements For the year ended 30 June, 2020

II. THE GOVERNING COUNCIL


Governor	Title	Photograph	Date of birth, key qualifications and work experience		Committee Membership
			Date of Birth	Qualifications	
1. Mathew Adams Karauri	Chairman		Date of Birth	16.11.1947	Full Council,
			Qualifications	Masters of Literature	
			Experience	30 Years	
2. Ugas Mohamed	Member		Date of Birth	17.05.1972	Full Council, Audit
			Qualifications	Msc Project Mgt	
			Experience	22 Years	
3. Phyllis Wangwe	Member		Date of Birth	02.10.1970	Full Council, Finance & General Purposes
			Qualifications	BLB	
			Experience	Banker /Financial expert	
Albert Mwilitsa	Member		Date of Birth	01.02.1952	Full Council, Education, Audit
			Qualifications	MA	
			Experience	40 Years	
4. Athony Lubulellah	Member		Date of Birth	10.07.1957	Full Council, Executive, Finance & General Purposes
			Qualifications	Advocate, LLB,LLM, Fellow of CIARB	
			Experience	34 Years	
5. Richard Muteti	Member		Date of Birth	10.08.1971	Full Council, Finance & General Purposes
			Qualifications	MBA- Strategic Mgt, H Dip HRM,B.A	
			Experience		

Annual Report and Financial Statements For the year ended 30 June, 2020

6. Maryan A. Hassan	Member		Date of Birth	12.12.1977	Full Council,
			Qualification	B. Ed.	
			Experience	Educationist, County Director of TVET- Nairobi Region	

7. Veronicah Birgen	Member		Date of Birth	01.01.1960	Full Council, Education, Audit
			Qualifications	MSC(OD), BA(HONS) HNDCHR M	
			Experience	Over 25 Years	

8. Hilda Omwoyo	Secretary to the Council Up to 21/9/2020		Date of Birth	15.11.1960	Membership to all Committees of the Council, apart from Audit
			Qualifications	Master of Education	
			Responsibility	Overall in Charge of College Affairs	

9. Dr. Edwin Tarno PhD, HSC	Secretary to the Council From 21/9/2020		Date of Birth	31.12.1964	Membership to all Committees of the Council, apart from Audit
			Qualifications	PhD- Entre.BCE	
			Experience	Overall in Charge of College Affairs	

Annual Report and Financial Statements For the year ended 30 June, 2020

III. MANAGEMENT TEAM

Manager	Title	Photograph	Qualifications & Responsibility	
1. Hilda J.S. Omwoyo	Chief Principal Up to 21/9/2020		Qualifications	Master of Education
			Responsibility	Overall in Charge of College Affairs
2. Dr. Edwin Tamo PhD, HSC	Chief Principal From 21/9/2020		Qualifications	Master of Education
			Responsibility	Overall in Charge of College Affairs
3. Thomas Mweu Kitonyi	Deputy Principal Planning, Administration & Finance		Qualifications	BSC- Mech. Eng. MSC-Energy Mgt.
			Responsibility	Planning, Finance and Administration
Joyce Baraza	Deputy Principal Academic Affairs		Qualifications	Master of Education – Home Economics
			Responsibility	Academic Affairs
4. Jeremiah Agira	Dean of Students		Qualifications	Master of Education
			Responsibility	Dean of Students



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5.	Julia W.R. Muriithi	Academic Registrar		Qualifications	Master of Education
				Responsibility	Academic Registrar
6.	Elizabeth Wangaruro	Chief Finance Officer		Qualifications	MBA, BCOM, CPA (K).
				Responsibility	Financial Management
7.	Patrick Ngaira	Estates Officer June 2016		Qualifications	Grade I electrician
				Responsibility	Estates Management
8.	Boniface Munguti	Internal Auditor		Qualifications	B-Com., CPA
				Responsibility	Internal Audit Affairs
9.	Catherine Musuku	Guidance and Counselling		Qualifications	Master of Education
				Responsibility	Represents the interests of the Teaching Staff in the Senior Management

Annual Report and Financial Statements For the year ended 30 June, 2020

IV. CHAIRMAN'S STATEMENT

It has been my pleasure to serve as the Chairman of the Council of KTTC since April 2015. KTTC has been offering training skills to trainers of technical institutions since 1978 when it was established. It has also been training school leavers in technological skills in various fields. The role of the Governing Council is to ensure that the college is well managed in order to deliver efficient services to the public. I wish to recognize the input and commitment displayed by members of the Governing Council in the oversight of the general running of the college. The diligence exhibited by the training and non- training staff is commendable for this is the force behind the continuous fulfilment of the KTTC core mandate. The serene environment away from the noisy city is what every student would call a conducive learning atmosphere.

KTTC is currently experiencing improvement in the enrolment of students; a sign that the attitude towards technical education has made a complete turnaround. I would like to thank the Government of Kenya for the support that we have received in form of capitation, HELB loans and other forms of financial support accorded to KTTC and other TVET institutions in the recent past. The modern workshop equipment that was donated by the government has been a great relief and has made transfer of skills to the learner more efficient. This is clear evidence that the Government through the Ministry of Education is committed to the promotion of technical education. I am also grateful for the exposure our staff and students have received in competency based education, and entrepreneurial skills development through collaborations with other organisations with similar interests. Government support initiatives are key to economic and social growth in realizing Vision 2030 and the Big 4 development agenda.

We have remained faithful to our objective to provide a diverse array of programmes with flexibility, using the most up-to-date knowledge and support hardware to equip the young people of Kenya with the right professional knowledge and skills. Our students are given the nurturing environment to help them excel in a number of areas and make substantial contributions to their respective sectors upon graduation.

The KTTC community is bracing itself for the adoption of the Competency Based Education and Training (CBET) mode of learning in response to the demands of the labour market. We are aware that if skills' training is linked to employment, the informal sector will be able to provide a wide range of job opportunities in the country. KTTC is prepared to put in place well managed staff development strategies for purposes of the implementation of the competency based curriculum. We shall also take the challenge from the Directorate of Technical Education that KTTC is to take the lead in the provision of in- service and short

Annual Report and Financial Statements For the year ended 30 June, 2020

courses to the trainers on the job to refresh them on the implementation of the CBC. We are confident that the Government will provide adequate funding for these programs and also recruit more trainers to carry out the training.

On behalf of the Council, I extend my sincere thanks to the Government, the community, partners, parents, students and the entire staff of the College for their unyielding support. I want to especially thank the Principal for leading the College through the trying times we experience now. Together, I am sure the KTTC community can forge ahead with confidence and faith and rise to the many challenges ahead.

 **HON. MATHEW ADAMS KARAURI**
COUNCIL CHAIRMAN

SIGNATURE



DATE:

22/03/21

Annual Report and Financial Statements For the year ended 30 June, 2020

V. REPORT OF THE CHIEF PRINCIPAL

It is with tremendous pride in the work and achievements of the staff and students that I am writing the introduction to the Annual Report for The Kenya Technical Trainers College for the period of 1st July 2019 to 30th June 2020. Kenya Technical Trainers College is mandated to provide relevant knowledge and skills to technical trainers and technologists. To date, since 1978, 19,252 thousand technical trainers, technicians, technologists and entrepreneurs have graduated from KTTC and are shaping the lives and utilizing their skills for economic growth in both the public and private sector. This achievement has been made possible by the role played by the KTTC's Governing Council, the trainers and support staff who have shown remarkable dedication and provided selfless service to the trainees over the years.

I would like to recognize the contribution of the parent Ministry and particularly our State Department of Vocational and Technical In Government to KTTC. Through the TVET reforms that have led to the positive change of attitude towards technical education, evident fruits have been borne. Provision of capitation to the trainees has attracted many students to KTTC within one year. This gives fresh hope to the country's achievement of the Big 4 agendas and Vision 2030.

As KTTC joins in the race towards embracing the ongoing reforms in the TVET sector, our focus is on the implementation of CBET programmes. We have already acquired 84 curriculum and 84 occupational standards for implementation and in collaboration with CDACC are in the final stages of developing curriculum and occupational standards for the Technical trainers' course. Once the curriculum is validated, KTTC will offer an opportunity for in-service of TVET trainers in Kenya and beyond.

KTTC intends to initiate short courses that will boost the skills of trainers. In addition, we shall mount in service courses to enable the trainers to collaborate with the industry in the effective transfer of competencies and skills. We shall also continue to offer the ordinary technical trainers course. This will bridge the existing gap created by lack of adequate trainers in the country. Our goal is to make KTTC the hub of technical trainers as well as sharpening the training skills of those on the job. We appreciate the Government's plan of attaching trainers to the industry without disrupting the learning programs in the colleges. This will equip the trainers with the latest and most relevant skills and competencies required by the trainee and the industry.

Annual Report and Financial Statements For the year ended 30 June, 2020

We are in partnership with a number of local and international organizations which include; KEFEP, AHK , AVIC International, NITA and World bank among others. Through these partnerships KTTC has gained vast experience.

KTTC has mentored three TVET institutions. Maasai Mara Technical and Vocational Training Institute is already well established. The infrastructural development of Bahati Technical and Vocational Training Centre is in progress while North Horr Technical Training Institute is already complete and equipped awaiting appointment of a principal.

As Principal, I am keenly aware that I am carrying a baton passed to me by other generations who worked hard to build our College to one of national and international standing, and I am the recipient of a tradition of excellent teaching. Fortunately, this is not a responsibility I carry alone. I believe our founders would be proud of the way in which our students and staff are working together with others to write the next chapter of the history of The Kenya Technical Trainers College. It has been a great pleasure and honour to guide and work with such talented staff and students over the period covered by this report. And despite the undoubted challenges ahead, I am confident that we are doing the right things for both our own future and that of the wider society we exist to serve.

Dr. Edwin Tarno, PhD, HSC
CHIEF PRINCIPAL

SIGNATURE _____



DATE:

22/03/20

Annual Report and Financial Statements For the year ended 30 June, 2020

VI. CORPORATE GOVERNANCE STATEMENT

Kenya Technical Trainers College (KTTC) is committed to demonstrating best practice in corporate governance. The College has a duty to conduct affairs in a responsible and transparent way, and to take into account the requirements of funding bodies and the Government of Kenya requirements. KTTC has an effective Governing Council supported by a highly committed, focused and dynamic management. The college corporate values and ethics are entrenched in the strategic and quality objectives and are focused on providing quality Technical Education for National development.

The Governing Council is responsible for ensuring a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which the Governing Council is responsible. The College has applied the principles of governance in the year and up to the date of the approval of the financial statements by the Governing Council. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness against material misstatement or loss.

The Governing Council has adopted a statement of primary responsibilities, which is published on the college policy documents and as stipulated in the KTTC legal order No.115 of July 2014 and the Mwongozo code of Conduct for Public Officers. These policy documents set out the councils responsibilities in respect of the proper conduct of public business, strategic planning, monitoring effectiveness and performance, finance, audit, estate management, human resource management, equality and diversity and student welfare

The Governing Council has a formal schedule of matters reserved for it. The Council receives appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance matters. Ultimately, the Council determines the college's strategic objectives, values, key policies and procedures in accordance with best practice. It is responsible for establishing and maintaining the overall internal controls of financial, operational and compliance functions as well as monitoring performance of the college management. The council has delegated the authority for day-to-day management of the

Annual Report and Financial Statements For the year ended 30 June, 2020

college to the Principal. However, it retains overall responsibility for the college financial performance, compliance with laws and regulations, and monitoring of its operations as well as ensuring competent management of the institution.

The Governing Council meets regularly and has a number of committees including: the Executive committee; an Audit Committee; a Finance and General purpose Committee and Academic committee. All of these Committees are formally constituted with terms of reference and are comprised mainly of independent members. Each Committee is chaired by an independent member. All committees review and reflect on their work and provide a report to the Governing council.

The Governing council's review of the effectiveness of the system of internal control is also informed by the work of the senior management within the college, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter.

Dr. Edwin Tarno, PhD, HSC
CHIEF PRINCIPAL

SIGNATURE  _____

DATE: 22/03/21

Annual Report and Financial Statements For the year ended 30 June, 2020

VII. MANAGEMENT DISCUSSION AND ANALYSIS

Operational Grants

During the year under review, the institution had expected to receive Ksh.102, 000,000.00 according to the budget for that year. However, only Ksh. 119,000,000.00 was received. This enabled the College to clear the bulk of its Payables which stood at Ksh.41,830,266.00 as at 30th June 2019.

Development Grants

The government released the grants for the construction of the Institutional Management Training Centre to the tune of Ksh. 9.6 million in the Financial Year under review.

Student Population

Previously, KTTC experienced has been experiencing a reduction in the student intake. This was occasioned by the TSC policy on employment of only graduates teachers who had attained a C+ and above in their KSCE examinations.

However, the trend has changed owing to rigorous publicity campaigns for training of the non-teacher students and the assistance received from KUCCPS in sourcing for students to the Kenya Technical Trainers College. The introduction of capitation, Publicity on HELB loans has also led to a change of attitude on Technical Education and Government Policy as well as good will. This has had a significant increase in the student population during the year under review from 3200 in the last financial year to 4,887 at the end of this financial year.

Mentoring Institutions

During the year under review, KTTC managed to successfully mentor to 100% completion the construction of the Heroes TTI in Bahati-Nakuru.

Annual Report and Financial Statements For the year ended 30 June, 2020

Financial and Management risks

1. Standard Workshops

As at 30th June 2019, more than 6 years after the completion period, the contractor had been paid Kshs.50,335,791 or 95% for the Standard Workshops but with a variation claim of Kshs.21,269,341 arising out of a dispute over alterations to the original bill of quantities which were done without authority from the procurement committee for the variations or extension of contract period. The case was taken for Arbitration, and as at 30th June 2020, the Award/Ruling was about to be given on the case.

2. The Institutional Management Training Centre.

As at 30th June 2020, the Contractor for the Institutional Management Training Centre had a claim for variation amounting to Ksh. 56 Million. The Contractor cannot make further claims until the variation is approved, delaying the project completion which increases the depreciation of the areas already completed.

The Project is a hotel complex with 50 executive rooms and a training centre for the Food Technology Department. The Completion and commissioning of this project will go a long way in generating more revenue to the Institution.

Annual Report and Financial Statements For the year ended 30 June, 2020

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Corporate Social Responsibility Policy

- a) Kenya Technical Trainers College (KTTC) formally *Kenya Technical Teachers College* was founded for public benefit, to promote education and training in Technical Teacher Education and Technology, and to provide an institution open to all, irrespective of race, creed or political belief.
- b) The College endeavours to conduct its business in accordance with its core values stipulated in the 2018-23 Strategic Plan thus:
 - a. Innovation
 - b. Professionalism,
 - c. Teamwork,
 - d. Inclusivity,
 - e. Accountability.
- c) The Kenya Technical Trainers College Corporate Social Responsibility (CSR) Policy sets out the guiding principles by which the organization is run in order to fulfil its core mission. This Policy brings together the ways in which the college ensures, at corporate level, that its activities are carried out ethically, sustainably and for the public benefit.
- d) The CSR Policy is made up of three central pillars: people and community, finance and economic activity, environmental sustainability.

People and Community

The College as an employer

- i) KTTC is committed to being a good employer, and to contributing positively to the local community, the education sector in the Kenya, and the global community.
- ii) As an employer the College is committed to ensuring that all staff are fully supported in their work, have a decent working environment, are fairly rewarded, and maintain a good work-life balance. The College engages with recognized Trade Unions that represent and protect the interests of its staff. The College offers competitive terms and conditions to its directly employed staff by:-

Annual Report and Financial Statements For the year ended 30 June, 2020

- Embedding equality and diversity into all operations
 - Ensuring staff can achieve their full potential through training, mentoring and other staff development activities.
- iii) The college also encourages and supports staff to engage in activities that benefit the wider community and society.

Local Community

- i) The college provides subsidized early childhood education to children of its employees and the community.

Finance and Economic Activity

- i. The College recognizes the way in which it conducts its activity financially has a bearing on those with an interest in its work. The College Financial Regulations ensure fair and ethical financial practice.
- ii. The college commits to providing clear information where required to organizations with whom we engage financially.

Environmental Sustainability

KTTC recognizes environmental sustainability as the greatest challenge of the 21st century and commits to ensuring that all of its major strategies and operations consider their environmental and ecological aspects and impacts. The College will ensure that sustainable development is understood by staff and students and is an integral part of all aspects of major college plans, activities and strategies.

Annual Report and Financial Statements For the year ended 30 June, 2020

IX. REPORT OF THE GOVERNING COUNCIL

The Governing Council submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the *KTTC's* affairs.

Principal activities

The principal activities of the entity continue to be Training of Technical Trainers and Technologists

Results

The results of the entity for the year ended June 30, 2020 are set out on page 1 to 4.

The Council

The members of the Governing Council who served during the year are shown on page vi.

Auditors

The Auditor General is responsible for the statutory audit of the *Kenya Technical Trainers College* for the year ended 30th June 2020 in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015, and in accordance with section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

The Auditor general did not nominate any other auditor to carry out the audit on his behalf.

By Order of the Council

Dr. Edwin Tarno, PhD, HSC
CHIEF PRINCIPAL/SECRETARY TO THE GOVERNING COUNCIL

SIGNATURE  _____

Date: 22/03/21

Annual Report and Financial Statements For the year ended 30 June, 2020

X. STATEMENT OF THE GOVERNING COUNCIL'S RESPONSIBILITIES

Section 81(1) of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013 as well as legal order No. 115 of 2014, require the Governing Council to prepare financial statements in respect of that College, which give a true and fair view of the state of affairs of the College at the end of the financial year and the operating results of the College for that year. The Governing Council are also required to ensure that the College keeps proper accounting records which disclose with reasonable accuracy the financial position of the College. The Governing Council are also responsible for safeguarding the assets of the College.

The Governing Council is responsible for the preparation and presentation of the College's financial statements, which give a true and fair view of the state of affairs of the College for and as at the end of the financial year ended on 30 June 2020. 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 College;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of the College;
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

The Governing Council accept responsibility for the College's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act (2012) and the State Corporations Act and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013 as well as legal order No. 115 of 2014. The Governing Council is of the opinion that the College's financial statements give a true and fair view of the state of College's


Annual Report and Financial Statements For the year ended 30 June, 2020

transactions during the financial year ended June 30th, 2019, and of the College's financial position as at that date. The Governing Council further confirm the completeness of the accounting records maintained for the College, which have been relied upon in the preparation of the College's financial statements as well as the adequacy of the systems of internal financial control.

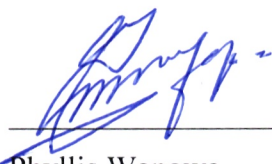
Nothing has come to the attention of the Governing Council to indicate that the *College* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The College's financial statements were approved by the Council on 12th September 2019 and signed on its behalf by:



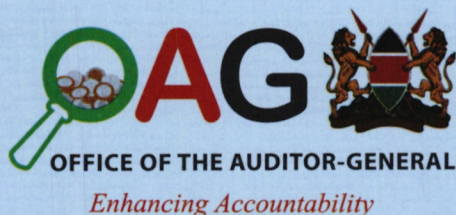
Non. Mathew Adams Karauri,
Chairman of Governing Council



Phyllis Wangwe
Chairman FGPC

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA TECHNICAL TRAINERS COLLEGE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Technical Trainers College set out on pages 1 to 29, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amount for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Technical Trainers College as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and the Kenya Technical Trainers College Order, 2014 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Technical Trainers College 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 opinion.

Emphasis of Matter

1. Financial Performance

I draw attention to Note 35 to the financial statements that indicate the financial statements have been prepared on a going concern basis. The College registered a deficit of Kshs.18,928,933 (2019: - deficit Kshs.39,441,469) thereby increasing

accumulative deficit from Kshs.175,866,866 to a deficit of Kshs.194,795,799 as at 30 June, 2020. The College financial performance is therefore likely to experience financial challenges in future.

2. Missing Certificate of Lease

The property, plant and equipment balance of Kshs.26,584,453,146 as at 30 June, 2020 include land LR No. Nairobi/Block 91/411 measuring 32.29 hectares situated at Gigiri area, Nairobi and recorded at a cost of Kshs.24,000,000,000. However, the college does not possess the original certificate of lease in its possession as the certificate was forwarded to the then Cabinet Secretary, Ministry of Education on 9 September, 2016. The Management was notified on the loss of the original certificate of lease vide letter reference MOEST/CON/VTT/13/1(53) dated 2 February, 2021.

My opinion is not modified in respect of these matters.

Other Matter

Budget Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.461,659,553 and Kshs.253,833,395 respectively resulting to an under-funding of Kshs.207,826,158 or 45% of the budget. Similarly, the College expended Kshs.272,762,327 against an approved budget of Kshs.306,041,417 resulting to an under-expenditure of Kshs.33,279,090 or 11% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the stakeholders.

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 are no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter under Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Incomplete Standard Workshops Project

The financial statements reflect a balance of Kshs.310,952,180 relating to work in progress as at 30 June, 2020. Included in Kshs.310,952,180 is Kshs.52,352,441 relating to standard workshops project that has not been handed over to the College for over 5

years. The delay has been caused by a case that arose between the College and the contractor over contract variations. The matter was referred to an Arbitrator in May, 2017. Review of the position on 8 February, 2021 showed that the Arbitrator made a ruling in August, 2020 that the contractor should go ahead and finalize the remaining parts of the construction. However, during a field visit in March, 2021 the contractor was not on the ground. Physical verification of the buildings reflected signs of cracks on the walls and leaking roof which may deteriorate the state of the building.

Consequently, the College may not obtain value for money on the building with a cost of Kshs.52,352,441 so far incurred.

2. Unbalanced Budget

The Management prepared a budget which reflects final budgeted receipts of Kshs.461,659,553 against budgeted expenditure of Kshs.306,041,417 resulting to a variance of Kshs.155,618,136. This is contrary to Section 33(c) of the Public Finance Management (National Government) Regulations, 2015 which provides that the budget shall be balanced.

The Management is therefore in breach of the regulations.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and The Council Members

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

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

In preparing the financial statements, Management is responsible for assessing the College's ability to continue to sustain its service disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the College or 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 Governing Council is responsible for overseeing the College's financial reporting process, reviewing the effectiveness of how the 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 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 College's policies and procedures may deteriorate.

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

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

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

12 November, 2021


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

		2020	2019
		Kshs	Kshs
<u>REVENUE</u>			
Revenue from Non-exchange transactions	5	122,535,000	61,345,356
Revenue from exchange transactions	6	84,099,597	154,912,968
Revenue from Rental Facilities & Equipment	7	15,017,066	11,869,553
Income from Investments	8	56,977	64,608
Other Incomes	9	32,124,755	44,280,244
Total revenue		253,833,395	272,472,729
<u>EXPENSES</u>			
Use of Goods and Services	10	22,358,139	23,062,872
Employee Costs	11	90,971,340	91,886,189
Council Expenses	12	3,191,200	3,538,000
Provision for Depreciation	22	70,158,158	76,657,108
Repairs and Maintenance	14	5,850,014	3,511,307
Contracted Professional Services	15	2,754,408	3,710,877
General Expenses	16	76,099,250	108,049,562
Finance Costs	17	879,818	1,042,849
Audit Fees	18	500,000	500,000
Total Expenses		272,762,327	311,914,198
Deficit for the Period		(18,928,933)	(39,441,469)


**XIII. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

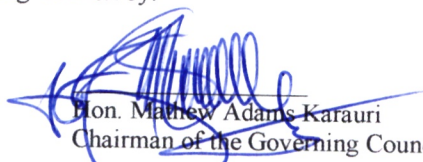
	Note	2020 Kshs	2019 Kshs
Assets			
Current assets			
Cash and cash equivalents	19	55,901,661	77,975,634
Receivables from exchange transactions	20	27,918,166	24,158,269
Refundable Deposits	21	1,000,000	1,000,000
Total Current Assets		84,819,826	103,133,903
Non-current assets			
Property, plant and equipment	22	26,584,453,146	26,650,267,804
Work in Progress	23	310,952,180	355,252,439
Total Non-Current Assets		26,895,405,326	27,005,520,243
Total Assets		26,980,225,152	27,108,654,146
Liabilities			
Current liabilities			
Trade and other payables	25	6,929,583	41,830,266
Retentions	24	27,895,377	29,612,654
Payables for Construction Contracts	26	619,500	3,094,551
Total liabilities		35,944,460	74,537,471
Capital Reserves & Surpluses			
Revenue Reserves	27	(194,795,799)	(175,866,866)
Deferred Income	28	-	1,089,038
Capital Reserves	29	27,139,576,491	27,208,894,503
Total Capital Reserves & Surpluses		26,944,780,693	27,034,116,675
Total Reserves and liabilities		26,980,225,152	27,108,654,146

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Governing Council by:


Dr. Edwin Tarno, PhD, HSC
Chief Principal

Date: 22/03/21


Elizabeth Wangaruro
Chief Finance Officer
ICPAK Member Number: 12511
Date: 22/03/21


Hon. Mathew Adams Karauri
Chairman of the Governing Council
Date: 22/03/21



KENYA TECHNICAL TRAINERS COLLEGE

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Phone:- +254-20-7120212/3/4, Fax +254-20-7120088 .

XIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	REVENUE RESERVE	CAPITAL RESERVE	DEFERRED INCOME	TOTAL
	Kshs	Kshs	Kshs	Kshs
As at 1 July 2018	(136,425,400)	27,245,724,290	6,488,621	27,115,787,511
Transfer to Marsabit County Government		(48,315,489)		(48,315,489)
Deferred Income (reductions in the year)	-		(5,399,583)	(4,113,500)
Development Grant	-	11,485,702		11,485,702
Surplus for the year	(39,441,469)		-	(39,441,469)
As at 30 June 2019	(175,866,866)	27,208,894,503	1,089,038	27,034,116,675
As at 1 July 2019	(175,866,866)	27,208,894,503	1,089,038	27,034,116,675
Deferred Income (Payments)	-	-	(1,089,038)	(1,089,038)
Transfer of Bahati TTI to Nakuru County Government		(60,149,675)		(60,149,675)
Development Grant	-	9,680,500		9,680,500
Transfer of North Horr TTI to Marsabit County Government		(18,848,837)		(18,848,837)
Deficit for the year	(18,928,933)	-		(18,928,933)
As at 30 June 2020	(194,795,799)	27,139,576,491	-	26,944,780,693

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

Cashflow from Operating Activities	Note	2020	2019
Receipts			
Transfer from the National Government	5	122,535,000	61,345,356
Cash flows from Rendering of Services	6	84,099,597	154,912,968
Cashflow from Rents facilities and equipment	7	15,017,066	11,869,553
Cashflow from external investments	8	56,977	64,608
Cashflows from other transactions	9	32,124,755	44,280,244
		253,833,395	272,472,729
Payments			
Use of Goods and Services	10	22,358,139	23,062,872
Employee Costs	11	90,971,340	91,886,189
Council Expenses	12	3,191,200	3,538,000
Repairs and Maintenance	14	5,850,014	3,511,307
Contracted Services	15	2,754,408	3,710,877
General Expenses	16	76,099,250	108,049,562
Finance Costs	17	879,818	1,042,849
Audit Fees	18	500000	500,000
		202,604,169	235,257,090
Net cash flows from operating activities		51,229,226	37,215,639
Cash flows from investing activities			
Purchase of property, plant, eqpt and intangible assets	21	-4,343,500	-1,277,705
Construction of Buildings (Work in Progress)	22	-44,300,259	-15,139,639
Net cash flows used in investing activities		-48,643,759	-16,417,344
Cash flows from financing activities			
Grants for development		9,680,500	11,485,702
Increase/ (Decrease) in Other Payables	24	-38,593,011	2,832,484
Decrease in Payables to Contractor (IM)	29	1,582,212	2,201,712.00
(Increase)/ Decrease in Receivables	26	3,759,897	26,639,226.85
Decrease in Deffered Income	25	-1,089,038	-5,399,583
Net cash flows used in financing activities		-24,659,440	37,759,542
Cash and cash equivalents at the beginning of the Year		77,975,634	43,004,418
Net increase/(decrease) in cash and cash equivalents		-22,073,973	-23,586,621
Cash and cash equivalents at end of the year	19	55,901,661	77,975,634

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2020

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	% Change	Remarks
	2019-2020		2019-2020	2019-2020	2019-2020		
REVENUE							
Transfer from the National Government	102,000,000	0	102,000,000	122,535,000	20,535,000	20.13	The Grant for Mentee Institutions was sent through KTTC
Revenue From Exchange Transactions	256,659,553	0	256,659,553	84,099,597	-172,559,956	-67.23	Affected due to COVID 19 Effect
Rental Revenue from Facilities & Equipment	13,000,000	0	13,000,000	15,017,066	2,017,066	15.52	Facilities not hired out as expected due to COVID 19 effect
Finance Income from External Investments	300,000	0	300,000	56,977	-243,023	-81.01	Reduction in invested amount
Other Incomes	89,700,000	0	89,700,000	32,124,755	-57,575,245	-64.19	Affected due to COVID 19 Effect
TOTALS REVENUE	461,659,553	0	461,659,553	253,833,395	-207,826,158	-45.02	Revenue from exchange transaction was affected due to the COVID 19
EXPENDITURE				2019-2020			
Use of goods and services	25,360,500	0	25,360,500	22,358,139	-3,002,361	-11.84	The College remained Closed due to COVID 19 pandemic
Employee costs	106,040,086	0	106,040,086	90,971,340	-15,068,746	-14.21	No recruitment was done as anticipated due to COVID 19
Council Members Expenses	5,004,000	0	5,004,000	3,191,200	-1,812,800	-36.23	Affected due to COVID 19 Effect
Depreciation expense	69,322,048	0	69,322,048	70,158,158	836,110	1.21	Additional assets purchased
Repairs and Maintenance	13,860,000	0	13,860,000	5,850,014	-8,009,986	-57.79	Cost reduction due to unrealized revenue
Contracted Professional Services	5,800,000	0	5,800,000	2,754,408	-3,045,592	-52.51	Affected due to COVID 19 Effect
General Expenses	78,154,783	0	78,154,783	76,099,250	-2,055,533	-2.63	Cost reduction due to unrealized revenue
Finance Costs	2,000,000	0	2,000,000	879,818	-1,120,182	-56.01	Reduced number of transactions.
Audit Fees	500,000	0	500,000	500,000	-	0.00	
TOTAL EXPENDITURE	306,041,417	0	306,041,417	272,762,327	-33,279,090	-10.87	Expenditure reduced because of COVID 19 pandemic

Annual Report and Financial Statements For the year ended June 30, 2020

VII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Technical Trainers College (KTTC) is established by and derives its authority and accountability from Education Act Cap. 211 (revised in 1980) and Legal Notice no. 242 of 1978 coupled with the TVET Act 2013, which mandates it to train Technical Teachers for Technical and other Institutions of learning in the Country. In the Year 2014, a Legal Order No. 115 was issued which elevated the institution to a National Polytechnic. KTTC is wholly owned by the Government of Kenya and is domiciled in Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value where applicable. 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 college's accounting policies.

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

The financial statements have been prepared in accordance with the PFM Act No. 18 of 24th July 2012, the State Corporations Act, the TVET Act 2013, Legal Order No. 115 (July 2014), and International Public Sector Accounting Standards (IPSAS). The Institution adopted IPSAS in the year 2016 following elevation into a SAGA. The accounting policies adopted have been consistently applied to all the years presented.

Annual Report and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

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.

Annual Report and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2019-2020 was approved by the Governing Council in January 2020. No subsequent revisions were made during the year to the original budget.

c) Taxes

Current income tax

Kenya Technical Trainers College is exempted from paying taxes as per First schedule Section 10 subsection (a) and (b) of the 2010 Income Tax Act

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 30-year period.

Annual Report and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

f) 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.

Annual Report and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

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

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

h) Financial instruments

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.

Annual Report and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Provisions

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

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

j) *Contingent liabilities*

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

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

Annual Report and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Changes in accounting policies and estimates

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

l) Related parties

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

m) 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.

n) Comparative figures

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

o) Subsequent events

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

Annual Report and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result

in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made: e.g

Estimates and assumptions

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

Useful lives and residual values

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

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

Annual Report and Financial Statements For the year ended June 30, 2020

Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. The college has made a provision of 5% towards bad debts from receivables.

5 TRANSFERS FROM OTHER GOVERNMENTS

Description	2019-2020	2018-2019
	KShs	KShs
Unconditional grants		
Operational grant	119,535,000	61,345,355
Other	-	-
Conditional grants		
Government Grants – Mentee Institutions	3,000,000	
Total	122,535,000	61,345,355

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2019-2020
State Department for Technical and Vocational Training	122,535,000	-	9,680,500	132,215,500	
Total	122,535,000	-	9,680,500	132,215,500	

Annual Report and Financial Statements For the year ended June 30, 2020

6 REVENUE FROM EXCHANGE TRANSACTIONS

	2020	2019
Accommodation Subsidy	20,109,614	21,789,169
Activity Fees	8,175,283	8,819,073
Application Fees	2,316,150	2,852,050
Attachment Fees Income	3,647,215	6,823,575
Ict Fees	1,176,480	1,917,540
Library Fees	1,049,915	1,595,450
Maintenance Fees	4,891,182	5,787,182
Medical Fees	881,521	1,519,902
Material Practical Fees	1,394,661	2,541,732
Teaching Practice Fees	2,476,500	5,734,451
Registration Fees	1,675,451	4,235,416
Tuition Fees	36,305,625	93,839,160
Total	84,099,597	157,454,700

7 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Bill Boards	5,117,570	4,093,003
Rental From staff Houses	6,078,000	6,989,150
Hire of College Facilities	3,821,496	787,400
Total	15,017,066	11,869,553

8 FINANCE INCOME FROM EXTERNAL INVESTMENTS

Interest From Savings and Investments	56,977	64,608
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9 OTHER INCOME

Disposal of idle items	-	30,000
Tenders	-	75,000
Consultancy & Trainings	16,045,764	12,499,768
Insurance Cover	5,900	20,200
Laboratory Charges	158,800	136,400
Meals (PAYE)	15,914,291	22,827,970
Production Units Revenue	-	6,149,174
Total	32,124,755	41,738,512

Annual Report and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 USE OF GOODS AND SERVICES

	2020	2019
Electricity Expenses	10,808,849	7,947,549
Water, Fuel And Conservancy	11,549,290	15,115,323
Total	22,358,139	23,062,872

11 EMPLOYEE COSTS

Commuter Allowance	8,378,000	8,781,000
Gratuity And Pensions	5,796,386	4,355,228
Honoraria To Administration Staff	2,645,876	15,315,872
House Allowance	12,168,200	12,709,800
Medical Allowances	1,635,195	1,715,025
Passage And Leave Expenses	802,000	830,400
Personal Emoluments	58,148,683	57,069,119
Responsibility Allowance	1,397,000	1,608,000
Total Staff Costs	90,971,340	91,886,189

12 COUNCIL EXPENSES

Chairman's Honoraria	720,000	540,000
Sitting Allowance	1,575,000	1,985,000
Transport	78,000	397,000
Accommodation	478,200	616,000
Air Time	232,000	-
Lunches	108,000	-
Total	3,191,200	3,538,000

14 REPAIRS AND MAINTENANCE

Maint. Of Buildings And Furniture	2,651,300	857,243
Maint. Of Plant M. & Equipment	2,944,214	2,011,944
Maintenance Of Water Supplies	254,500	18,750
Refurbishment of Buildings	-	623,370
Total	5,850,014	3,511,307

Annual Report and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 CONTRACTED PROFESSIONAL SERVICES

	2020	2019
Technical Expertise	1,687,078	
Legal Fees	930,030	
ISO Audits	137,300	
Consultancies for Projects		3,710,877
Total	2,754,408	3,710,877

16 GENERAL EXPENSES

Teaching Practice Expenses	11,985,906	22,927,379
Purchase Of Food and rations	22,541,453	37,544,893
Purchase Tuition Materials	8,484,650	11,629,078
Graduation	-	1,365,910
IITC Project	-	50,800
Transport Operating Expenses	6,191,391	9,263,562
Grants For Staff Training	816,477	1,023,640
Farewell And Special Events	1,067,130	281,300
International Trips (Capa & Others)	1,186,096	1,471,395
Library Expenses	395,980	98,084
Insurance for Vehicles	457,349	400,983
Payment Of Rents And Rates (nr)	-	583,570
Postal And Telegrams Expenses	69,450	81,277
Purchase of Uniform and Clothing	477,830	-
Telephone Expenses	613,839	701,034
Advertising And Publicity	2,058,913	3,313,182
Hire Of College Facilities Expenses	526,275	36,000
Research Innovation & Incubation	1,758,420	816,650
Student Activities	5,860,159	11,385,654
Fees Commission And Honoraria	168,000	664,289
Official Entertainment	336,180	530,300
Purchase Of Stationery	3,793,129	220,410
ICT Expenses	-	3,184,313
Consultancy and Trainings	11,070,520	1,702,782
	79,859,147	109,276,485
Provision for Doubtful Debts	(3,759,897)	(1,271,488))
Total General Expenses	76,099,250	108,004,997

Annual Report and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 FINANCE COSTS

	2020	2019
College Fund Account_BARCLAYS	115,786	135,640
Continuing Education Program _ BARCLAYS	15,928	23,604
		839,406
Main Account _ KCB	715,869	
ESP Account _ KCB	9,585	10,304
KESSP Account_KCB	22,650	33,895
Total finance costs	879,818	1,042,849

18 AUDIT FEES

Audit Fees

500,000	5,000,000
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19 CASH AND CASH EQUIVALENTS

Cooperative Bank	Fees Collection A/C	38,768,854	17,143,560
Equity Bank	Fees Collection A/C	3,358,191	31,032,571
Kenya Commercial Bank	Main A/C	5,326,161	21,602
Kenya Commercial Bank	ESP A/C	5,059,126	915,905
Kenya Commercial Bank	KESSP A/C	1,417,679	16,946,388
Barclays Bank	College Fund A/C	894,918	6,021,329
Barclays Bank	Continuing Education Program	7,576	4,874,656
	Old Mutual	1,069,156	1,019,623
		55,901,661	77,975,634

Annual Report and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 RECEIVABLES FROM EXCHANGE TRANSACTIONS	2020	2019
Staff Advance	391,097	207,849
Staff Imprest	3,561,675	14,000
Students Fees Debtors	19,199,649	17,236,463
Rent Debtors	3,451,762	4,382,203
Kenya Alliance Insurance	-	13,087
KTTC IITC	2,217,500	2,217,500
HELB Control Account	-	467,330
Barclays Bank	-	891,325
Bill Board Debtors	5,117,570	
Total Receivables	31,721,753	25,429,757
Less: 5% Provision for bad and doubtful debts	1,586,088	1,271,488
Less: Provision for specific bad debts	2,217,500	
Net Receivables from Exchange transactions	27,918,166	24,158,269

21 REFUNDABLE DEPOSITS FROM CUSTOMERS

Deposits - Total Kenya Limited	1,000,000	1,000,000
Total Deposits	1,000,000	1,000,000

Annual Report and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment	Land	Buildings 2%	Plant, Machinery and Equipment 10%	Motor Vehicles 25%	Computers 30%	Intangible Assets 30%	Furniture 10%	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
COST								
Cost as at 1st July 2019	24,000,000,000	2,775,000,000	30,686,884	19,665,000	33,132,000	4,560,000	18,645,697	26,881,689,581
Additions for the Year					789,000		3,554,500	4,343,500
Cost as at 30 June 2020	24,000,000,000	2,775,000,000	30,686,884	19,665,000	33,921,000	4,560,000	22,200,197	26,886,033,081
Depreciation As at 1st July 2019	166,614,450	9,715,553	14,748,750	29,818,800	4,209,000	6,315,224	231,421,777	154,764,669
Charge for the year	-	55,500,000	3,068,688	4,916,250	4,102,200	351,000	2,220,020	70,158,158
Depreciation as at 30 June 2020	-	222,114,450	12,784,241	19,665,000	33,921,000	4,560,000	8,535,244	301,579,935
Book Value as at 30th June 2020	24,000,000,000	2,552,885,550	17,902,643	-	-	-	13,664,953	26,584,453,146
Net Book Value as at 30 June 2019	24,000,000,000	2,608,385,550	20,971,331	4,916,250	3,313,200	351,000	12,330,473	26,650,267,804

Annual Report and Financial Statements For the year ended June 30, 2020

23 WORK IN PROGRESS (See Schedule Below)

Work in Progress as at 01.07.2019	IM TC	STD WORKSHOPS	Heroes TTI	Total
	249,887,289	52,352,441	53,012,709	355,252,439
Additions during the year	8,712,450	-	7,136,966	15,139,639
Disposal during the year			(60,149,675)	(60,149,675)
Work in Progress as at 30.06.2019	258,599,739	52,352,441	-	310,952,180

24 RETENTION

	IM TC	STD WORKSHOPS	North HERR TTI	Heroes TTI	Total
Retentions					
Balance as at 1st July 2018	18,794,680	5,253,243	194,077	5,370,654	29,612,654
Additions for the year	968,050				968,050
Payments during the year			-	(2,685,327)	(2,685,327)
Balance as at 30.06.2019	19,762,730	5,253,243	194,077	2,685,327	27,895,377

Annual Report and Financial Statements For the year ended June 30, 2020
NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

PAYABLES FROM EXCHANGE TRANSACTIONS	2020	2019
Trade Payables	5,407,180	11,898,738
Other Payables	-	-
Gratuity	-	1,994,530
Resource Persons Claims	522,403	2,467,012
Project Fees	-	594,272
Students Creditors	-	3,225,586
Elimu Sacco Limited	-	15,983
Madison Insurance Limited	-	21,075
COTU/KUDHEIHA	-	31,050
PIONEER INSURANCE	-	1,500
KTTC B/F	-	26,281
ICEA Limited	-	13,230
PERSONAL LOANS EQUITY	-	95,699
Deferred Tax	-	216,000
Over recovery of Salaries	-	332,867
Platinum Credit	-	2,293
Eft Disbursements	-	69,545
Audit fees for Year 2018	1,000,000	500,000
Examination Fees	-	4,016,103
	6,929,583	25,521,764
PAYABLES FROM NON EXCHANGE TRANSACTIONS		
Caution Money		4,211,719
ID Card Fees	-	3,091,000
	-	7,302,719
Accrued Payables	-	9,005,783
TOTAL PAYABLES	6,929,583	41,830,266

Annual Report and Financial Statements For the year ended June 30, 2020
NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 PAYABLE TO CONSTRUCTION CONTRACTS	2020	2019
Heroes TTI - Bahati Nakuru		
Amount as per Certificate No. 5	-	3,439,391
Less: Partial Payments	-	0
Less: Retentions on Certificate No. 4	-	344,840
Payables to Contractors as at 30 June 2019	-	3,094,551
Institutional Management		
Bal b/f	-	
Amount as per Certificate No. 2	10,300,000	
Less: Payments	(8,712,450)	
Less: Retentions on Certificate No. 10	(968,050)	
Payable to Contractors as at 30 June 2020	619,500	
27 REVENUE RESERVES		
Balance b/f	(175,866,866)	(136,425,400)
Surplus/Deficit for the year	(18,928,933)	(39,441,464)
Total	(194,795,805)	(175,866,866)
28 DEFERRED INCOME		
Balance b/f	1,089,038	6,488,621
Im Training Centre	(1,089,038)	(5,399,583)
	-	1,089,038
29 CAPITAL RESERVES		
Balance b/f	27,208,894,503	27,245,724,290
Development Grant	9,680,500	8,162,976
Adjustments during the year	(78,998,512)	(48,315,489)
Total	27,139,576,491	27,208,894,503

Annual Report and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 FINANCIAL RISK MANAGEMENT

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

(i) Credit risk

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

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

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

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.

Annual Report and Financial Statements For the year ended June 30, 2020
NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management

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

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

(iii) Market risk

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

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

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

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

a) Foreign currency risk

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

(KTTC did not make any foreign currency transactions during the year under review)

Annual Report and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. FINANCIAL RISK MANAGEMENT (Continued)

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions.

(KTTC did not hold any financial instruments during the year under review)

iv) **Capital Risk Management**

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

Annual Report and Financial Statements For the year ended June 30, 2020
NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Teachers Service Commission;
- iv) National Industrial Training Authority;
- v) Governing Council
- vi) NTSA

32 EVENTS AFTER THE REPORTING PERIOD

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

33 ULTIMATE AND HOLDING ENTITY

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

34 Currency

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

35 GOING CONCERN

The deficit of Ksh. 18,928,933 from a deficit of Ksh. 39,441,469 arose due to the following:

- KTTC's Core mandate is Teacher Education programmes. This entails teaching practice assessment, where by the assessors are facilitated for field work and students given an upkeep allowance. Each student is assessed up to a minimum of three times. In the year under review, a total of Ksh. 13,728,501.00 was spent on such Teaching Practice allowances.

Annual Report and Financial Statements For the year ended June 30, 2020

- The College has been using the fees structure as reviewed by the Ministry of Education for all Technical Training Institutes. Thus, the College operated at reduced fees as regulated by the Ministry of Education.
- The Student population is generally affected due to KTTC's unique mandate, that is, Teacher Education. This was further affected by lack of one intake (May 2020 intake) in the year under review, as a result of the COVID 19 pandemic. Reduced population translates to reduced revenue.

Annual Report and Financial Statements For the year ended June 30, 2020
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Emphasis of Matter	Going Concern Attention was drawn to note 39 on the financial statements which described the rationale upon which the Council members had prepared the financial statements on a going concern basis. The College registered a deficit of Ksh. 50,388,865 (2017 deficit: Ksh. 101,414,756 thereby reducing revenue reserves from negative Kshs.86,036,534 to negative Kshs. 136,425,400 as at 30 June 2018. Further, the total current liabilities of Kshs. 85,101,369 exceeded the current assets of Ksh. 71,215,294 resulting in negative working capital of Ksh. 13,886,075 at the same time. The management however attributed the negative working capital to third party liabilities in respect to projects being carried out on behalf of the parent Ministry and depreciation charge for the year of assets that were valued in 2016/2017.	The Ministry has made some good progress in facilitating payment of the third party liabilities. Currently the current assets stand at Kshs. 103,133,903 which is higher than the current liabilities which amount to Kshs. 74,537,471.	Dr. Edwin Tarno – The Chief Principal and Elizabeth Wangaruro – The Chief Finance Officer.	Not yet resolved in the current the year.	To be resolved in the year 2019/2020

Guidance Notes:

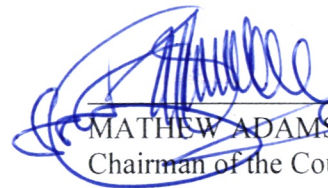
Annual Report and Financial Statements For the year ended June 30, 2020

- (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.
- (v) Dr. Edwin Tarno, PhD, HSC
- (vi) CHIEF PRINCIPAL



DR. EDWIN TARNO, PHD, HSC
Principal/Secretary to the Governing Council

Date 22/03/21



MATHEW ADAMS KARAURI
Chairman of the Council

Date 22/03/21