REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

SIALA TECHNICAL TRAINING INSTITUTE

FOR THE YEAR ENDED 30 JUNE, 2019

SIALA TECHNICAL TRAINING INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE 2019

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

I. Table of Contents

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Siala Technical Training Institute was established under the TVET Act, 2013 in the year2016 . The Institute operates within the mandate of Ministry of Education which provides the general policy and strategic direction on Kenya's higher Education.

(b) Principal Activities

The Core business of the Institute as provided by the TVET Act 2013 section 26(1) (a)and (d) includes;

- Promotion of Skills Training in (TVET) through, Research, Science, Technology and Innovation in commensurate with Industry and community demands.
- Promotion of gender balance and equality of opportunity among students and employees.
- Promotion of equalization for persons with disability, minorities and other marginalized groups.

Vision

A centre of excellence in research and skills training commensurate with industry and community at large.

Mission

To be a national skills training centre in TVET,research,science,technology and innovation to meet community demands.

Our slogan

Making excellence a habit

Core values

- Integrity
- Transparency and accountability
- Team work
- Fairness
- Creativity and sustainability.

(C)Key Management

Siala Technical Training Institute day-to-day management is under the following organs:

i) Board of Governors
ii)Principal (Accounting Officer)
iii)Management Team

(D)Fiduciary Management

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

No.	Name	Designation
1.	Wilson Oroni	Principal
2.	Peter Aduda	Head of Finance
3.	Sixtus Mazingira	Head of Procurement
4.	Arkipo Odede	Ag. Registrar
5.	Jenipher Obuya	Ag. Dean of Students

(E) Fiduciary Oversight Arrangements
The Board has the Overall mandate of ensuring the Sound Management of the Institute.
This includes; Approving policies, strategic governance, planning and reviewing policies and plans. Also approving Budgets and Quarterly/Annual financial statements.

The Management team has the responsibility of ensuring that the policies approved by the Board are implemented and enhancing sound financial management for effective operations.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(F)Headquarters

P.O. Box 164-40404**RONGO,**
Rongo, Homa-Bay Road,
RONGO,KENYA

G)Contacts

Telephone :(254) 706633334
E-mail: sialainstitute @gmail.com
Website: www.sialatti.ac.ke

(H) Bankers

Kenya Commercial Bank Ltd.
Rongo Branch,
P.O. Box 266-40404
RONGO,KENYA.

(I) Independent Auditors

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

(J)Principal Legal Adviser

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

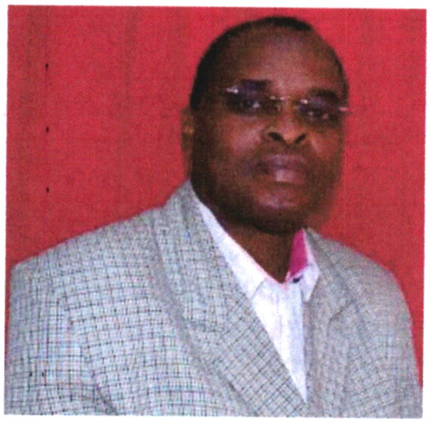
THE BOARDOF GOVERNORS

NAME: Mr.Charles Orony Ogalo
YOB: Birth: 1955
POSITION/KEY RESPONSIBILITIES:
Board Chairman
QUALIFICATIONS: B.Sc (State University of New York).,M.Sc (Rutgers University N .J.)

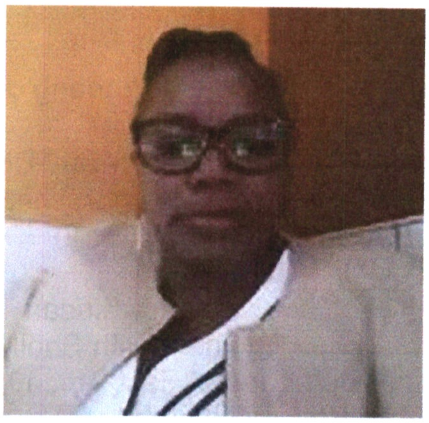
WORK EXPERIENCE:
Managing Director with Genesis Kenya Investment Management Ltd, Chief Manager, Manager with Kenya Commercial Bank, Account Manager,
Credit Administrator with
The First National Bank of Chicago Nairobi Branch.

NAME: Ms.Everlyne Muchocho
YOB:Birth: 1966
POSITION/KEY RESPONSIBILITIES:
Board Member
QUALIFICATIONS:M.A,B. A.(Egerton University).
WORK EXPERIENCE:
Lecturer Maseno University, Assistant Lecturer
Egerton University,
Teaching Assistant Egerton University.

NAME: Ms.Vivian Chemiron
YOB:Birth: 1991
POSITION/KEY RESPONSIBILITIES:
Board Member-Chair person Finance Committee.
QUALIFICATIONS:B.Com.(Egerton University)
WORK EXPERIENCE:
Senior Account Assistant Rongo University.



NAME:Mr.John Mulatya Kisyula.
YOB:Birth 1964
POSITION/KEY RESPONSIBILITIES:
Board Member
QUALIFICATIONS: B.Sc (CITDA India), Diploma with KTTC.
WORK EXPERIENCE:
Lecturer KITI (Nakuru)

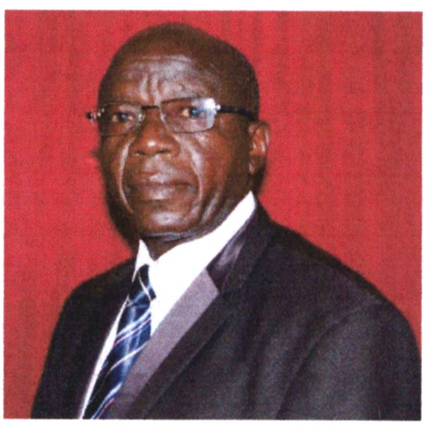


NAME: Ms.Everlyne Mwita
YOB:Birth: 1976
POSITION/KEY RESPONSIBILITIES:
Board Member-In charge of Leadership.
QUALIFICATIONS: phd (Kisii University), M.Ed,B. A.(UoN) P1 (Migori TTC).
WORK EXPERIENCE:
Lecturer Kisii University.

NAME:Mr.Joseph Owuor
YOB:Birth: 1961
POSITION/KEY RESPONSIBILITIES:
Board Member-Rep.Governor Migori County.
QUALIFICATIONS:B. A. (UoN)
WORK EXPERIENCE:
Liaisons officer migori county government, Research officer and personnel assistant with ministry of state for public service, project coordinator with Rural integrated development service, Assistant Farm manager with ministry of Agriculture and livestock Kisii.

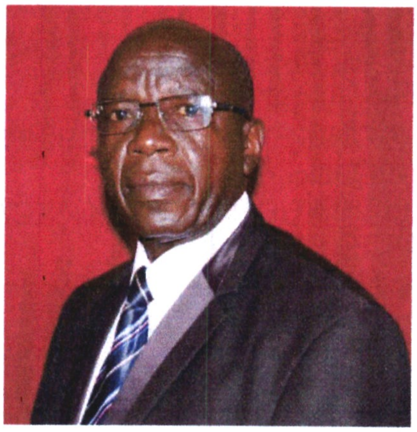
NAME: Mr.Tom Ogono Anode
YOB:Birth: 1959
POSITION/KEY RESPONSIBILITIES:
Board Member- ICT In charge.
QUALIFICATIONS:M.A (UoN),
B.A (UoN),PGDE (KU),PGDCS (India)
WORK EXPERIENCE:
Managing Consultant with Pragmatic Consultants Ltd,
Part Time Lecturer with Maseno University, Lecturer Eldoret Polytechnic, Teacher Homabay High, Nyaroha Girls, Kuoyo Kochia Secondary school.

NAME:Mr. Naftali Otieno Andang'o
YOB:Birth: 1943
POSITION/KEY RESPONSIBILITIES:
Board Member-Engineering In charge.
QUALIFICATIONS: B.Sc (UoN)
WORK EXPERIENCE:
Technical officer with East African Airways, Sales Engineer with Shell Chemical Company of East Africa Ltd, Miner with British Gypsum Ltd, Sales Engineer with Holman Brothers (E.A)Ltd., Senior Mining Engineer with Ministry of Environment and Natural Resources, Kenya.



NAME:Mr.Wilson G.C.Oroni
YOB:Birth: 1960
POSITION/KEY RESPONSIBILITIES:
Principal /BOG Secretary
QUALIFICATIONS:M. Ed., B.Ed.,
Dip.Tech.Ed.
WORK EXPERIENCE:
Principal siala TTI, D/Principal ,Lecturer Matili TTI.

MANAGEMENT TEAM



NAME: Mr.Wilson G.C.Oroni
YOB: Birth: 1960
POSITION/KEY RESPONSIBILITIES: Principal /BOG Secretary in charge of General Administration.
QUALIFICATIONS:M. Ed., B.Ed., Dip. Tech.Ed.
WORK EXPERIENCE:
Principal siala TTI, D/Principal ,Lecturer MatiliTTI. Principal.

NAME: Mr.Arkipo Odede
YOB: Birth: 1982
POSITION/KEY RESPONSIBILITIES: Ag. Registrar
QUALIFICATIONS:
MSc(UON),B.ED.(KU)
WORK EXPERIENCE:
Trainer SialaTTI, Teacher (Nyagowa Secondary)

NAME: Ms. Jenipher Obuya
YOB: Birth: 1963
POSITION/KEY RESPONSIBILITIES: Ag. Dean of Students.
QUALIFICATIONS: M.sc. B.Ed.
WORK EXPERIENCE:
Lecturer Siala TTI

NAME: Mr.Peter Aduda
YOB: Birth: 1977
POSITION/KEY RESPONSIBILITIES:
Finance Officer.
QUALIFICATIONS: CPA (K) (KCA Kisii.)
WORK EXPERIENCE:
Finance Officer Siala TTI, Accountant Southern Enterprises Ltd

NAME: Mr.Sixtus Mazingira
YOB: Birth: 1991
POSITION/KEY RESPONSIBILITIES:
Procurement Officer
QUALIFICATIONS: B.Sc.(JKUAT).
WORK EXPERIENCE:
Procurement Officer Siala TTI

CHAIRMAN'S STATEMENT.

On behalf of Siala Technical Training Institute, I'm pleased to present the Annual Report and Financial Statements for the year ended 30th june 2019. These statements are prepared in conformity with the International Public Sector Accounting Standards (IPSAS) and International Accounting Standards(IASs). Further, the statements incorporate the requirements of Article 81 of the Public finance management Act,2012 and the National treasury guidelines with regards to adoption of IPSAS.

Siala Technical Training Institute is committed to its mission and strategic thrust of offering quality education within an environment of prudent financial management.

The institute kept on course the implementation of the 2017-2021 Strategic Plan. There are plans to review the strategic plan in view of the existing economic realities and the new developments within the Institute. This will enable prioritization of projects and activities that are central to growth of the institute and the attainment of vision 2030 and the Big Four agenda.

This is the third year since the establishment of Siala TTI. During the financial year 2018/2019 the institute saw an increased number in student enrolment. This was attributed to the introduction of government fee capitation.
We are confident and satisfied that with continued prudent management of resources and an increase in government projects and grants. In engaging other partners (CDF and County Government) the institute will develop into one of the modern technical training institutes in the region.

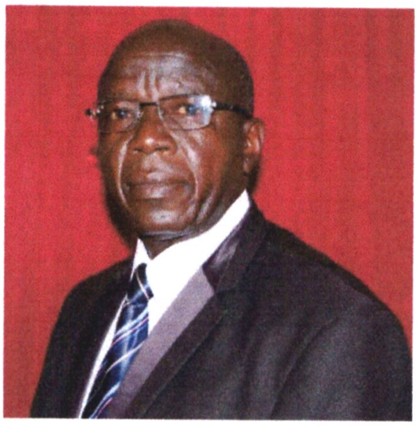
I wish to thank the government for its financial support so far that has made it possible to implement the institutions functions and programs more so, the ongoing construction of Civil Engineering Workshop. However, I would like to appeal for more funding for capital development. This will enable the institution improve its new infrastructure to support the growing student population.

Finally, I also wish to thank the Board of Governors, Trainers, and Staff at Siala TTI,NG-CDF Rongo, parents, guardians and students for their continued support and dedication, even as we together strive to achieve greater heights of excellence.

Thank you.

Mr. Charles Ogalo
Chairman, Board of Governors Siala TTI.

REPORT OF THE PRINCIPAL



Presented here is the annual report and financial statements of Siala Technical Training Institute for the year ended 30th June 2019as required by the Public Finance Management Act, 2012.

Siala TTI's performance during the year under review was impressive despite the financial constraints faced during the year. The government capitation still remains as the institute's main source of income at 53.2% of school fee charged, then followed by students tuition fee and other income.
The institute received from Government recurrent expenditure grants of ksh.12,060,000 (Capitation Ksh.9,060,000 Operation grants Ksh. 3,000,000) and ksh 1,528,350 to support Capital Development. The institute also generated ksh.18,322,201 that was used to finance operations of the institution .

The institution faces financial challenges in view of expansion in student population and financing the physical facilities as well as human resource capacity (trainers).

The Institute has continued with its core business of disseminating knowledge through, training and innovation. The current student population is 850 and is expected to increase to 1200 by the end of Financial year 2019/2020. Staff population stood at 56 at the close of Financial year 2018/2019 and is expected to rise for both Academic and Administrative in the next financial year.

The institute has done its best to limit expenditure through a number of strategies, asa result the institute realized savings in expenditure on non priority activities which resulted to surplus funds while some funds were reallocated to development of fixed asset. These savings are to be mobilized in the coming year to finance Development projects and other expenditure.

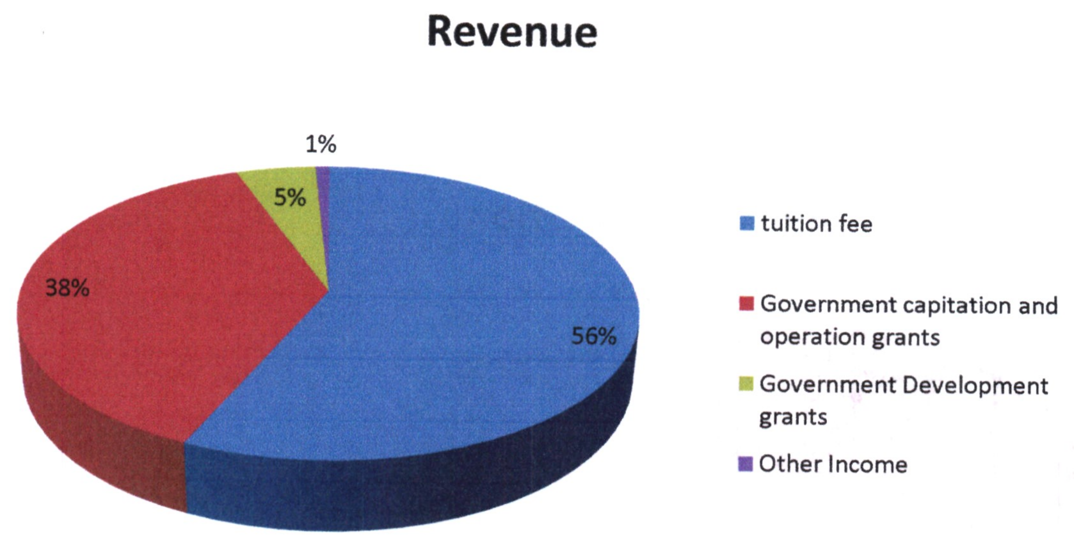
Development partners projects

This financial year, the Institute received from the Government AFDB Phase II project which was commissioned and is expected to be completed in financial year 2019/2020.
The dining hall sponsored by NG-CDF Rongo is also expected to be completed in financial year 2019/2020.

Financial performance summary.

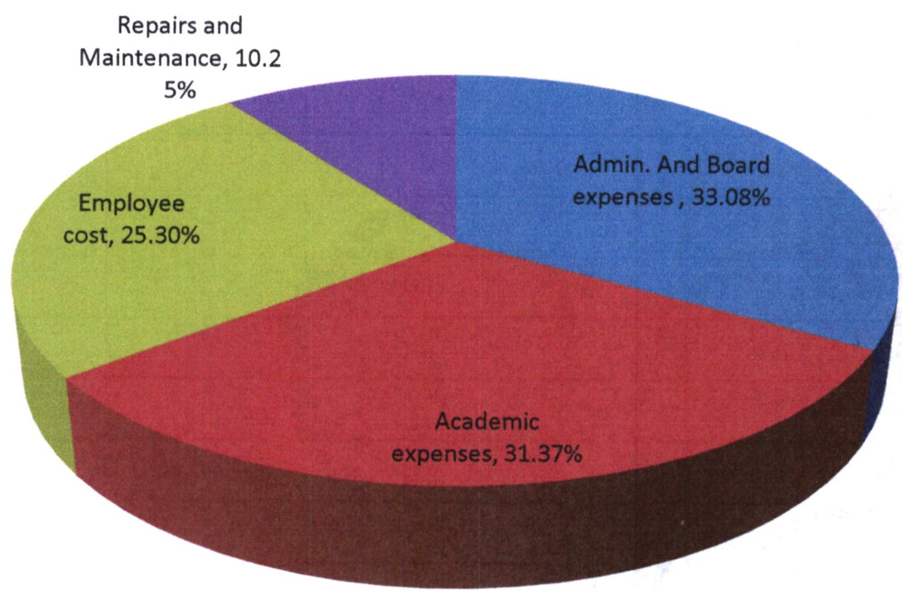
Revenue

During the year 2018/2019, the institute received a total of ksh.12,060,000as Capitation and Operation grants, ksh.1528,350.as Development grants, ksh.18,052,143. as Tuition fee, ksh.270,058 as Other income.



Expenses

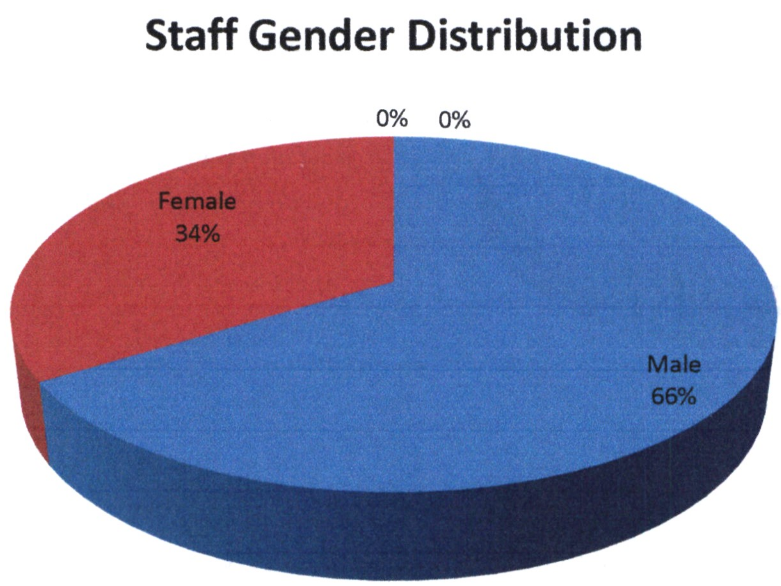
The Institute incurred Ksh.37,772,407. in Recurrent and Development expenses for the financial year 2018/2019.

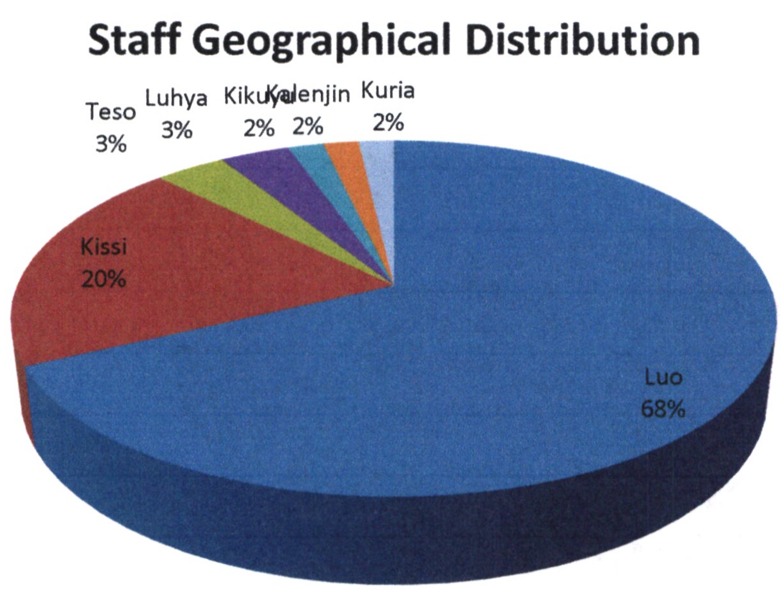


The biggest expenditure is shared between Admin. /Board expenses and Academic expenses at 33.08% and 31.37% respectively.

Staff Members
Staff population stood at 56 at the close of Financial year 2018/2019 and is expected to rise for both academic and administrative in the next financial year.
Gender Distribution; Male 37, Female 19.

Geographical Distribution; Luo 38, Kisii 11,Teso 2, Luhya 2, Kalenjin 1,Kikuyu 1 and Kuria 1.





Conclusion

To address the revenue shortfall the Institution has put in place measures to improve revenue realization. The Institution has put in placemeasures to improve resourceutilization. This is by ensuring efficiency, economy and effectiveness in order to get value out of recourses available.

On behalf of Siala TTI management and staff, I wish to take this opportunity to thank the Government, our Development partners and all Stakeholders for their continued support.

Finally, I would like to express my sincere gratitude to the Institute Board of Governors for providing policy and strategic guidance, the entire institute staff and students who worked continuously to ensure smooth and successful operations of the institute.

Thank you.

Mr. Wilson G. C. Oroni
Principal

CORPORATE GOVERNANCE STATEMENT

Introduction

Siala Technical Training Institute is governed by Board of Governors. The TVET Act 2013. Gives the Board of Governors all the necessary powers for the proper performance of its functions under the act and in particular,without prejudice to the generality of the forgoing, the board of governors shall have powers to:

- Manage, supervise, and administer the assets of the Institute in such a manner as best promotes the purpose for which the institute is established.
- Receive any grants, donations or endowments on behalf of the institution and make legitimate disbursements.
- Approval of the budgets, making policies and opening of bank accounts for the funds of the Institute.

Governance Principles.

It is our view that governance is not just a matter for the Board ,a good governance culture must be percolated through the Institute system. The current socio-economic, business and political environment in which the Institution operates, underscore the need for continued high standards of Corporate governance and accountability.

The emerging realities unmasked with the promulgation and implementation of the new Constitution, an enlarged space for expression and a more enlightened clientele, calls for diligence in governance.

Size and composition of the Board.

The board consists of nine (9) board members and the Principal as their Secretary who poses extensive experience in a variety of disciplines all of which are applied in the overall management of the institute. The board has the right balance of skills and experience appropriate for the requirements of the Institute, all members participate in the decision making and the board operated effectively during the year and continues to do so. (The board has two Organs, Executive with six member and Full Board with all the nine.)

Board meetings.

The institute board meetings are scheduled as follows, executive meets five (5) times and full board four (4) times and Special Meetings took place (4) times in this financial year. Members receive adequate notice and board papers in advance to enable them review and prepare for the meeting.

The following table shows the number of Board meeting held during the year and the attendance of individual Board members.

	Board Members	Executive Board Meetings	Full Board Meetings	Special/Emergency Meetings
1.	Mr. Charles Ogalo	5	3	3
2.	Ms. EverlynMuchocho	0	4	3
3.	Ms. Vivian Chemiron	5	4	4
4.	Mr. NaftaliAndang'o	3	3	2
5.	Ms. EverlyneMwita	5	4	4
6.	Mr. John Kisyula	0	4	3
7.	Mr. Tom Anode	0	4	3
8.	Mr. Joseph Owuor	0	4	3
9.	Mr. Wilson Oroni	5	4	4
10.	Ms. Olivia Odongo	5	4	4

MANAGEMENT DISCUSSION AND ANALYSIS

The Civil Engineering Complex sponsored by AFDB through the Government of Kenya.

NG-CDF Rongo Sponsored Dining Hall nearing completion.

The Permanent Secretary Ministry of Education ,Department of Technical and Vocational Training, Dr. Kevit Desai and the Board Members being shown the New Equipments for Automotive Engineering Delivered by the Ministry of Education.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Institute is committed to improving lives of the underprivileged by making contributions of both time and recourses to their courses. The board and the Institute management has anchored CSR activities in its strategic plan under the key result area of community outreach. CSR programme carried out should be relevant, sustainable and in line with the Institution mandate. During the financial year, a team of Siala Technical Training Institute Staff and Students participated in several CSR activities which are mentioned below:

Environmental issues

Siala TTI in collaboration with County Government of Migori, Rongo Sub County participated in Town cleaning and tree planting, the Institute planted 500 trees and students and staff cleaned major streets of Rongo Town.

Other Charitable causes

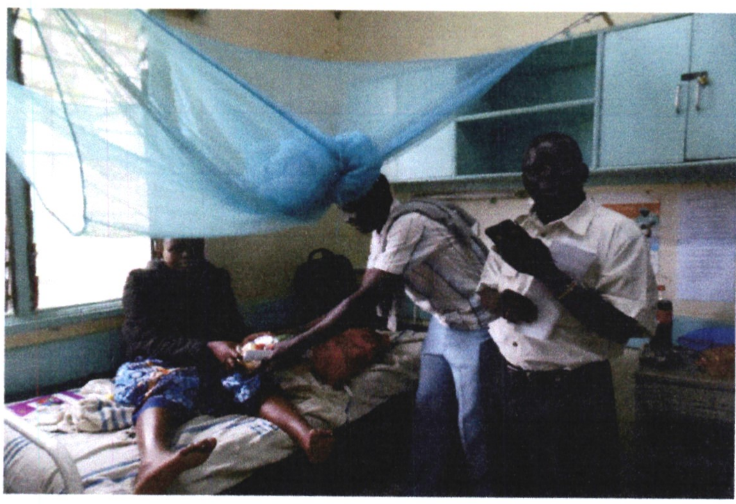
The Institute held Cultureweek, the activities undertaken included; tree planting ,clean up of the Institute and its environs also Rongo Town and visitation and donations to the sick in Rongo District Hospital by Christian Union members.

Income Sustainability

The Institute is dependent on the Government for all its Development grants.
The Institute is keen to grow its internally generated revenue from tuition fees and other income generating activities to bridge the gap in recurrent expenditure.

The Principal and Dean of Students leading the team of Staff and Students during Environmental Town cleaning Exercise.


The Principal and Local Administration demonstrating to Staff and Students during Tree planting Exercise.


The Christian Union team visiting and giving donations to the sick in Rongo Level Hospital.

REPORT OF THE BOARD OF GOVERNORS

The Institute Boardsubmit its Financial year 2018/19 report together with the audited Financial Statements for the year ended June 30, 2019 which show the state of affairs of Siala Technical Training Institute.

Principal activities

The principal activities of the Institute are as stated,

The Core business of the Institute as provided by the TVET Act 2013 section 26 (1) (a) and (d) includes;

- Promotion of Skills Training in (TVET) through, Research, Science, Technology and Innovation incommensurate with Industry and Community demands.
- Promotion of Gender balance and equality of opportunity among students and employees.
- Promotion of Equalization for persons with disability, minorities and other marginalized groups.

Results

The results of the entity for the year ended June 30 are set out on page 1-16 (financial).

COUNCIL/BOARDOF GOVERNORS

The members of the Board /Council who served during the year are shown on pages VI to VIII

Auditors

The Auditor General is responsible for the statutory audit of Siala TTI in accordance with Article 229 of the Constitution of Kenyaand the Public Audit Act 2015,whichempowers the Auditor General to nominate other auditors to carry out audit on his behalf.

Office of Auditor General staff were nominated by the Auditor General to carry out the audit of Siala TTI for the year/period ended June 30, 2019

By Order of the Board

Wilson Oroni
BOG Secretary
Date: 20/9/2019

STATEMENT OF BOARD OF GOVERNORS MEMBERS' RESPONSIBILITIES

Section 81 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, require the Board members to prepare financial statements in respect of Institution , which give a true and fair view of the state of affairs of the Institution at the end of the financial year/period and the operating results of the Institution for that year/period. The board members are also required to ensure that the Institution keeps proper accounting records which diclose with reasonable accuracy the financial position of the Instituting. The Board members are also responsible for safeguarding the assets of the Institution.

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

The Board members accept responsibility for the Institution financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 andthe TVET Act,2013. The Board members are of the opinion that the Institution's financial statements give a true and fair view of the state of Institution's transactions during the financial year ended June 30, 2019, and of the Institution financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Institution which have been relied upon in the preparation of the Institution's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board members to indicate that the Institution 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 Institution's Financial Statements were approved by the Board on 20/9 2019 and signed on its behalf by:

	N. A.	E. M.
Ms Vivian Chemiron	Mr.Naftali Andango'	Ms. Evelyn Mwita
Board Member	Board Member	Board Member

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Siala Technical Training Institute set out on pages1 to 37, which comprise the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement comparison of budget actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Siala Technical Training Institute as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with the Public Sector Accounting Standards (Accrual Basis) and comply with the Technical and Vocational Education and Training Act, 2013 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Cash and Cash Equivalents

Included in the cash and cash equivalents balance of Kshs.8,705,502 as at 30 June, 2019 are Kshs.1,288 and Kshs.65,200 representing cash in hand and Mpesa, balances respectively. Cash count certificate for cash in hand and Mpesa statements supporting the balances were not, however, provided for audit. Further, bank reconciliation statements for two bank accounts which are operated by the Institute were not provided for audit.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.8,705,502 as at 30 June, 2019 could not be confirmed.

2.0 Property, Plant and Equipment.

The statement of financial position reflects property, plant and equipment balance of Kshs.98,881,367 as at 30 June, 2019 as disclosed in Note 18 to the financial statements which reflect the following anomalies.

i. According to a letter dated 13 December, 2018 from Ministry of Education confirming values of certain assets donated by the Ministry to the Institute, the donations included electrical and mechanical engineering training equipment valued at Kshs.52,268,300 and Kshs.121,713,496, respectively. However, the values were not incorporated in the property, plant and equipment schedule or included in the balance reflected in the financial statements.

ii. An expenditure of Kshs.2,083,111 was incurred on construction of modern toilets and additions to furniture and fittings. The amount was reclassified from expenses to property, plant and equipment during the year under review without journal vouchers supporting correction of the error.

iii. The value of land on which the Institute occupies was not incorporated in the balance of property, plant and equipment.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.98,881,367 as at 30 June, 2019 could not be confirmed.

3.0 General Expenses

The statement of financial performance reflects general expenses of Kshs.8,382,456 for the year ended 30 June, 2019. Documents provided for audit revealed that an adjustment of Kshs.91,750 was made to reflect the reclassification of purchase of printers to property, plant and equipment. Further, an amount of Kshs.1,045,664 relating to refunds to students was transferred to examination fees. However, journal vouchers were not prepared to reflect the correction of these errors.

Consequently, the accuracy, completeness and validity of general expenses of Kshs.8,382,456 could not be confirmed.

4.0 Statement of Financial Performance

The statement of financial performance for the year ended 30 June, 2019 reflects two items referred to as surplus/deficit brought forward and accumulated surplus carried forward. The two items ordinarily should appear in the statement of changes in net assets in accordance with the format prescribed by the Public Sector Accounting Standard Board (PSASB). No effort was made by the Management to correct the errors before the conclusion of the audit.

Consequently, the presentation of the statement of financial performance for the year ended 30 June, 2019 is not in accordance with the format prescribed by the PSASB.

5.0 Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects original budgeted revenue and expenditure of Kshs.31,507,514 each and adjustment of Kshs.20,743,488 in each case leading to a final approved budget of Kshs.52,251,002. The adjustment of Kshs.20,743,488 was not supported with adequate relevant documents.

Consequently, the completeness, accuracy and validity of the budget figures reflected in the statement of comparison of budget and actuals amounts for the year ended 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Siala Technical Training Institute 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 Qualified Opinion.

Key Audit Matters

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

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 matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report. I confirm that, nothing 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

Human Resource Function

A review of the operations of the human resource function revealed the following weaknesses during the year under review:

i. The Institute does not have approved staff establishment in place to guide on staffing requirements.

ii. There were no Human Resource Policy and Procedures Manual in place.

iii. The Institute does not have a substantive human resource personnel.

iv. The payroll was prepared by the Institute`s Accountant thereby compromising on segregation of duties between finance and human resource functions.

v. The Institute recruited six members of staff during the year but a copy of the advertisement inviting the applications, a record of shortlisted applicants, interview minutes, regret notifications and employment letters were not provided for audit.

In the circumstances, the effectiveness of the Institute's human resources function for the year under review could not be confirmed.

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 processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue as a going concern to, disclosing, as applicable, matters related to going concern and using the applicable going concern basis of accounting unless Management is aware of the intention to terminate the Institute 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.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Institute to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
<u>AUDITOR-GENERAL</u>

Nairobi

31 December, 2021

IV. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018/2019 Kshs	2017/2018 Kshs
Revenue from non- exchange transaction			
Transfers from the National Government–grants/ gifts in kind	1	13,588,350	15,000,000
Grants from donors and development partners		0	0
Transfers from Mentor Institution	2	0	1,876,624
		13,588,350	16,876,624
Revenue from exchange transactions			
Rendering of services- Fees from students	3	18,052,143	12,188,633
Finance income-external investments	4	66,281	0
Other income	5	203,777	2,467,842
Total Revenue from exchange Transaction		**18,322,201**	**14,656,475**
Total Revenue		**31,910,551**	**31,533,099**
Expenses			
Academic and Related Expenses	6	11,775,320	18,104,948
Employee costs	7	9,582,518	4,150,447
Remuneration of directors	8	3,009,726	0
Depreciation and amortization expense	9	3,188,273	0
Repairs and maintenance	10	1,801,698	0
General expenses	12	8,382,456	4,116,656
Total expenses		**37,739,991**	**26,372,051**
Other gains/(losses)			
Gain on sale of assets		0	0
Impairment loss		0	0
Total other gains/(losses)		**0**	
Net Surplus for the year		**(5,829,439)**	**5,161,048**
Surplus/Deficit B/forward		**15,134,452**	**9,973,404**
Accumulated Surplus C/forward		**9,305,010**	**15,134,452**

The notes set out on pages 22 to 62form an integral part of the Annual Financial Statements.

20/9/2019

20/9/2019

V. STATEMENT OF FINANCIAL POSITIONAS AT 30TH JUNE 2019

	Notes	2018-2019 Kshs	2017-2018 Kshs
Assets			
Current assets			
Cash and cash equivalents	13	8,705,502	15,463,821
Receivables from exchange transactions	15	5,708,988	1,692,502
Receivables from non-exchange transactions	16	0	0
Inventories	17	157,143	188,289
		14,571,633	**17,344,612**
Non-current assets			
Property plant and equipment	18	98,881,367	307,000
Investments /other assets	0	0	1,458,990
Intangible assets	19	706,440	0
Furniture fixture and fittings		0	1,269,212
		99,587,807	**3,035,202**
Total assets		**114,158,950**	**20,379,814**
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	20	0	0
Refundable deposits from customers	21	292,279	275,500
Deferred income	22	1,528,350	2,547,668
Payments received in advance	23	2,830,626	512,482
		4,651,255	**3,335,650**
Non-current liabilities			
Borrowings	0	0	0
		0	**0**
Total liabilities		**4,651,255**	**3,335,650**
Net assets		**109,507,695**	**17,044,164**
Accumulated surplus		9,305,013	15,134,452
Capital Fund		100,829,839	0
Total Capital and Reserve		**110,134,852**	**15,134,452**
Total net assets and liabilities		**114,158,950**	**20,379,814**

The Financial Statements set out on pages 1to 5 were signed on behalf of the Institute Council/ Board of Governors by:

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Chairman of Board of Governors	**Finance Officer** ICPAK No ASSOC/1316	**Principal**
Date...20/9/2019	Date 20/9/2019	Date..20/9/2019

VI. STATEMENT OF CHANGES IN NET ASSETFOR THE YEAR ENDED 30 JUNE 2019

	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2017	**9,973,404**	**0**	**9,973,404**
Revaluation gain	0	0	0
Fair value adjustment on quoted investments	0	0	0
Total comprehensive income	5,161,048	1,500,000	6,661,048
Capital/Development grants received during the year	0	0	0
Transfer of depreciation/amortisation from capital fund to retained earnings	0	(0)	0
At June 30, 2018	**15,134,452**	**1,500,000**	**16,634,452**
At July 1, 2018	**15,134,452**	**1,500,000**	**16,634,452**
Revaluation gain	0	0	0
Fair value adjustment on quoted investments	0	0	0
Total comprehensive income	(5,761,490)	0	(5,761,490)
Capital/Development grants received during the year	0	99,329,839	99,329,839
Transfer of depreciation/amortisation from capital fund to retained earnings	0	0	0
At June 30, 2019	**9,372,962**	**100,829,839**	**110,202,801**

20/9/2019

20/9/2019

VII. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018-2019 Kshs	2017-2018 Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	1	12,060,000	15,000,000
Transfer From Mentor Institution	2	0	1,876,624
Rendering of services- Fees from students	3	18,052,143	12,188,633
Finance income (Fixed deposit)	4	66,281	0
Other income	5	203,777	2,467,842
Total Receipts		**30,382,201**	**31,533,099**
Payments			
Compensation of employees	7	9,582,518	4,150,447
Academic Expenses	6	11,775,320	0
Remuneration of directors	8	3,009,726	0
Other payments(Admin. cost and General expenses)	12	8,382,456	22,221,604
Total Payments		**32,750,020**	**26,372,051**
Net cash flows from operating activities		**(2,367,819)**	**5,161,048**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(0)	(0)
Proceeds from sale of property, plant and Equipment		0	0
Decrease in non-current receivables		0	0
Increase in investments		(3,976,559)	(0.00)
Net cash flows used in investing activities		**(3,976,559)**	**(0)**
Cash flows from financing activities			
Proceeds from borrowings	0	0.00	0
Increasing deposits(Development Grants	1	1,528,350	0
Net cash flows used in financing activities		**1,528,350**	**0**
Net increase/(decrease)in cash and cash equivalents		**(6,758,319)**	**5,490,417**
Cashandcashequivalentsat1JULY 2018	13	15,463,821	9,973,404
Cash andcashequivalentsat30 JUNE 2019	13	**8,705,502**	**15,463,821**

20/9/19

20/9/19

VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTSFOR THE YEAR ENDED 30 JUNE 2019

	Originalbudget	Adjustments	Finalbudget	Actualon comparable basis	Performance difference
	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs
Revenue					
Transfers from other Gov't. entities and Gov't grants	18,200,000	12,000,000	30,200,000	13,588,350	16,611,650
Rendering of services- Fees from students	12,966,014	8,743,488	21,709,502	18,052,143.2	3,657,358.8
Finance Income	0	0	0	0	0
Other income	341,500	0	341,500	270,058.3	71,441.7
Total income	**31,507,514**	**20,743,488**	**52,251,002**	**31,910,551.5**	**20,340,450.5**
Expenses					
Compensation of employees	9,373,101	786,768	10,159,869	9,582,518	577,351
Academic cost	9,338,250	10,771,832	20,110,082	11,775,320	8,334,762
Repairs and maintenance Expenses	3,014,350	4,836,620	7,850,970	3,884,808.5	3,966,161.5
Remuneration of Directors	1,904,306	1,405,420	3,309,726	3,009,726.3	299,999.7
Administration and General expenses	7,877,507	2,942,848	10,820,355	9,520,034.5	1,300,320.5
Total expenditure	**31,507,514**	**20,743,488**	**52,251,002**	**37,772,407.3**	**14,478,594.7**
Surplus/Deficit for the period	**0**	**0**	**0**	**(5,861,855.8)**	**5,861,855.8**

20/9/19

20/9/2019

IX. NOTES TO THE FINANCIAL STATEMENTS

1.GENERAL INFORMATION

Siala TTI was established by and derives its authority and accountability from TVETAct.2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is outlined on page 3

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Institute's accounting policies.The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 18

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

The financial statements have been prepared in accordance with the PFM Act,2012, the State Corporations Act, the TVET Act,2013 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	**Applicable: 1st January 2019** The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non exchange transactions are covered purely under Public Sector combinations as amalgamations. *The institute does not have any business combinations arising from non exchange transactions and therefore the standards doesnot apply.*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1stJanuary 2022:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. *(the Institute didn't early adopt any new/amended standards in FY 2018/2019)*
IPSAS 42: Social Benefits	**Applicable: 1stJanuary 2022** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. *((the Institute didn't early adopt any new/amended standards in FY 2018/2019)*

iii) **Early adoption of standards**

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions IPSAS 23

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 IPSAS 9

Rendering of services

The Institution recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Institution.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information IPSAS 24

The original budget for FY 2018/2019 was approved by the Board on 20th June 2018Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Institution recorded additional appropriations of ksh,20,743,488.onthe FY 2018/2019budget following the Board's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented under page 28 of these financial statements.

c) Taxes

Current income tax

The Institution is exempt from paying taxes as per the Income TaxAct.2014

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (continued)

Sales tax/ Value Added Tax

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

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

d) Investment property IPSAS 16

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

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

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

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

e) Property, plant and equipment IPSAS 17

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 Institution recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E)Property, plant and equipment IPSAS 17 (continued)

The annual rates used are:-

Building	2.5%
Machinery and Equipment	12.5%
Furniture and Fittings	12.5%
Motor Vehicle	25%
Library Books	30%
Computers and Appliances	30%
Software	30%
Work in Progress	0%

Land not depreciated as it is deemed to have an indefinite life.

f) Leases IPSAS 13

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Institution also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

G)Intangible assets IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite

h)Research and development costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Financial instruments IPSAS 29

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.
All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

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

i) Inventories IPSAS 12

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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

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

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

j) Provisions IPSAS 19

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

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

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

Contingent liabilities

The Institution 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 Institution 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

The Institution has acapitalreserve which represents the government interest in net asset /equity of the Institute and is a combination of contributed capital (Asset)by the Government and the aggregate of the Institute accumulated Surpluses or deficits.

l) Changes in accounting policies and estimates IPSAS 3

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

m) Employee benefits IPSAS 25

Retirement benefit plans

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

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

n) Foreign currency transactions IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs IPSAS 5

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

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

P)**Related parties IPSAS 20**

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

q)Service concession arrangements

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

r)Cash and cash equivalents

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

p) Comparative figures

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

q) Subsequent events IPSAS 14

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.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Institution 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 Institution. Such changes are reflected in the assumptions when they occur.IPSAS 1.140

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 18.

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.

1. TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2018-2019	2017-2018
	KShs	KShs
Unconditional grants		
Operational grant	3,000,000.00	13,500,000.00
Other grants (Capitation)	9,060,000.00	0.00
	12,060,000.00	**13,500,000.00**
Conditional grants		
Administration block grant	0.00	0.00
Laboratory grant	0.00	0.00
Learning facilities grant	1,528,350.00	1,500,000.00
Total government grants and subsidies	**13,588,350.00**	**15,000,000.00**

2. TRANSFERS FROM OTHER LEVELS OF GOVERNMENT

Description	2018-2019	2017-2018
	KShs	KShs
Transfer from County	0.00	0.00
Transfer from Mentor institution	0.00	1,876,624.00
Total Transfers	**0.00**	**1,876,624.00**

3. RENDERING OF SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Tuition fees	22,974,865.20	24,245,992.04
Activity fees	1,273,916.00	892,406.00
Examination fees	4,664,253.00	0
Library fees	7669.00	365,645.75
Facilities and materials	991,940.00	2,017,413.21
Registration fees	199,500.00	43,800.00
Total revenue from the rendering of services	**30,112,143.20**	**27,565,257**
Absorbed transfers from Gok and mentor inst.	**(12,060,000.00)**	**(15,376,624.00)**
Total Net Revenue from fee	**18,052,143.20**	**12,188,633.00**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. FINANCE INCOME

Description	2018-2019 KShs	2017-2018 KShs
Cash investments and fixed deposits	66,281.30	0.00
Interest from outstanding debtors	0.00	0.00
Examinations fee prepaid	0.00	512,482.00
Total finance income	**66,281.30**	**512,482.00**

5. OTHER INCOME

Description	2018-2019 KShs	2017-2018 KShs
Income from sale of tender	61,027.00	14,000.00
Center fee/c. money	20,500.00	0.00
P/U and Rent	70,500.00	9,100.00
Exam photos	51,750.00	0.00
Exams	0	2,241,789
Investment interest	0	202,953
Total other income	**203,777.00**	**2,467,842**

6. ACADEMIC RELATED EXPENSES

Description	2018-2019	ADMIN COST. 2017-2018
	KShs	KShs
Tuition /SES	5,053,810.00	6,290,864.00
Library and attachment	611,457.00	565,495.00
Examinations	4,081,063.00	0
Activity and Research	1,757,200.00	1,430,860.00
Medical, S/Council, S.ID	271,790.00	289,920.00
Practical, boarding &Sup. exams	0.00	309,131.00
LT&T	0	4,900,965
EWC	0	236,009.00
Admin /Contingency	0	2,709,460.00
RMI	0	681,665.00
Fee transfer and BOG PAYE deduction	0	640,579.00
Development A/c expense	0	50,000.00
Total good and services	**11,775,320.00**	**18,104,948.00**

7. EMPLOYEE COSTS

	2018-2019	2017-2018
	KShs	KShs
Salaries and wages (Non-Teaching)	4,356,882.00	4,150,447.00
Salaries and Wages Teaching Staff	5,225,636.00	0.00
Social contributions	0.00	0.00
Employee costs	**9,582,518.00**	**4,150,447**

8. REMUNERATION OF DIRECTOR

Description	2018-2019	2017-2018
	KShs	KShs
Chairman's Honoraria	0.00	0.00
Directors emoluments	3,009,726.30	0.00
Other allowances	0.00	0.00
Total director emoluments	**3,009,726.00**	**0**

9. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	2,817,563.0	0.00
Intangible assets	302,760.00	0.00
Investment property carried at cost	0.00	0.00
Total depreciation and amortization	**3,120,323.00**	**0.00**

10. REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018
	KShs	KShs
Property	296,419.00	0.00
Furniture and fittings	0.00	0.00
Computers and accessories	0.00	0.00
Other(Institute Fence)	1,505,279.00	0.00
Total repairs and maintenance	**1,801,698.00**	**0.00**

Purchase of Printers amounting to Ksh. 91,750.00 and Construction of Modern Toilet and addition to furniture and fitting amounting to Ksh .2,083,111.00 have been transferred to PPE schedule

11. CONTRACTED SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Investment valuations	0.00	0.00
Property valuations	0.00	0.00
Total contracted services	**0.00**	**0.00**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. ADMINISTRATION COST AND GENERAL EXPENSES

Description	2018-2019 KShs	2017-2018 KShs
Admin. Expenses	3,632,340.50	0.00
Local Travels	3,545,240.00	0.00
Consumables	0.00	0.00
Electricity	393,189.00	0.00
Performance Contract and fee Transfer	684410.00	000
Tender expenses	57,205.00	13,470.00
Production unit and exam photos	70,072.00	19,300.00
Supplementary exams and interest	0.00	46,454.00
Other	0.00	1,941,445.00
Examinations	0	2,095,987.00
Total Admin and general expenses	**8,382,456.50**	**4,116,656.00**

13. CASH AND CASH EQUIVALENTS

Description		2018-2019	2017-2018
		KShs	KShs
Current account		7,167,134.75	7,458,421.00
On - call deposits		0.00	0.00
Fixed deposits account		0.00	6,000,000.00
Development A/C		1,471,880.00	1,448,934.00
Others (Cash and M-pesa)		66,488	556,466.00
Total cash and cash equivalents		**8,705,502.75**	**15,463,821.00**

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

		2018-2019	2017-2018
Financial institution	**Account number**	**KShs**	**KShs**
a) **Current account**			
Kenya Commercial bank	A/C1198612371	6,923,452.25	8,907,355.55
Kenya Commercial bank	A/C 1224498747	243,682.50	0.00
Kenya Commercial bank	A/C 1224498879	1,471,880.00	**0.00**
Sub- total		**8,639,014.75**	**8,907,355.55**
b) On - call deposits			
Kenya Commercial bank		0.00	0.00
Sub- total		**0.00**	**0.00**
c) Fixed deposits account			
Kenya Commercial bank	A/C 1198612371	0.00	6,000,000.00
Sub- total		**0.00**	**0.00**
d) Others(specify)			
Cash in transit		0.00	0.00
Cash in hand		1,288.00	3,052.00
M pesa		65,200.00	553,414.00
Sub- total		**66,488.00**	**556,466.00**
Grand total		**8,705,502.75**	**14,643,821.55**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Student debtors	5,708,988.00	1,692,502.00
Total current receivables	**5,708,988.00**	**1,692,502.00**
Non-current receivables		
Refundable deposits	0.00	0.00
Less: impairment allowance	(0.00)	(0.00)
Total	**0.00**	**0.00**
Current portion transferred to current receivables	(0.00)	(0.00)
Total non-current receivables	**0.00**	**0.00**
Total receivables	**5,708,988.00**	**1,692,502.00**

16. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Transfers from other govt. entities	0.00	0.00
Less: impairment allowance	(0.00)	(0.00)
Total current receivables	**0.00**	**0.00**

17. INVENTORIES

Description	2018-2019	2017-2018
	KShs	KShs
Consumable stores	157,143.00	188,289.00
Maintenance stores	0.00	0.00
Health Unit stores	0.00	0.00
Electrical stores	0.00	0.00
Total inventories at the lower of cost and net realizable value	**157,143.00**	**188,289.00**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. PROPERTY, PLANT AND EQUIPMENT

	land	Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets (Specify)	Plant and equipment	Capital Work in progress	Total
Cost		Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1July 2017	**0**	**0**	**0**	**420,000**	**69,950**	**193,037**	**0**	**0**	**682,987**
Additions	0	307,000	0	849,212	48,000	0	**0**	**0**	**1,204,212**
Disposals	0	0	0	**0**	**0**	0	**0**	0	**0**
Transfers/adjustments	0	0	0	**0**	0	0	**0**	**0**	**0**
At 30th June 2018	**0**	**307,000**	**0**	**1,269,212**	**117,950**	**193,037**	**0**	**0**	**1,887,199**
Additions	0	99,107,507	0	605,100	91,750	310,178	0	0	**100,114,535**
Disposals		0	0	0	0	0	0	0	**0**
Transfer/adjustments		0	0	0	0	0	0	0	**0**
At 30th June 2019	**0**	**99,414,507**	**0**	**1,874,312**	**209,700**	**503,215**	**0**	**0**	**102,001,734**
Depreciation and impairment									**0**
Accumulated Depreciation as At 1July 2017		0	0	0	0	0	0	0	**0**
Depreciation		7,675	0	158,651.5	35,385	57,911	0	0	**259,622.5**
Impairment		0	0	0	0		0	0	**0**
Accumulated Depreciation asAt30 June2018	**0**	**7,675**	**0**	**158,651.5**	**35,385**	**57,911**	**0**	**0**	**259,622.5**
Depreciation		2,485,170.8	0	214,457.6	52,294.5	133,591	0	0	**2,885,513.9**
Disposals		0	0	0	0	0	0	0	**0**
Impairment		0	0	0	0	0	0	0	**0**
Transfer/adjustment		0	0	0	0	0	0	0	**0**
Accumulated Depreciation as At 30th June 2019	**0**	**2,492,845.8**	**0**	**373,109**	**87,679**	**191,502**	**0**	**0**	**3,145,135.8**
Net book values		**96,921,661**	**0**	**1,501,203**	**146,790**	**311,713**	**0**	**0**	**98,881,367**
At 30th June 2019	**0**	**96,921,661**	**0**	**1,501,203**	**146,790**	**311,713**	**0**	**0**	**98,881,367**
At30th June 2018	**0**	**299,325**	**0**	**1,110,561**	**79,565**	**135,126**	**0**	**0**	**1,624,577**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19.INTANGIBLE ASSETS-SOFTWARE

Description	2018-2019	2017-2018
	KShs	KShs
Cost		
At beginning of the year1stjuly 2017	0.00	0.00
Additions	0.00	1,009,200.00
At end of the year 30thjune 2018	1,009,200.00	1,009,200.00
Additions–internal development	0,00	0.00
At end of the year 30thjune 2019	1,009,200.00	.00
Amortization and impairment	0.00	
At beginning of the year 1stjuly 2018	1,009,200.00	0.00
Amortization	302,760.00	0.00
At end of the year 30thjune 2019	706,440.00	0.00
Impairment loss	0.00	0.00
At end of the year	706,440.00	0.00
NBV	706,440.00	0.00

23. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Trade payables	0.00	0.00
Fees paid in advance	2,830,626.00	512,482.00
Other payables	0.00	0.00
Total trade and other payables	**2,830,626.00**	**512,482.00**

21. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2018-2019	2017-2018
	KShs	KShs
Consumer deposits	0.00	0.00
Caution money	276,500.00	275,500.00
Other refundable deposits	15,779.00	0.00
Total deposits	**292,279.00**	**275,500.00**

22. DEFERRED INCOME

Description	2018-2019	2017-2018
	KShs	KShs
National government	1,528,350.00	1,500,000.00
Public contributions and donations	0.00	0.00
Total deferred income	1,528,350.00	1,500,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The deferred income movement is as follows:

	National government	International funders/ donors	Total
Balance brought forward	1,500,000.00	0.00	1,500,000.00
Additions during the year	1,528,350.00	0.00	1,528,350.00
Transfers to Capital fund	(0.00)	(0.00)	(0.00)
Transfers to income statement	(1,500,000.00)	(0.00)	(1,500,000.00)
Other transfers	(0.00)	(0.00)	(0.00)
Balance carried forward	1,528,350.00	0.00	1,528,350.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 FINANCIAL RISK MANAGEMENT

The Institute's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Institute's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Institute does not hedge any risks and has put in place policies to minimize all the risks that might be encountered.

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

(i) Credit risk

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

Management assesses the credit quality of each Student, taking into account 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 Institute's management based on prior experience and their assessment of the current economic environment.

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2018				
Receivables from exchange transactions	1,692,502.00	1,692,502.00	0.00	0.00
Receivables from non exchange transactions	0.00	0.00	0.00	0.00
Bank balances	0.00	0.00	0.00	0.00
Total	**1,692,502.00**	**1,692,502.00**	**0.00**	**0.00**
At 30 June 2019				
Receivables from exchange transactions	5,708,988.00	5,708,988.00	0.00	0.00
Receivables from non exchange transactions	0.00	0.00	0.00	0.00
Bank balances	0.00	0.00	0.00	0.00
Total	**5,708,988.00**	**5,708,988.00**	**0.00**	**0.00**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

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

The Institute has significant concentration of credit risk on amounts due from FY2017/2018

The Board of Governors sets the Institute's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2018				
Trade payables	0.00	205,000.00	307,482.00	512,482.00
Deferred income	0.00	1,500,000.00	0.00	1,500,000.00
Refundable Deposits	0.00	0.00	275,500.00	275,500.00
Total	**0.00**	**1,705,000.00**	**582,982.00**	**2,287,982.00**
At 30 June 2019				
Trade payables	0.00	500,000.00	2,330,626.00	2,830,626.00
Deferred income	0.00	0.00	1,528,350.00	1,528,350.00
Refundable Deposits	0.00	85,000.00	207,279.00	292,279.00
Total	**0.00**	**585,000**	**4,066,255**	**4,651,255.00**

45. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Institution 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 Institution'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 Institution'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 Institution's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Institution doesn't have transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2019			
Financial assets(investments, cash ,debtors)	0.00	0.00	0.00
Liabilities			
Trade and other payables	0.00	0.00	0.00
Net foreign currency asset/(liability)	**0.00**	**0.00**	**0.00**

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

45. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate Kshs	Effect on Profit before tax Kshs	Effect on equity Kshs
2018			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00
2019			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00

a) Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Interest rate risk(continued)

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2016: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2012 – KShs xxx)

iv) Capital Risk Management

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

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	0.00	0.00
Retained earnings/Accumulated surplus	9,305,013.00	15,134,452.00
Capital reserve	100,829,839.00	1,887,199.00
Total funds	**110,134,852.00**	**17,021,651.00**
Total borrowings	0.00	0.00
Less: cash and bank balances	(0.00)	(0.00)
Net debt/(excess cash and cash equivalents)	0.00	0.00
Gearing	0%	0%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 RELATED PARTY BALANCES

Nature of related party relationships
Institution and other parties related to the Institution 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 Siala TTI, holding 100% of Siala TTI's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Institute, both domestic and external. Other related parties include:

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

	2018-2019 Kshs	2017-2018 Kshs
Transactions with related parties		
a) Grants from the Government		
Recurrent Grants from National Govt	21,120,000.00	13,500,000.00
Development Grants from National Government	3,056,700.00	1,500,000.00
Total	**24,176,700.00**	**15,000,000.00**
b) Key management compensation		
Directors' emoluments	3,009,726	2,873,979.00
Total	**3,009,726.00**	**2,873,979.00**

3 EVENTS AFTER THE REPORTING PERIOD

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

4 ULTIMATE AND HOLDING ENTITY

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

5 Currency

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report;

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Director General/C.E.O/M.D (enter title of head of entity)
Chairman of the Board

Date.......................................

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1.Phase 1 GOK/AFDB Mechanical Engineering Workshop Block	1	GOK/AFDB	2014-2016	Fully Committed	Yes	Partly.
2.civil Engineering Department.	1	GOK/AFDB	2018-2019	Fully Committed	yes	No.

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Mechanical workshop.	219,207,984.67	xxx	90%	219,207,984.67	xxx	GOK/AFDB
2	Civil Engineering Workshop.	254,641,621.00	xxx	30%	254,641,621.00	xxx	GOK/AFDB
3							

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:	**SIALA TECHNICAL TRAINING INSTITUTE**		
	Break down of Transfers from the State Department of Education			
	FY 18/19			
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		08 Oct.2018	3,000,000.00	2018/2019
		18 Feb 2019	9,060,000.00	2018/2019
		Total	**12,060,000.00**	
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		08 Oct.2018	764,175.00	2018/2019
		09 Mar.2019	764,175.00	2018/2019
		Total	**1,528,350.00**	

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

Finance Officer
Siala TTI

Sign ---------------

Head of Accounting Unit
Ministry of Education

Sign--------------

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received			Where Recorded/recognized					
	as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
Ministry of Education	08 Oct.2018	Recurrent	3,000,000.00	3,000.000	0.00	0.00	0.00	0.00	3,000,000
Ministry of Education	08 Oct.2018	Development	764,175.00	764,175	764,175.00	764,175.00	0.00	0.00	764,175
Ministry of Education	18 Feb.2019	Recurrent	9,060,000.00	9,060,000	0.00	0.00	0.00	0.00	9,060,000
Ministry of Education	09 Mar.2019	Development	764,175.00	764,175	764,175.00	764,175.00	0.00	0.00	764,175
Total			**13,588,350.00**	**13,588,350.00**	**1,528,350.00**	**1,528,350.00**	**0.00**	**0.00**	**13,588,350**