

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



Paper land
By leader of majority
Party, Hon. Aden
Duale
on Tuesday
9/6/2015
Leg

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF NATIONAL
INDUSTRIAL TRAINING AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2014**



NATIONAL INDUSTRIAL TRAINING AUTHORITY (NITA)

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014**

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The National Industrial Training Authority (NITA) is a State Corporation established under the Industrial Training (Amendment) Act of 2011 within the ambit of the Ministry of Labour, Social Security and Services. The mandate of the Authority is to promote the highest standards in the quality and efficiency of industrial training in Kenya and ensure adequate supply of properly trained manpower at all levels in industry.

The Authority is governed by a Board of Directors under whom the Director General serves. The Director General is responsible for the day to day management of the Authority and strategic direction.

(b) Principal Activities

NITA's principal activities (as well as its' vision and mission) are as follows:

Vision

A globally competitive and adequate workforce for industrial development

Mission

To provide quality industrial training for enhanced productivity

Principal Activities

Section 3A of the Industrial Training Act No. 12 of 2012 defines the powers and functions of the Authority. The Authority is responsible for:

- Industrial training;
- Assessing and collecting industrial training levy and fees;
- Regulating trainers registered under section 7C of the Act
- Developing industrial training curricula;
- Integrating labour market information into skills development;
- Harmonizing curricula and certificates of competence;
- Assessing industrial training, testing occupational skills and awarding certificates including Government trade test certificates;
- Equating certificates;
- Accrediting institutions engaged in skills training for industry;
- Associating or collaborating with any other body or organization within or outside Kenya as the Board may consider desirable or appropriate and in furtherance of the purposes for which the Authority is established;

NITA has five industrial training centres:

1. Technology Development Centre [TDC]
2. National Industrial Vocational Training Centre [NIVTC]
3. Kenya Textiles Training Institute [KITTI]
4. Mombasa Industrial Training Centre [MITC]
5. The Kisumu Industrial Training Centre [KITC]

These have been set up as centres of excellence to complement the industrial training function of the Authority.

(c) Key Management

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

- The National Industrial Training Board;
- The Management team.

Details of both of these are highlighted in Section II of this report.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name	Dates
1.	Director General	Paul K. Kosgey	14/04/14 to date
2.	Ag Director General	Francis Gitaka	01/07/13 to 13/04/14

(e) Fiduciary Oversight Arrangements

National Industrial Training Board comprises of four committees that provide oversight. These are the

1. Industrial Training Committee (ITC);
2. Finance and Levy Administration Committee (FLAC);
3. Human Resources and Administration Committee (HRAC);
4. Audit and Compliance Committee (AACC)

The ITC provides oversight on operations within NITA. It thus covers areas such as industrial training, trade testing, curriculum development and management of the Industrial Training Centres.

The FLAC provides oversight on all matters to do with Finance and Levy. It handles budgets and financial statements, quarterly management accounts, changes in rates for any income generating activities and any significant (un-budgetted) expenditure.

At the same time the committee provides oversight on the operations of the levy section, including collection strategies and operational reports on performance.

The HRAC provides oversight on HR and Administration of NITA. Its responsibilities include supporting an adequate, competent and well motivated workforce.

The committee is also charged with ensuring that other NITA resources (e.g. offices and pool motor vehicles) are utilised in an optimal manner.

The AACC provides oversight on risk management, internal controls, external audit, compliance and overall organisational reporting as stipulated in the Audit and Compliance Committee Charter.

The Board has also set up an executive committee that comprises chairmen of all other committees to provide oversight on items such as Procurement and ICT that may not rest on a specific committee.

NITA is also guided and complies with circulars giving guidance from the National Treasury as well as any other direction given by the Parent Ministry.

(f) Entity Headquarters

P.O. Box 74494-00200-NAIROBI
Commercial Street-Industrial Area
Opposite KEMSA
Nairobi, KENYA

(g) Entity Contacts

Telephone:(254) 720-917897/(254)-736-290676
E-mail: directorgeneral@nita.go.ke
Website: www.nita.go.ke

(h) Entity Bankers

1. Kenya Commercial Bank
Industrial Area Branch
P. O. Box 18031-00500
Nairobi, Kenya
2. National Bank of Kenya
Harambee Avenue Branch
P.O. Box 41862
City Square 00200
Nairobi, Kenya
3. Standard Chartered Bank of Kenya
Industrial Area Branch
P. O. Box 18081-00500
Nairobi, Kenya






(i) Independent Auditors

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

(j) Principal Legal Adviser

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

II. THE BOARD OF DIRECTORS

 <p>Prof. Thomas Ekamais Akuja, PhD Chairman of the Board</p>	<p>DOB: 1962 HIGHEST QUALIFICATIONS: PhD</p>
 <p>Ernest Nadome COTU (K) Vice Chairman of the Board</p>	<p>DOB: 1967 HIGHEST QUALIFICATIONS: MA</p>
 <p>Jacqueline Mugo, MBS, OGW - Executive Director, FKE</p>	<p>DOB: 1956 HIGHEST QUALIFICATIONS: BACHELOR OF LAWS (LLB, HONS) HIGHER DIPLOMA IN HUMAN RESOURCE MANAGEMENT</p>
 <p>Rajabu Mwondi, MBS COTU (K)</p>	<p>DOB: 1936 HIGHEST QUALIFICATIONS: MBA</p>
 <p>Hirji Shah, OGW FKE</p>	<p>DOB: 1936 HIGHEST QUALIFICATIONS: MBA</p>

Eng. Aram Mbui– Member



DOB: 1953
HIGHEST QUALIFICATIONS: MSC

Tom Khakame –
Representing the Principal
Secretary, National Treasury



DOB: 1958
HIGHEST QUALIFICATIONS: MBA

George M. Muchai, MBS
COTU(K)



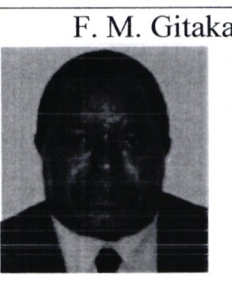



DOB: 1953
HIGHEST
QUALIFICATIONS: BACHELORS IN
ENGINEERING


Mutinda Mwaa, HSC -
Representing Principal Secretary, Education







DOB: 1967
HIGHEST QUALIFICATIONS: MSC

	<p>Chris S. Nambanga Representing Special Interests</p>	<p>DOB: 1966 HIGHEST QUALIFICATIONS: BACHELORS IN MEDIA</p>
	<p>Isaiah Kirigua- Representing the Principal Secretary, Ministry of Labour, Social Security & Services</p>	<p>DOB: 1958 HIGHEST QUALIFICATIONS: MBA</p>
	<p>F. M. Gitaka – Ag. Director General/Secretary (Retired: 13th April 2014)</p>	<p>DOB: 1957 HIGHEST QUALIFICATIONS: MBA</p>
	<p>Paul K. Kosgei - Director General/Secretary (Appointed: 14th April 2014)</p>	<p>DOB: 1962 HIGHEST QUALIFICATIONS: MASTERS IN LAW</p>

III. MANAGEMENT TEAM

<p>1. Paul Kipsang Kosgei</p> 	<p>Master of law in Labour laws, University of South Africa Post graduate diploma in law, Kenya School of law Bachelor of laws (LLB) Upper second division, University of Nairobi</p>	<p>Director General</p>
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<p>2.</p>  <p>Francis M. Gitaka MA (Construction Management) and BA (Building Economics) from the University of Nairobi.</p>	<p>Director Industrial Training</p>
<p>3. Justus Mwilidza Bachelor of Science</p> 	<p>Ag. Director Operations</p>
<p>4.</p>  <p>Kahara Mbugua MBA (Finance) and IBA (Hons) - from the United States International University CPA (K) CPS (K)</p>	<p>Manager Finance and Levy Administration</p>
<p>5.</p>  <p>Julius Olayo MBA (HRM) and BA from Kenyatta University Postgraduate Dip Human Resource Management,</p>	<p>Manager Human Resources and Administration</p>
<p>6.</p>  <p>Purity Mwirigi MBA and B.Com from the University of Nairobi. Certified Environmental Impact Assessment and Environmental Audit expert (CIPS (UK)).</p>	<p>Manager Supply Chain Management</p>
<p>7.</p>  <p>Jeremiah Mugambi A MSc. (Computer Science) and BSc. (Computer Science and Engineering) from the University of Nairobi Certified Network Professional (CCNA, CCNP), Microsoft Professional certified (MCP), MCSA, MCITP, ITIL, and CISM.</p>	<p>Manager Information and Communications Technology</p>

<p>8.</p>  <p>Irene Moraa Ogamba Manager, Legal Affairs Master of law, Bachelor of laws (LLB), Diploma in law from the Kenya school of law</p>	<p>Manager Legal Affairs</p>
<p>9.</p>  <p>James O. Andako CISA, CFE, CPA. MBA (Finance) and BCom (Accounting) from Kenyatta University CPA (K) Certified Information Systems Auditor Certified Fraud Examiner</p>	<p>Manager Internal Audit</p>
<p>10.</p>  <p>E. Otieno Agiro MA (Communications Studies) from the School of Journalism of the University of Nairobi (BA) and Dip Ed from Makerere University</p>	<p>Manager Public Relations</p>
<p>11.</p>  <p>Veronica Kcbuka MBA, BA</p>	<p>Ag. Manager Industrial Training</p>

IV. CHAIRMAN'S STATEMENT

I am delighted to present the Annual Report and Financial Statements of the National Industrial Training Authority for the Financial Year 2013/2014. The year saw an unprecedented KES 140m (32%) increase in Revenues. This remarkable performance is testament to the great potential that NITA has and emphatically underscores continued growth in our core mandate – industrial training.

During the period under review, NITA collected Kshs.576m in industrial levy compared to Kshs.437m collected in 2012/2013. This indeed was significant growth and went a long way in supporting industrial training as exemplified by the significant number of employers that sought training reimbursement. There was continued rise in the number of employers registering with NITA for purposes of contributing industrial levy. During 2013/2014 1,355 employers were registered.

Trade Testing is a critical segment of industrial training and NITA commits considerable human, physical and financial resources annually in this area. During 2013/2014, 48,069 candidates were trade tested compared with 45,609 in 2012/2013. During 2013/2014 a total of 34 trades areas were tested (34 in 2012/13). Growth in this area is rising annually as demand for trade testing rises. NITA therefore significantly contributed to the pool of qualified Kenyans across the country, some of whom found their way outside Kenya – especially to neighbouring nations and some Middle East countries.

The Authority revised a wide spectrum of curricula in various areas and it developed and launched curricula in areas hitherto not covered such as Floriculture. With support from Government, the Floriculture Industry and some public universities NITA developed and launched the Floriculture Curriculum to help Kenyans working in that industry to acquire training relevant to their work. NITA is looking to exploring additional areas not yet covered such as the private security industry.

Regarding infrastructural growth the Authority has just concluded its' TDC extension project born out of a loan agreement between the government of Kenya and the government of Korea valued at USD10,742,000. This facility will add value to industrial training by NITA in a variety of ways.

In the area of CSR, every year NITA fully sponsors 25 girls from poor homes in semi-arid areas across the country to pursue science courses related directly to industry in what is known as 'the Female Engineers Programme'. NITA finances the students throughout the currency of their studies.

NITA continues to demonstrate leadership in industrial training in Kenya by putting in place structures that enhance effective management and service delivery. There is a strong link between the Board and Management through Board Committees to ensure focus on delivery. These are Industrial Training, Finance and Levy Administration, Human Resource and Administration, Audit and Compliance, and Oversight. They are chaired by a Board member and their membership includes the Director General. This structure ensures the Board pays attention to critical areas and provides guidance in order to meet client expectations and objectives outlined in the 2013/17 Strategic Plan.

I would like to thank our partners and stakeholders for their support. Let me also thank our clients for their continued feedback that helped us improve service delivery. I thank my fellow Board

members for their support in providing guidance and leadership. Finally management and staff have worked tirelessly and I commend them generously on behalf of the Board.

Thank you and God bless you.

Prof. Thomas Ekamais Akuja
CHAIRMAN

V. REPORT OF THE DIRECTOR GENERAL

It is a great honour to note the continued delivery of record financial results by the National Industrial Training Authority. Certainly the annual report and financial statement as at 30th June 2014 are an indication of a successful year. I am indeed delighted to be part of the team that delivered such impressive results.

During the year under review, the Authority remained focused and aligned to its Vision of ‘a globally competitive and adequate workforce for industrial development’, and its mission of ‘providing quality industrial training for enhanced productivity and thus contributing to the human resources development in Kenya’.

For the year under review the Authority collected 30% more in industrial training levy compared to 2012/2013. This was largely possible owing to improved customer service which gave rise to better relations with employers. Also, more employers continued to appreciate the importance of remitting levy because they could recognize the benefits. Some of the strategies employed by the Authority included closer liaison with employers so that they can appreciate the importance of remitting industrial training levy.

The Authority continued to emphasize on ICT during 2013/2014 in order to modernize its operations and enhance service delivery. Information Communication Technology is a cross-cutting function within the Authority. With ICT NITA aspires to transform into an automated work environment that supports efficient service delivery through use of technology and information resources.

Some of the milestone developments in this area included development and implementation of an ICT policy, establishing a server room and installation of modern servers at HQ, upgrade of Internet and installation of Fiberpowered internet at HQ and Centres. Others included installation of Wide Area Network connecting all Branches to HQ, equipping users / staff with ICT equipment including computers, laptops and printers, and also equipping and setting up ICT labs for Industrial Training Centres.

In addition, a new database driven website was developed and a corporate e-mail system mail - go.ke - re-engineered with ICT. There were also other infrastructural developments geared to enhance corporate communication and service delivery.

In the area of Trade Testing NITA registered significant growth and introduced newer and better methods of control to ensure better results. These include tighter supervision and monitoring. The Authority looks to improving on this service in the coming years both in terms of service delivery and introduction of more trades.

In the endeavour to meet customer expectations as well as objectives, the Authority reviewed its structure and key changes were implemented. A new management team was hired in all areas of the institution to help take it to a higher level. NITA therefore increased her human capacity to re-position and re-orient itself for more effective service delivery. The Authority also continually develops the competencies and skills of employees through short and medium term professional courses and seminars.

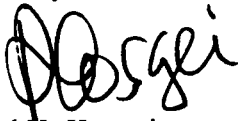
Although NITA recorded considerable success, the Authority continues to face challenges in its endeavour to improve industrial training. The Authority still needs more capacity especially in the technical areas and enhanced funding to enable it to ably drive its mandate.

In the coming months and years NITA's focus will be training of staff [especially those in technical areas] to acquire modern skills to match highly dynamic industry. The Authority will also maintain value addition to clients by continually engaging them both formally and informally. NITA takes cognizance of the unfavourable participation of its' stake holder's contribution on how to improve services and will pursue prudent options with emphasis on secure approaches.

Once again the impressive performance for 2013/14 would not have been made possible without the continued commitment and dedication of management and staff of NITA. Thus, I thank them for their loyalty and industry.

I want to thank the Board for its good counsel, timely guidance and decision making that enabled us deliver better results. I also thank our stakeholders for their support which was very instrumental in our success.

Thank you



Paul K. Kosgei
DIRECTOR GENERAL

VI. CORPORATE GOVERNANCE STATEMENT

Objectives

Corporate Governance defines and outlines the processes and structure used to direct and manage business affairs of a corporation with the aim of enhancing efficiency and corporate accountability.

In fulfilment of the Industrial Training (Amendment) Act, 2011, the National Industrial Training Board was appointed on 14th May, 2012. The Board is the apex organ of the Authority and charged with the responsibility of giving strategic leadership and direction towards the achievement of the Authority's mandate.

The Board acknowledges that it is responsible for ensuring fairness, efficiency, effectiveness, accountability and transparency in the administration of the Authority to meet well-defined objectives. It shall ensure integrity of financial and internal systems in the organization and herewith confirm that mechanisms have been put in place to safeguard the Authority.

Responsibility of the Board

The Board's principal responsibilities include;

- Exercise leadership, enterprise, integrity and judgment in directing NITA;
- Determine NITA's Vision, Mission, purpose and values;
- Determine the strategy to achieve NITA's purpose and to implement its values to ensure NITA's sustainability;
- Approve and sign the yearly Performance Contract setting targets as required by the Government of Kenya;
- Monitor the Authority's performance in relation to the best practice principles of Corporate Governance;
- Ensure resource mobilization and deployment;
- Identify and manage key risk areas and performance indicators for NITA in order to ensure business continuity and create value;
- Evaluate and approve annual budgets and work plans and evaluate the Authority's performance in relation to them;
- Evaluate and approve major capital expenditure and all major corporate transactions of the Authority;
- Ensure that NITA is informed about and complies with the Constitution of Kenya 2010, National Industrial Training Act, relevant laws, regulations and codes of best business practice;

Legal Obligation

Board members will at all times in the exercise of their functions:

- Act with honesty and integrity;
- Act in good faith and in the best interests of NITA;
- Use information appropriately;
- Act their position appropriately;
- Act in a financially responsible manner;
- Exercise due care, diligence and skill, and comply with existing legislation.

Board Committees

The Board has established the following Committees:

1. Finance and Levy Administration Committee
2. Human Resource and Administration Committee
3. Industrial Training Committee
4. Audit and Compliance Committee

1. Finance and Levy Administration Committee

The members of this Committee are as follows:

- (i) George Muchai, MBS- Chairman, representing COTU
- (ii) Jacqueline Mugo, OGW, MBS – representing FKE
- (iii) Eng. Aram Mbui – representing FKE
- (iv) Tom Khakame- representing Ministry responsible for Finance
- (v) Isaiah Kirigwa- representing the Permanent Secretary- Ministry responsible for Labour

2. Human Resource and Administration Committee

The members of this Committee are as follows:

- (i) Ernest Nadome- Chairman- representing COTU
- (ii) Rajabu Mwondi, MBS- representing COTU
- (iii) Jacqueline Mugo, OGW, MBS- representing FKE
- (iv) Isaiah Kirigwa – representing Permanent Secretary, Ministry of Labour, Social Security and Services
- (v) Mutinda Mwaa - representing the Permanent Secretary, Ministry of Education

3. Industrial Training Committee

The members of this Committee are as follows:

- (i) Hirji Shah, OGW- Chairman representing FKE
- (ii) Chris Solomon Nambanga- representing special interests
- (iii) Eng. Aram Mbui- representing FKE
- (iv) George Muchai, MBS- representing COTU
- (v) Mutinda Mwaa - representing the Permanent Secretary Ministry of Education

4. Audit and Compliance Committee

The members of this Committee are as follows:

- (i) Chris S. Nambanga- Chairman- representing special interests
- (ii) Ernest Nadome- representing COTU
- (iii) Rajabu Mwondi, MBS- representing COTU
- (iv) Hirji Shah, ODW- representing FKE
- (v) Tom Khakame representing the Permanent Secretary responsible for Finance

Summary of Board and Board Committee Meetings for Financial Year 2013/14

The following is a summary of the scheduled and special meetings that took place for the Board and its committees for the year under review:

NATURE OF MEETING	NO.
Regular Board meetings	4
Special Board meetings	6
Finance and Levy Administration committee meetings (regular)	4
Finance and Levy Administration committee meetings(special)	4
Audit and Compliance committee meetings(regular)	4
Audit and Compliance committee meetings(special)	4
Human Resource and Administration committee meetings(regular)	3
Human Resource and Administration committee meetings (special)	6
Industrial Training committee meetings(regular)	5
Industrial Training committee meetings(special)	7

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Background information

In 2006 the National Industrial Training Council (NITC) approved sponsorship of 75 females in three equal batches of 25 girls at a cost of Ksh.17 Million. The first intake of the five year programme was in January 2007 and was launched on 14th January 2007 by the then NITC Chairman.

The Female Engineering Programme was a Corporate Social Responsibility of the Council, to support training of qualified and needy girls from marginalized areas in Kenya in engineering disciplines with a pilot phase of a period of three years. Thereafter, the Council resolved to continue with the programme after its success during the pilot phase.

The first intake of twenty five (25) females was in January 2007, and in the past six years the programme has benefited one hundred and fifty three (153) needy qualified females at a cost of Ksh 50.5 million. The details of enrolment of successful applicants are as tabulated below:

Schedule of enrolments at various training institutions

Institution	Pilot Phase			Post Pilot phase			Total
	Trainees who have graduated			Trainees under the programme			
	2006 /07	2007 /08	2008 /09	2009 /10	2010 /11	2011 /12	
Kenya Polytechnic University College	11	7	4	7	10	2	41
Mombasa Polytechnic University College	9	9	4	0	0	0	22
Eldoret Polytechnic	3	9	3	6	0	0	21
Technology Development Centre (TDC)	0	0	7	2	4	7	20
Kisumu Polytechnic	2	0	3	2	5	2	14
Sigalagala Technical Training Institute	0	0	0	3	4	5	12
Railway Training Institute (RTI)	0	0	5	0	0	8	13
Thika Technical Training Institute	0	0	0	5	0	0	5
Rift Valley TTI (RVIST)	0	0	0	2	2	1	5
Total	25	25	26	27	25	25	153

The trainees undertaking diploma programmes were enrolled mainly at the National Polytechnics in Mombasa, Eldoret, Kisumu, Nairobi and the Technology Development Centre (TDC) at Athi River. However during the succeeding intakes, i.e. fourth to eighth intakes, in addition to the above the trainees were enrolled at other training institutions such as Thika, Sigalagala and Rift Valley Technical Training Institutes as these were the relevant institutes for craft courses applied for by the trainees.

Financial analysis of the female engineering programme

The initial budget approximate per trainee was estimated to be Kshs. 215,000.00 per annum which would amount to Kshs. 16,125,000 each year for all sponsored students..

However the actual expenditure ended up being less than the above amount because trainees sponsored in institutions in Nairobi were normally accommodated at NITA Hostels.

Progress reports on the Female Engineering Programme dated November, 2011 which were presented to the defunct Gender Committee indicate that as at June 2011 Ksh. 38.5 Million had been spent on the Programme.

By the fifth intake, the programme had spent Ksh. 56,602,348 as indicated below:

	Description	Amount (Kshs)
	Expenditure on the Female Engineering Programme as at June, 2011	38,500,000
	Actual Expenditure 2011/2012	11,405,000
	Actual Expenditure 2012/2013-Medical cover and Training equipment were not paid in this Financial year	6, 697,348
	Total Expenditure on Programme	56,602,348

Detailed analysis of the 2013/2014 financial year budget which includes a cost for recruiting 8th intake is tabulated below:

m	Particulars Training Expenses.	Institution/ Description	No. of trainees	Rate /p.a	Amount	Notes
1	<i>Return Fare</i>		76	8,000.00	608,000.00	To facilitate trainees with travel allowance from home to College and back based on public transport fares
2	<i>Tuition and Boarding fees</i>	TUK	11	65,000.00	715,000.00	Boarding & Catering paid to NITA
		Kisumu Poly	14	72,750.00	1,018,500.00	
		TDC	14	68,100.00	953,400.00	
		RTI, Nairobi	18	62,880.00	1,131,840.00	
		RVIST, Nakuru	3	60,780.00	182,340.00	
		Sigalagala Poly	9	62,880.00	565,920.00	
		KHIBIT	4	57,000.00	228,000.00	
	<i>KNEC Exam Fee</i>		25	9,180.00	229,500.00	
					5,024,500.00	
	<i>Industrial Attachment</i>	Fee	25	2,000.00	50,000.00	Paid as invoiced by Institutions paid to trainees as allowance for lunch and commuting
		Allowance	25	9,000.00	225,000.00	
					275,000.00	
	<i>Up keep Allowance</i>		76	9,000.00	684,000.00	Paid direct to trainee as personal allowance.

5	Final year project Facilitation	25	20,000.00	500,000.00	Trainees sitting for KNEC Exams, rate based on approved rates
6	Text Books			150,000.00	NITA buys Textbooks which trainees borrow from the Library
7	Training Equipment & Stationary	76	9,500.00	722,000.00	
8	Follow Up visit			300,000.00	Conducted by Sub Committee of NITA Staff
9	Medical Cover	76	30,000.00	2,280,000.00	Approved By NITB
0	Advertisement for the 8th Intake	2	285,000.00	570,000.00	2 advert for Applications 1 in Newspaper
1	Short listing	3	95,000.00	285,000.00	To be conducted by Sub Committee composed of NITA Staff
4	Accommodation during Interview	75	1,850.00	138,750.00	Meals and accommodation to Candidates who will attend the interview
5	Fare refund after interview	75	1,500.00	112,500.00	To Candidates who will attend the interview
	Final Selection Workshop			200,000.00	6 NITA Staff Sub Committee
6	Fact finding Visits by the Sub-Committee			200,000.00	Fuel for 4 groups and per diem allowances for four (4) members and eight
7	Induction Programme			100,000.00	
			TOTAL	12,149,750.00	

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of NITA's affairs.

Principal activities

The principal activities of the entity continue to be to provide, facilitate, promote, regulate and coordinate integrated industrial training for a globally competitive human resource.

Results

The results of the entity for the year ended June 30, 2013 are set out on page 1.

Directors

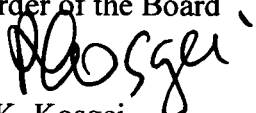
The members of the Board of Directors who served during the year are shown on pages (v)-(vi). Their appointment is in accordance with Section 4 of the Industrial Training (Amendment) Act No. 34 of 2011. Their appointment dates and end of term are shown below;

NAME	APPOINTMENT	EXPIRY
Prof. Thomas Ekamais Akuja	14 th May, 2012	13 th May 2016
Ernest Nadome	14 th May, 2012	13 th May 2016
George Muchai	14 th May, 2012	13 th May 2016
Eng. Aram Mbui	14 th May, 2012	13 th May 2016
Hirji Shah	14 th May, 2012	13 th May 2016
Jacqueline Mugo	14 th May, 2012	13 th May 2016
Rajabu Mwondi	14 th May, 2012	13 th May 2016
Chris Solomon Nambanga	14 th May, 2012	13 th May 2016
Principal Secretary- Ministry of Labour	Ex Officio	Ex Officio
Principal Secretary The National Treasury	Ex Officio	Ex Officio
Principal Secretary Ministry of Higher Education	Ex Officio	Ex Officio

Auditors

The Auditor General is responsible for the statutory audit of NITA in line with the Industrial Training (Amendment) Act No. 34 of 2011 paragraph 4(I)(4), and in accordance with the Public Finance Management (PFM) Act, 2012 and the Public Audit Act 2003.

By Order of the Board


Paul K. Kosgei
Corporate Secretary

Nairobi

Date: 30.09.2014

Auditors

The Auditor of the Authority is the Auditor General and he is responsible for the statutory audit in accordance with the Public Finance Management (PFM) Act, 2012 and Public Audit Act 2003

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements in respect of the National Industrial Training Authority, which give a true and fair view of the state of affairs of the National Industrial Training Authority at the end of the financial year/period and the operating results of the National Industrial Training Authority for that year/period. The Directors are also required to ensure that the National Industrial Training Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the National Industrial Training Authority. The Directors are also responsible for safeguarding the assets of the National Industrial Training Authority.

The Directors are responsible for the preparation and presentation of the National Industrial Training Authority's financial statements, which give a true and fair view of the state of affairs of the National Industrial Training Authority for and as at the end of the financial year ended on June 30, 2014. 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 National Industrial Training Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the National Industrial Training Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the National Industrial Training Authority's financial statements give a true and fair view of the state of the National Industrial Training Authority's transactions during the financial year ended June 30, 2013, and of the National Industrial Training Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the National Industrial Training Authority, which have been relied upon in the preparation of the National Industrial Training Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the National Industrial Training Authority 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 National Industrial Training Authority's financial statements were approved by the Board on _____ 2014 and signed on its behalf by:

Director

Director

Director

REPUBLIC OF KENYA

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E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON NATIONAL INDUSTRIAL TRAINING AUTHORITY FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the National Industrial Training Authority set out on pages 1 to 14, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 8 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

Directors of the National Industrial Training Authority are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such 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.

The directors are also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 4 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Board Expenses

The Board Expenses increased from Kshs.16,662,000.00 as at 30 June 2013 to Kshs.33,145,000.00 as at 30 June 2014 representing an increase of 98%. The huge increase was explained as being due to additional meetings held by the, Chairman due to lack of a substantive Director General. The explanation given for holding additional meetings which led to increase of board expenses by Kshs.16,483,000.00 does not appear satisfactory. Further, during the year under review, an amount of Kshs.1,471,665.00 was paid to the Board members out of which the Chairman received Kshs.425,000.00. These payments were however not supported by relevant minutes.

Consequently, the accuracy and propriety of the board expenses of Kshs.33,145,000.00 as at 30 June 2014 could not be confirmed.

2. Deposits and Investments

(i) Provision for Investment in Shares

As reported in 2012/2013, the National Industrial Training Authority (NITA) acquired shares in the Consolidated Bank of Kenya Ltd. worth Kshs.7,017,240.00 through capitalization of deposits and accrued interest from three (3) collapsed financial institutions. During 2013/2014 a provision of Kshs.7,017,240.00 has been made in the financial statements for the diminutive value of the shares. However, it was noted that the shares had actually appreciated in value to Kshs.8,400,000.00 and no dividends were received.

(ii) Provision for Deposits held in Collapsed Banks

As previously reported, NITA held an amount of Kshs.129,466,000.00 in eleven (11) collapsed banks which were placed under liquidation. During 2013/2014, a provision of Kshs.129,466,000.00 has been made in the financial statements since the recoverability of the deposits appeared doubtful. However, no evidence has been

provided indicating the actual amount held by the banks at the time of collapse of these banks and any efforts for recovery.

In view of the foregoing, it has not been possible to confirm the accuracy and correctness of the provisions for deposits and investments as at 30 June 2014.

3. Inadequate Revenue Records

Audit inspection carried out at the Technology Development Centre - Kitengela in August 2014 revealed that no records were maintained in respect of tuition fees and conference facilities managed by the Centre. It was observed that payments are made directly to the bank based at the NITA headquarters which however, could not be co-related to the student's enrolments, tuition fees paid for or to the conference facility payment. In the circumstances, there is a risk of students being enrolled without paying applicable fees or use of conference facility without payment being receipted.

Qualified Opinion

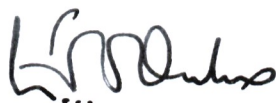
In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of National Industrial Training Authority as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Industrial Training Act, Cap 237 of the Laws of Kenya.

Emphasis of matter:

Internal Control weaknesses

The audit revealed several internal control weaknesses at the Technology Development Centre at Kitengela.

It was noted that payment vouchers were being transported all the way from Kitengela to the Headquarters in Industrial Area for authorization which exposes the institution to the risk of payments being made for non-existent goods and services. Further, the processed payment vouchers were not properly filed and serialized or entered in the vote books for budgetary control. My opinion is not qualified in respect to this matter.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

4 May 2015

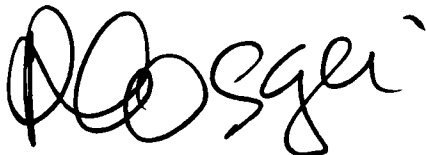
XI. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2014

STATEMENT OF FINANCIAL PERFORMANCE				
For the year ended 30 June 2014	NOTE	2013-2014	2012-2013	
		Kshs. '000	Kshs. '000	
OPERATING INCOME	3	1,057,969	532,137	
Total		1,057,969	532,137	
EXPENSES				
Operations	4	533,813	311,041	
Staff Cost	5	270,277	53,100	
Board expenses	6	33,145	16,662	
Maintenance	7	11,364	4,977	
Depreciation expenses	8	150,919	11,989	
Total		999,518	397,832	
Surplus before Interest & Tax		58,452	134,368	
Finance costs		0	0	
SURPLUS BEFORE TAX		58,452	134,368	
Tax		0	0	
Net Surplus for the year		58,452	134,368	

XII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	NOTES	2013/14	2012/2013
		KES '000	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	8,356,805	38,845
Intangible assets	13	5,895	3,262
Sub total		<u>8,362,700</u>	<u>42,107</u>
CURRENT ASSETS			
Investment In Shares	11 (a)	7,017	7,017
Provision for Investment In Shares	15	(7,017)	
Short term investments	11 (b)	375,000	368,370
Deposits held in collapsed banks	11 (c)	129,466	129,466
Provision for Deposits held in collapsed banks	15	(129,466)	
Trade and other Receivables	10	14,982	12,933
Cash & Cash Equivalents	9	322,592	325,743
Sub total		<u>712,574</u>	<u>843,529</u>
TOTAL ASSETS		<u>9,075,274</u>	<u>885,636</u>
CAPITAL FUND AND LIABILITIES			
CAPITAL FUND			
Accumulated Fund		679,144	544,776
Capital Grant		90,000	90,000
Surplus for the year		58,452	134,368
Prior year adjustment – Revaluation Reserve		8,235,400	
CURRENT LIABILITIES			
Trade and other Payables	14	<u>12,278</u>	<u>116,492</u>
TOTAL CAPITAL FUND AND LIABILITIES		<u>9,075,274</u>	<u>885,636</u>

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



Director General

Date.....30-9-2014.....

Chairman of the Board

Date.....

XIII. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2014

	Capital Grant	Accumulated surplus	Total
	Kshs '000	Kshs '000	Kshs '000
Balance as at 30 JUNE 2012	90,000	544,776	634,776
Surplus/(deficit) for the period	0	134,368	134,368
Balance as at 30 JUNE 2013	90,000	679,144	769,144
Surplus for the period	0	58,452	58,452
Transfers to/from accumulated surplus – Revaluation Reserve	0	8,235,400	8,235,400
Balance as at 30 JUNE 2014	90,000	8,972,996	9,062,996

XIV. STATEMENT OF CASH FLOWS**Cash flows from operating activities**

Receipts	2013-14	2012-13
Training levy	575,035	437,009
Registration of trainers	3,713	2,898
Miscellaneous income	3,555	2,788
Income from investments	14,392	31,655
Grants to Board	310,501	8,640
Trade test fees	117,562	41,665
Course and hostel fees	33,211	7,482
Totals	1,057,969	532,137
Payments		
Operations	552,588	188,779
Staff Cost	270,277	50,795
Board expenses	33,145	16,831
Maintenance	11,364	7,153
Totals	867,374	263,558
Net cash flows from operating activities	190,595	268,579

Cash flows from investing activities

Purchase of property, plant, equipment and intangible assets	(202,671)	(47,081)
Increase in short term investments	(6,630)	(73,370)
Net cash flows used in investing activities	(209,301)	(120,451)

Cash flows from financing activities

Capital Grants		90,000
Net cash flows used in financing activities		90,000
Net increase/(decrease) in cash and cash equivalents	(18,706)	238,128

Cash and cash equivalents at 1 JULY	341,298	103,170
Cash and cash equivalents at 30 JUNE	322,592	341,298

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

DESCRIPTION	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014
	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000
Revenue	1,300,424	0	1,300,424	1,057,969	242,455
Expenses					0
Operations	636,477	(18,381)	618,096	533,813	84,283
Staff Cost	469,109	0	469,109	270,277	198,832
Board Expenses	27,050	11,449	38,499	33,145	5,354
Maintenance	7,552	6,932	14,484	11,364	3,120
Depreciation expenses	47,399	0	47,399	150,919	(103,520)

XV. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The National Industrial Training Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Industrial Training Levy

NITA recognizes revenues from industrial training levy upon collection of the same from employers.

Transfers from other government entities

Grants from exchequer are recognized upon receipt thereof from the parent Ministry.

ii) Revenue from exchange transactions

Rendering of services – Tuition and Accommodation & Trade Test Booking Fees

NITA recognizes revenue from tuition and accommodation upon commitment of students/clients through payment of fees or deposits.

In the case of trade tests booking fees are payable upfront and revenue is recognised upon receipt thereof.

Interest income – investments in Treasury Bills

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.

b) Budget information

The annual budget is prepared on accrual basis, that is, all planned costs & income are presented in a single statement to determine the needs of the entity. As a result of the adoption of accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between actual comparable amounts and amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes

Income tax

NITA revenues are exempted from Corporation Tax.

d) Property, plant and equipment

During the course of the year an asset valuation exercise was undertaken. Accordingly net asset values from the previous year were adjusted and re-stated as a prior year adjustment.

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

e) Intangible assets – Software

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.

f) Provisions

Provisions are recognized when NITA 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.

Contingent liabilities

NITA 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

NITA 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 Authority 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.

g) Nature and purpose of reserves

NITA creates and maintains reserves in terms of specific requirements. Currently NITA maintains 2 reserves:

- A capital reserve of Kshs.90m relating to Grants from the parent ministry;
- Revenue reserves relating to accumulated surpluses/(deficits) (including prior year adjustments)

h) Changes in accounting policies and estimates

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

i) 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 various commercial banks at the end of the financial year.

j) Comparative figures

The 2012-13 financial statements were re-stated to accommodate comparatives.

Comparative figures for the previous financial year are amended to conform to the required changes in presentation.

k) Significant judgments and sources of estimation uncertainty

The preparation of NITA'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. NITA 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 NITA. Such changes are reflected in the assumptions when they occur.

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 valuers employed by NITA during the course of the year under review

- 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
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available.

Full provision was made for the following and included in the re-stated balances for the prior year:

- Investments in Shares at Consolidated Bank (Kshs.'000 - 7,017)
- Deposits held in collapsed banks (Kshs. '000 - 129,466).

In both cases Management was of the view that the likelihood of recoverability of the amounts was remote.

l) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

3. Operating Income

	2014	2013
	Kshs.'000	Kshs.'000
Training levy	575,036	437,009
Registration of trainers	3,713	2,898
Miscellaneous income	3,555	2,788
Income from investments	14,392	31,655
Grants to Board	310,501	8,640
Trade test fees	117,562	41,665
Course and hostel fees	33,211	7,482
Totals	1,057,969	532,137

4. Operations Expenses

	Sub-note	2014 Kshs'000	2013 Kshs'000
Audit fees		812	700
Legal fees		537	0
Consultancy	(i)	72,205	290
Bad debts expense		0	0
Curriculum development		4,982	3,322
Electricity		11,796	0
Water and Sewerage Charges		5,178	0
Domestic Travel, subsistence and Other		91,588	110,579
External travelling and subsistence	(ii)	9,703	0
Telecommunications	(iii)	9,418	1,223
Motor vehicle tyres & other parts		280	0
Other Miscellaneous	(iv)	21,741	785
Female sponsorship	(ii)	10,982	0
Insurance		1,165	0
Rent and rates		723	0
Subscriptions, publishing and printing		999	5,673
Advertising, Awareness & Publicity Campaigns		16,580	8,570
Hire of Transport (movable assets)		32	0
Reimbursements for Training	(i)	144,336	146,600
Hospitality Supplies and Services		7,186	2,611
Seminars and workshops		4,977	4,908
Specialised Materials and Supplies	(v)	33,826	6,730
Chemicals, detergents and Industrial Gases		2,310	0
Education and Library Supplies		235	271
Food and rations		38,656	0
Part time lecturers		4,150	3,350
Purchase of Uniforms and Clothing - Staff		115	0
Purchase of Bedding and Linen		320	0
Office and General Supplies and Services		16,840	4,016
Security & Cleaning services		10,093	0
Fuel, Oil and Lubricants		12,048	11,373
Totals		533,813	311,001

- (i) Several expenses including asset valuation and tagging
- (ii) Training expenses mainly comprise reimbursement to contributors, industrial attachment, and female sponsorship (shown separately in 2013/14)
- (iii) Large increase due to increased use of e-mail, internet, air time (for new managers) & postage
- (iv) Several expenses including trade test costs;
- (v) Mainly due to costs related to industrial training centres now being covered centrally (not by parent ministry)

5. Staff Costs

	Note	2013/14	2012/13
		Kshs '000	Kshs '000
Salaries and wages		178,091	49,750
House Allowance		24,868	
Leave Allowance		600	
Other Allowances		8,507	
Commuter		3,987	
Medical expenses		24,546	
Staff development		27,967	1,045
Staff awards		0	
Welfare		1,712	
Totals	(i)	270,277	50,795

- (i) These amounts relate to extraneous allowances for staff under Ministry payroll and salaries for the new NITA managers.

6. Board Expenses

		2014	2013
	NOTE	Kshs'000	Kshs'000
Finance & levy administration		3,718	167
HR & administration		3,447	2,010
Industrial training		3,712	0
Audit & compliance		3,961	2,011
(Full) Board		15,435	12,474
Sector expenses	(i)	2,873	169
Total		33,145	16,831

- (i) Council/Board expenses comprise honoraria, council/board and committees expenses. The Board replaced the council on 14 May 2012.

7. Maintenance Expenses

	2014	2013
	Kshs'000	Kshs'000
Equipment	1,483	4,179
Buildings	1,808	325
Grounds	303	0
Plant & machinery	454	0
Furniture & fittings	61	473
Software	1,259	2,176
Motor vehicle	5,996	0
Total	11,364	7,153

8. Depreciation Expenses

	Note	2014	2013
		Kshs'000	Kshs'000
Depreciation of property, plant and equipment:			
Buildings		58,293	
Plant & machinery		29,380	11,988
Motor vehicle		17,563	
Computers & Accessories		28,057	
Equipment		10,675	
Books		123	
Intangibles		2,526	
Furniture, fixtures & fittings		4,302	
Totals	(i)/(ii)	150,919	11,988

1. There was an asset valuation exercise that resulted in significant increase in the asset values. Consequently the prior asset values were re-stated;
2. For that reason all assets for prior year are shown at cost & there are no comparative depreciation figures

9. Cash and cash equivalents

	2014	2013
	Shs 000	Shs 000
Bank	322,249	340,749
Cash-on-hand and in transit	343	549
Total cash and cash equivalents	322,592	341,298

10. Receivables from exchange transactions

	2014	2013
	Shs 000	Shs 000
Current receivables		
Receivables	7,133	6,807
Accrued investment income	3,711	3,488
Outstanding imprest	4,138	2,089
Total current receivables	14,982	12,384

11. Investments

The investments comprise shares held, treasury bills, and short term deposits including such deposits held in the collapsed banks:

(a) The shares in Consolidated Bank (K) Limited whose face value is Kshs. '000 - 8,400 are valued at Kshs. '000 - 7,017 comprise:

	2014	2013
Cost	Amount	Amount
	KSHS'000	KSHS'000
90,000 Ordinary shares of Ksh.20 each less amount written off 1998	417	417
330,000 4 % Non-cumulative Preference shares of ksh.20 each	6,600	6,600
Totals	7,017	7,017

The shares were acquired in 1993 through capitalization of deposits and accrued interest received from Home Savings and Mortgages Limited, Business Finance Company Limited and Jimba Credit Corporation limited as at 31st March, 1990.

In view of the fact that the likelihood of recovery of these amounts is remote, they have been fully provided for. The provisions are part of the re-statement of 2012-2013 financial statements.

(b) Treasury bills invested through financial institutions and short term fixed deposits comprising:

Institution	2014	2013
	Fixed Deposit KSHS'000	Fixed Deposit KSHS'000
Kenya Commercial Bank	195,000	191,101
National Bank	100,000	98,526
Co-operative Bank	80,000	78,743
	375,000	368,370

(c) Deposits held with collapsed banks

Institution	2014	2013
	Fixed Deposit KSHS'000	Fixed deposits KSHS'000
Prudential Bank Ltd	50,595	50,595
Nairobi Finance Company	8,530	8,530
Pioneer Building Society	15,000	15,000
Continental Credit Finance Ltd	8,830	8,830
Country Building Society	2,000	2,000
Allied Credit Limited	5,388	5,388
Middle Africa Finance Co. Ltd	5,345	5,345
United Trustee Finance Co. Ltd	1,300	1,300
Thabiti Finance Company	26,029	26,029
Inter Africa Credit Ltd	2,461	2,461
Meridian BIAO Bank (K) Ltd	3,988	3,988
	129,466	129,466

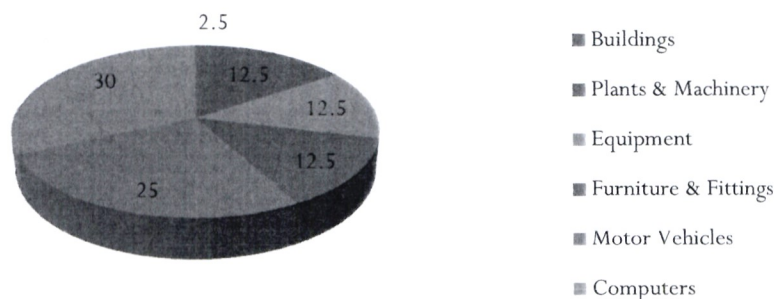
In view of the fact that the likelihood of recovery of these amounts is remote, they have been fully provided for. The provisions are part of the re-statement of 2012-2013 financial statements.

12. Property, plant and equipment

Property, plant and equipment

	Land	Buildings	Plant & Machinery	Motor Vehicles	Computer & Accessories	Intangibles	Furniture & Fittings	Equipment	Books	Total
	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000
Cost										
At 30 June 2013	0	0	16,371	27,166	5,576	4,660	640	0	0	54,413
Revaluation	5,653,615	2,206,901	218,553	49,876	72,864		27,924	37,875	1,233	8,268,841
Additions	0	124,821	2,160	0	17,072	5,159	5,932	47,527	0	202,671
Disposals	0	0	0	0	0	0	0	0	0	0
Transfer/adjustments	0	0	0	0	0	0	0	0	0	0
At 30 June 2014	5,653,615	2,331,722	237,084	77,042	95,512	9,819	34,496	85,402	1,233	8,525,925
Depreciation and impairment										
At 30 June 2013	0	0	2,046	6,792	1,990	1,398	80	0	0	12,306
Depreciation	0	55,313	29,636	19,261	28,654	2,946	4,312	10,675	123	150,919
Disposals	0	0	0	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0	0	0	0
Transfer/adjustment	0	0	0	0	0	0	0	0	0	0
At 30 June 2014	0	55,313	31,682	26,053	30,644	4,344	4,392	10,675	123	163,225
Net book values										
At 30 June 2014	5,653,615	2,276,409	205,403	50,990	64,868	5,475	30,104	74,727	1,110	8,362,700
At 30 June 2013	0	0	14,325	20,374	3,586	3,262	560	0	0	42,107
Rates	0.0%	2.5%	12.5%	25.0%	30.0%	30.0%	12.5%	12.5%	10.0%	

Depreciation Rates



13. Intangible assets - software

	Shs 000
Cost	
At 1 July 2012	0
Additions	3,262
At 30 June 2013	3,262
Additions – internal development	5,159
At 30 June 2014	8,421
Amortization and impairment	
At 1 July 2012	(0)
Amortization	(0)
At 30 June 2013	(0)
Amortization	(2,526)
Impairment loss	(0)
At 30 June 2014	(2,526)
Net book values	
At 30 June 2014	5,895
At 30 June 2013	3,262

14. Trade and other payables from non-exchange transactions

	2014	2013
	Shs 000	Shs 000
Trade and other payables	12,278	28,456
Total trade and other payables	12,278	28,456

15. Current provisions

	Investment in shares	Deposits in collapsed banks	Total
	Shs 000	Shs 000	Shs 000
Balance at the beginning of the year	0	0	0
Additional provisions raised	7,017	129,466	136,483
Balance as at 30 June 2014	7,017	129,466	136,483

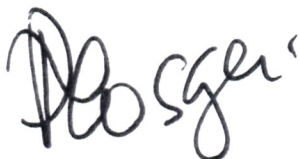
16. Events after the reporting period

There are no material non-adjusting events after the reporting date.

XVI. 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)
1	Investments of Kshs. '000 - 7,017 in Consolidated Bank not provided for	Provisions have been made and prior year adjustments made in 2012/13	Manager, Finance & Levy Administration	Management seeking information on the current value of the shares from the Bank	December 2014
2	Deposits of Kshs. '000 - 129,466 in collapsed banks not provided for	Provisions have been made and prior year adjustments made in 2012/13	Manager, Finance & Levy Administration	Letter written to Treasury seeking authorisation for write-off	December 2014
3(i)	Bank certificate used to capture NBK balance in financial statements	Cash book balances now used to capture NBK cash balance and prior year adjustments made in 2012/13	Manager, Finance & Levy Administration	To submit prior year adjustments as part of audit	December 2014
3(ii)	Bank certificate used to capture KCB balance in financial statements	Financial statements re-stated & cash book balances now used to capture KCB cash balance	Manager, Finance & Levy Administration	To submit prior year adjustments as part of audit	December 2014
3(iii)	Standard Chartered Bank balance of Kshs. 227,403 not possible to verify	Cash book prepared & bank reconciliation prepared	Manager, Internal Audit	Investigations on-going on transactions in this bank account	December 2014
4	Property, Plant and Equipment excludes land & buildings inherited from DIT	Comprehensive asset valuation exercise undertaken & revised asset values captured as a prior year adjustment. Disposal schedules being prepared in preparation of obsolete assets	Manager, Finance & Levy Administration	Asset valuation report now in use	December 2014
5	Board Expenses includes Kshs. 2,175,770 paid to Chairman not verifiable	All payment vouchers related to Board expenses for the period being reviewed to provide explanations on the meetings & the types of payments made.	Manager, Finance & Levy Administration	To provide breakdown of these amounts to KENAO	December 2014



Director General

Chairman of the Board

Date: 30/09/2014

Date:

