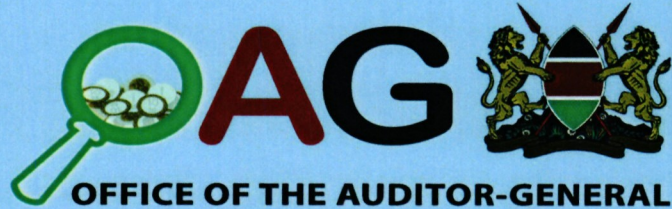



REPUBLIC OF KENYA



*Enhancing Accountability*

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 <b>REPORT</b> THE NATIONAL ASSEMBLY PAPERS LAID	
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CLERK-AT THE-TABLE:	Mairah wanjiku

**THE AUDITOR-GENERAL**

**ON**

**COAST INSTITUTE OF TECHNOLOGY**

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

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

18 MAR 2021

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**COAST INSTITUTE OF TECHNOLOGY ANNUAL**

**REPORTS AND FINANCIAL STATEMENTS**

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

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

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## 1 KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

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

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

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

### (b) Principal Activities

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

#### **Vision:**

Coast Institute of Technology envisions itself to be a Center of Excellence in Technical Training, Education, Science and Technology in Kenya and beyond.

#### **Mission:**

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

#### **Core Values**

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

## KEY ENTITY INFORMATION AND MANAGEMENT( Continued)

### Background information (continued)

#### Motto

Skills for self reliance

#### Quality policy

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

The key Quality Objectives seek to: -

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

#### The Mandate of CIT is to:

1. Produce morally upright ,relevant, high quality and competitive graduates in the job market
2. Enhance the Training and working environment
3. Optimize utilization of human and physical resources in the institute
4. Increase capacity for training, research and consultancy services in line with changing technologies
5. Improve exploitation of locally available resources for innovations
6. Improve and maintain linkages and collaboration with industry
7. Enhance the utilization of ICT in training and management of the institution
8. Increase access taking into account gender balance and regional disparities

#### (c) Key management

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

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

#### (d) Fiduciary management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

Designation	Name
1 Principal	Patrick M King'oina
2 Deputy principal	Eston Gateru Kagai
3 Deputy Principal Academics	Mary Mkomba
4 Registrar	Gloria Monikombo
5 Dean of Students	Mr. Dickens Odum
6 Finance officer	Nashon Mchemi
7 Procurement officer	Asenath Bwana

**KEY ENTITY INFORMATION (continued)**

**(e) Fiduciary Oversight Arrangements**

- Audit and Risk Management Committee
- Finance and General Purpose Committee
- Academic Implementation Committee

**(f) Entity Headquarters**

Coast institute of technology  
P.O. Box 34-80300  
Sofia, Tsavo Road  
Voi, KENYA

**(g) Entity Contacts**

Telephone: 0202169229/ 041 2011393  
E-mail: voicampuscit@yahoo.com  
Website: www.cit.ac.ke

**(h) Entity Bankers**

1. Kenya Commercial Bank  
Voi Branch  
P.O. Box 137-80300  
Voi, Kenya.
2. Equity Bank  
Voi Branch  
P.O. Box -80300  
Voi, Kenya.
3. Co-operative bank  
Voi Branch  
P.O. Box 80300  
Voi, Kenya.
4. Diamond trust Bank  
Voi Branch  
P.O. Box -80300  
Voi, Kenya.

**(i) Independent Auditors**

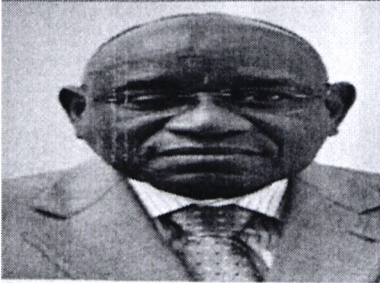
Auditor General,  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**(j) Principal Legal Advisers**

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

## 2. THE BOARD OF GOVERNORS

1 Eng. A. S. Kitololo  
Chairman of the board



Name: Eng. A. S. Kitololo

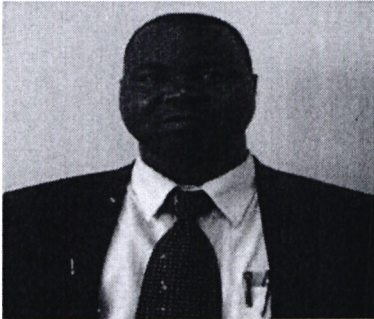
DoB: 08/03/1941

Position: Chairman of the Board

Qualifications: Bachelor of Science in Engineering-Civil.

Work Experience: Worked with the Nairobi and Mombasa as Assistant Engineer, Senior Engineer in different Companies, currently He is a Director Kitololo Consultants in charge of Professional and technical performance and administration matters of the practice.

2 Prof Julius Mwabora



Name: Prof Julius Mwabora

DoB: 26/07/1965

Position: Member of the Board.

Qualifications: B.sc, M.sc, PhD

Work Experience: He is a Professor at The University(UON) and is the current Chairman, Department of Physics at the same University. He is a member of several Professional bodies.

3 Mr. Githinji Thiong'o



Name: Mr. Githinji Thiong'o

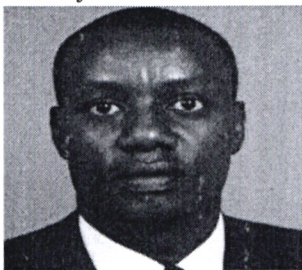
DoB: 22/07/1974

Position: Member of the Board.

Qualifications: Bsc. Agriculture, MSc. Plant Pathology

Work Experience: He is an Agronomist working with Kenya Cereal Enhancement programme- IFAD & European Union Funded Programme ( Coast Region) and is a 1St tem serving BOG Member

4 Julius Nyamamba Mosoti



Name: Julius Nyamamba Mosoti

DoB: 19/06/1963

Position: Member of the Board and Chairs Audit and Risk Management Committee

Qualifications: CPA(K), BA(Finance & Accounting Option), MBA

Work Experience: He is a Lead consultant at Julmeric Management Consultancy Limited. Has vast experience in Audit and is also a member of IIA( Institute of Internal Auditors) Kenya Chapter.

5 Christine Saru Kilalo



Name: Christine Saru Kilalo

DoB: 26/12/1955

Position: Member of the Board

Qualifications: Master of Arts.

Work Experience: She is a Consultant and has practised as a Nurse, Midwife and Public health Nurse. She has helped many Community Based Organization in writing project proposal and supervised to realization.

**BOARD OF GOVERNORS (continued)**

6 Mrs. Faith Lumonya Ngaira



Mrs. Faith Lumonya Ngaira  
DoB: 12/05/1952  
Position: Member of the Board and Chairs Academic and Implementation committee.  
Qualifications: BSc. In Electrical Engineering.  
Work Experience: She worked with Ministry of Education and currently is an Education Consultant.

7 Mrs. Jeddy M. Munyao



Name: Mrs. Jeddy M Munyao  
DoB: 27/09/1983  
Position: Member of the Board  
Qualifications: BSc. In Information Technology  
Work Experience: She is currently working with Quadtel Services Limited as Account Manager

8 Mr. Simon Mwachia



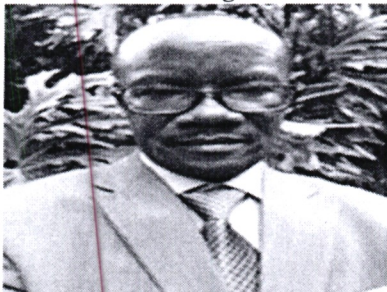
Name: Mr. Simon Mwachia  
DoB: 27/08/1966  
Position: Member of the Board and Chair of Finance and general purpose committee  
Qualifications: Bachelors of Arts  
Work Experience: He is a Representative of The County Government of Taita Taveta and He is also The Chief Officer in charge of Vocational Training Centres. Has vast experience in Teaching and Management.

9 Mr. Peter Mwangi



Name: Mr. Peter Mwangi  
DoB: 24/02/1966  
Position: Member of the Board  
Qualifications: Master, BSC(Education)  
Work Experience: He is The County Director TVET- Mombasa/Kwale/Taita-Taveta, He is a Representative of The PS Ministry of Education, State Department of Vocational and Technical Training.

10 Mr. Patrick M King'oina



Name: Mr. Patrick M King'oina  
Position: Principal/CEO  
Qualifications: Masters.  
Work Experience: Previously served as Deputy Principal at Coast Institute of Technology.

### 3. MANAGEMENT TEAM

1 Mr. Patrick M King'oina



Name: Mr. Patrick M King'oina  
Position: Principal/CEO  
Qualifications: Masters.  
Work Experience: Previously served as Registrar at Machakos Technical Training Institute and as the Deputy Principal at Coast Institute of Technology.

2 Mr. Eston Gateru Kagai



Name: Mr. Eston Gateru Kagai  
Position: Deputy Principal Administration And Planning  
Qualifications: Bed  
Work experience: Served as a Registrar at Coast Institute of Technology.

3 Mrs. Mary Mkomba



Name: Mrs. Mary Mkomba  
Position: Deputy Principal Academics  
Qualification: Bed  
Work experience: She was a trainer for Applied science.

4 Mrs. Gloria Monikombo



Name: Mrs. Gloria Monikombo  
Position: Registrar  
Qualification: Masters  
Work experience: She served as the deputy registrar at Coast Institute of Technology.

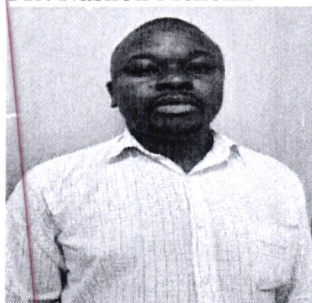
**MANAGEMENT TEAM (continued)**

5 Mr. Dickens Odum



Name: Mr. Dickens Odum  
Position: Dean of Students  
Qualification: Masters  
Work experience: Once served as HOD Tourisms, serving currently as The Dean of Students.

6 Mr. Nashon Mchemi



Name: Mr. Nashon Mchemi  
Position: Finance officer  
Qualification: B Com (Finance option), CPA (K), Accountacy Diploma.  
Work experience: Served for five periods as CIT finance officer.

7 Mrs. Asenath Bwana



Name: Mrs. Asenath Bwana  
Position: Procurement officer  
Qualification: Msc. Procurement & Logistics.  
Work experience: She has over three years experience in Procurement field having worked in Kisii Teaching & Referral Hospital and Institute of Human Resource Management (IHRM).

#### 4. CHAIRMAN'S STATEMENT

On behalf of the Institute Board of Governors, I am pleased to present to you Coast Institute of Technology Annual Reports and Financial statements for the year ended ended 30th June 2020 During the period, the institute continued to deliver on our key and core mandate of provision of quality technical, vocational, educational and training (TVET), research and community outreach that is market driven and well aligned to the big four agenda.

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

In the year 2019/2020, the Institute projected to focus on increasing student enrollment, improvement of infrastructure and human resource to support teaching, learning and research.

Finally I wish to acknowledge with gratitude the Government of Kenya for its goodwill and invaluable support to the college as it strives to implement its goals and objectives. I also wish to appreciate the vital support that we have continued to receive from our development partners, students, staff and sponsors. The Board of Governors shall continue to provide the much needed resources, advice and foresight to support the Institute as it continues to implement its goals and objectives.

.....  
**Eng. A.S. Kitololo**  
**Chair of the Board of Governors**  
DATE...17/3/21

## **5. REPORT OF THE PRINCIPAL**

### **Dear Stakeholder,**

Coast Institute of Technology has continued to position itself as the leading technical training institution in the region. In line with the Institute growth aspirations, the strategic plan (2019-2023) was reviewed in the year ending June 2019. The strategic plan was reviewed on the basis of the vision 2030 and other strategic priorities of the government as outlined in the constitution of Kenya 2010. Our commitment to service delivery, efficiency and leadership.

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

The college planned for and embarked on infrastructure development in order to increase access to technical education. This included completion of phase 2 men hostels and improvement of other facilities aimed at accommodating the increasing students enrolment.

### **Key projects**

During the year, CIT mentored Mwatate TVC, Msambweni TVC, Wuming TVC, Fayya TVC, Garsen TVC, and Kinango TVC. In addition to overseeing construction, implementation and accountability of funds, the Institute lead by the Board of Governors joint efforts in building capacity in mentees personnel, employing participatory development and collaborative principles to enhance capability and institutional knowledge transfer as part of a wider change management process. We can report here that this colleges have nominated BOG Members and even looking forward for their induction. During this time of COVID-19 we managed to fabricate and make hospital beds and supplied mackintosh mattresses to Moi County referral hospital and several hand wash machine supplied to the Office of the Governor Taita-taveta county and some sold to local vendors and 6 machines were delivered to Taita -Taveta University, this has made CIT to be an outstanding TVET Institution in Kenya that has focused on its mandate in innovation.

### **Operational and Financial Performance**

The Institute continues to deliver on its key mandate of provision of quality education, training, and research. This financial year recorded a deficit of Kshs 12,589,432 compared to last financial year which recorded a surplus of Kshs 32.8m. Net deficit for the year is attributed to closure of Schools this was a result of the Covid-19 pandemic where students could not report and sale of goods proceed also decline since the Government discouraged public gatherings for seminar, low sales at the bakery since most customers are public and private secondary and primary schools and the farm most customers are our students residing outside the college and small cafeterias serving students.

### **Compliance with Statutory Requirements**

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

## **REPORT OF THE PRINCIPAL (continued)**

### **Major risks and challenges facing the institute**

Coast Institute of Technology continues to face pressure on existing resources due to inadequate learning infrastructure exacerbated by the increasing student enrollment. The teachers and non-teaching staff to student ratio remains low. Budgetary constraints have contributed to stalled projects. Phase II of the Centre of Excellence Complex comprising of 2 restaurants and 4 conference facilities are in dire need of funding to realise the aspired benefits.

### **Future outlook**

We are looking forward to harness the ISO 9001:2005 certification and strategic plan (2019 - 2023) to guide the Institute's future developments, improve service delivery and achieve set goals and objectives. We also anticipate an increase in student enrollment, attain adequate staffing levels and improve learning infrastructure. Our ultimate objective is to acquire polytechnic status. CIT as a result of the Covid-19 pandemic through the help of the Board is planning to roll on e-learning platform this means it will have two mode of study residential and odel students.

### **Conclusion**

During the year under review, the Institute has introduced several new initiatives and measures to make its services more efficient and accessible. I take this opportunity to thank our stakeholders for their continued support and partnership in the realization of our mandate.

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

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



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

Date:.....17/3/2021.....

**6. REVIEW OF COAST INSTITUTE OF TECHNOLOGY PERFORMANCE FOR THE YEAR ENDED J ENDED JUNE 30 2020**

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

Coast Institute of Technology has 4 strategic pillars and objectives within its Strategic Plan for the FY 2019-2023. These strategic pillars are as follows:

Strategic Pillar		Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	Human Resource Development	To improve human resource capacity	Number of additional BOG staff engaged.	Employ more BOG staff	Additional BOG staff employed.
Pillar 2:	ICT	To fully integrate ICT in the Institute.	Number of ICT equipment purchased	Purchase additional ICT equipment for the Institute	ICT equipment purchased
Pillar 3:	Gender and youth development	To develop responsible youth to contribute to national development	Number and type of information provided	Provision of information	Information on drugs provided
Pillar 4:	Education and training	New and modern methods of Training enhanced	Number of new techniques introduced	New and modern methods of Training enhanced	Modern Training techniques in place

## 7. CORPORATE GOVERNANCE STATEMENT

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

### Role of the Board of Governors

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

### The Board Size, Composition and Independence

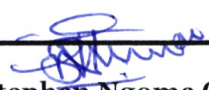
The Board consists of 10 Governors. The Board composition draws a good mix of skills, experience and proficiencies in various fields. The Governors' biographies are shown on pages 4 to 5.

### Board Remunerations

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

The Board has three committees that are constituted as follows:

Name of the Committee	Members
Audit and Risk Management	1. Julius N. Mosoti- Chairman 2. Prof. Julius Mwabora-member 3. Githinji Thiong'o-member
Finance & General Purpose Committee	1. Simon Mwachia-chairman 2. Jedy Munyao- Member 3. Githinji Thiong'o-member 4. Peter Mwangi –member
Academic Implementation Committee	1. Faith Ngaira- chairman 2. Prof. Julius Mwabora-member 3. Christine S. Kilalo.-member.

  
Mr Stephen Ngome Gofwah  
Principal/Secretary BOG

Date: 17/3/2021

## **8. MANAGEMENT DISCUSSION AND ANALYSIS**

Coast Institute of Technology has continued to position itself as the leading technical training institution in the region. In line with the Institute growth aspirations, the strategic plan (2019-2023) was reviewed in the year ending June 2019. The strategic plan was reviewed on the basis of the vision 2030 and other strategic priorities of the government as outlined in the constitution of Kenya 2010. Our commitment to service delivery, efficiency and leadership.

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

The college planned for and embarked on infrastructure development in order to increase access to technical education. This included completion of phase 2 men hostels and improvement of other facilities aimed at accommodating the increasing students enrolment.

During the year, CIT mentored Mwatate TVC, Msambweni TVC, Wuming TVC, Fayya TVC, Garsen TVC, and Kinango TVC. In addition to overseeing construction, implementation and accountability of funds, the Institute lead by the Board of Governors joint efforts in building capacity in mentees personnel, employing participatory development and collaborative principles to enhance capability and institutional knowledge transfer as part of a wider change management process. We can report here that this colleges have nominated BOG Members and even looking forwrd for their induction. During this time of COVID-19 we managed to fabricate and make hospital beds and supplied mackintosh mattresses to Moi County referral hospital and several hand wash machine supplied to the Office of the Governor Taita-taveta county and some sold to local vendors and 6 machines were delivered to Taita -Taveta University, this has made CIT to be an outstanding TVET Institution in Kenya that has focused on its mandate in innovation.

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

**MANAGEMENT DISCUSSION AND ANALYSIS(continued)**

Coast Institute of Technology continues to face pressure on existing resources due to inadequate learning infrastructure exacerbated by the increasing student enrollment. The teachers and non-teaching staff to student ratio remains low. Budgetary constraints have contributed to stalled projects. Phase II of the Centre of Excellence Complex comprising of 2 restaurants and 4 conference facilities are in dire need of funding to realise the aspired benefits.

We are looking forward to harness the ISO 9001:2005 certification and strategic plan (2019 - 2023) to guide the Institute's future developments, improve service delivery and achieve set goals and objectives. We also anticipate an increase in student enrollment, attain adequate staffing levels and improve learning infrastructure. Our ultimate objective is to acquire polytechnic status. CIT as a result of the Covid-19 pandemic through the help of the Board is planning to roll on e-learning platform this means it will have two mode of study residential and odel students.

During the year under review, the Institute has introduced several new initiatives and measures to make its services more efficient and accessible. I take this oppportunity to thank our stakeholders for their continued support and partnership in the realization of our mandate.

## **9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

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

The College is committed to the maintenance of principled standards, respect and accountability across all its activities; this include and not limited to the following; Treating employees with fairness and respect, support staff development through allowing its staff to attend trainings and workshops, volunteering in community and county, and national government activities

The college involves itself in innovation where it spend from its budget almost Kshs 2 million on TVET fair/robot competition and exhibition which is meant to share new technology to the industry and the community in general.

The college has seed bursary where every year it allocates kshs 500,000 mainly for bursary. The amount is awarded to needy students within the County, this therefore benefits directly student from the community.

The student council has a budget on community day where students visit children home around Voi and in the Coast region, they also participate in cleaning and tree planting in Voi town during environmental days.

Our students mostly reside in Sofia and other areas around Voi town these has boasted local Investor who have rental houses and cafeteria respectively.

During this time of COVID-19 we managed to fabricate and make hospital beds and supplied mackintosh mattresses to Moi County referral hospital and several hand wash machine supplied to the Office of the Governor Taita-taveta county and some sold to local vendors and 6 machines were delivered to Taita -Taveta University, this amongst others have made CIT to be exemplary and helpful to the community

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

## **10. REPORT OF THE COUNCIL/BOARD OF GOVERNORS**

The board submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Coast Institute of Technology affairs.

### **Principal activity**

The principal activity of the institute is the provision of technical, vocational, entrepreneurship training and research.

### **Results**

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

### **Members of the institute board**

The Members of the Institute board who served during the year are shown on page v and vi.

### **Auditors**

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

### **By Order of the board**



**Mr Stephen Ngome Gofwah**  
**Secretary BOG**

Date: 17/3/2021

### 11. Statement of the Board of Governors Responsibilities.

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

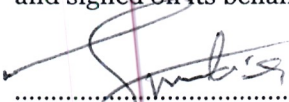
The board is responsible for the preparation and presentation of the institute's financial statements, which give a true and fair view of the state of affairs of Coast Institute of Technology for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of Coast Institute of Technology; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The board accept responsibility for the Coast Institute of Technology financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Technical and Vocational Education and Training Act of 2013. The board is of the opinion that Coast Institute of Technology financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2020, and of the Institute's financial position as at that date. The board further confirm the completeness of the accounting records maintained for the institute, which have been relied upon in the preparation of the Coast Institute of Technology financial statements as well as the adequacy of the systems of internal financial control.

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

#### Approval of the financial statements

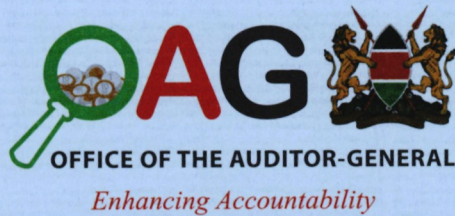
The Coast Institute of Technology financial statements were approved by the board on.....17/03/..... 2021 and signed on its behalf by:

  
.....  
**Chairperson of the Board**  
Name: Eng. A.S. Kitololo

  
.....  
**Principal/Secretary BOG**  
Name: Mr. Stephen Ngome Gofwah

# REPUBLIC OF KENYA

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON COAST INSTITUTE OF TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of Coast Institute of Technology set out on pages 1 to 31, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Coast Institute of the Technology as at 30 June, 2020, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Technical and Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012.

#### Basis for Adverse Opinion

##### 1.0 Presentation of the Financial Statements

The statement of changes in net assets as at 30 June, 2020 and Note 23 to the financial statements on property, plant and equipment did not include movements in the previous year as prescribed by the Public Sector Accounting Standards Board and International Public Sector Accounting Standard.

Consequently, the financial statements presented for the year ended 30 June, 2020 do not conform to No. 1 on presentation of financial statements as prescribed and published by the Public Sector Accounting Standards Board.

##### 2.0 Inaccuracies in Statement of Cash Flows

The statement of cash flows reflects total payments of Kshs.163,577,822 after adjustment for depreciation of Kshs.36,846,403. However, the same depreciation

figure has been added back, thereby understating cash balance by Kshs.36,846,403. In addition, the cash flows statement reflects increase in debtors by Kshs.56,809,896, while the re-computed figure is a decrease of the same amount, thereby misstating cash balance by Kshs.113,619,792.

Further, although the cash flows statement reflects purchase of intangible assets balance of Kshs.5,058,816, Note 24 to the financial statements indicated that there were no additions to the intangible assets during the year under review.

Consequently, the accuracy and completeness of the statement of cash flows for the year ended 30 June, 2020 could not be confirmed.

### **3.0 Cash and Bank Balance**

The statement of financial position as at 30 June, 2020 reflects cash and bank balance of Kshs.89,763,369 as detailed in Note 19 to the financial statements. However, these are balances as per bank confirmation certificates and not the reconciled cash book balances of Kshs.81,431,920 resulting to unexplained variance of Kshs.8,331,449.

Other observations are as detailed below:

#### **3.1 Cooperative Bank Collection A/c No. 01129220357100**

Note 19 to the financial statements for the year ended 30 June, 2020 reflects cash and bank balance of Kshs.89,763,369. Included in this balance is Kshs.8,151,095, in respect to Co-operative Bank balance. However, the bank reconciliation statement as at 30 June, 2020 reflected balance as per bank statement of Kshs.8,131,095 while the bank confirmation certificate indicated a balance of Kshs.8,151,095, resulting to unreconciled and unexplained variance of Kshs.20,000. In addition, the bank reconciliation reflects receipts in bank statement not yet recorded in cash book of Kshs.30,000. No explanation was given as to why the receipts have not been entered in the cash book.

#### **3.2 Diamond Trust Bank Collection A/c No. 0255123001**

Note 19 to the financial statements for the year ended 30 June, 2020 reflects cash and bank balance of Kshs.89,763,369. Included in this balance is Kshs.2,646,684 held in Diamond Trust Bank Collection Account. However, bank reconciliation statement reflects receipts in bank statement not yet recorded in cash book of Kshs.806,126.23. No explanation was given as to why the receipts have not been entered in the cash book.

#### **3.3 Equity Bank Collection A/c No. 0790299323142**

Note 19 to the financial statements for the year ended 30 June, 2020 reflects cash and bank balance of Kshs.89,763,369. Included in this balance is Kshs.8,265,806 held in Equity Bank Collection account and whose bank reconciliation indicates receipts in

bank statement not yet recorded in cash book of Kshs.426,225. No explanation was given as to why the receipts have not been entered in the cash book.

### **3.4 Kenya Commercial Bank main operations A/c No. 01104806185**

Note 19 to the financial statements for the year ended 30 June, 2020 reflects cash and bank balance of Kshs.89,763,369. Included in this balance is Kshs.9,312,711 held in Kenya Commercial Bank Main Operations Account and whose bank reconciliation statement as at 30 June, 2020 reflects receipts in bank statement not yet recorded in cash book of Kshs.3,198,150. It was not explained why the receipts have not been entered in cash book. The bank reconciliation statement also reflects payments in the cashbook not in bank statement (unrepresented cheques) of Kshs.3,883,158 and whose re-casted balance is Kshs.4,894,358, resulting to a difference of Kshs.1,011,200 which has not been explained nor reconciled. In addition, the payments in cash book not in bank statement (unrepresented cheques) of Kshs.3,883,158 includes a payment totaling Kshs.28,520 whose dates and details such as cheque number and payee were not availed for audit review. Further, Dates when the reconciling items were subsequently cleared by the bank were not provided for audit review.

## **4.0 Receivables from Exchange Transactions**

### **4.1 Trade Debtors and Student Debtors**

Note 20 to the financial statements for the year ended 30 June, 2020 reflects receivables from exchange transactions balance of Kshs.30,928,593. Included in the balance is trade debtors balance of Kshs.2,832,945 and student debtors of Kshs.27,361,495. However, ageing analysis to support the balance was not availed for audit verification. Further, the Institute did not have an approved policy on debtors' management.

Consequently, the recoverability of the debtor's balances of Kshs.30,928,593 and the accuracy and completeness of the same as at 30 June, 2020 could not be confirmed.

### **4.2 Outstanding Imprest**

Note 20 to the financial statements for the year ended 30 June, 2020 reflects receivables from exchange transactions balance of Kshs.30,928,593. Included in the balance is Kshs.734,153 in respect to outstanding imprests. Audit review of imprests register revealed that the imprests have been outstanding for over two months, contrary to Section 92 (5,6) of the Public Finance Management (National Government) Regulations, 2015 which states that the "A holder of a temporary imprests shall account or surrender the imprests within seven (7) working days after returning to duty station, and in the event of the imprests holder failing to account for or surrender the imprests on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate." Although management indicated that the imprests shall be recovered through payroll, it was not clearly explained why it had taken long to effect the same.

In the circumstances, recoverability of imprest balances of Kshs.734,153 as at 30 June, 2020 could not be confirmed and the Institute is in breach the Law.

## **5.0 Trade and Other Payables from Exchange Transactions**

The statement of financial position as at 30 June, 2020 and as disclosed in Note 25 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.9,843,866, comprising trade payables balance of Kshs.9,343,866 and audit fees payable balance of Kshs.500,000. However, creditors movement schedule was not availed for audit verification.

In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs.9,843,866 as at 30 June, 2020 could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts for the year under review reflects a final revenue budget of Kshs.341,260,500 against overall revenue collections of Kshs.188,334,793 resulting to a gross revenue shortfall of Kshs.153,069,397 or 45%. Similarly, the Institute expended Kshs.163,577,822, resulting to budget under expenditure of Kshs.177,682.678 or 52 % of the budget.

Further, the Institute exceeded the budgetary provisions on remuneration of Board of Governors by Kshs.593,600. Approval of the over-expenditure was not availed for audit review.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

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

### **Conclusion**

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

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1.0 Failure to Develop Risk Management Strategy**

As previously reported, Coast Institute of Technology Board did not develop risk management strategies during the year under audit review. Without a risk management strategy, the Board may not be effective in managing a robust business operation of the Institute. This is contrary to Section 165(1) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer of the National Government entity to develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

In the circumstances, the Institute is in breach of the Law and may fail to develop a system of risk management and internal control that builds robust business operations as required by the Public Finance Management (National Government) Regulations, 2015.

#### **2.0 Lack of Information Communication Technology (ICT) Policy**

As previously reported, the Coast Institute of Technology Board did not develop Information Communication Technology (ICT) policies during the year under audit

review. Without ICT policies, the Board may not be effective in managing and securing data for the Institute. This is contrary to Section Chapter Three Paragraph 3.6 of Mwongozo Code of Governance for State Corporations on accountability, risk management and internal control which states that “The Board should establish an ICT policy which is aligned to the objectives of the organization, establish an ICT function, integrate ICT in the operation of the organization, ensure the ICT related risks are identified and managed and utilize ICT in monitoring the performance of the organization.

In the circumstances, the Institute is in breach of the Law and may fail to utilize ICT, and manage and secure data in a manner required by Mwongozo code of Governance for State Corporations.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 Institute’s Board**

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

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

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the 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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 Institute's 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 sustainability of service basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of Coast Institute of Technology to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**02 February, 2022**

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

	Note	2019-2020 Kshs	2018-2019 Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other governments – grants	6	-	40,034,063
<b>Sub-total</b>		<b>-</b>	<b>40,034,063</b>
<b>Revenue from exchange transactions</b>			
Rendering of services	7	172,482,994	124,115,270
Sale of goods	8	14,227,709	17,528,345
Rental Revenue from Facilities and Equipment	9	517,690	700,534
Other income	10	1,106,400	7,429,859
<b>Sub-total</b>		<b>188,334,793</b>	<b>149,774,008</b>
<b>Total revenue</b>		<b>188,334,793</b>	<b>189,808,071</b>
<b>Expenses</b>			
Use of goods and services	11	(8,930,113)	(7,590,828)
Employee costs	12	(38,904,878)	(39,917,645)
Remuneration of board of governors	13	(2,393,600)	(1,565,200)
Depreciation and Amortization Expense	14	(36,846,403)	(9,402,484)
Repairs and maintenance	15	(5,223,033)	(4,685,786)
Audit fee	16	(500,000)	-
General expenses	17	(108,116,198)	(93,883,865)
Grants and Subsidies	18	(10,000)	(10,000)
<b>Total expenses</b>		<b>(200,924,225)</b>	<b>(157,055,808)</b>
<b>Surplus for the year</b>		<b>(12,589,432)</b>	<b>32,752,263</b>

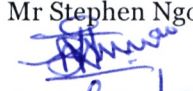
The notes set out on pages 1 to 27 form an integral part of these Financial Statements

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


	Note	2019-2020 Kshs	2018-2019 Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and bank balances	19	89,763,369	58,788,411
Receivables from exchange transactions	20	30,928,593	87,470,012
Receivables from non-exchange transactions	21	-	268,477
Inventories	22	1,671,251	-
<b>Total</b>		<b>122,363,213</b>	<b>146,526,900</b>
<b>Non-Current Assets</b>			
Property and equipment	23	664,957,311	336,274,762
Intangible assets	24	7,425,000	9,074,000
<b>Total</b>		<b>672,382,311</b>	<b>345,348,762</b>
<b>Total assets</b>		<b>794,745,524</b>	<b>491,875,662</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	25	9,843,866	16,908,764
Student Prepayments	26	12,893,858	-
Refundable deposits from customers	27	2,589,116	763,500
<b>Total</b>		<b>25,326,840</b>	<b>17,672,264</b>
<b>Net assets</b>			
Capital Reserves		311,637,296	321,039,780
Accumulated surplus		115,779,328	128,368,760
Capital Fund		24,794,858	24,794,858
Revaluation Reserve		317,207,202	-
<b>Total</b>		<b>769,418,684</b>	<b>474,203,398</b>
<b>Total net assets and liabilities</b>		<b>794,745,524</b>	<b>491,875,662</b>

The Financial Statements set out on pages 1 to 27 were signed on behalf of the Board by:

Principal  
 Name: Mr Stephen Ngome Gofwah

Sign:   
 Date: 17/3/2021

Head of Finance  
 Name: Mr. Nashon Mchemi  
 ICPAK Member No. 25495

Sign:   
 Date: 17/3/2021

Chairman of the Board  
 Name: Eng. A.S. Kitololo

Sign:   
 Date: 17/3/2021

**15. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED JUNE 30 2020**

	Capital Reserves	Accumulated surplus	Revaluation Reserve	Capital Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>At July 1, 2019</b>					
Transfer of excess depreciation on revaluation Surplus for the year	321,039,780	128,368,760	-	24,794,858	474,203,398
Development grants received during the year	(9,402,484)	-	-	-	(9,402,484)
Revaluation Reserve during the year	-	(12,589,432)	-	-	(12,589,432)
	-	-	317,207,202	-	-
<b>At June 30, 2020</b>	<b>311,637,296</b>	<b>115,779,328</b>	<b>317,207,202</b>	<b>24,794,858</b>	<b>769,418,684</b>

**Notes:**

1. The negative balance in capital reserve is the depreciation charged before revaluation of assets and assets were revalued as at 30th June 2020
2. The revaluation reserve balance is the value after the assets were revalued as at 30th June 2020

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

	Note	2019-2020 Kshs	2018-2019 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government grants and subsidies	6	-	51,435,544
Rendering of service	7	172,482,994	64,088,323
Rent income	8	517,690	700,534
Production unit	9	14,227,709	17,528,345
Other income	10	1,106,400	7,429,859
<b>Total receipts</b>		<b>188,334,793</b>	<b>141,182,605</b>
<b>Payments</b>			
Use of goods and services	11	(8,930,113)	(7,590,828)
Employee costs	12	(38,904,878)	(39,917,645)
Remuneration of board of governors	13	(2,393,600)	(1,565,200)
Repairs and maintenance	15	(5,223,033)	(4,685,786)
General expenses	17	(108,116,198)	(82,385,581)
Grants and Subsidies	18	(10,000)	(10,000)
<b>Total payments</b>		<b>(163,577,822)</b>	<b>(136,155,040)</b>
<b>Net cash from operating activities</b>		<b>24,756,971</b>	<b>5,027,565</b>
Adjusted of changes in current assets			
Provision for depreciation & amortisation		36,846,403	
Provision for Audit fees		500,000	-
Increase in Creditors		7,654,576	-
Increase in debtors		(56,809,896)	-
Increase in Inventory		(1,671,251)	-
Valuation loss in intangible assets			
<b>Totals adjusted</b>		<b>(13,480,168)</b>	
<b>Net Cash from operating activities</b>		<b>11,276,803</b>	
<b>Cash flows from investing activities</b>			
Purchase of property and equipment			(352,915,177)
Purchase of Intangible asset		(5,058,816)	
<b>Net cash flows used in investing activities</b>		<b>6,217,987</b>	<b>(352,915,177)</b>
<b>Cash flows from financing activities</b>			
Changes in capital fund			321,039,780
		-	321,039,780
		-	321,039,780
<b>Net increase in cash and cash equivalents</b>		<b>30,974,958</b>	<b>(26,847,832)</b>
<b>Cash and cash equivalents at 1 July</b>	19	<b>58,788,411</b>	<b>35,944,770</b>
Effects of IPSAS 33 on initial recognition			49,691,473
Cash and cash equivalents at beginning of year			49,691,473
<b>Cash and cash equivalents at 30 June</b>	19	<b>89,763,369</b>	<b>58,788,411</b>

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

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		Diff	Exp Note
	2019-2020 Kshs	2019-2020 Kshs	2019-2020 Kshs	2019-2020 Kshs	2019-2020 Kshs	2019-2020 Kshs	2019-2020 Kshs	2019-2020 Kshs				
<b>Revenue</b>												
GOK Grants	145,000,000.00	145,000,000.00			145,000,000.00	-	-	145,000,000.00	145,000,000.00		100.00	a
Rendering of services- Fees from students	174,659,500.00	174,659,500.00			174,659,500.00	172,482,994.00	172,482,994.00	2,176,506.00	2,176,506.00		1.25	
Sale of goods	16,000,000.00	16,000,000.00			16,000,000.00	14,227,709.00	14,227,709.00	1,772,291.00	1,772,291.00		11.08	b
Rental income	374,000.00	374,000.00			374,000.00	517,690.00	517,690.00	(143,690.00)	(143,690.00)		(38.42)	c
Other Income	5,227,000.00	5,227,000.00			5,227,000.00	1,106,400.00	1,106,400.00	4,120,600.00	4,120,600.00		78.83	d
<b>Total income</b>	<b>341,260,500.00</b>	<b>341,260,500.00</b>			<b>341,260,500.00</b>	<b>188,334,793.00</b>	<b>188,334,793.00</b>	<b>152,925,707.00</b>	<b>152,925,707.00</b>		44.81	e
<b>Expenses</b>												
Employee costs	40,535,500.00	40,535,500.00	(900,000.00)		39,635,500.00	38,904,878.00	38,904,878.00	730,622.00	730,622.00		1.84	
Use of goods	11,400,000.00	11,400,000.00			11,400,000.00	8,930,113.00	8,930,113.00	2,469,887.00	2,469,887.00		21.67	f
Remuneration of board of governors	1,800,000.00	1,800,000.00			1,800,000.00	2,393,600.00	2,393,600.00	(593,600.00)	(593,600.00)		(32.98)	g
Repairs and maintenance	5,050,500.00	5,050,500.00	1,300,000.00		6,350,500.00	5,223,033.00	5,223,033.00	1,127,467.00	1,127,467.00		17.75	h
General expenses	282,474,500.00	282,074,500.00	(400,000.00)		282,074,500.00	108,116,198.00	108,116,198.00	173,958,302.00	173,958,302.00		61.67	i
<b>Total expenditure</b>	<b>341,260,500.00</b>	<b>341,260,500.00</b>	<b>-</b>		<b>341,260,500.00</b>	<b>163,567,822.00</b>	<b>163,567,822.00</b>	<b>177,692,678.00</b>	<b>177,692,678.00</b>		52.07	j
<b>Surplus for the period</b>												

**Coast Institute of Technology  
Annual Reports and Financial Statements  
For the year ended June 30 2020**

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**Statement of comparison of budget and actual amounts for the year ended June 30 2020  
(continued)**

**Note**

- a The college did not receive Development grants from the Gouvernement
- b Revenue generated by the catering and bakery departments dropped since Schools had closed as a result of Covid-19.
- c Rental income growth attributed to increased hire of the institute's facilities such as the school hall.
- d Other incomes decline as a results of Covid-19 pandemic
- e The college did not realize the expected income.
- f Water bills reduced as a result of increased usage of the borehole water and students were not present as a result Covid-19 pandemic.
- g The remuneration of the Board grew
- h Repair and maintenance reduced as per the budget
- i The general expense reduced since the year was cut short as a result of the Covid-19 pandemic.
- j The expenses were less compared to the budget.

## 18. NOTES TO THE FINANCIAL STATEMENTS

### 1 General information

Coast Institute of Technology is established by and derives its authority and accountability from The Technical and Vocational Education and Training Act, 2013. Coast Institute of Technology is wholly owned by the Government of Kenya and is domiciled in Kenya. Coast institute of technology's principal activity is provision of technical, vocational, entrepreneurship training and research.

### 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 Coast Institute of Technology's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

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

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

### 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	Effective date	Impact
<b>IPSAS 40:</b> 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.

*ii New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020*

Standard	Effective date	Impact
<b>IPSAS 41:</b> Financial Instruments	Applicable: 1st January 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:

**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 June 30 2020 (continued)*

<b>Standard</b>	<b>Effective date</b>	<b>Impact</b>
IPSAS 41: Financial Instruments (continued)	Applicable: 1st January 2022:	<ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p>No impact on the financial statements</p>
<b>IPSAS 42:</b> Social Benefits	Applicable: 1st January 2022	<p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul> <p>No impact on the financial statements</p>

iii *Early adoption of standards*

The entity did not early – adopt any new or amended standards in year 2020.

## Notes to the financial statements (continued)

### 4 Summary of significant accounting policies

The principle accounting policies adopted in the preparation of these financial statements are set out below:

#### a) Revenue recognition

##### i) Revenue from non-exchange transactions

###### Fees, taxes and fines

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

###### Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to Coast Institute of Technology and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

##### ii) Revenue from exchange transactions

###### Rendering of services

Coast Institute of Technology 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 Coast Institute of Technology.

###### 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)

##### Dividends

Dividends or similar distributions must be recognized when the shareholder's or Coast Institute of Technology's right to receive payments is established.

##### Rental income

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

#### b) Budget information

The original budget for FY 2019-2020 was approved by the Board of Governors on 15 June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the institute upon receiving the respective approvals in order to conclude the final budget.

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

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

#### c) Taxes

##### Sales tax

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

> When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

> When receivables and payables are stated with the amount of sales tax included.

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

**Notes to the financial statements (continued)**

**4 Summary of significant accounting policies (continued)**

**d) Property and equipment**

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

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful life, using the following annual rates:

	<b>Rate - %</b>	
Motor vehicles	20% Straight line	furniture 10%
Buildings	2% Straight line	Computers 30%
Plant machinery & equipment	15%	

**e) Leases**

Finance leases are leases that transfer substantially all of the 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. Coast institute also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

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

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

**f) Intangible assets**

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

The useful life of the intangible assets is assessed as either finite or indefinite.

## Notes to the financial statements (continued)

### 4 Summary of significant accounting policies (continued)

#### g) Financial instruments

##### *Financial assets*

##### *Initial recognition and measurement*

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

##### *Loans and receivables*

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

##### *Held-to-maturity*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the 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*

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

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

##### *Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. Coast institute of Technology 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.

**Notes to the financial statements (continued)**

**4 Summary of significant accounting policies (continued)**

**g) Financial instruments (continued)**

*Financial liabilities (continued)*

*Loans and borrowing*

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

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

**h) Inventories**

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

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

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

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

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

**i) Provisions**

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

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

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

## Notes to the financial statements (continued)

### 4 Summary of significant accounting policies (continued)

#### i) Provisions (continued)

##### *Contingent liabilities*

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

##### *Contingent assets*

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

#### j) Nature and purpose of reserves

Coast institute creates and maintains reserves in terms of specific requirements. The Institute currently has accumulated surplus and capital fund accumulated over the years.

#### k) Changes in accounting policies and estimates

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

#### l) Employee benefits

##### *Retirement benefit plans*

Coast Institute of technology provides retirement benefits for its employees in form of gratuity. Defined contribution plans are post employment benefit plans under which the institute 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.

#### m) Foreign currency transactions

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

**Notes to the financial statements (continued)**

**4 Summary of significant accounting policies (continued)**

**n) Borrowing costs**

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

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

**o) Related parties**

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

**p) Service concession arrangements**

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

**q) 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.

**r) Comparative figures**

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

**s) 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, 2020.

## Notes to the financial statements (continued)

### 5 Significant judgements and sources of estimation uncertainty

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

#### *Estimates and assumptions*

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

#### *Useful lives and residual values*

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

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

#### *Provisions*

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 26.

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.

**Notes to the financial statements (Continued)**

	<b>2019-2020</b> <b>Kshs</b>	<b>2018-2019</b> <b>Kshs</b>
<b>6 Transfers from other governments – grants</b>		
<b>Unconditional grants</b>		
Operational grant		40,034,063
Bursary from CDF	-	
<b>Total government grants</b>	-	40,034,063

<b>Name of the Entity sending the grant</b>	<b>Amount recognized to Statement of Comprehensive Income</b>	<b>Amount recognised in capital fund.</b>	<b>Total grant income during the year</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
Ministry of education	-		-	40,034,063
<b>Total</b>	-	-	-	<b>40,034,063</b>

<b>7 Rendering of services</b>	<b>2019-2020</b> <b>Kshs</b>	<b>2018-2019</b> <b>Kshs</b>
Tuition fees	80,870,300	98,388,100
Activity fees	8,563,550	5,762,000
Examination fees	-	15,666,720
Library fees	53,050	187,950
Facilities and materials	-	3,213,000
Registration fees	261,500	897,500
Administrative	3,500	
Boarding fees	8,002,650	
Attachment	7,635,450	
Center fee	19,540	
Course uniform	5,500	
Development fund	5,058,000	
E.W.C	8,265,500	
Field practical fees	703,500	
L.t. & t	7,556,405	
Medical fund	6,200	
Personal emolument	24,122,470	
Practicals	6,684,500	
R.M.I	4,144,350	
Tour	3,087,500	
Tuition -p	4,779,600	
Application fees	99,000	
Damages	85,179	
Graduation fees	1,534,950	
Student ID	353,800	
Graduation	587,000	
<b>Totals</b>	172,482,994	124,115,270

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

**Notes to the financial statements (Continued)**

<b>8 Sale of goods</b>	<b>2019-2020 Kshs</b>	<b>2018-2019 Kshs</b>
Seminar	2,103,150	-
Bakery	4,321,860	8,663,720
Catering	1,389,005	6,869,300
Farm income	1,680,402	1,757,135
Other production units	4,733,292	238,190
<b>Totals</b>	<b>14,227,709</b>	<b>17,528,345</b>

These are sales from the institute's production unit

<b>9 Rental Revenue from Facilities and Equipment</b>	<b>2019-2020 Kshs</b>	<b>2018-2019 Kshs</b>
Rent income	57,500	188,394
Hire of facilities	460,190	512,140
<b>Totals</b>	<b>517,690</b>	<b>700,534</b>

This is income from hire of facilities.

<b>10 Other income</b>	<b>2019-2020 Kshs</b>	<b>2018-2019 Kshs</b>
Donation	35,000	-
Seminars	-	6,741,282
Town campus income	-	14,210
Income from sale of tender	83,000	5,000
Packages	-	496,000
Income from disposal of assets	10,500	173,367
Other income	977,900	-
<b>Totals</b>	<b>1,106,400</b>	<b>7,429,859</b>

This is income from seminars held at the institute and other miscellaneous income from sale of disposed assets.

**Notes to the financial statements (Continued)**

<b>11 Use of goods and services</b>	<b>2019-2020 Kshs</b>	<b>2018-2019 Kshs</b>
Electricity water & fuel	8,930,113	7,590,828
<b>Totals</b>	<b>8,930,113</b>	<b>7,590,828</b>
<b>12 Employee costs</b>		
Salaries and wages	19,765,850	31,062,767
Employee related costs	11,946,990	2,012,877
Travel, accommodation, subsistence and other allowances	7,192,038	6,842,001
<b>Totals</b>	<b>38,904,878</b>	<b>39,917,645</b>
<b>13 Remuneration of board of governors</b>		
Members emoluments	2,393,600	1,565,200
<b>Totals</b>	<b>2,393,600</b>	<b>1,565,200</b>

**Notes to the financial statements (Continued)**

<b>14 Depreciation and Amortization Expense</b>	<b>2019-2020 Kshs</b>	<b>2018-2019 Kshs</b>
Property, plant and equipment	34,471,403	7,133,984
Intangible assets	2,375,000	2,268,500
<b>Totals</b>	<b>36,846,403</b>	<b>9,402,484</b>
<b>15 Repairs and maintenance</b>		
Property, equipment and machinery	5,223,033	4,685,786
<b>Totals</b>	<b>5,223,033</b>	<b>4,685,786</b>
<b>16 Audit fees</b>		
Audit fee	500,000	500,000
<b>17 General expenses</b>		
Development fund expenses	17,647,519	-
Advertising	1,539,565	3,556,677
Grant expenditure	19,758,955	26,305,043
Student activity costs	1,493,958	2,412,264
Attachment Expense	1,534,470	1,027,244
Boarding equipment & stores	6,088,435	6,505,800
Bakery expenses	3,884,474	3,201,194
Catering expenses	7,582,848	9,632,014
Seminar expenses	9,363,778	9,361,983
Practicals Expense	8,723,495	6,287,162
Production unit expenses	2,203,486	6,800,797
Town campus expenses	2,518,082	3,107,457
Consumables	6,776,476	6,498,163
Insurance	1,149,004	1,862,541
Student Council expenses	-	682,285
Hire charges	-	54,700
Bank charges	-	27,333
Telecommunication	2,410,685	1,782,956
Other general expenses	873,296	4,778,252
Mentee Expenses	6,696,899	-
Medical expenses	1,673,458	-
Exam expense	333,960	-
TVET fairs/shows	1,615,050	-
Graduation expenditure	976,180	-
Farm expenses	2,281,108	-
Tours expenses	491,017	-
Audit fees	500,000	-
<b>Totals</b>	<b>108,116,198</b>	<b>93,883,865</b>
<b>18 Grants and Subsidies</b>		
Donations	10,000	10,000
<b>Totals</b>	<b>10,000</b>	<b>10,000</b>

**Notes to the financial statements (Continued)**

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>19 Cash and bank balances</b>		
<b>Current accounts</b>		
Co-operative Bank-01129220357100	8,151,095	5,884,694
Diamond Trust Bank-0255123001	2,646,684	7,417,306
Equity-0790299323142	8,265,806	8,643,820
Kenya Commercial Bank-1104806185	9,312,711	2,604,443
Kenya Commercial Bank-1119962285	61,377,767	34,172,032
<b>Others</b>		
Cash in hand	9,305	66,116
<b>Totals</b>	<u>89,763,369</u>	<u>58,788,411</u>
<b>20 Receivables from exchange transactions</b>		
Trade debtors	2,832,945	29,120,671
Student debtors	27,361,495	57,527,431
Imprest	734,153	821,910
Salary advance		-
<b>Totals</b>	<u>30,928,593</u>	<u>87,470,012</u>
<b>21 Receivables from non-exchange transactions</b>		
Msambweni Technical and Vocational College	-	105,838
Wumingu Technical Training Institute	-	-
Garsen Technical and Vocational College	-	-
Taveta Technical and Vocational College	-	-
Kinango Technical and Vocational College	-	162,639
<b>Totals</b>	<u>-</u>	<u>268,477</u>

**Notes to the financial statements (Continued)**

**22 INVENTORIES**

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Catering Stores	69,214	0
Bakery stores	210,415	0
Farm stores	141,240	0
Consumable stores	870,862	0
Electrical stores	131,100	0
Laboratory stores	191,000	0
Health Unit stores	45,090	0
Seminar stores	12,330	0
<b>Totals</b>	<b>1,671,251</b>	<b>0</b>

Notes to the financial statements (Continued)

23 Property and equipment

2020	Land	Buildings	Computers	Furniture	Plant M.E	Motor vehicles	Total
<b>Cost or valuation</b>	<b>0</b>	<b>0.02</b>	<b>0.3</b>	<b>0.1</b>	<b>0.15</b>	<b>0.2</b>	
At July 1, 2020	-	-	-	-	-	-	-
Additions	126,000,000	408,000,000	12,194,620	11,962,935	135,950,159	5,321,000	699,428,714
Disposals	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	0
<b>At June 30, 2020</b>	<b>126,000,000</b>	<b>408,000,000</b>	<b>12,194,620</b>	<b>11,962,935</b>	<b>135,950,159</b>	<b>5,321,000</b>	<b>699,428,714</b>
<b>Depreciation</b>							
At June 30, 2020	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Charge of the year	-	8,160,000	3,658,386	1,196,293.50	20,392,523.85	1,064,200	34,471,403
<b>At June 30, 2020</b>	<b>-</b>	<b>8,160,000</b>	<b>3,658,386</b>	<b>1,196,294</b>	<b>20,392,524</b>	<b>1,064,200</b>	<b>34,471,403</b>
<b>Net book value</b>							
<b>At June 30, 2020</b>	<b>126,000,000</b>	<b>399,840,000</b>	<b>8,536,234</b>	<b>10,766,642</b>	<b>115,557,635</b>	<b>4,256,800</b>	<b>664,957,311</b>

\*Property, Plant and Equipments were valued in June 2020 by GoInvest Limited, independent valuers, on the basis of Current market value. The carrying amount of the assets

was credited to the Revaluation reserve in line with Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS).

24 Intangible assets

	Computer software	Library & biometric	SQL system	Kaspersky 4H	Total
<b>Cost or valuation</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>	
At July 1, 2019	7,000,000	2,500,000	130,000	170,000	9,800,000
New Additional	-	-	-	-	-
<b>At June 30, 2020</b>	<b>7,000,000</b>	<b>2,500,000</b>	<b>130,000</b>	<b>170,000</b>	<b>9,800,000</b>
<b>Amortization</b>					
At July 1, 2019	-	-	-	-	-
Amortization for the yr 2020	-	-	-	-	-
Charge for the year	1,750,000	625,000	0	0	2,375,000
<b>At June 30, 2020</b>	<b>1,750,000</b>	<b>625,000</b>	<b>0</b>	<b>0</b>	<b>2,375,000</b>
<b>At June 30, 2020</b>	<b>5,250,000</b>	<b>1,875,000</b>	<b>130,000</b>	<b>170,000</b>	<b>7,425,000</b>

**Notes to the financial statements (Continued)**

	<b>2019-2020</b> <b>Kshs</b>	<b>2018-2019</b> <b>Kshs</b>
<b>25 Trade and other payables from exchange transactions</b>		
Trade payables	9,343,866	13,047,532
Audit fee accrual	500,000	500,000
Mwatate Technical Training Institute		151,542
Fayya Technical and Vocational College		500,000
Wumingu Technical Training Institute		917,498
Garsen Technical and Vocational College		815,875
Taveta Technical and Vocational College		976,317
	9,843,866	16,908,764
<b>26 Prepayment</b>		
Student Prepayments	12,893,858	-
<b>27 Refundable deposits from customers</b>		
Caution money	2,589,116	763,500
	2,589,116	763,500
<b>28 Related party disclosures</b>		
<b>Nature of related party relationships</b>		
Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.		
<b>Government of Kenya</b>		
The Government of Kenya is the principal shareholder of the entity, holding 100% of the entity's equity interest. Other related parties include:		
i The National Government;		
ii The Parent Ministry;		
iii Sister Technical Training Institutes		
iv Key management;		
v Board of Governor members.		
<b>29 Transactions with related parties</b>		
<i>i Key management compensation</i>	<b>2019-2020</b> <b>Kshs</b>	<b>2018-2019</b> <b>Kshs</b>
Council members emoluments	2,393,600	1,565,200
<b>Totals</b>	2,393,600	1,565,200

**Notes to the financial statements (Continued)**

**30 Transactions with related parties (continued)**

<i>iii Grants from the Government</i>	2019-2020 <b>Kshs</b>	2018-2019 <b>Kshs</b>
Development Grants from National Govt		11,401,481
Operational Grants from National Govt	-	40,034,063
Bursary from CDF	-	-
<b>Totals</b>	-	51,435,544

**31 Related party balances**

<i>i Due from Related Parties</i>		
Receivables from mentored TTI's	-	268,477
<i>ii Due to Related Parties</i>		
Payables to mentored TTI's	-	151,542

**32 Financial risk management**

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

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

**i) Credit risk**

The Coast Institute of Technology 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.

**Notes to the financial statements (Continued)**

**33 Financial risk management (continued)**

**i) Credit risk (continued)**

	Fully Performing Kshs	Past due Kshs	Impaired Kshs	Total amount Kshs
<b>At 30 June 2020</b>				
Receivable from exchange transactions	53,701,022	17,634,507	32,056,966	103,392,495
Bank Balances	89,763,369	-	-	89,763,369
<b>Total</b>	<b>143,464,391</b>	<b>17,634,507</b>	<b>32,056,966</b>	<b>193,155,864</b>
<b>At 30 June 2020</b>				
Receivable from exchange transactions	87,470,012	-	-	87,470,012
Receivable from non-exchange transactions	268,477	-	-	268,477
Bank Balances	58,788,411	-	-	58,788,411
<b>Total</b>	<b>146,526,900</b>	<b>-</b>	<b>-</b>	<b>146,526,900</b>

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

The entity has significant concentration of credit risk on amounts due from imprest.

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

**ii Liquidity risk management**

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

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

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total amount Kshs
<b>At 30 June 2020</b>				
Trade and other payables	9,843,866	-	-	9,843,866
Other Payables	2,589,116	-	-	2,589,116
<b>Total</b>	<b>12,432,982</b>	<b>-</b>	<b>-</b>	<b>12,432,982</b>
<b>At 30 June 2018</b>				
Trade Payables	17,672,264	-	-	17,672,264
<b>Total</b>	<b>17,672,264</b>	<b>-</b>	<b>-</b>	<b>17,672,264</b>

**Notes to the financial statements (Continued)**

**34 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 entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

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

**iv) Interest rate risk**

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

*Management of interest rate risk*

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

**v) Capital Risk Management**

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

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Capital Reserves	311,637,296	321,039,780
Accumulated surplus	115,779,328	128,368,760
Capital Fund	24,794,858	24,794,858
Revaluation Reserve	317,207,202	-
<b>Total Funds</b>	<b>769,418,684</b>	<b>474,203,398</b>
Less: Cash and Bank balances	(89,763,369)	(58,788,411)
<b>Net debt(excess cash and cash equivalent )</b>	<b>(89,763,369)</b>	<b>(58,788,411)</b>
<b>Gearing</b>	<b>-12%</b>	<b>-12%</b>

**Notes to the financial statements (Continued)**

**35 Ultimate and holding entity**

Coast Institute of Technology is a Semi- Autonomous Government Agency under the Ministry of Education, State Department for Vocational and Technical Training . Its ultimate parent is the Government of Kenya.

**36 Events after the reporting period**

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

**37 Currency**

The financial statements are presented in Kenya Shillings (Kshs)

**Appendix i: Inter-entity transfers**

ENTITY NAME:		Coast Institute of Technology	
Break down of Transfers from the State Department for Vocational and Technical Training			
FY 19/20			
a. Recurrent Grants			
	Bank Statement Date	Amount (KShs)	Financial Year to which the amounts relate
Coast Institute of Technology			
	18-Oct-2019	8,430,000	FY 2019/2020
	12-Oct-19	43,500	FY 2019/2020
	2-Jan-20	43,400	FY 2019/2020
	6-Oct-20	20,175,000	FY 2019/2020
	3-Jul-20	14,302,500	FY 2019/2020
		<b>42,994,400</b>	
Msambweni Technical and Vocational College			
	27-Apr-20	1,000,000	FY 2019/2020
Mwatate Technical Training Institute			
	28-Apr-20	1,000,000	FY 2019/2020
Taveta Technical and Vocational College			
	18-Oct-19	202,500	FY 2019/2020
	28-Apr-20	1,000,000	FY 2019/2020
	5-Jul-20	397,500	FY 2019/2020
	3-Jul-20	300,000	FY 2019/2020
		<b>1,900,000</b>	
Wumingu Technical Training Institute			
	28-Apr-20	1,000,000	FY 2019/2020
Kinango Technical and Vocational College			
	28-Apr-20	1,000,000	FY 2019/2020
Garsen Technical and Vocational College			
	28-Apr-20	1,000,000	FY 2019/2020
FAYYA Technical and Vocational College			
	28-Apr-20	1,000,000	FY 2019/2020
	<b>Total</b>	<b>50,894,400</b>	

**Appendix ii: Inter-entity transfers**

ENTITY NAME:		Coast Institute of Technology		
Break down of Transfers from the State Department for Vocational and Technical Training				
FY 2019/2020				
<b>b. Development Grants</b>				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Financial Year to which the amounts relate</u>
	Coast Institute of Technology			
	Msambweni Technical and Vocational College			
	Mwatate Technical and Vocational College			
<b>c. Direct Payments</b>				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Financial Year to which the amounts relate</u>
			-	
			-	
			-	
		<b>Total</b>	-	
<b>d. Donor Receipts</b>				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Financial Year to which the amounts relate</u>
			-	
			-	
		<b>Total</b>	<b>50,894,400</b>	

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

Finance Manager Coast Institute of Technology

Head of Accounting Unit  
 Ministry of Education, State  
 Department for Vocational  
 and Technical Training

Sign 

Sign -----

**1. APPENDICES**

**APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

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

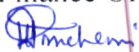
**Guidance Notes:**

- (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.

**Note:**

The College has not yet received Audit certificate we have therefore not included Auditors follow ups.

Nashon Luge Mchemi  
 Finance Officer



Date... 17/03/2021 .....