

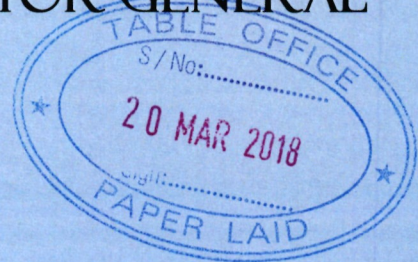
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OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2017**



NATIONAL INDUSTRIAL TRAINING AUTHORITY (NITA)

ANNUAL REPORT AND FINANCIAL STATEMENT

FOR THE YEAR ENDED

JUNE 30TH, 2017

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

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

(b) Principal Activities

NITA's principal mandate, vision and mission are as follows:

Vision

A globally competitive and adequate workforce for industrial development

Mission

To provide quality industrial training for enhanced productivity

Principal Activities

Section 3A of the Industrial Training Act defines the powers and functions of the Authority. The Authority is responsible for:

- Industrial training;
- Assessing and collecting industrial training levy and fees;
- Regulating trainers registered under section 7C of the Act
- Developing industrial training curricula;
- Integrating labour market information into skills development;
- Harmonizing curricula and certificates of competence;

- Assessing industrial training, testing occupational skills and awarding certificates including Government trade test certificates;
- Equating certificates;
- Accrediting institutions engaged in skills training for industry;
- Associating or collaborating with any other body or organization within or outside Kenya as the Board may consider desirable or appropriate and in furtherance of the purposes for which the Authority is established;

NITA has five industrial training centres:

1. NITA, Nairobi
2. NITA, Mombasa
3. NITA, Athi River
4. NITA, Nairobi Textile Training Institute
5. NITA, Kisumu

(c) Key Management

- NITA's day-to-day management is under the following key organs:
- The National Industrial Training Board;
- The Management team.
- The details are highlighted in Section II of this report.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility was the Director General, Mr. Paul Kipsang Kosgei, the Director General of the Authority.

(e) Fiduciary Oversight Arrangements

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

1. Industrial Training and Strategy Committee previously the Industrial Training Committee (ITC);
2. Finance and Levy Administration Committee (FLAC);

3. Human Resource, Governance and Administration Committee (HRGA) , previously the Human Resources and Administration Committee(HRAC);
4. Audit and Risk Management Committee (ARMC) formerly Audit and Compliance Committee(AACC)

The ITSC provides oversight on operations with in NITA as well as strategy. It thus covers areas such as industrial training, trade testing, and curriculum development and management of the Industrial Training Centres.

TheFLACprovidesoversightonallmatterstodowithFinanceandLevy.Ithandlesbudgetsandfinancial statements, quarterly management accounts, changes in rates for any income generating activities and any significant (un-budgeted) expenditure.

Atthesametimethecommitteeprovidesoversightontheoperationsofthelevysection, including collection strategies and operational reports on performance.

The HRGAC provides oversight on HR, Governance and Administration of NITA. Its' responsibilities include supporting an adequate, competent and well-motivated work force. The committee is also charged with ensuring that other NITA resources (e.g. .Offices and pool motor vehicles) are utilized in an optimal manner. It also ensures that tenets of good corporate governance are maintained.

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

NITAisalsoguidedandcomplieswithcircularsgivingguidancefromtheNationalTreasuryaswellasan yotherdirectiongiven by the Parent Ministry.

(f) Entity Headquarters

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

Entity Contacts

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

(g) Entity Bankers

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




(h) Independent Auditors





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





(i) Principal Legal Adviser



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

II. THE BOARD OF DIRECTORS





NAME	QUALIFICATION AND WORK EXPERIENCE
 <p>Dr. Kamau Gachigi</p> <p>PhD. in Solid State Science, IMRL, The Pennsylvania State University (USA) M.S. in Solid State Science, IMRL, The Pennsylvania State University (USA) B.Sc. (Hons) in Materials Science, University of Bath (UK)</p>	<p>Chairman National Industrial Training Board</p> <p>Aug 2014 to date - Founding Executive Director, Gearbox April 2015 to date - Board, State Corporation Board Member, Numerical Machining Complex</p>
 <p>Ernest Nadome</p> <p>MA in Labour Management Relations</p>	<p>Member National Industrial Training Board representing COTU</p> <p>Chairman, Human Resource Committee NITA</p> <p>2013 to date –1st Assistant Secretary General COTU-K 2003 to date –General Secretary Kenya Electrical Trade & Allied Workers Union 1991-2003–Electrician KENGEN</p>
 <p>Jacqueline Mugo, MBS, OGW</p> <p>Bachelor of laws (LLB, HONS) Higher Diploma in Human Resource Management</p>	<p>Member National Industrial Training Board representing FKE</p> <p>2005 to date - Executive Director FKE; 2003-2004 - Head of HR Kenya Airways 1996-2002 - Employee Relations Manager/Regional Operations Manager Unilever 1982 -1996 - Magistrate, Judicial Department</p>






 <p>Hirji Shah, OGW</p>	<p>Member National Industrial Training Board representing FKE</p> <p>Chairman Audit and Risk Management Committee NITB</p> <p>Been in business for over 60 years,50 in leadership positions; Been MD/Chairman in Kenya & several regional companies; Been Chairman FKE, East African Business Council and others; Been in Wages Advisory Board, Labour Board, NACC, NSSF and Productivity Centre of Kenya</p>
 <p>Benson Okwaro</p>	<p>Member National Industrial Training Board representing COTU (K)</p> <p>Communication Workers Union General Secretary Central Organization of Trade Unions – Deputy Secretary General affiliated to UN Africa – Committee Member / ICT President</p>
 <p>James Onyango MSC. IS</p>	<p>Member National Industrial Training Board Representing the Principal Secretary, Ministry of Education, Science and Technology [MoEST]</p>
 <p>Joyce Mwale MBA</p>	<p>Member National Industrial Training Board Representing Principal Secretary Ministry of East African Community, Labour& Social Protection (State Department for Labour)</p>

 <p>Rajabu Mwondi. MBS</p>	<p>Member National Industrial Training Board Representing COTU (K)</p> <p>2003 to date- Chairman General COTU(K) 1986-2003- 2nd Vice Chairman COTU (K) 1983-1986 - General Secretary Kenya Union of Printing, Publishing, Paper Manufacturers and Allied Workers Union 1981-1982 - Production Manager Stellasce Printing Works Ltd; 1979-1981- Assistant Works Manager Nation Newspapers; 1961-1978- Machine Operator/Supervisor Nation Newspapers</p>
 <p>Rajen Premchand Shah</p>	<p>Member – National Industrial Training Board Representing Special Interests</p> <p>Chairman Industrial Training Sector Committee</p> <p>Founding CEO of Multimoto Co. Ltd to present He is trained in, sales consulting, production operations, R & D, projects etc. He has varied roles in diverse industries – like auto component Manufacturing to leading fleet owner catering to diverse Kenyan and East African client base.</p>
 <p>Eng. Aram Mbui BSC(Hons) Mechanical Engineering.</p>	<p>Member National Industrial Training Board representing FKE</p> <p>Chairman Finance Committee NITB 1987 to date – Managing Director Rift Valley Machinery Services; 2004-2006- National Chairman. FKE 2004-2006- Member Board of Trustees-NSSF 2004-2009-Director KPLC 1978-1987 –Senior Management Unilever Group</p>
	<p>Member National Industrial Training Board Representing the Principal Secretary National Treasury, Senior Deputy Director Pensions</p>

<p>Bachelor of Arts (Sociology)</p>	
<div style="text-align: center;">  <p>Paul Kipsang Kosgei</p> <p>Master of law in Labour laws, University of South Africa Post graduate diploma in law, Kenya School of law Bachelor of laws (LLB) Upper second division, University of Nairobi</p> </div>	<p>Director General – NITA Secretary to the National Industrial Training Board</p> <p>2014 to date –Director General, NITA; Secretary, National Industrial Training Board</p> <p>2013-2014 –Lecturer St. Paul’s University; 2004-2012–Judge, Industrial Court of Kenya; 1996-2004–Private legal practice; 1992-1995–Executive Officer Legal& Industrial Relations FKE; 1989-1992- Private legal practice; 1988– Labour Officer; Ministry of Labour</p>
<div style="text-align: center;">  <p>Irine Moraa Ogamba</p> <p>Master of laws (Governance, Law and Democracy), Bachelor of laws (LLB), Certified Public Secretary. Diploma in law from the Kenya School of Law</p> </div>	<p>Manager, Legal Affairs, NITA</p> <p>Professional Experience An advocate of the High Court of Kenya. Has wealth of knowledge and experience in Human rights, Legal and Policy reforms, Governance, Alternative Dispute Resolution, Training and advocacy.</p> <p>She has also worked in a private law firm as a Litigation Counsel and as a Principal State Counsel in the Office of the Attorney General</p> <p>Head of the Legal Department at the Ministry of Gender, Children and Social Development.</p> <p>Professional Membership</p> <ul style="list-style-type: none"> • She is a member of the Law Society of Kenya • Member of FIDA Kenya • Institute of Certified Public Secretaries • Institute of Directors (Associate)

III. MANAGEMENT TEAM

 <p>Paul Kipsang Kosgei Master of law in Labour laws, University of South Africa Post graduate diploma in law, Kenya School of law Bachelor of laws (LLB) Upper second division, University of Nairobi</p>	<p>Director General - NITA <i>Work Experience:</i> 2014 to date – Director General, NITA; 2013-2014 – Lecturer St. Paul’s University; 2004-2012 – Judge Industrial Court of Kenya; 1996-2004 – Private legal practice; 1992-1995 – Executive Officer Legal & Industrial Relations FKE; 1989-1992 – Private legal practice; 1988 – Labour Officer Ministry of Labour</p>
 <p>Stephen O. Ogenga M. Eng. Sc. (Computer Engineering) B. Eng. Tech. (Electrical/Electronic) Member IEEE Member (Inst. of Eng. Australia)</p>	<p>Director Industrial Training <i>Work Experience:</i></p> <ul style="list-style-type: none"> • 2014 to date – Director Industrial Training, NITA; • 2013-2014 – Deputy Director KICD; • 2008-2012 – Senior Assistant Director KIE; • 2007-2008 – Lecturer Maseno University and MMUST; • 1999-2006 – Tutorial Fellow and Senior Instructor University of Botswana
 <p>Julius O. Olayo MBA (HRM) and BA from Kenyatta University Postgraduate Dip Human Resource Management</p>	<p>Director Human Resource and Administration</p>
 <p>Irine Moraa Ogamba Master of law, Bachelor of laws (LLB), Certified Public Secretary Diploma in law from the Kenya School of Law</p>	<p>Manager, Legal Affairs</p>

	<p>Galm Guyo MBA strategic Management, Degree in Cooperative Management, Diploma in cooperative management, Diploma in banking.</p>	<p>Manager, Levy Administration</p>
	<p>Julius M. Ndenge MBA from Kenyatta University BCOM Finance, CPA (K)</p>	<p>Ag. Manager Finance</p>
	<p>Teresa Lagat MBA from University of Nairobi CFE, CPA (K)</p>	<p>Manager Internal Audit</p>
	<p>Japheth K. Kemei B. com from JKUAT, Diploma in Supplies Management KNEC, CIPS. Member of CIPS, KISM.</p>	<p>Ag. Manager, Supply Chain Management</p>
	<p>Festus Kituyi MSc.in Management Information system from the Institute of Technology Australia (IOTA) and BSc. in Mathematics, Physics & Computing from Maseno University.</p>	<p>Manager, Information Communication Technology</p>

IV. CHAIRMAN'S STATEMENT

It is with great pleasure that I present the Annual Report and Financial Statements of the National Industrial Training Authority for the Financial Year 2016/2017. In September 2016, the Second Board of the Authority was appointed by the Cabinet Secretary Ministry of Labour & Social Protection through Gazette Notice No. 7318. In the quest to meet the constitutional expectation of having women in key decision-making processes, the Cabinet Secretary appointed three directors of the female gender to the Board. The Board is composed of competent, diverse and qualified members, who exercise objective and independent judgment. After the appointment of the members, the Board was inaugurated and inducted. The Board embarked on a process of adopting a transformational mind-set in the way the business of the Authority is conducted. The Board worked towards improving the delivery of its services to meet the legitimate expectations of its clients.

The adoption of a quality management system is a strategic decision the Authority made. This is a continuous process whose object is to ensure effective and efficient service delivery. During the year, the Authority maintained the QMS and attained ISO **9001: 2008** certification.

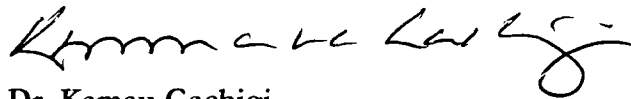
An important milestone achieved in this period was the operationalization of the Sector Training Committees (STCs). Members were appointed, inaugurated and trained to take up their roles in the existing Nine Committees representing the main sectors of our economy. The STCs are designed to play a major role in assessing the training needs of individual and specific economic sectors. They are expected to collect and disseminate current, accurate and relevant labor market information to be used in the development of relevant industrial training curricula and industrial training programs. They are best placed to serve as the inter link between industry and training institutions for purposes of addressing the existing gaps in skill and products of training institutions.

During the year under review, the Authority made significant strides towards the implementation of the Kenya Youth Employment and Opportunities Project (KYEOP). KYEOP is a strategic intervention by the Government of Kenya with support from the World Bank through a loan. The object is to increase employment opportunities of vulnerable youth and enhance their earnings. The Authority is implementing Component 1, which intends to offer job specific training to targeted youth through both formal training providers and informal training providers. The recognition of informal and non-formal training will pave way for recognition of Master Craftsman, designed to address the

In conclusion, as we all reflect on this year under review, the important strides made in all aspects highlighted, I wish to emphasize the fact that we are not yet at our zenith. We will not tire or relent in our efforts to achieve a better tomorrow. To that extent, we have put in place bold strategies for NITA to achieve greater heights.

On behalf of the Board, I would like to thank the Government, all our employees, our partners and stakeholders for their continued support and contribution. To my team, the Board, I salute your dedication, passion and zeal for the Authority. To Management, I wish to recognise your efforts under often constrained conditions, and encourage you to strive to greater heights.

Thank you



Dr. Kamau Gachigi
CHAIRMAN

V. REPORT OF THE DIRECTOR GENERAL

The National Industrial Training Authority has continued to improve its financial management system to ensure its financial records are accurate and a true reflection of the financial position of the Authority. The financial year ending 30th June, 2017 was a successful one as reflected in this annual report and financial statement of the Authority and I'm delighted to lead and be part of the team that delivered such impressive results.

The Authority remained focused and aligned to its Vision of 'a globally competitive and adequate workforce for industrial development', and its mission of 'providing quality industrial training for enhanced productivity, thus contributing to the development of the human resource component in the Industry in Kenya.

The Authority continues to play its role by creating awareness through organized stake holder forums in various Counties to increase awareness and ensure her mandate is executed to the letter. Regional levy offices in several counties across the country have also facilitated ease of business with key stakeholders in the regions which efforts have further provided an avenue for the Authority to better understand the needs and concerns of stakeholders.

The Authority prioritized higher targets in its core mandates by increasing the number of people trained in industrial skills to 30,000 and increased the number of trainees attached in industry to 18,610. In order to open up access to industry based training, the Authority accredited and registered 120 new industrial training service providers. During the period under review the Authority developed five competence standards and reviewed and harmonized instructional guidelines.

Automation of the Authority's activities and operations continued to be implemented in the financial year to modernize operations and enhance service delivery. Information Communication Technology is now a cross-cutting function in delivery of the Authority's mandate. NITA aspires to achieve full automation of its work environment to provide support and ensure efficient service delivery in the near future.

The National Trade Testing for assessment and certification of trade's men in various skill areas saw the introduction of an April series which was carried out in the Month of April 2017. The number of candidates registering for the Trade test in the year under review declined due to increased booking fee, however this is expected to improve in the subsequent years. It is instructive to note that the increase was effected via Gazette Notice Number 25 of 21st January. On the contrary however there was an increase in revenue of the Trade test fee collected as a result.

Overall the Authority realized quality assessment of 48,500 candidates in over 35 skills and competence areas through National Trade Testing conducted in April and August 2017. The assessments were conducted in over 580 accredited assessment centres spread across all counties of Kenya.

The Authority through the Directorate of Human Resource and Administration has heavily invested in skill-specific training for its members of staff as an avenue of ensuring that the Authority's human capital benefits from the training and also operates at optimal levels. This has translated to increased and effective service delivery.

Once again the impressive performance for 2016/17 would not have been possible without the continued commitment and dedication of management and staff of NITA. Thus, I thank them for their loyalty and industry.

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

Thank you



Paul K. Kosgei

DIRECTOR GENERAL

VI. CORPORATE GOVERNANCE STATEMENT

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

In fulfilment of the Industrial Training Act, Cap 237, the Cabinet Secretary responsible for Labour matters appointed the members of the Board. The Chair person and the independent member were appointed on **31st May, 2016** while the rest of the members were appointed in September 2015 respectively. The Board was inaugurated and inducted on 7th and 8th October 2016 respectively. Thereafter, the Board embarked on undertaking its role of giving strategic leadership and direction towards the achievement of the Authority's mandate.

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

The Authority has adopted high standards and applies strict rules of conduct, based on the best corporate practices. As part of this commitment, the Board adheres to good corporate governance by embracing the following principles: To;

1. Observe high standards of ethical and moral behaviour;
2. Act in the best interests of the organization;
3. Remunerate and promote fairly and responsibly;
4. Recognize the legitimate interests of all stakeholders; and
5. Ensure that the organization acts as a good corporate citizen.

In general, Board members are expected to act in the best interest of the organization and uphold their fiduciary responsibilities and duty of care. This involves not disclosing confidential information, avoiding real and perceived conflicts of interest, and favouring the interests of the organization over other interests. They commit to acting honestly and in good faith so as to create a culture built on principles of integrity, accountability and transparency.

Key governance policies and practices

1. Code of Conduct

The Authority has a Code of Conduct which applies widely. It is premised on the Authority's way of working which is: Think customer; Think big; Be one team; Be

accountable; and Do the right thing. The Code of Conduct sets out the standards of behaviour that are expected of all employees, Directors and contractors. It gives guidance in areas where employees may need to make personal and ethical decisions, and goes beyond compliance with laws, regulations and basic standards of personal conduct. Through the consistent application of the Code of Conduct, we can ensure that the Authority continues to offer a first-class experience for our customers, supports community, creates value for our shareholders and is a great place to work. The Code includes, among other things, references to specific policies regarding corruption, bribery, discrimination, bullying and harassment, equal opportunity, diversity, insider trading, whistleblowing, conflicts of interest and social media.

2. Risk management framework.

The Authority has in place a Risk Management Framework, policies and procedures, which sets out the roles, responsibilities and guidelines for managing financial and operational risks associated with the Authority's businesses. During the 2016-2017 financial year the management updated and monitored the risk profiles for each of the operating businesses and major projects. The profiles identified the:

- Nature and likelihood of occurrence for specific material risks;
- Key controls that are in place to mitigate and manage the risk;
- Sources and levels of assurance provided on the effective operation of key controls; and
- Responsibilities for managing these risks.

The risk framework, policies and procedures will continue to be enhanced as the Authority's existing operations develop and its range of activities expand. The implementation of these policies and procedures are monitored and reviewed on a regular basis and as need arises.

The Board monitors to ensure that risks taken are within the set tolerance and appetite levels. It reviews the implementation of the risk management framework on a quarterly basis and ensures that risk assessment is carried out on a continuous basis. It receives from the Internal Audit function, a written assessment of the effectiveness of the system of risk management.

Composition and Structure of the Board

The Board is constituted in accordance with the Act. The membership consists of;

- a. Chairperson appointed by the Cabinet Secretary;

- b. Principal Secretary of the Ministry for the time being responsible for matters relating to labour or a representative duly appointed in writing;
- c. Principal Secretary of the Ministry for the time being responsible for matters relating to science and technology or a representative duly appointed in writing;
- d. Principal Secretary of the Ministry for the time being responsible for matters relating to finance or a representative duly appointed in writing;
- e. Members nominated as follows and appointed by the Cabinet Secretary-
- f. Three persons nominated by the Federation of Kenya Employers; and
- g. Three persons nominated by the Central Organization of Trade Unions; and
- h. One other member appointed by the Cabinet Secretary.
- i. Director General/ Secretary to the Board

Board Committees

The Board has established the following Committees:

- i. Industrial Training and Strategy Committee
- ii. Human Resource, Governance and Administration Committee
- iii. Finance and Levy Administration Committee
- iv. Audit and Risk Management Committee

1. Finance and Levy Administration Committee

The terms of reference for the Committee include;

- i. To approve and maintain budgetary systems of the Authority.
- ii. To oversee financial reporting process and Authority's system of internal controls.
- iii. Monitor the financial reporting process to ensure compliance with all regulatory returns, and reports as required to be filed.
- iv. Review, approve or recommend to the Board as appropriate all matters pertaining to investments.

The members of this Committee are as follows:

- a. Eng. Aram Mbui - Representing FKE
- b. Jacqueline Mugo, OGW, MBS - Representing FKE
- c. Mrs. Alice Nyariki - Representing the Ministry responsible for Finance
- d. Mr .Benson Okwaro - Representing COTU (K)
- e. Ms. Joyce Mwale - Representing the Principal Secretary- Ministry of Labour

2. Human Resource, Governance and Administration Committee

The terms of reference for the Committee include:

- i. To approve recommendations on Terms and Conditions of Employment in the Authority, recruitment functions and staff appraisals.
- ii. To ensure effective management, succession planning and management development plans are in place.
- iii. To approve programmes and policies involving the overall compensation of employees and Authority's collective bargaining agreement.
- iv. Regularly assess staff benefit plans including new trends.
- v. To review and monitor corporate performance against approved targets.

The members of this Committee are as follows:

- a. Mr. Ernest Nadome - Chairman- representing COTU (K)
- b. Mr. RajabuMwondi, MBS - Representing COTU (K)
- c. Mrs. Jacqueline Mugo, MBS - Representing FKE
- d. Ms. Joyce Mwale - Representing Principal Secretary, Ministry of East African Community, Labour & Social Protection
- e. Mr. James Onyango - Representing the Principal Secretary, Ministry of Education

3. Industrial Training and strategy Committee

The terms of reference for the Committee include;

- i. To develop strategies for Industrial Training.
- ii. Ensure that implementation of Industrial Training is effective and efficient.
- iii. Advice on terms and conditions of Industrial Training providers.
- iv. Develop regulations to facilitate effective Industrial Training.
- v. Monitor and advise on Industrial Training.

The members of this Committee are as follows:

- a. Mr. Rajen Shah - Chairman Representing special interests
- b. Mr. Hirji Shah, OGW - Representing FKE
- c. Eng. Aram Mbui - Representing FKE
- d. Mr. James Onynago - Representing the Principal Secretary Ministry Education
- e. Benson Okwaro - Representing COTU

4. Audit and Risk Management Committee

The terms of reference for the Committee include;

- i. Consider the NITA's risk management policy;
- ii. Ensure risk management practices at NITA;

- iii. Review the scope and planning of the Internal Audit
- iv. Review the annual financial statements of the Authority, focusing particularly on;
- v. To approve and monitor compliance with significant policies and procedures which have a material impact on the operations of the Authority.
- vi. Ensure that the internal audit function is independent of the activities of the management and is performed with impartiality, proficiency and due professional care; and determine the effectiveness of the internal audit function.
- vii. Review the compliance and effectiveness of the Authority's accounting and internal control systems.
- viii. Assist the Board in fulfilling its oversight responsibilities as they relate to financial reporting processes and the internal structures.
- ix. Promote and enhance corporate accountability- ensuring effectiveness, efficiency, accountability, transparency and integrity of people, structures, and processes among others.

The members of this Committee are as follows:

- a. Mr. Rajen Shah -Chairman- Representing other interests
- b. Mr. Hirji Shah, OGW - Representing FKE
- c. Mr. Ernest Nadome - Representing COTU (K)
- d. Mr. RajabuMwondi, MBS - Representing COTU (K)
- e. Ms. Alice Nyariki - Representing the Principal Secretary responsible for finance.

5. Ad Hoc Steering Committee on Kenya Youth Employment Opportunities Programme

During the year under review, the Board established the AD Hoc Committee. The terms of reference are

- i. To monitor, evaluate and receive regular reports on implementation/ execution of the KYEOP
- ii. To report to the Board on implementation of the KYEOP
- iii. Give direction to PIU on strategy for effective management of the Programme
- iv. Monitor utilization of the project funds

The members include;

- i. Dr. Kamau Gachigi -Chair, NITB
- ii. Mr. Hirji Shah, OGW - Chair ARMC
- iii. Mr. Rajen Shah - Chair ITSC
- iv. Mr. Ernest Nadome - Chair HRGAC
- v. Eng. Aram Mbui - Chair FLAC

Summary of Board and Board Committee Meetings for Financial Year 2016/2017

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

S/NO	BOARD / COMMITTEE	NO OF MEETINGS
1	National Industrial Training Board	10
2	Finance and Levy Administration Committee	3
3	Human Resource, Governance And Administration Committee	8
4	Industrial Training And Strategy Committee	5
5	Audit and Risk Management Committee	7
6	AD HOC Committee- KYEOP	2

TOTAL NO of meetings- 35

VII. MANAGEMENT DISCUSSION AND ANALYSIS

The National Industrial Training Authority management team oversees development and implementation of annual budget approved by the National Industrial Training Board (NITB). NITA management therefore monitors the use of funds in line with the approved budget and Corporate Work Plan during the financial year. The Authority makes quarterly reports on budget utilization which are submitted to the Board of Directors, Parent Ministry and to The National Treasury. The reports indicate the achievements by the Authority, the challenges experienced during the implementation period and makes recommendations for overcoming the challenges.

The management also gives advise to the Board of Directors on issues related to its budget implementation such as low absorption of funds and revenue performance. This therefore promotes accountability in the use of financial resources.

The process of budget implementation ensures compliance to the Public Financial Management (PFM) Act 2012 and all other statutory requirements. NITA management has continued to improve its financial management system to ensure that financial records of the Authority are accurate and offers a true reflection of the financial position.

During the year under review, the Authority improved industrial training levy collections compared to the previous year. This success was attributed to improved customer relations with employers, which has been achieved through closer liaison with the Authority's stakeholders. From the implementation of 2016/17 FY budget, it was clear that about 65.5% of the total income to the Authority was realized from Industrial training levy (39.2%) and Government grants and subsidies (26.3%). It was also realized that over 72% of the total expenditure was on employees' costs and general expenses which were at 40% and 32.4% respectively as illustrated in graph 1.

National Industrial Training Authority,
 Reports and Financial Statement,
 for the Year ended June,2017

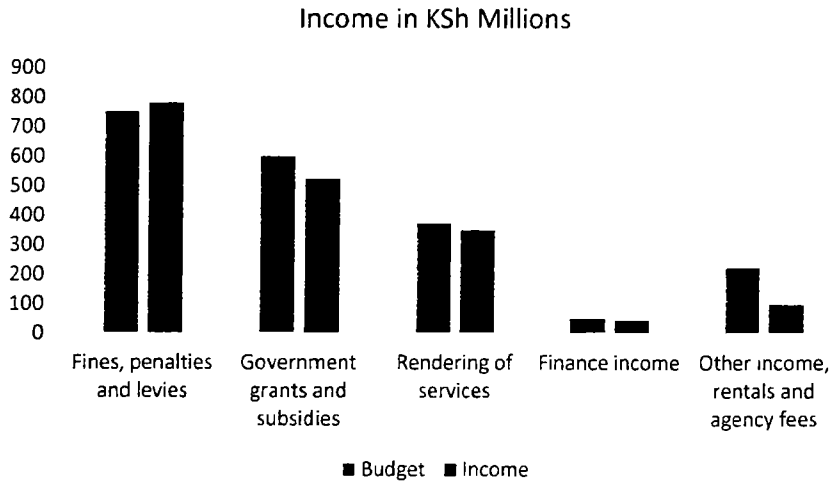


Figure 1- Income for the year 2016/2017

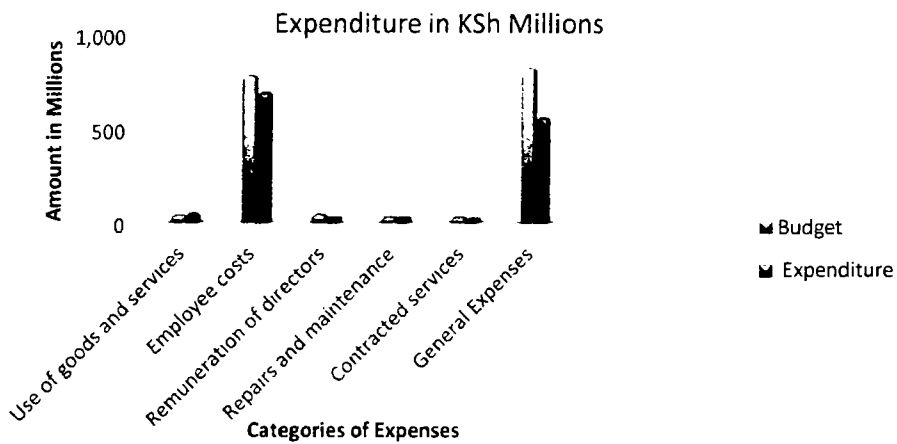


Figure 2- Expenditures for the Year 2016-2017

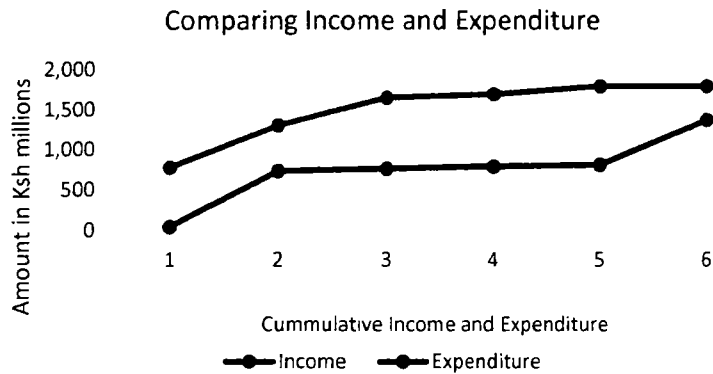


Figure 3 - Comparing Income and Expenditure

The major risk facing the National Industrial Training Authority are financial and operational risks associated with the Authority’s business. During the financial year 2016/2017 the management updated and monitored the risk profiles for each of the operating businesses and major projects to identify the nature and likelihood of its occurrence for specific material risks, key controls that are in place to mitigate and manage the risks, sources and levels of assurance provided on the effective operations of key controls and responsibilities for managing risks. Therefore, the risk framework, policies and procedures will continue to be enhanced as the Authority’s existing operations develop and its range of activities expand. During the year under review it was reported a loss of cheques in our revenue office of ksh.12.8m through fraud and the matter is still under investigation by the relevant authorities. The management in this financial statement has provided for this loss as provided for by IPSAS.

The year 2016/2017 the Authority’s income on investment dropped due to fall of interest rates on fixed deposit held in commercial bank. During the year, the Authority had investments in fixed deposits amounting to KSh 800m with Kenya Commercial Bank which was later liquidated in line with The National Treasury directives. The National Treasury required that government organs should liquidate all maturing investments in fixed deposit and invest in Treasury bills/bonds or in on-call deposit account with commercial banks. The Authority’s investments in treasury bills totalled KSh.180m and KSh 8.4m investments in equity shares with the Consolidated Bank of Kenya.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Corporate Social Responsibility (CSR) is the concept whereby organizations integrate social and environmental concerns into their business operations and into their interaction with their stakeholders. CSR is an avenue to portray NITA as caring member of the society while building a trusted brand.

Female Engineering Sponsorship Programme (FEP)

NITA sponsors 25 Kenyan female students from needy backgrounds annually to pursue engineering courses at craft, certificate and diploma levels in an effort to reduce gender disparity in technical/engineering disciplines through the Female Engineering Training Programme (FETP) as a part of its Corporate Social Investment. The programme was initiated in 2006 as follow-up to recommendations of an overseas study tour, to date two hundred and twenty-five (225) Kenyan deserving and qualified girls have benefitted across the country.

The Programme was started by the National Industrial Training Council (NITC) through the former Directorate of Industrial Training (DIT) in August 2006. Studies conducted by the Directorate had revealed that there was a great disparity between females and males in various engineering careers in industry. The concept had been conceived out of a report and experience from an overseas study tour in 2005 to fifteen (15) countries.

The first group of twenty-five (25) females was selected by the Directorate in November 2006 and enrolled in respective national Polytechnics and Technical Training Institutes in January 2007, a practice that has continued every year for the last 9 (nine) years and to date the programme has benefited two hundred and twenty-five (225) needy and qualified females in Kenya, with an additional 25 in the 2016 intake being sponsored.

The programme which is in its eleventh year is overseen by Female Engineering Programme (FEP) Committee and implemented by the Corporate Communications Department which handles the technical and financial aspects of the programme. The programme currently focuses on marginal Counties of Mandera, Turkana, Lamu, Wajir, West Pokot, Kwale, Ijara, Tana River, Garissa, Isiolo, Marsabit, Samburu, Elgeyo - Marakwet, Homabay, Kajiado, Kilifi, TaitaTaveta, Bugoma, Kitui, Mwingi, Tharaka, Mbeere, Transmara, Makueni, and Busia.

The objectives of the Programme include

- i) Bridging the observed gap in engineering practice between female and males in various Kenyan industries.
- ii) Identification qualified and needy females for the programme.
- iii) Identification suitable technical institutions that offer courses selected by the qualified applicants.
- iv) Ensuring that the course requirements are adequately met.
- v) Ensuring continuity of training for the beneficiaries during the duration of the course.
- vi) Assisting where possible in attainment of gainful employment by creating avenues of collaboration between NITA and prospective employers on behalf of the beneficiaries. This is in line with the aspirations of the constitution on the rights to equal opportunities for both genders. The Vision 2030 also stipulates that women should have at least 30% representation in recruitment, selection and appointments.

The procedure for identification and selection of candidates for sponsorship into the program is as follows:

- i) Drafting and placement of an advertisement in the local newspapers inviting interested female form four leavers.
- ii) Receiving applications and creation of an application database,
- iii) Short-listing of applicants,
- iv) Invitation of shortlisted applicants for an interview.
- v) Conducting interviews and carrying out initial selection from the list of interviewed applicants
- vi) Carrying out fact finding visits to homes of initially selected candidates to verify their neediness,
- vii) Receive and study reports of the fact finding visits and apply the findings in carrying out a final selection of the candidates,
- viii) Application for admission of selected candidates to suitable Technical Training Institutions.
- ix) Invitation of the selected candidates to the NITA headquarters to have them taken through an induction programme,
- x) Obtain medical clearance from a health institution for the candidates.
- xi) Issue of materials and books necessary for their respective courses to the selected candidates.
- xii) Assist the successful candidates to report to the Training Institutions and ensure that they are duly enrolled.

The sponsorship provisions include the following:

- i) Tuition;
- ii) Accommodation;
- iii) Text books and stationery;
- iv) Training equipment (basic tools and drawing instruments);
- v) Protective gear/clothing;
- vi) Transport to and from the training institutions during opening and closing;
- vii) Out of pocket allowance.

The Authority has partnered with Kisumu Polytechnic, Railway Training Institute (RTI) and Kenya Institute of Highways & Building Technology where the beneficiaries currently study for diploma and certificates in engineering courses which are not available at NITA Athi-river Training Centre.

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, under the Industrial Training Act 2011 require the Directors to prepare financial statements in respect of that National Industrial Training Authority (NITA) which give a true and fair view of the state of affairs of NITA at the end of the financial year and the operating results of the NITA for that year. The Directors are also required to ensure NITA keeps proper accounting records which disclose with reasonable accuracy the financial position of NITA. The Directors are also responsible for safeguarding the assets of NITA.

The Directors are responsible for the preparation and presentation of the NITA's financial statements, which give a true and fair view of the state of affairs of NITA for and as at the end of the financial year ended on June 30, 2017. 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 NITA
- (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 NITA
- (v) selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for NITA 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 Industrial Training (Amendment) Act, 2011.

The Directors are of the opinion that NITA financial statements give a true and fair view of the state of NITA transactions during the financial year ended June 30, 2017, and of the NITAs financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for NITA which have been relied upon in the preparation of the NITAs statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

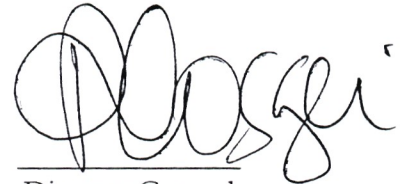
NITA financial statements were approved by the Board on 30th August, 2017 and signed on its behalf by:



Chairman of the NITA Board
Dr. Kamau Gichigi



Chairman Finance Committee
Mr. Aram Mbui



Director General
Paul Kosgei

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR GENERAL ON NATIONAL INDUSTRIAL TRAINING AUTHORITY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Industrial Training Authority set out on pages 1 to 29, which comprise the statement of financial position as at 30 June 2017, statement of financial performance, statement of changes in net assets, statement of cash flow 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, except for the effect of the matters described in the Basis of Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Industrial Training Authority as at 30 June 2017 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Industrial Training (Amendment) Act, 2011 .

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis of Qualified Opinion section of my report, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis of Qualified Opinion

1.0 Plant, Property and Equipment

1.1 Difference between Valuation Report and Financial Statement Figures

Note 16 to the financial statements as at 30 June, 2017 reflects cost values of assets which are different from the last valuation report dated 28 February, 2014 as shown below:

Report of the Auditor-General on the Financial Statements of National Industrial Training Authority for the year ended 30 June 2017

Item	Valuation Report Figures Kshs.	Financial Statement Figures Kshs.	Over/(Under) Kshs.
Land	5,653,615,000	5,653,615,000	-
Building & Site works	2,199,285,800	2,372,867,000	173,581,200
Plant & Machinery	449,640,216	116,495,000	(333,145,216)
Motor Vehicles	92,707,600	27,752,000	(64,955,600)
Computer & Accessories	72,900,026	24,999,000	(47,901,026)
Furniture & fittings	92,970,805	30,460,000	(62,510,805)
Equipment	37,711,573	62,183,000	24,471,427
Total	8,598,831,020	8,288,371,000	(310,460,020)

In view of the material differences between the last valuation report and the financial statement balances, it has not been possible to confirm the source and accuracy of the plant, property and equipment balance of Kshs.8,289,527,000 reflected in the statement of financial position as at 30 June 2017.

1.2 Incomplete Fixed Assets Register

During the audit inspection carried out in December 2017, it was noted that NITA did not maintain a proper fixed assets register for property, plant and equipment with necessary details such as; description of the asset, location, serial number, date purchased, source, cost price, additions, depreciation and disposals. Documents availed for audit indicated that only an inventory listing of assets in the various offices was maintained.

In the circumstances, it has not been possible to confirm the accuracy, custody and safety of the property, plant and equipment balance of Kshs.8,289,527,000 reflected in the statement of financial position as at 30 June 2017.

1.3 Allocation of National Industrial Training Authority Land to a Private Developer

The statement of financial position as at 30 June 2017 reflects property, plant and equipment balance of Kshs.8,289,527,000. Included in the figure is land valued at Kshs.5,653,615,000 which however, still excludes disputed plots No. 464/R and No. 6229 of undetermined value. As previously reported, land of unknown value measuring 6.2 hectares (Ref: No. Plot No.464/R) located in Bombolulu area was on 23 May 1996 allocated to Mombasa Industrial Training Centre (MITC) as an alternative to plot No. 6229 which had been carved out and allocated to a private developer. Although the Authority has indicated that the matter was in the Ndung'u Report, no evidence was presented for audit to show that the Authority is pursuing the matter with the National Land Commission to hasten acquisition of titles to avoid losing the property.

Further, no reasons have been given for failure to disclose the status of the two parcels of land in the financial statements.

2.0 Outstanding Imprests

The statement of financial position reflects receivables from exchange transactions of Kshs.81,846,000 as at 30 June 2017. Included in the figure is an amount of Kshs.47,543,000 in respect of temporary imprests out of which imprests totalling Kshs.12,276,280 were as at the time of audit on 1 December 2017 still outstanding beyond the due dates.

No satisfactory explanation has been provided for the failure to recover the outstanding imprests in full from defaulting officers' salaries.

3.0 Uncollected Training Levy

Included in the statement of financial position as at 30 June, 2017 are receivables from exchange transactions balance of Kshs.81,846,000 out of which, an amount of Kshs.18,345,000 relates to receivables from employers in respect of training levy. Further, Note 13 to the financial statements indicates that receivables from employers increased by Kshs.13,012,000 from Kshs.5,333,000 in 2015/2016 to Kshs.18,345,000 in 2016/2017.

The respective employers are therefore guilty of an offence under Section 5B (4) of Industrial Training (Amendment) Act, 2011 and liable to a fine not exceeding Kshs.100,000 and monthly penalty not exceeding Kshs.50,000 for continued failure to remit the training levy after conviction.

No evidence was availed for audit review on any imposition of fines or penalties or conviction to the defaulting employers.

4.0 Deposits held in Collapsed Banks

As previously reported, the National Industrial Training Authority held deposits amounting to Kshs.129,466,400 in various banks that had collapsed over twenty (20) years ago.

However, no provision for contingent asset has been made in the statement of financial position as at 30 June 2017. The amount has also been totally omitted from the financial statements for the year ended 30 June 2017.

Further, there was no evidence to indicate that the Authority was still pursuing recovery of the deposits through the Deposit Protection Fund even though the collapsed banks owned assets secured by the Government Official Receiver.

In the circumstances, the recoverability of deposits totalling Kshs.129,466,400 is doubtful.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Industrial Training Authority management in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section of my report, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

1.0 Budget and Budgetary Performance

1.1 Revenue

The actual receipts amounted to Kshs. 1,861,466,000 against the budgeted amount of Kshs.1,991,500,000 resulting to a shortfall of Kshs.130,034,000 or 7% as tabulated below:

Revenue Head	Budget Kshs.	Actual Kshs.	Excess/ (shortfall) Kshs.	Exces/ (shortfall) %
Training Levy collections	750,000,000	679,789,000	(70,211,000)	(9)
Government grants & subsidies	598,000,000	523,466,000	(74,534,000)	(12.5)
Rendering of Services	371,500,000	348,705,000	(22,795,000)	(6)
Finance Income	50,000,000	44,558,000	(5,442,000)	(11)
Other income, rental & agencies	222,000,000	264,948,000	42,948,000	19
Total	1,991,500,000	1,861,466,000	(130,034,000)	(7)

However, the management explanations for excess or shortfall of 10% were not included in the notes to the financial statements as required.

1.2 Expenditure

NITA had budgeted to spend Kshs.1,724,233,000 in 2016/2017 but spent Kshs.1,368,424,000 and as a result underspent by Kshs.355,809,000 or 21% as tabulated below:

Expenditure	Budget Kshs.	Actual Kshs.	Over/(Under) Kshs.	Over/ (under) %
Employees costs	777,299,000	690,138,000	(87,161,000)	(11)
Use of goods and services	37,382,000	48,605,000	11,223,000	30
Remuneration of Directors	41,600,000	26,757,000	(14,843,000)	(36)
Repairs and maintenance	25,445,000	26,835,000	1,390,000	5
Contracted Services	23,928,000	16,946,000	(6,982,000)	(29)
General Expenses	818,579,000	559,143,000	(259,436,000)	(32)
Total	1,724,233,000	1,368,424,000	(355,809,000)	(21)

The under expenditures mainly occurred under general expenses by Kshs.259,436,000 or 32%, employees' costs by Kshs.87,161,000 or 11% and Directors remuneration by Kshs.14,843,000 or 36%. However, the over expenditure of Kshs.11,223,000 or 30% in respect of use of goods and services was not explained in the Notes to the financial statements.

The failure to spend Kshs.355,809,000 or 21% of the budgeted expenditure implies that the Authority's goals and objectives were not achieved as planned.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management is responsible for the preparation and fair representation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal control such as management determines is necessary to enable the preparations of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the Government intends to cease operations of the Authority, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 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.

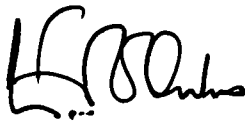
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

08 March 2018

**XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30TH JUNE 2017**

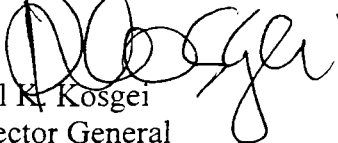
	Note	2016-2017	2015-2016
		Kshs '000'	Kshs '000'
Revenue from non-exchange transactions			
Training Levy	1	679,789	749,913
Transfers from other governments—gifts and services-in-kind	2	523,466	497,513
		1,203,255	1,247,426
Revenue from exchange transactions			
Rendering of services	3	348,705	190,685
Finance income-external investments	4	44,558	69,094
Other income	4	264,948	38,785
		658,211	298,564
Total revenue		1,861,466	1,545,990
Expenses			
Use of goods and services	5	48,605	52,768
Employee costs	6	690,138	577,217
Remuneration of directors	7	26,757	40,256
Depreciation and amortization expense	8	165,161	197,347
Provision for Receivables	8(a)	14,623	0
Repairs and maintenance	9	26,835	19,138
Contracted services	10	16,946	14,770
General Expenses	11	559,143	579,788
Total Expenses		1,548,208	1,481,284
Surplus/(deficit)for the period		313,258	64,706
		313,258	64,706

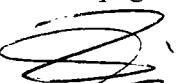
The notes set out on pages 1 to 6 form an integral part of these Financial Statements

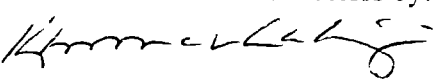
XII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2017

		2016-2017	2015-2016
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	12	1,013,807	58,985
Receivables from exchange transactions	13	34,303	71,785
Receivables from non-exchange transactions	14	47,543	155,103
Investments	15	8,400	8,400
Short term Investments	12	260,000	780,000
		1,364,053	1,074,272
Non-Current Assets			
Property, Plant and Equipment	16	8,289,527	8,320,270
Intangible assets	17	3,737	6,371
		8,293,264	8,326,641
Total Assets		9,657,317	9,400,913
Liabilities			
Prepaid Fees	18	-	63,141
Trade and other payables	18	63,666	72,002
Provisions	8 (a)	14,623	
		78,289	135,143
Net assets		9,579,028	9,265,770
Capital Reserves		90,000	90,000
Revaluation Reserve		8,243,800	8,243,800
Accumulated surplus		1,245,228	931,970
Total net assets and liabilities		9,579,028	9,265,770

The Financial Statements set out on pages 7 to 36 were signed on behalf of the Board of Directors by:


Paul K. Kosgei
Director General


Julius M. Ndenge
Ag. Manager Finance
ICPAK Member No.:8325


Dr. Kamau Gachigi
Chairman of the Board

Date.....

Date.....

Date 13-03-18.....

XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2017

	Attributable to the owners of the controlling entity			
	Reserves			
	Capital replacement development reserve/Capital Reserve	Revaluation Reserve	Accumulated surplus	Total
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Balance as at 1 July 2015	90,000	8,243,800	867,264	9,201,064
Surplus/(deficit) for the period	-	-	64,706	64,706
Balance as at 30 June 2016	90,000	8,243,800	931,970	9,265,770
Balance as at 1 July 2016	90,000	8,243,800	931,970	9,265,770
Surplus for the period	-	-	313,258	313,258
Balance as at 30 TH June 2017	90,000	8,243,800	1,245,228	9,579,028

XIV. STATEMENT OF CASHFLOW AS AT 30TH JUNE 2017

	Notes	2016-2017	2015-2016
		Kshs '000'	Kshs '000'
Cash flows from operating activities			
Receipts			
Training Levy		679,879	749,913
Government grants and subsidies		523,466	497,513
Rendering of services		348,705	190,685
Finance income		44,558	69,094
Other income ,rentals and agency fees		264,948	38,785
Decrease/Increase in Account Receivables	13/14		
Total Receipts		1,861,466	1,545,990
Payments			
Compensation of employees		690,138	577,217
Goods and services		48,605	52,768
Other payments		629,681	653,952
Decrease/Increase in Account Receivables and Gok grants	19	(145,041)	152,931
Decrease/Increase in Account Payables	19	71,477	16,207
Total Payments		1,294,860	1,453,075
Net cash flows from operating activities		566,606	92,915
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	16	-131,783	-102,334
Net cash flows used in investing activities		434,823	-9,419
Cash flows from financing activities			
Net increase/(decrease)in cash and cash equivalents			
		434,823	-9,419
Cash and cash equivalents at 1 JULY	12	838,985	848,404
Cash and cash equivalents at 30 JUNE		1,273,808	838,985

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2017

	Original budget	Adjustments	Final budget	Actual on	Performance
	2016-2017	2016-2017	2016-2017	comparable basis	difference
Revenue	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Fines, penalties and levies	800,000	(50,000)	750,000	679,789	(70,211)
Government grants and subsidies	495,076	102,924	598,000	523,466	(74,534)
Rendering of services	328,500	43,000	371,500	348,705	22,795
Finance income	60,000	(10,000)	50,000	44,558	(5,442)
Other income, rentals and agency fees	222,000	-	222,000	264,948	42,948
Total income	1,905,576	85,294	1,991,500	1,771,631	(84,444)
Expenses					
Use of goods and services	43,500	(6,118)	37,382	48,605	(11,223)
Employee costs	685,860	91,439	777,299	690,138	87,161
Remuneration of directors	41,600	0	41,600	26,757	11,843
Repairs and maintenance	21,925	3,520	25,445	26,835	(1,390)
Contracted services	9,876	14,052	23,928	16,946	6,982
General Expenses	705,623	112,956	818,579	559,143	259,436
Total Expenses	1,508,384	215,849	1,724,233	1,335,988	352,809

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

National Industrial Training Authority (NITA) is a state corporation established under the Industrial Training (Amendment) Act 2011. Its mandate is to promote the highest standards in the quality and efficiency of Industrial Training in Kenya and ensure adequate supply of properly trained manpower at all levels in industry.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

NITA financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	NITA adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.
IPSAS 34: Separate Financial Statements	NITA does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply/ the entity is a parent company and has prepared consolidated financial statements and therefore the standard does not apply
IPSAS 35: Consolidated Financial Statements	NITA does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply
IPSAS 36: Investments in	NITA does not have investments in associates or joint ventures is the impact of application of the new standard IPSAS 36:

Standard	Impact
Associates and Joint Ventures	
IPSAS 37: Joint Arrangements	NITA does not have an interest in a joint arrangement and therefore the standard does not apply
IPSAS 38: Disclosure of Interests in Other Entities	NITA does not have an interests in other entities and therefore the standard does not apply

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

NITA did not early – adopt any new or amended standards in year 2017.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Rental income

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

b) Budget information

The original budget for FY 2016-2017 was approved by the National Assembly on 2016. No Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

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

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deferred tax (continued)

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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.

d) Investment property

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

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

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

e) Property, plant and equipment

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

f) 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. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

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

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

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment

losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

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

h) Research and development costs

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

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

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

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

j) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

NITA assesses at each reporting date whether there is objective evidence that a financial asset or 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. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

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

i) Inventories

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

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

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

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

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

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

l) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

Contingent liabilities

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

Contingent assets

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

m) Nature and purpose of reserves

NITA creates and maintains reserves in terms of specific requirements. Currently NITA maintains 3 reserves.

1. A capital Reserve of 90m relating to Grants from the parent Ministry
2. Revenue Reserves relating to accumulated surplus/deficits (including prior year adjustments)
3. Revaluation reserves,

n) Changes in accounting policies and estimates

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

o) Employee benefits

Retirement benefit plans

NITA provides retirement benefits for its employees and directors. Defined contribution plans are postemployment benefit plans under which NITA 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 today 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.

p) Employee benefits (Continued)

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

q) 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.

r) 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.

s) Related parties

NITA 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.

t) Service concession arrangements

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

u) 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.

v) Comparative figures

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

V) 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, 2017.

1. Training levy

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Industrial Training Levy	679,789	749,913
Total	679,789	749,913

This is revenue collected as contribution by employers for employees training

2. Transfers from other governments

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Operational Grant	401,376	367,633
Development Grants	122,090	129,880
Total government grants and subsidies	523,466	497,513

3. Rendering of services

Revenue collected as Tuition, registration, Trade test and conferencing activities

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Tuition Fees and Accommodation	54,514	75,418
Registration of Trainers	7,504	6,347
Trade Test Fees	229,387	108,920
Conference	57,300	37,159
Total revenue from the rendering of services	348,705	227,844

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Other income

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Miscellaneous Receipts	96,338	1,626
Investment Income	44,558	69,094
Deposit Receivables	168,610	0
Total other income	309,506	70,720

5. Use of Goods and Services

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Electricity	19,628	21,796
Water	11,074	12,570
Security	16,091	16,409
Subscriptions	1,812	1,993
Total good and services	48,605	52,768

6. Employee costs

	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Salaries and wages	540,305	487,892
Medical Expenses	97,228	46,113
Staff Development	32,952	24,064
Other Allowance	7,617	12,435
Welfare	12,035	6,713
Employee costs	690,138	577,217

7. Board of directors

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Director Emoluments	1,054	
Board Other Expenses	11,738	13,335
Board Capacity Building	11,523	17,960
Board Sub Committee	2,442	8,961
Total director emoluments	26,757	40,256

8. Depreciation and amortization expense

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Buildings	62,692	62,334
Plant and Machinery	29,636	29,636
Motor Vehicle	43,104	41,165
Computer and Accessories	-	37,491
Furniture and Fittings	6,590	5,745
Equipment	14,184	13,880
Books	123	123
Intangibles	8,832	6,973
Total repairs and maintenance	165,161	197,347

8 (a) Provisions

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Accounts receivable	12,823	0
Audit fees	1,500	0
Contigent Liability	300	0
Totals	14,623	0

9. Repairs and maintenance

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Maintenance of Equipment	1,097	891
Maintenance of Buildings	3,036	2992
Maintenance of Furniture	93	463
Maintenance of Grounds	207	765
Maintenance of Motor Vehicle	10,726	9,763
Maintenance of Software	11,676	4264
Total repairs and maintenance	26,835	19,138

10. Contracted services

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Part time lectures	16,946	14,770
Total contracted services	16,946	14,770

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. General expenses

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Audit fees	-	928
Advertising and Publicity	19,308	26,467
Bedding & Linen	204	204
Chemicals, Detergents & Industrial gases	456	1,903
Claims, Damages & Compensation	5,293	-
Conference Expenses	15,549	-
Curriculum Development	5,673	4,746
Domestic Travel	18,141	22,502
Female Sponsorship	9,720	8,679
Finance Expenses	7,863	12,066
Food & Ratio	19,303	47,078
Foreign Travel	3,444	205
Fuel, Oil and Lubricants	23,913	15,996
Hospitality	6,636	8,589
Industrial Attachment	23,219	24,522
Insurance	8,833	5,795
Internal Audit Expenses	4,127	6,371
Legal Fees	7,094	11,937
Library	211	376
Management Consultancy	3,043	2,900
Marketing Expenses	4,847	3,422
Professional services	-	1,219
Office and General Supplies	13,378	16,542
Planning Expenses	6,580	2,751
Quality Assurance Expenses	7,312	5,685
Registration of Training Providers & Approvals for Training	6,367	1,331
Reimbursements for Management & Supervisory	91,049	117,976
Rent & Rates	953	160
Sector Committees	11,008	546
Seminars & Workshops	5,022	10,613
Specialized Materials	22,652	30,158
Student Examination	5,311	4,677
Supplies Chain Management Expenses	5,135	6,030
Telecommunication	12,011	9,861
Trade Test Expenses	141,162	138,151
Training Levy Expenses	44,174	28,946
Uniforms & Protective Clothing	153	456
	559,143	579,788

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Cash and cash equivalents

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Current account	989,120	58,559
Treasury bills	180,000	180,000
Fixed deposits account	0	600,000
Staff car loan/ mortgage	80,000	0
Cash in Hand	688	426
Cash in Transit	24,000	
Total cash and cash equivalents	1,273,808	838,985

12 (a). Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2016-2017	2015-2016
		Kshs '000'	Kshs '000'
a) Current account			
Kenya Commercial bank Industrial Area (Revenue)	1102588075	909,161	20,410
Kenya Commercial bank Industrial Area (Payments)	1158641931	23,647	4,385
Kenya Commercial bank Kisumu	1144138434	20,035	11,356
Kenya Commercial bank Mombasa	1144254639	26,464	12,023
Kenya Commercial bank Kitengela	1170854729	2,853	1,905
Standard Chartered Bank Industrial Area	0104031408200	179	191
National Bank Harambee Avenue	01001000902800	6,781	8,290
Sub- total		989,120	58,560
b) Treasury bills			
National Bank of Kenya		100,000	100,000
Co-operative Bank of Kenya	01150012924502	80,000	80,000
Sub- total		180,000	180,000
c) Fixed deposits account			
Kenya Commercial bank		0	600,000
Sub- total		0	600,000
d) Staff car loan/ mortgage			
Kenya Commercial bank (Car)	1206410337	20,000	-
Kenya Commercial bank (Mortgage)	1206410248	60,000	-
Sub- total		80,000	0
e) Others(specify)			
Cash in hand		688	426
Cash in Transit		24,000	
Sub- total		24,688	426
Grand total		1,273,808	838,986

13. Receivables from exchange transactions

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Current receivables		
Receivables – Employers	18,345	5,333
Receivables- Students	15,958	12,114
Prepayments Medical	-	43,228
Accrued Investment Income	-	10,800
Total current receivables	34,303	71,785

14. Receivables from non-exchange contracts

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Current receivables		
Receivables - staff	47,543	44,228
Accrued Government Grants	-	110,874
Total current receivables	47,543	155,102

15. Investments

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
a) Investment in Treasury bills and bonds		
Financial institution		
National Bank of Kenya	180,000	180,000
Sub- total	180,000	180,000
b) Investment with Financial Institutions/ Banks		
KCB	0	600,000
Sub- total	0	600,000
c) Equity Investments		
Equity in Shares	8,400	8,400
Grand total	188,400	788,400

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Property, plant and Equipment

	Land	Buildings	Plant & Machinery	Motor Vehicles	Computer & Accessories	Furniture	Equipment	Books	Totals
Cost	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At 1st July 2015	5,653,615	2,459,232	237,084	138,789	110,498	44,274	100,392	1,233	8,745,117
Additions	-	48,443	-	25,870	14,475	1,684	10,653	-	101,125
At 30 June 2016	5,653,615	2,507,675	237,084	164,659	124,973	45,958	111,045	1,233	8,846,242
At 1st July 2016	5,653,615	2,507,675	237,084	164,659	124,973	45,958	111,045	1,233	8,845,873
Additions	-	107,329	-	7,755	1,311	6,763	2,427	-	125,585
At 30 June 2017	5,653,615	2,615,006	237,084	172,414	126,284	52,721	113,472	1,233	8,971,828
Depreciation and Impairment									
At 1st July 2016	-	116,696	61,318	60,394	63,793	9,926	23,224	246	335,597
Depreciation	-	62,334	29,636	41,165	37,491	5,745	13,880	123	190,374
Accumulated Dep 30 June 2016	-	179,030	90,954	101,559	101,285	15,671	37,105	369	525,973
At 30 June 2017	-	179,030	90,954	101,559	101,285	15,671	37,105	369	525,973
Depreciation	-	62,692	29,636	43,104	-	6,590	14,184	123	156,329
Accumulated Dep 30 June 2017	-	241,722	120,590	144,663	101,285	22,261	51,289	492	682,302
Net Book Values									
At 30 June 2017	5,653,615	2,372,867	116,495	27,752	24,999	30,460	62,183	741	8,289,527
At 30 June 2016	5,653,615	2,328,645	146,131	63,100	23,688	30,287	73,940	864	8,320,270
Depreciation Rate		2.50%	12.50%	25%	30%	12.50%	12.50%	10%	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Intangible assets-software

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Cost		
At beginning of the year	23,243	22,031
Additions	6,198	1,212
At end of the year	29,441	23,243
At end of the year	29,441	23,243
At beginning of the year	16,872	9,899
Amortization	8,832	6,973
At end of the year	25,704	16,872
At end of the year		
NBV	3,737	6,371

18. Trade and other payables from exchange transactions

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Trade payables	63,666	58,579
Payments received in advance	0	63,141
Other payables	0	13,423
Total trade and other payables	63,666	135,143

19. Cash Generated from Operations

	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Surplus for the year before tax	313,258	64,706
Adjusted for:		
Depreciation	165,161	197,347
Provision for receivables	14,623	
Working Capital adjustments		
Decreased in receivables	34,167	(42,057)
Decreased in Accrued Government Grants	110,874	(110,874)
Decrease in Payables	(71,477)	(79,348)
Increase in Prepaid Fees		63,141
Net cash flow from operating activities	566,606	92,915

20. Financial Risk Management

NITA activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. NITAs 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. Risk on account receivables, payables as well as cash and cash equivalents the Authority has ceased from receiving personal checks and all transaction for account receivable to be paid directly to NITA bank account to minimise the risk of collusion. NITA

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 NITAs financial risk management objectives and policies are detailed below:

(i) Credit risk

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

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

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

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

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.

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by NITA 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 NITAs 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.

NITA 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.

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

Related Party Balances

a) Nature of related party relationships

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

The entity is related to

- i) The National Government;
- ii) The Parent Ministry of East Africa Community, Labour & Social Protection
- iii) Key management;
- iv) Board of directors;

b) Related party transactions

	2017 Kshs	2016 Kshs
Transfers from State Dept of Industry and Labour services	523,866,892	497,512,688

NOTES TO THE FINANCIAL STATEMENTS (Continued)

42. Related Party Balances (continued)

c) Key management remuneration

	2017	2016
	Kshs '000'	Kshs '000'
Directors'	1,054	1,274
	<u> </u>	<u> </u>

21. Events after the reporting period

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

22. Ultimate and Holding Entity

NITA is a State Corporation under the Ministry of East Africa Community, Labour & Social Protection. Its ultimate parent is the Government of Kenya.

23. Currency

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

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

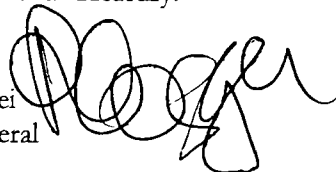
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Uncollected Training Levy	Demand letters had been issued to all companies in the list of defaulters	Galm Guyo Manager Levy	Companies paid and the list has significantly reduced	31 st Nov. 2017
2	Allocation of NITA land to private developer	The matter is before the Land Commission	Irene Ogamba Manager Legal	Matter still pending with the Land Commission	31 st Dec 2017
3	Pending Invoices at TDC Athi River	Follow up with the relevant Government ministries for payment	Jane Kamau Manager TDC Athi River	Resolved	
4.	Outstanding Debtors	Follow up and issue demand letters and recover all outstanding debtors	Julius Ndenge Ag. Manager Finance	Efforts been done for recoveries of outstanding debts	30 th Nov 2017

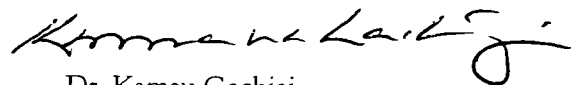
Guidance Notes:

- (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.

Paul K. Kosgei
Director General



Dr. Kamau Gachigi
Chairman of the Board



Date.....

Date. 13-03-18

XVIII. Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
KYEOP	P151831	World Bank	4 years	5.7B	YES	NO

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	KYEOP	5.7B	36,565		5.7B	36,565	Donor Funds

XIX. Appendix 2: INTER-ENTITY TRANSFERS

ENTITY NAME:			
Break down of Transfers from the State Department of Industry, Trade and Investment and State Department of Labour Service			
FY 16/17			
a. Recurrent Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
State Department of Industry, Trade and Investment	23 rd Sept 2016	100,343,879.25	/
State Department of Industry, Trade and Investment	14 th Nov. 2016	100,343,879.25	/
State Department of Industry, Trade and Investment	16 th March 2016	100,343,879.25	/
State Department of Industry, Trade and Investment	10 th May, 2016	100,343,879.25	/
	Total	401,375,517.00	^
b. Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
State Department of Labour Services	24 th January, 2017	98,090,000	/
State Department of Labour Services	Cash in Transit	24,000,000.00	/
	Total	122,090,000	^
c. Donor Receipts			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
State Department of Labour Services		103,516,303	/
	Total	103,516,303	^

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

Finance Manager
NITA

Head of Accounting Unit
State Dept. of Industry

Head of Accounting Unit
State Dept. of Labor Services

Sign _____

Sign _____

Sign _____



XX. Appendix 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount – KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Industry, Trade and Investment		Recurrent	401,375,517	401,375,517					401,375,517
Ministry of East African Community, Labour & Social Protection		Development	122,090,000		122,090,000				122,090,000
World Bank		Donor Fund	103,516,303					KYEOP	103,516,303
Total			626,891,820	401,375,517	122,090,000				626,891,820