

REPUBLIC OF KENYA



*Enhancing Accountability*



THE NATIONAL ASSEMBLY

DATE: 09 NOV 2022

Wednesday - Afternoon

**REPORT**

TABLED  
BY:

Hon Kimani Ichungwa, MP  
Leader of The Majority Party

CLERK AT  
THE TABLE:

Maina Wanjiku

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**RIFT VALLEY INSTITUTE OF SCIENCE  
AND TECHNOLOGY**

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



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**RIFT VALLEY INSTITUTE OF SCIENCE AND TECHNOLOGY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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



**RIFT VALLEY INSTITUTE OF SCIENCE AND TECHNOLOGY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE, 30 2020**

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**I. KEY ENTITY INFORMATION AND MANAGEMENT**

**GENERAL INFORMATION**

The Rift Valley Institute of Science and Technology is established by and derives its authority and accountability from TVET Act 2013. The entity is owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Education and Training.

**BACKGROUND INFORMATION**

The idea of establishing Rift Valley Institute of Science and Technology (RVIST) was to create an institution that could meet the educational and development needs of the Rift Valley Community.

**RVIST** is now a recognized public Technical Training Institute that is mandated to offer Technical, Industrial, Vocational and Entrepreneurship Training as spelt out in the Education Act and Science and Technology Act. The long-term Vision at its inception was to develop a strong technological institution to play a leading role in the development of the immense resources and potential of Rift Valley region and in so doing contribute to National Development.

The institute prides itself in having attained the ISO 9001:2015 certification. The road to certification has given us the impetus to develop home grown quality objectives to improve service to our customers. Through the achievement of these objectives, we continuously make tremendous progress in contributing to the realization of our strategic plan and the Kenya Vision 2030. The Institute is also in Performance Contracting.

In addition to providing academic and technical skills, we seek to develop in our students, creativity and innovativeness, that enables them to integrate successfully in all areas of management in the public and private sectors.

Thus, it is envisaged that RVIST operates as a TVET institution. The leaders in the region have consistently supported the development of the institute.

**Location**

RVIST is built on a 200 Acre land donated by Rift Valley Development Trust properties (RVDTP) and located about 11 kilometres from Nakuru town along the Nakuru-Njoro road in a quiet environment conducive for learning.

**Vision:**

To be a centre of excellence in providing quality technical training, research and development for self-reliance and industrialization in the region.

**Mission:**

To develop competent, dependable, innovative, creative and ICT compliant human resource that suits dynamic technological trends for sustainable development.

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**MANDATE**

The mandate of RVIST is to promote advancement of education and development in the region and the country at large through technical training, research, innovation and community service.

**(a) Key Management**

The TVET day-to-day management is under the following key organs:

- Principal
- Deputy Principal Administration
- Deputy Principal Academic Affairs
- Registrar
- Dean of Students
- Finance Officer
- Head of supply chain management
- Academic Heads of departments

**(b) Fiduciary Management**

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

No.	Designation	Name
1.	Principal	Mr. Cheruiyot Daniel Mutai
2.	Head of Finance	Mrs. Susan Koech
3.	Head of Procurement	Mr. Joseph Seroney

**(c) Fiduciary Oversight Arrangements**

To ensure the efficient running of the Agency's operations, the Board of Directors have established Committees to meet and make recommendations to the Board who are mandated to provide policy direction for the entity on issues delegated to them. Each Committee has a Charter that guides its operations.

The following are the sub-committees of the board

<b><i>Finance and general-purpose committee</i></b>	
<i>Mr. Ben Kipng'etich Samoei</i>	<i>Chair of finance committee</i>
<i>Eng. Esther Ruto</i>	<i>Member</i>
<i>Dr. Richard Moindi</i>	<i>Member</i>
<i>Mr. Seleila Ole Mwaniki</i>	<i>Member</i>

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Audit and risk committee	
Professor. Johnson Changeiywo	Chair
M/S Henrietta Namava	Member

**(d) Contacts**

**Rift Valley Institute of Science and Technology**

P.O. Box 7182 – 20100

Nakuru – Njoro Road.

Tel: 020-2079754,

Mobile No. 0720668238

E-mail:[principal@rvist.ac.ke](mailto:principal@rvist.ac.ke)

**Contacts**

Telephone :( 254)0720 668 238

E-mail: [Principal@rvist.ac.ke](mailto:Principal@rvist.ac.ke)

Website: [www.rvist.ac.ke](http://www.rvist.ac.ke)

**(e) Bankers**

1. Cooperative Bank of Kenya  
Nakuru Branch  
P.O. Box 2982 - 20100  
Nakuru, Kenya
2. Kenya Commercial Bank  
Kenyatta Avenue  
P.O. Box 18 - 20100  
Nakuru, Kenya
3. Equity Bank  
Gatehouse Branch  
P.O. Box 12568 - 20100  
Nakuru, Kenya
4. Transnational Bank Limited  
Seguton Building, Kenyatta Avenue  
P.O. Box 148 – 20100  
Nakuru, Kenya
5. Family Bank  
Kenyatta Avenue  
P.O. Box 519 – 20100  
Nakuru, Kenya

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**(f) Independent Auditors**

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

**(g) Principal Legal Adviser**


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

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**THE BOARD OF GOVERNORS**

Insert each Director's passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Director's date of birth, key qualifications and work experience
 <p>1. Mr. Harun Kimutai Bomett Chairman - BOG</p>	<p><b>Date of Birth:</b> 1943  <b>Qualification:</b> Law Graduate  <b>Institution:</b> University of Nairobi  <b>Work experience:</b>  Retired Resident Magistrate – 35 Years</p>
 <p>2. Prof. Johnson Changeiywo Chairman Executive Board</p>	<p><b>Date of Birth:</b> 1958  <b>Qualification:</b> Prof. Physics and Mathematics  <b>Institution:</b> Egerton University  <b>Work experience:</b> Director Open learning and Lecturer Egerton University – 24 years</p>
 <p>3. Dr. Richard Moindi Member BOG</p>	<p><b>Date of Birth:</b> 1968  <b>Qualification:</b> PhD in Educational Management  <b>Institution:</b> Egerton University  <b>Work experience:</b>  i) Director Group of SME's – 22 years</p>
 <p>4. Eng. Esther Ruto Member BOG</p>	<p><b>Date of Birth:</b> 1961  <b>Qualification:</b> BSC. in Electrical Engineering  <b>Institution:</b> University of Nairobi  <b>Work experience:</b> - Manager REA/  Registered ERB Construction - 11 Years</p>

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Insert each Director's passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Director's date of birth, key qualifications and work experience
 <p>5. M/s Henrietta Namava Member BOG</p>	<p><b>Date of Birth:</b> 29<sup>th</sup> June 1977  <b>Qualification:</b> MsC. Occupational Health &amp; Safety  <b>Institution:</b> JKUAT  <b>Work experience:</b> COTU            Training Manager – Del Monte</p>
 <p>6. Mr. Ben Kipngetich Samoei Member BOG</p>	<p><b>Date of Birth:</b> 1972  <b>Qualification:</b> Masters in Business Administration (Finance Option)  <b>Institution:</b> Catholic University of East Africa (GABA)  <b>Work experience:</b> Administrative Officer            Moi Teaching and Referral Hospital (MTRH) – 20 years</p>
 <p>7. Mr. C.D. Mutai Principal/Secretary BOG</p>	<p><b>Date of Birth:</b> 1962  <b>Qualification:</b> M. Phil (Elect. Technology)  <b>Institution:</b> Moi University  <b>Work experience:</b> Principal RVIST</p>
 <p>8. Mr. Seleila Ole Mwanik Board member</p>	<p><b>Date of Birth:</b> 1962  <b>Qualification:</b> Masters in business management  <b>Institution:</b> Maasai Mara University  <b>Work experience:</b> Over 35 year of experience currently working as University Liaison officer at the Maasai Mara University</p>

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**MANAGEMENT TEAM**

Name of the Staff	Responsibility
 1. Mr. C.D. Mutai	<p><b>Principal</b> In-charge of all academic, administrative, co-curriculum and all other activities in the Institute.</p>
 2. Mrs. Jacinta Kuria	<p><b>Deputy Principal Academic Affairs</b> In-charge of curriculum implementation and academic affairs.</p>
 3. Mr. Paul Cheptum	<p><b>Ag. Registrar</b> In-charge of student admissions and management of examinations.</p>
 4. Mr. Phillip K. Terer	<p><b>Dean of Students</b> In-charge of student affairs,</p>
 5. Mrs. Susan Koech	<p><b>Finance Officer</b> In-charge of finance section of administration</p>

## **II. CHAIRMAN'S STATEMENT**

It gives me great pleasure to present the Rift Valley Institute of Science and Technology (RVIST) annual report and financial statements for the year ended 30<sup>th</sup> June 2020.

I acknowledge the RVIST commitment to producing well equipped graduates in Technical and Vocational Education and Training (TVET). RVIST is keen in ensuring that TVET programmes pursued, will enable the trainees acquire the necessary skills, knowledge, experience and confidence to be exemplary leaders in their professions and to be role models in their communities and become responsible citizens wherever in the world their careers might take them.

Technical, Vocational, Education and Training (TVET) provides knowledge, skills and attitudes that have become a key driver of growth and development globally. Production of knowledge intensive, technologically sophisticated, higher value goods and services is not possible without a trained management cadre and labour force with the appropriate mix of technical and vocational skills. In view of this, it is imperative to ensure that there exist enabling and friendly environment that will enhance delivery of quality TVET programmes for sustainable development of Kenya and beyond. To this end, I am delighted to note that this has been achieved.

The BOG is mandated to mobilize resources and utilize them effectively and efficiently to promote technical and vocational training. This mandate is enshrined in our Strategic Plan 2017-2022. In addition, the institute reviewed her Strategic Plan in order to align it with the "Big Four" agenda and the MTP III.

The BOG is committed to embracing best practices in the industry and has facilitated various benchmarking exercises as we prepare to launch CBET programs that are skill oriented and more relevant to the industry. To this end, the institute has entered into collaboration agreements with the industry players in an effort to align our programmes with the needs of the industry.

The BOG is pleased with the efforts the Institute Management has continued to undertake to enhance the quality and relevance of Academic programmes offered by the Institute and its commitment to continue to sustain quality standards as evidenced by the transition to ISO 9001: 2015 during the year.

I wish to thank the Government of Kenya and other stakeholders for their continued financial support. However, the Institute's student population has grown tremendously in the recent past due to collaborations with the KUCCPS and other stakeholders thus exerting pressure on our existing resources and facilities. To this end we continue to appeal for support for the projects in our strategic plan such as a modern automotive garage, classrooms, science laboratory, student hostels among others to enable the Institute achieve its core mandate in the provision of quality teaching and research and collaborations.

Finally, I thank all our partners, collaborating institutions, staff and students for their continued support and dedication and urge that we strive to achieve greater heights of excellence in the coming years.



**Harun Kimutai Bomet**  
**Chairman Board of Governors**

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**III. REPORT OF THE PRINCIPAL**

It is my pleasure to present the annual report and financial statements for Rift Valley institute of Science and Technology for the year ended 30th June 2020. This year has been a year with new challenges but also many other opportunities to improve and move forward. The staff and the management have risen to the challenges with a great deal of resilience and determination.

It is important to note that there was a remarkable improvement in enrolment in all courses. This is an indication that the institute has continued to improve its competitiveness in TVET.

During the year under review, the institute also mentored and oversaw the completion of Kipsoen TVC and Eldama Ravine TVC. Despite these successes, we have faced numerous challenges of mobilizing adequate funds to build classrooms and developing new infrastructure to cater for the increase in population and also match the industry trends to ensure relevance in training.

We are proud of our trainers and trainees who participated in the regional and robotics trade fairs and innovations contest. We are optimistic that the innovations can be incubated and converted into commercial ventures in the near future.

The challenge is also compounded by the heavy financial burden incurred by the institution as remuneration for trainers hired under BOG terms as the TSC and later PSC has not been able to provide adequate human resource to enable the institute deliver her mandate. It is our hope that the bodies concerned with the hiring the TVET trainers will expedite the process to relieve the institute of the burden and therefore channel the resources to other pressing issues.

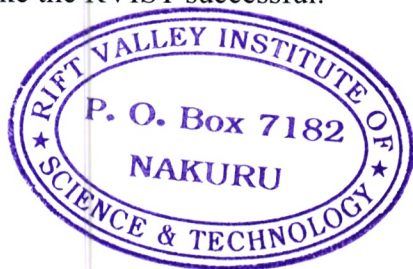
Our special thanks go to the Government of Kenya for the renewed commitment to TVET and recognising technical training as a vehicle for achieving the vision 2030. The funding of trainees through capitation and provision of loans and bursaries by HELB has been of immense importance in the provision of training equipment.

We also thank the Ministry of Education, the Directorate of Vocational and Technical Training, for supporting RVIST in its efforts to deliver quality and market driven programmes. We remain committed to quality training and declare our resolve to continue addressing the opportunities and challenges that come our way more so, in playing our role in the realization of the Big Four Agenda.

We also greatly appreciate the BOG, staff, students and all stakeholders who have contributed greatly in their own way to make the RVIST successful.



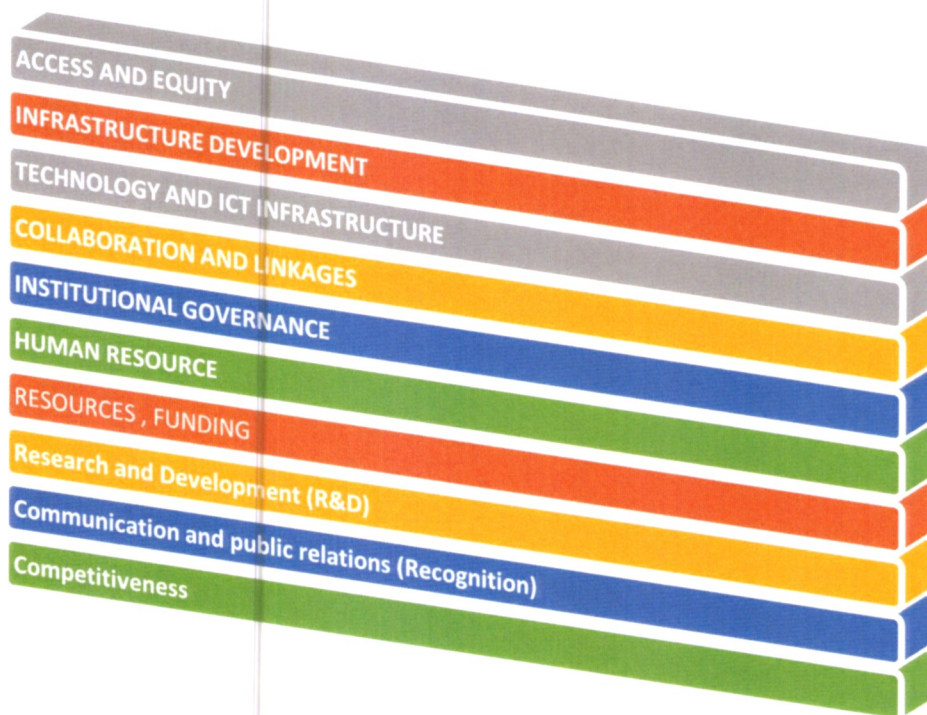
**Mr. C.D. Mutai  
Principal**



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**IV. REVIEW OF RIFT VALLEY INSTITUTE SCIENCE AND TECHNOLOGY'S PERFORMANCE  
FOR FY 2019/2020**

Rift Valley Institute of Science and Technology has 9 strategic pillars and objectives within its Strategic Plan for the FY 2016/2017- 2020/2021. These strategic pillars are as follows:



Rift Valley Institute of Science and Technology develops its annual work plans based on the above 9 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Institute achieved its performance targets set for the FY 2019/2020 period for its 9 strategic pillars, as indicated in the diagram below:

Strategic Pillars	Objective	Key Performance Indicators	Activities	Achievements
<b>Pillar 1: ACCESS AND EQUITY</b>	❖ Enhance Access, Equity and Quality Assurance	❖ Improved training programmes in MSE sector. ❖ Expansion of facilities	❖ Expand facilities based on government priorities ❖ Support TVET trainees ❖ Promote affirmative action for TVET trainees ❖ Reform and enhance education, training, and guidance services. ❖ Improve training programmes in MSE sector.	❖ Expansion of facilities achieved and new courses have been launched.

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			<ul style="list-style-type: none"> <li>❖ Offer higher level programmes</li> <li>❖</li> </ul>	
<b>Pillar 2: INFRASTRUCTURE</b>	Improving and increasing physical facilities	<ul style="list-style-type: none"> <li>❖ Completion of buildings under construction</li> <li>❖ Successfully complete the projects for institutions being mentored</li> </ul>	<ul style="list-style-type: none"> <li>❖ Develop a framework for improving and increasing physical facilities</li> <li>❖ Improve TVET equipment, information and communication systems</li> </ul>	Various blocks have been constructed including classrooms, workshops, multipurpose hall and access roads
<b>Pillar 3: TECHNOLOGY AND ICT INFRASTRUCTURE</b>	Promote effective application of ICT	<ul style="list-style-type: none"> <li>❖ Complete ICT infrastructures,</li> <li>❖ Installation of Management Information System</li> <li>❖ ICT courses</li> </ul>	<ul style="list-style-type: none"> <li>❖ Develop adequate ICT capacity and infrastructure</li> <li>❖ Institutionalized Management Information System (MIS)</li> <li>❖ Promote the use of ICT in Curriculum delivery and management systems</li> </ul>	ICT courses are being offered in the institution MIS is in the process of being upgraded.
	Enhance Equipment and Technology	<ul style="list-style-type: none"> <li>❖ Institution incubator and use of modern equipment and Technology</li> </ul>	<ul style="list-style-type: none"> <li>❖ Develop institution incubator</li> <li>❖ Promote use of modern equipment and Technology</li> </ul>	To be implemented
<b>Pillar 4: RESEARCH AND DEVELOPMENT</b>	Institutionalize effective research and development	<ul style="list-style-type: none"> <li>❖ Research and development infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>❖ Develop mechanisms for R&amp;D collaboration among TVET institutions.</li> <li>❖ Promote the use of research results in technology development and transfer</li> <li>❖ Develop R&amp;D infrastructure.</li> </ul>	The Institute has got Research and Development department and often participates in Agribusiness shows and ASK and TVET fairs.

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<p><b>Pillar 5: COLLABORATION AND LINKAGES</b></p>	<p>Enhance collaboration and linkages</p>	<ul style="list-style-type: none"> <li>❖ Development partners on board</li> <li>❖ Mentorship</li> </ul>	<ul style="list-style-type: none"> <li>❖ Establish collaborations and linkages</li> <li>❖ Strengthen existing collaboration and linkages</li> <li>❖ Establish benchmarks and joint cooperation networks with international TVET institutions</li> </ul>	<p>Currently the Institute has the following collaborations and linkages: Cooperative Bank, KCB bank and Equity bank, Kenya power and Delta college in Michigan who donate computers ,and Science equipment and text books and Naivasha level 5 Hospitals for attachment of medical students.</p>
<p><b>Pillar 6: COMPETITIVENESS</b></p>	<p>Enhance competitiveness</p>	<ul style="list-style-type: none"> <li>❖ Increased students' numbers</li> </ul>	<ul style="list-style-type: none"> <li>❖ Strengthen existing competitiveness benchmarks</li> <li>❖ Establish new competitiveness benchmarks</li> </ul>	<ul style="list-style-type: none"> <li>❖ Benchmarking with other schools is done every period, best students and best trainers are awarded annually.</li> </ul>
<p><b>Pillar 7: INSTITUTIONAL GOVERNANCE</b></p>	<p><b>Improve Institutional Corporate Governance</b></p>	<ul style="list-style-type: none"> <li>❖ Constant review of courses offered</li> <li>❖ Improved result based management in the training system</li> <li>❖ Improved budget accuracy level</li> </ul>	<ul style="list-style-type: none"> <li>❖ Develop and implement institutional policies, strategies and programmes</li> <li>❖ Embrace results based management systems in training</li> <li>❖ Develop and implement M&amp;E systems</li> <li>❖ Fast track institutional expenditure review</li> </ul>	<ul style="list-style-type: none"> <li>❖ New courses being offered</li> <li>❖ Improved budget accuracy</li> <li>❖ Review of financial statements is done by the board every quarter</li> </ul>
<p><b>Pillar 8: HUMAN RESOURCE</b></p>	<ul style="list-style-type: none"> <li>❖ Harness Human resource</li> </ul>	<ul style="list-style-type: none"> <li>❖ Increased number of staff to match the increasing number of students</li> </ul>	<ul style="list-style-type: none"> <li>❖ Increase staff at TSC and BoG levels</li> <li>❖ Develop competencies in staff</li> </ul>	<ul style="list-style-type: none"> <li>❖ New BoG staff and trainers have been employed</li> </ul>

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	<ul style="list-style-type: none"> <li>❖ Improve and sustain relevance of skills</li> </ul>		<ul style="list-style-type: none"> <li>❖ Ensure quality assurance and standards</li> <li>❖ Promote innovativeness in ST&amp;I</li> <li>❖ Establish the Center of excellence</li> <li>❖ Improve the quality of work culture Strategy</li> <li>❖ Encourage investment in the development and commercialization of TVET products and services including ICT</li> </ul>	
<b>Pillar 9: FINANCIAL RESOURCES</b>	<ul style="list-style-type: none"> <li>❖ Diversify sources and increase funding</li> </ul>	<ul style="list-style-type: none"> <li>❖ New development partners</li> <li>❖ Enhanced existing partners' relationship</li> <li>❖ Increase in government development funds</li> </ul>	<ul style="list-style-type: none"> <li>❖ Increase GoK funding</li> <li>❖ Exploit external funding possibilities through developed criteria</li> <li>❖ Expand income generation at institutional level</li> </ul>	<ul style="list-style-type: none"> <li>❖ There are development partners funding development projects.</li> <li>❖ Students receives HELB</li> </ul>
<b>Pillar 10: COMMUNICATION AND PUBLIC RELATIONS</b>	<ul style="list-style-type: none"> <li>❖ To develop an effective and efficient communication system internally and externally at all levels and to enhance the image and visibility of RVIST.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Improved institution</li> </ul>	<ul style="list-style-type: none"> <li>❖ Improve the image of TVET</li> </ul>	<ul style="list-style-type: none"> <li>❖ Objective achieved</li> </ul>
<b>Pillar 11: Perception towards TVET</b>	<ul style="list-style-type: none"> <li>❖ Inculcate appreciative culture in the community for TVET services and products</li> </ul>	<ul style="list-style-type: none"> <li>❖ Increased student enrollment</li> </ul>	<ul style="list-style-type: none"> <li>❖ Sensitizing society on the role of TVET</li> </ul>	<ul style="list-style-type: none"> <li>❖ Holding of TVET fairs, agribusiness fairs, ASK show and community outreach visits to showcase TVET products and services.</li> </ul>

## **V. CORPORATE GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2019/2020**

The corporate governance structure ensures that we act with high standards of corporate behaviour and in the best interest of our stakeholders. The BOG has the authority to perform the functions and determine the policies that control the TVET's activities.

The BOG is responsible for our overall corporate governance and approves strategic directions and budgets. On the other hand, the management ensures that all statutory requirements are complied with, internal control systems are in place and operate effectively; in addition to ensuring that BOG decisions are fully implemented.

RVIST is committed to good corporate governance, which promotes the long-term interests of the Government of Kenya and any other stakeholder, strengthens Board and management accountability and helps build public trust in the Institute.

The Board is appointed by the Government of Kenya through the Cabinet Secretary, Ministry of Education, science and technology to oversee their interest in the long-term health and the overall success of the business and its financial strength in order to discharge its mandate in training. The Board serves as the ultimate decision-making body of the Institute, except for those matters reserved to or shared with the Government of Kenya. The Board selects and oversees the members of senior management, who are charged by the Board with conducting the business of the Institute in line with the Technical, Vocational, Education & Training Act of 2013 and the constitution of the Republic of Kenya.

The BOG, in consultation with management, develops strategic direction for the annual and long-term period.

The BOG also prepares for Annual General Meetings and determines the agenda in which annual audited accounts are presented.

At its regular meetings, the BOG considerations include:

- Progress of Academic programmes
- Institute resources and general management
- Quarterly Financial Statements

Annual Financial Statements

### **Composition of the BOG**

The BOG is chaired by Mr. Harun Bomet. He chairs the BOG meetings providing direction during BOG meetings to the members of the Board. The secretary to the Board is the principal- Mr. C.D. Mutai

### **Board meeting attendance**

The board of governors held five Full board meetings in the financial 2019/2020.

The current board was appointed on 13<sup>th</sup> January 2020 and inaugurated on 3<sup>rd</sup> March, 2020 for a term of three years ending 12<sup>th</sup> March 2023.

On expiry of the tenure of the current board (12<sup>th</sup> March 2023) the process of appointment of a new board of management is as laid out in the TVET act of 2013 shall be followed

Under the TVET act of 2013, the functions of Board of Governors as set out under section 28 (1) shall include -

- (a) Overseeing the conduct of education and training in the institutions in accordance with the provisions of this Act and any other written law;
- (b) Promoting and maintaining standards, quality and relevance in education and training in the institutions in accordance with this Act and any other written law;
- (c) Administering and managing the property of the institutions;
- (d) Developing and implementing the institutions' strategic plan;
- (e) Preparing annual estimates of revenue and expenditure for the institution and incurring expenditure on behalf of the institutions; (1) receiving, on behalf of the institution, fees, grants, subscriptions, donations, bequests or other moneys and to make disbursement to the institution or other bodies or persons;
- (g) determining the fees payable and prescribing conditions under which fees may be remitted in part or in whole in accordance with the guidelines developed under the provisions of this Act;
- (i) Developing and reviewing programmes for training and to make representations thereon to the Board;
- (j) Regulating the admission and exclusion of students from the institutions, subject to a qualifications framework and the provisions of this Act;
- (k) Approving collaboration or association with other institutions and industries in and outside Kenya subject to prior approval by the Board;
- (l) Recruiting and appointing trainers from among qualified professionals and practising trades persons in relevant sectors of industry;
- (m) Determining suitable terms and conditions of service for support staff, trainers and instructors and remunerating the staff of the institutions, in consultation with the Authority;
- (n) Making regulations governing organization, conduct and discipline of the staff and students;

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- (o) Preparing comprehensive annual reports on all areas of their mandate, including education and training services and submits the same to the Board;
- (p) Providing for the welfare of the students and staff of the institutions;
- (q) Encouraging, nurturing and promoting democratic culture, dialogue and tolerance in the institutions; and
- (r) Discharging all other functions conferred upon it by this Act or any other written law.

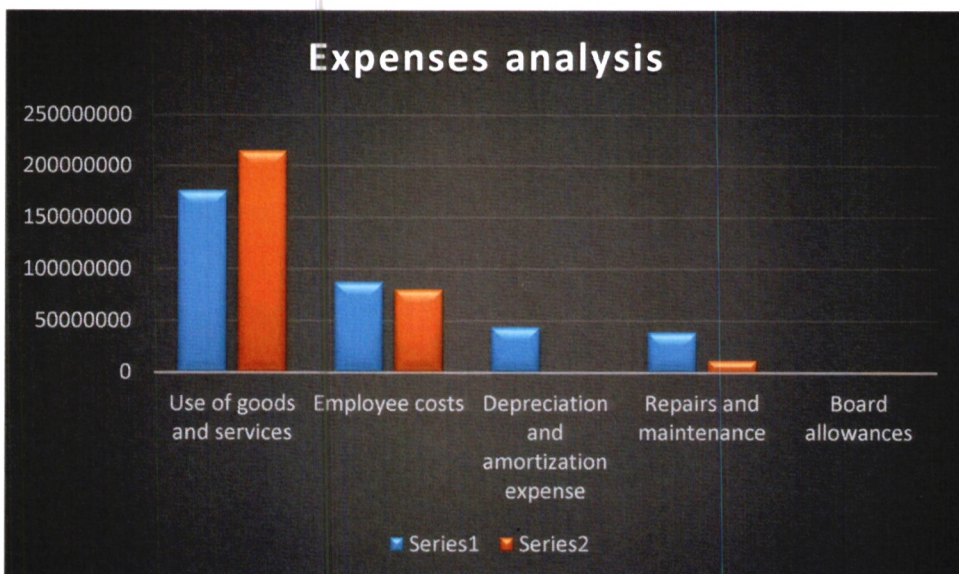
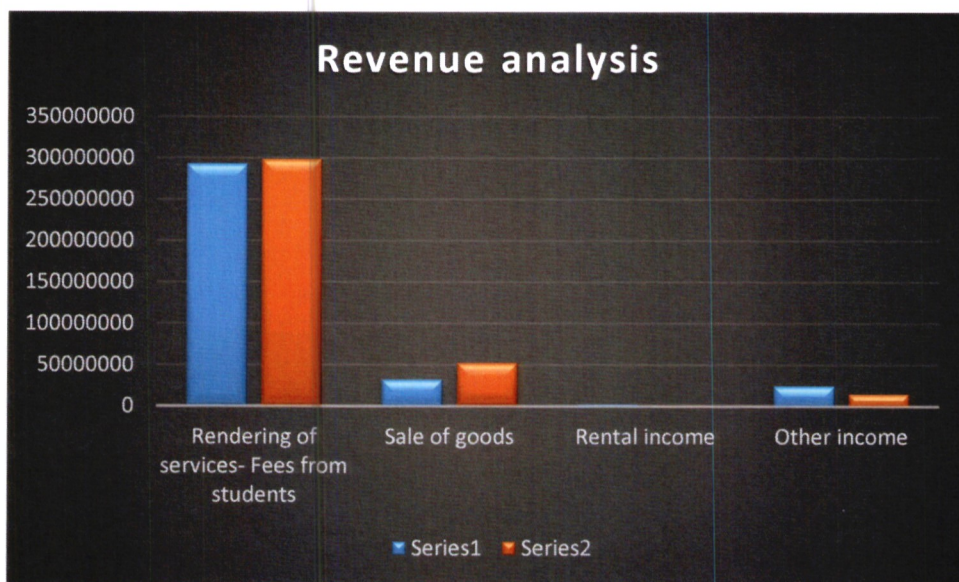
The board in the period it has been in existence has endeavoured to discharge its functions independently with vigour and passion. Their diligence and prudent management of resources has been result oriented and much has been achieved during their term in office. They have been able to interpret government policies and TVET Act as well as other relevant laws in existence making the institution to move forward as we actualize the strategic plan. Moving forward, the Board is aligning its discharging of duties by improving on its operations while surpassing the set targets where possible. In the interest of quality service delivery, the board is able to read from the same script as the render their duties above board. This will be attained with the incorporation of team spirit and self-sacrifice that is deep within them.

**VI. MANAGEMENT DISCUSSION AND ANALYSIS**

**Rift Valley Institute of Science and Technology operational and financial performance**

During the year ended June 2020, the Institution had 6,664 students compared to 6,241 in year 2018/2019. Though the education sector was highly affected by the outbreak of Covid 19 in the world, the revenues only decreased by 13% from 394 million to 350 million. This was attributed to increased number of students but also the change of accounting basis from cash to accrual basis.

Below are the graphs and pie charts analysing the revenues and expenses of the institution.



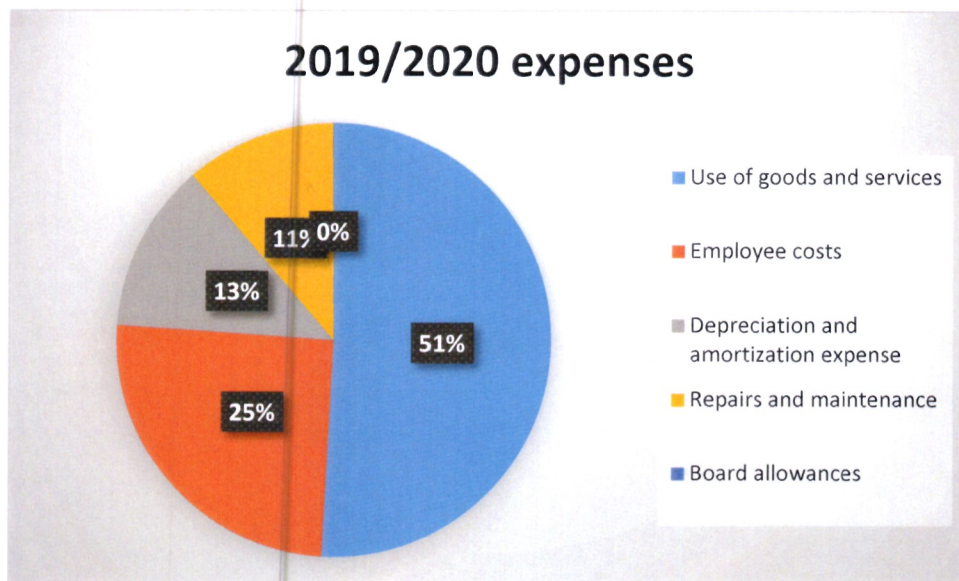
The above analysis reviews that employment cost increased by 9% attributed to additional BoG staff, trainers employed by the board, gratuity and increased employee capacity building.

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Use of goods decreased by only 18% due to reduced operations in the last quarter of the financial year caused by outbreak of covid 19 pandemic.

The depreciation expense was not charged in the previous year because the books were prepared on cash basis while in the current year, the institution has adopted accrual basis of accounting.

The contribution of each expense as a percentage of total expenses is as shown below.



**Rift Valley Institute of Science and Technology compliance with statutory requirements**

Rift Valley Institute of Science and Technology complies to deduction and remittance of statutory deductions such as NHIF, NSSF, HELB and PAYE

***Major risks facing the organisation.***

The institutes' major risks are mainly related to its core business which is training and human resource development. Some of the identified risks include;

- i. Low student enrolment.
- ii. Student turnover
- iii. Inadequate student accommodation and support facilities
- iv. Delayed disbursement of capitation and HELB grants
- v. Staff turnover due to inability to retain them

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**Key projects and investment decisions**

*The projects under consideration in the FY 2019/2020 are summarised in the table below*

<b>S/N</b>	<b>Name of Project</b>	<b>Location</b>	<b>Budget (Kshs)</b>	<b>Key deliverables</b>	<b>Completion rate</b>	<b>Timeline</b>
	Water Borehole	Main campus	3,500,000	Completed	100%	1 year
	Food and Beverage, workshop and classrooms complex	Main campus	35,000,000	Partially done	20%	2 year
	Access roads and round about	Main campus	11,500,000	Completed	100%	1 year
	Multipurpose hall	Main campus	12,000,000	Completed	100%	1 year
	14 seater Van	Main campus	6,500,000	Completed	100%	1 year
	Removal of Asbestos roof and replacement with the modern roof	Main campus	10,000,000	Completed	100%	1 year

**VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

*Rift Valley Institute of Science and Technology exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar*

**1. Sustainability strategy and profile -**

The triple Bottom Line concepts analyses the sustainability of an organization based on three concepts: Profits, people (social) and Planet (environment).

**Profit:**The institute has adopted a transformation strategy aimed at ensuring that she remains financially sound in the face of dwindling funding from the central government. The institutions have expanded it capacity for internally generated income like farm, bakery and dairy unit.

**Social:**the institute has developed a succession management policy to address the welfare of employees in the future and ensure that the organization is sustainable in the future

**Environment:**The board of governance has plans to undertake an environmental sustainability audit and developed an environmental policy to address the issues of environmental sustainability that will be identified during the audit.

**2. Employee welfare**

At RVIST, we value our employees and our many stakeholders, including the wider community where the training of our students has the potential to bring positive social and environmental change. We value the contribution that individuals and external entities make to our Institute through community consultation process.

We integrate the principles of social responsibility into our core mandate internally by exhibiting the behaviors of good corporate governance, ethical decision making, and providing our personnel with opportunities to develop and excel. We integrate the principles of social responsibility into our training activities externally by minimizing our environmental impact and seeking to enhance the amenity of residential communities.

<b>Activity</b>	<b>Description</b>
Better training	optimizing training operations to meet ongoing social and sustainability objectives. providing opportunities for us to grow as an Institute by becoming involved in our local community.
Enhanced community	focusing on good urban design and empowered members for healthy, happy and resilient community.

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Supported Staff promoting initiatives that support staff and their families, beyond the provision of employment.

promoting initiatives that recognize the contribution of the students to the community.

**a) Policies guiding hiring process**

The following are the RVIST Board policies that guide hiring process;

S/no	Title	Review Period	Remarks
1	Career Progression	Regularly	Vacant positions are filled competitively both internally and externally.  This largely depends on availability of funds
2	Human Resource Manual	Regularly	Terms and conditions of service governing employees are applied across the board without discrimination
3	Internship Policy and guidelines	Regularly	Intern positions are filled competitively and without discrimination
5	Gender Mainstreaming	Regularly	RVIST observes equal employment opportunities during staff recruitment across all genders
6	Disability Mainstreaming	Regularly	The institute offers equal employment opportunities to officers living with disability. The institute also offers rights and privileges as provided in the PWDs Act and Board employment policies

**3. Market place practices-**

**Responsible Supply Chain and Supplier relations**

The institute has maintained good business practice by complying with the government policy and Section 227 of The Constitution of Kenya.

All procurement activities have continuously been carried out where Supply Chain ensured that there are sufficient funds to meet the obligations of the resulting contract and are reflected in the approved budget estimates. Knowledge of available funds acts as a guide in knowing what to procure and when to procure.

The organization has maintained and continuously updated list of registered suppliers, contractors and consultants in various specific categories of goods, works or services according to its procurement needs.

RVIST has at all-time ensured responsible treatment of the suppliers in various ways as featured below;

- i) Ensuring proper communication channels e.g. Telephone lines and emails are open so as to make sure information is passed across efficiently and effectively between the procurement department and the suppliers.
- ii) Providing customer support when and where required. This entails listening keenly to suppliers, contractors and consultants and responding appropriately.
- iii) When doing procurement planning the institute has complied with preference and reservation requirements.
- iv) Supply Chain function has ensured timely submission of the suppliers' invoices to facilitate payment process by the finance department after delivery of goods, services or works is completed. This helps in making sure that the payment process is not delayed. Timely payment of suppliers helps in maintaining a good relationship with the supplier and also avoiding of penalties that may arise from delayed payment.

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v) Supply Chain also makes follow ups of invoices issued to finance for payment process to ensure timely payments of suppliers.

**4. Community Engagements-**

During the year under review, RVIST carried out various CSR activities to impact the society as highlighted below;

Agribusiness fair online was held during the year Covid-19 sensitisation and awareness campaign across the neighbouring communities by the students and teachers.

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**VIII. REPORT OF THE BOARD OF GOVERNORS**

The Board members submit their report together with for the year ended June 30, 2020 which show the state of Rift Valley Institute of Science and Technology affairs.

**Principal activities**

The principal activities of the entity are training and development of human resource in various fields

**Results**

The results of the RVIST for the year ended June 30, 2020 are set out on page 1 to 29.

**Board of governance**

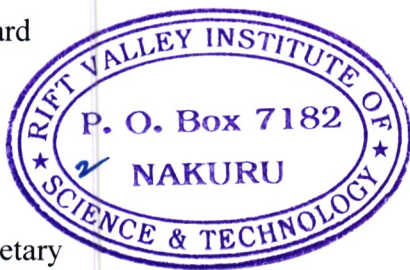
The members of the Board who served during the year are shown on pages' v to vi. During the year three of the directors namely; Mr. Wilson Mitei , Dr. Michael Lokuruka and Mr. Saidimu Lenaronkoito retired and three new directors appointed to the board namely: Dr. Richard Moindi, Mr. Ben Samoei and Mr. Seleila ole Mwanik.

**Auditors**

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

By Order of the Board

Mr. C.D. Mutai  
Principal/BOG Secretary  
Date.. 2/04/21



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**IX. STATEMENT OF BOARD OF GOVERNORS MEMBERS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013*) require the board of governance to prepare financial statements in respect of that *Rift Valley Institute of Science and Technology*, which give a true and fair view of the state of affairs of the Rift Valley Institute of Science and Technology at the end of the financial year and the operating results of Rift Valley Institute of Science and Technology for that year. The board of governance are also required to ensure that the *Rift Valley Institute of Science and Technology* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Rift Valley Institute of Science and Technology*. The board of governance are also responsible for safeguarding the assets of the *Rift Valley Institute of Science and Technology*.


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

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

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

**Approval of the financial statements**

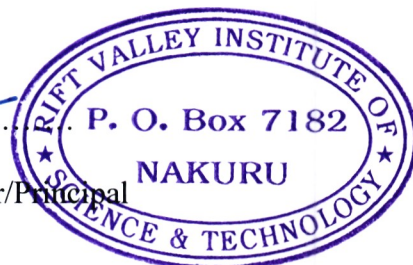
The Rift Valley Institute of Science and Technology's financial statements were approved by the Board on 21/04/2021 and signed on its behalf by:



Chairperson of the Board

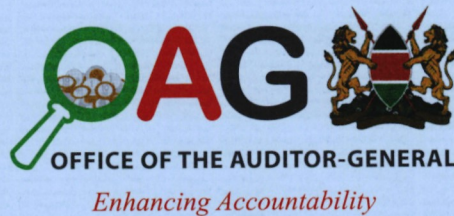


accounting officer/Principal



# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## REPORT OF THE AUDITOR-GENERAL ON RIFT VALLEY INSTITUTE OF SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

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

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

#### Basis for Adverse Opinion

##### 1.0 Unsupported Rendering of Services

The statement of financial performance for the year ended 30 June, 2020 reflects revenue from rendering of services of Kshs.331,593,883 as detailed under Note 7 to the financial statements. Included in the balance is Kshs.198,054,877 in respect of tuition fees. However, the supporting schedules did not indicate the amount receivable per student per semester and the amount received. Further, the balance includes Kshs.124,907,819 in respect of facilities and materials. However, the amount includes personnel emolument of Kshs.34,138,397, which is an expenditure item.

Consequently, the accuracy and validity of the revenue of Kshs.331,593,883 obtained from rendering of services for the year ended 30 June, 2020 could not be confirmed.

## 2.0 Unsupported Sale of Goods

The statement of financial performance for the year ended 30 June, 2020 reflects sale of goods balance of Kshs.42,981,802 as detailed under Note 8 to the financial statements. Out of the balance is Kshs.35,491,019 in respect of accommodation production unit, boarding, bakery and farm incomes. However, the schedules provided to support the income items did not provide details as shown below:

Item	Balance (Kshs.)	Remarks
Accommodation production unit	5,732,450	No description of the number of persons and days/dates of accommodated
Boarding	20,660,629	No description of the term or semester for which the income relates
Bakery	3,443,626	No description of the items sold and the rate per item.
Farm income	5,654,314	No description of the items sold and the rate per item.
<b>Total</b>	<b>35,491,019</b>	

Consequently, the accuracy and completeness of the revenue from sale of goods of Kshs.35,491,019 for the year ended 30 June, 2020 could not be confirmed.

## 3.0 Unsupported Use of Goods and Services

The statement of financial performance for the year ended 30 June, 2020 reflects Kshs.182,851,517 in respect of use of goods and services as detailed under Note 11 to the financial statements. The amount was spent on various items including administration, tuition, boarding, farm and rent expenses. However, the schedules provided to support the respective expenditure items did not indicate the activity for which the payments were made.

Consequently, the accuracy and completeness of the use of goods and services balance of Kshs.182,851,517 for the year ended 30 June, 2020 could not be confirmed.

## 4.0 Unsupported Employee Costs

The statement of financial performance for the year ended 30 June, 2020 reflects Kshs.87,346,623 in respect of employee costs as detailed under Note 12 to the financial statements. Included in the amount is expenditure of Kshs.64,468,985 in respect of salaries and wages of permanent and casual employees. However, it was noted that the payrolls had payees whose identification numbers were not indicated. Further, employee cost included Kshs.17,449,720 in respect of facilitators allowance which was not supported by a schedule detailing the names of the facilitators and their terms of engagement.

Consequently, the accuracy and validity of the expenditure of Kshs.87,346,623 on employee costs for the year ended 30 June, 2020 could not be confirmed.

### **5.0 Cash and Cash Equivalents**

The statement of financial position as at 30 June, 2020 reflects cash and cash equivalents balance of Kshs.251,234,119 and as detailed in Note 16 to the financial statements. The amount is held in 10 bank accounts, M-pesa account and cash at hand. However, although the bank reconciliation statements were provided for the 10 bank accounts, cashbooks were not provided to support the balances for the respective accounts.

Consequently, the accuracy and validity of the cash and cash equivalents balance of Kshs.251,234,119 as at 30 June, 2020 could not be confirmed.

### **6.0 Unsupported Prepayment of Examination Fees**

The statement of financial position as at 30 June, 2020 reflects deferred income of Kshs.84,002,959 as detailed in Note 22 to the financial statements. The amount includes Kshs.43,937,230 in respect of pre-paid examination fees. However, no supporting schedule was provided to show the amount paid in excess of the balance payable by the respective students.

Consequently, the accuracy and existence of the pre-paid examination fees of Kshs.43,937,230 as at 30 June, 2020 could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

### **Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.600,515,000 and Kshs.394,150,567 respectively resulting to an under funding of Kshs.206,364,433 or 34% of the budget.

Similarly, the expenditure budget was Kshs.394,515,000 against actual expenditure of Kshs.309,340,134, resulting to an under-expenditure of Kshs.85,174,866 or 22% of the budget.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Fixed Assets Register**

The statement of financial position as at 30 June, 2020 reflects non-current assets Kshs.1,114,271,704 as detailed under Note 20 to the financial statements. However, assets register provided for audit lacked vital information which include, dates of acquisition assets, year of acquisition, cost of acquisition (or valuation), additions or disposals made during the financial year, serial numbers and title deeds where applicable and location of moveable assets.

Consequently, the asset register may not be a reliable document for effective control of non-current assets.

#### **2. Long Outstanding Trade Payables**

The statement of financial position as at 30 June, 2020 reflects trade and other payables from exchange transactions balance of Kshs.7,374,017 and as detailed in Note 21 to the

financial statements. However, included in that amount are liabilities amounting to Kshs.5,488,847 that have been outstanding for over ten years. No evidence has been provided to indicate the action taken by the management to settle the liabilities.

Consequently, the Institute is likely to face costly lawsuits.

### **3. Lack of a Risk Management Policy**

During the year under review, it was noted that the Institute does not have a risk management policy that guides on assessment and evaluation of risk and to develop the strategies to mitigate them. This is contrary to clause Regulation 165(1) of the Public Finance Management Act (National Government) Regulations, 2015 which require the Accounting Officer to ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations. Consequently, the service delivery may be adversely affected by avoidable risks.

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

### **Responsibilities of Management and those Charged with Governance**

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

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

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

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

Those charged with governance are responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how Management monitors compliance

with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

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

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

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

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

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

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

**Nairobi**

**09 June, 2022**

**RIFT VALLEY INSTITUTE OF SCIENCE AND TECHNOLOGY  
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**XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2019/2020	2018/2019
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the National Government – grants/ gifts in kind	6	-	-
<b>Total Revenue from non-exchange transactions</b>		-	-
<b>Revenue from exchange transactions</b>			
Rendering of services- Fees from students	7	331,593,883	299,172,372
Sale of goods	8	42,981,802	54,671,576
Rental income	9	553,269	101,220
Other income	10	19,021,613	10,580,595
<b>Revenue from exchange transactions</b>		<b>394,150,567</b>	<b>364,525,762</b>
<b>Total revenue</b>		<b>394,150,567</b>	<b>364,525,762</b>
<b>Expenses</b>			
Use of goods and services	11	182,851,517	214,650,438
Employee costs	12	87,346,623	80,285,003
Depreciation and amortization expense	13	43,526,329	-
Repairs and maintenance	14	38,859,994	11,590,802
Board allowances	15	282,000	73,500
<b>Total expenses</b>		<b>352,866,463</b>	<b>306,599,743</b>
<b>Net Surplus for the year</b>		<b>41,284,104</b>	<b>57,926,019</b>

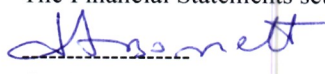
The notes set out on pages'6 to 29 form an integral part of the Annual Financial Statements.

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

	Notes	2019/2020	2018/2019
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	251,234,119	207,654,704
Receivables from exchange transactions	17	165,745,858	108,227,075
Inventories	18	2,009,871	2,493,907
Biological assets	19	3,300,000	3,300,000
<b>Total Current Assets</b>		<b>422,289,848</b>	<b>321,675,686</b>
<b>Non-current assets</b>			
Property, plant and equipment	20	1,114,271,704	1,124,357,499
<b>Total Non-current Assets</b>		<b>1,114,271,704</b>	<b>1,124,357,499</b>
<b>Total assets</b>		<b>1,536,561,552</b>	<b>1,446,033,185</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	21	7,374,017	12,834,759
Deferred income	22	84,002,959	35,045,031
Funded accounts	23	-	-
Refundable deposits from customers	24	15,843,931	6,786,354
<b>Total Current Liabilities</b>		<b>107,220,907</b>	<b>54,666,144</b>
<b>Non-current liabilities</b>			
Borrowings	25	-	3,310,500
<b>Total liabilities</b>		<b>107,220,907</b>	<b>57,976,644</b>
<b>Capital and Reserves</b>			
<b>Reserves</b>			
Accumulated surplus	27	574,190,645	504,556,541
Capital Grants	28	855,150,000	883,500,000
<b>Total Reserves</b>		<b>1,429,340,645</b>	<b>1,388,056,541</b>
<b>Total Liabilities and Reserves</b>		<b>1,536,561,552</b>	<b>1,446,033,185</b>


The Financial Statements set out on pages 1 to 29 were signed on behalf of the Institute Board of Governors by:

  
Chairman of Board of Governors

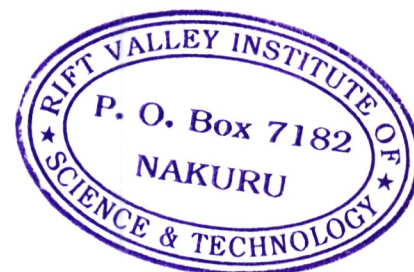
Date 21/04/2021

  
Finance Officer

Date 21/04/2021

  
Principal

Date 21/4/2021



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

	Notes	Accumulated surplus	Capital Grants	Total
		Kshs.	Kshs.	Kshs.
<b>Balance as at 30 June 2019</b>				
At start of year		164,813,359	-	164,813,359
Surplus for the year		57,926,019	-	57,926,019
<b>At end of year</b>		<b>222,739,378</b>	-	<b>222,739,378</b>
<b>Balance as at 30 June 2020</b>				
At start of year as previously stated		222,739,378	-	222,739,378
<b>Prior year adjustments</b>	26	281,817,163	883,500,000	1,165,317,163
<b>At start of year as restated</b>		<b>504,556,541</b>	<b>883,500,000</b>	<b>1,388,056,541</b>
Surplus for the year		41,284,104	-	41,284,104
Transfer of depreciation from accumulated surplus to capital fund		28,350,000	(28,350,000)	-
<b>At end of year</b>		<b>574,190,645</b>	<b>855,150,000</b>	<b>1,429,340,645</b>

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**XIV. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020**

		<b>2019/2020</b>	<b>2018/2019</b>
	Note	Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Net cash flows from operating activities</b>	<b>29</b>	<b>77,019,949</b>	<b>76,912,441</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	<b>20</b>	(33,440,534)	-
Proceeds from sale of property, plant and Equipment			
Decrease in non-current receivables			
Increase in investments			
<b>Net cash flows used in investing activities</b>		<b>(33,440,534)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings			
Repayment of borrowings			(3,317,250)
Increase in deposits		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>(3,317,250)</b>
<b>Net increase in cash and cash equivalents</b>		<b>43,579,415</b>	<b>73,595,191</b>
Cash and cash equivalents at start of year		207,654,704	134,059,513
<b>Cash and cash equivalents at end of year</b>	<b>16</b>	<b>251,234,119</b>	<b>207,654,704</b>

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

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		%age change
	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	
<b>Revenue</b>											
Transfers from other Govt entities Govt grants	10,000,000		-		10,000,000		-		10,000,000		100%
Development grants	219,000,000		-		219,000,000		-		219,000,000		100%
Rendering of services- Fees from students	312,815,000		-		312,815,000		331,593,883		(18,778,883)		-6%
Sale of Goods	37,200,000		-		37,200,000		42,981,802		(5,781,802)		-13%
Rental Income	-		-		-		553,269		(553,269)		-100%
Other Income	21,500,000		-		21,500,000		19,021,613		2,478,387		13%
<b>Total income</b>	<b>600,515,000</b>		<b>-</b>		<b>600,515,000</b>		<b>394,150,567</b>		<b>206,364,433</b>		
<b>Expenses</b>											
Compensation of employees	89,907,000				89,907,000		87,346,623		2,560,377		3%
Use of Goods and services	260,558,000				260,558,000		182,851,517		77,706,483		42%
Repairs and maintenance	43,700,000				43,700,000		38,859,994		4,840,006		12%
Remuneration of directors	350,000				350,000		282,000		68,000		24%
<b>Total expenditure</b>	<b>394,515,000</b>		<b>-</b>		<b>394,515,000</b>		<b>309,340,134</b>		<b>85,174,866</b>		
<b>Surplus for the period</b>	<b>206,000,000</b>		<b>-</b>		<b>206,000,000</b>		<b>84,810,433</b>		<b>121,189,567</b>		
<b>Non-cash expenses</b>											
Depreciation charge							43,526,329		(43,526,329)		
<b>Surplus for the period after depreciation charge</b>	<b>206,000,000</b>		<b>-</b>		<b>206,000,000</b>		<b>41,284,104</b>		<b>164,715,896</b>		<b>399%</b>
<b>Capital expenditure</b>	<b>206,000,000</b>				<b>206,000,000</b>		<b>33,440,534</b>		<b>172,559,466</b>		<b>516%</b>
<b>Surplus for the period after capital expenditure before depreciation</b>	<b>-</b>		<b>-</b>		<b>-</b>		<b>51,369,899</b>		<b>(51,369,899)</b>		<b>-100%</b>

Budget notes

During the year, the institution did not receive any grants from the government

Rendering of services income is higher than budgeted due to student debtors recognised on accrual basis.

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**XVI. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Rift Valley Institute of Science and Technology is established by and derives its authority and accountability from the TVET Act 2013. The Rift Valley Institute of Science and Technology is wholly owned by the Government of Kenya and is domiciled in Kenya. The Rift Valley Institute of Science and Technology's principal activity is to offer technical skills and knowledge.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Rift Valley Institute of Science and Technology's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Rift Valley Institute of Science and Technology.

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

**3. ADOPTION OF NEW AND REVISED STANDARDS**

**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. There is no impact of the IPSAS 40 to the institute

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)**

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

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>(There is no impact of the standard to the entity)</i></p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ol> <p><i>(There is no impact of the standard to the entity)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41,</p>	<p><b>Applicable: 1st January 2022:</b></p> <ol style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> </ol>

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<b>Standard</b>	<b>Effective date and impact:</b>
Financial Instruments	<ul style="list-style-type: none"> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> <li>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</li> <li>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</li> <li>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</li> <li>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</li> </ul>

**iii. Early adoption of standards**

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

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

**Transfers from other government entities**

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

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realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

**ii) Revenue from exchange transactions**

• **Rendering of services**

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

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

• **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.

• **Rental income**

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

**b) Budget information**

The original budget for FY 2019/2020 was approved by the Board in May 2019. 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

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to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

**c) Taxes**

**i) Current income tax**

Rift Valley Institute of Science and Technology is exempt from paying taxes.

**ii) Sales Tax/ Value Added Tax**

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

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

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

**d) 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.

Depreciation on all other assets is calculated on the reducing balance basis method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

	<u>Rate %</u>
Buildings	2
Plant and machinery	10
Motor vehicles	25
Furniture and fittings	12.5
Computers	30
Bakery, office equipment and farm implements	20
Borehole	2

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings in the statement of changes in equity.

**e) Leases**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The 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.

**f) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is 5 years.

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**g) Research and development costs**

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

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

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

**h) Financial instruments**

**i) 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.

• **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

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that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

- **Impairment of financial assets**

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a 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)

**ii) 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.

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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.

**j) 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**

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

**k) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements.

**l) 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.

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**m) Employee benefits**

• **Retirement benefit plans**

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

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The 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.

**n) Borrowing costs**

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

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

**o) Related parties**

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

**p) 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.

**q) Comparative figures**

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

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**r) Subsequent events**

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

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

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**6. TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
<b>Unconditional grants</b>		
Operational grant -	-	-
Other grants – Capitation	-	-
	-	-

**7. RENDERING OF SERVICES**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Facilities and materials	124,907,819	144,172,335
Tuition fees	198,054,877	142,228,887
Activity fees	5,559,127	8,546,890
Registration	3,072,060	4,224,260
<b>Total Rendering of Services</b>	<b>331,593,883</b>	<b>299,172,372</b>

**8. SALE OF GOODS**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Accommodation production Unit	5,732,450	6,009,443
Boarding	20,660,629	42,543,356
Forestation	115,080	457,275
Agribusiness	802,100	-
Bakery	3,443,626	3,705,450
Dairy	2,999,343	1,125,502
Farm	5,654,314	-
Ploughing /Planting PU (Tractor)	1,540,880	830,550
Welding	524,880	-
PSC - Subsistence income	1,508,500	-
<b>Total Sale of goods</b>	<b>42,981,802</b>	<b>54,671,576</b>

**9. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Hire of Buses	41,100	-
Hire of Gowns	90,000	-
Rental income	370,119	48,300
RVIST Nursery	52,050	52,920
<b>Total rentals</b>	<b>553,269</b>	<b>101,220</b>

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**10. OTHER INCOME**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Medical	3,552,484	4,649,543
T-shirts	3,403,600	-
HRD income	1,798,800	-
Contingent Income	3,756,607	3,586,979
Miscellaneous -Collection	878,101	-
Centre Fees	4,176,701	-
Graduation	1,455,320	1,874,413
Proceeds from assets disposal	-	469,660
<b>Total other income</b>	<b>19,021,613</b>	<b>10,580,595</b>

**11. USE OF GOODS AND SERVICES**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Electricity and Water	6,950,277	11,839,657
Admin expenses	11,419,311	3,417,684
Accommodation Prod Unit	3,051,275	5,235,232
Activity	4,938,123	4,968,684
Tuition expenses	53,576,428	60,434,429
Boarding	28,902,454	34,880,578
Afforestation Project	153,881	391,010
Attachment	4,888,200	7,948,740
Bakery Unit	5,339,703	1,897,323
PSC - Subsistence expenses	1,508,500	-
Bank Charges	315,689	480,692
Contingencies	604,290	2,398,470
Dairy Unit A/C	3,115,037	658,714
Farm expenses	7,362,338	5,492,174
Exams Material fee	2,548,530	2,558,960
Cleaning services Town branch	1,840,000	1,798,097
Licences & Statutory Charges	263,900	294,507
Local transport and travel	7,931,523	13,018,324
Medical	1,026,460	3,164,877
Misc-Collection	282,320	-
Postage & Registration	166,950	1,480,837
Publicity & Advertising	5,591,040	6,797,349
Rent expenses	12,529,728	12,520,608
Student ID expense	499,080	198,640
Student Union	1,447,275	-
T/Shirt	5,125,000	-

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Graduation Expense	3,062,100	3,491,322
Guidance & Counselling	155,270	1,459,478
ASK Show	409,144	1,490,376
Fire Fighting equipment & Services	628,320	882,410
Printing & Stationery	3,248,331	-
Community Outreach	134,740	564,500
Newspapers & Periodicals	439,710	458,350
Telephone & Tel Extensions.	570,320	1,388,589
Staff Uniform & Protective gear	541,575	1,383,358
Memberships & Subscriptions	345,000	118,200
Poultry Unit	330,390	-
TIVET Fair	1,195,180	1,436,729
Baseline Surveys	180,000	280,000
Capital expenditure	-	10,289,007
Collaborations/strategic alliances	-	338,348
ICT	-	6,027,055
Insurance	-	1,312,800
ISO Processes	-	1,243,391
Garment Production Unit	87,125	-
Pig/Sheep Production	147,000	-
Carpentry	-	181,265
Masonry Production Unit	-	51,587
Rift welding	-	314,500
Ceramics production units	-	63,587
<b>Total use of goods and services</b>	<b>182,851,517</b>	<b>214,650,438</b>

**12. EMPLOYEE COSTS**

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and wages	64,468,985	58,298,478
Facilitators allowance	17,449,720	19,030,085
Human Resource Development	4,532,105	2,891,760
Gratuity & staff benefits	895,813	64,680
<b>Total Employee costs</b>	<b>87,346,623</b>	<b>80,285,003</b>

**13. DEPRECIATION AND AMORTIZATION EXPENSE**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Property, plant and equipment	43,526,329	-
<b>Total depreciation and amortization</b>	<b>43,526,329</b>	<b>-</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	KShs	KShs
Repair of Property, plant and equipment	38,859,994	11,590,802
<b>Total Repairs and Maintenance</b>	<b>38,859,994</b>	<b>11,590,802</b>

15. REMUNERATION OF DIRECTORS

Description	2019-2020	2018-2019
	KShs	KShs
Other allowances	282,000	73,500
<b>Total director emoluments</b>	<b>282,000</b>	<b>73,500</b>

16. CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	KShs	KShs
Current account	251,099,022	204,921,427
Others(Cash on hand)	11,910	642,039
M-pesa Pay bill No.557642	123,187	2,091,238
<b>Total cash and cash equivalents</b>	<b>251,234,119</b>	<b>207,654,704</b>

(a) DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

Financial institution	Account number	KShs	KShs
Family	18000058186	1,042,011	301,148
TNLB	43916	95,599	1,282,403
KCB	1101786221	13,342,797	30,699,011
Equity	1460261269263	323,298	5,881,175
KCB 2	1148871578	6,108	5,015
COOP – KESSP	01139087643400	14,297	14,297
COOP Development	01136087643401	64,504,585	23,691,683
COOP Current Account	01136087643400	28,336,918	11,659,892
COOP Savings Account	01100087643400	23,391,959	23,406,359
COOP-Collection Account	01129087643400	120,041,449	107,980,442
<b>Sub-Total</b>		<b>251,099,022</b>	<b>204,921,427</b>
Cash -in –Hand		11,910	642,039
M-pesa Pay Bill	557642	123,187	2,091,238
<b>Sub-Total</b>		<b>135,097</b>	<b>2,733,277</b>
<b>Total</b>		<b>251,234,119</b>	<b>207,654,704</b>

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**17. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
<b>Current receivables</b>		
Student debtors	153,420,790	95,595,186
Rent debtors	268,950	272,250
Rent deposit	1,314,000	1,314,000
Other exchange debtors	10,352,769	10,465,889
Advances	389,349	579,750
<b>Total current receivables</b>	<b>165,745,858</b>	<b>108,227,075</b>

Receivables from exchange transactions are majorly from students. The management has a policy of writing off debtors from students who are deceased or from students who have been away from the institution for a period of over 7 years.

Debtors over three years are provided for.

**18. INVENTORIES**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Consumable stores	2,009,871	2,493,907
<b>Total Inventories</b>	<b>2,009,871</b>	<b>2,493,907</b>

**19. BIOLOGICAL ASSETS**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Cows	3,000,000	3,000,000
Sheep	300,000	300,000
<b>Total Biological assets</b>	<b>3,300,000</b>	<b>3,300,000</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**20. PROPERTY, PLANT AND EQUIPMENT**

	Land		Buildings		Borehole		Motor vehicles		Computers and Accessories		Office Equipment & Furnitures		Plant and machineries		Bakery equipment		Other office equipment		Farm implements		W.L.P		Total		
	Shs	0%	Shs	2%	Shs	2%	Shs	25%	Shs	30%	Shs	12.5%	Shs	10%	Shs	20%	Shs	20%	Shs	Shs	Shs	Shs	Shs	Shs	
At July 2017																									
At 30 <sup>th</sup> June 2018	600,000,000		203,151,300		33,490,000		4,272,000	9,000,000	6,734,000	14,580,000	6,700,000	1,227,927,300													
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 <sup>th</sup> June 2019	600,000,000		203,151,300		33,490,000		4,272,000	9,000,000	6,734,000	14,580,000	6,700,000	1,227,927,300													
Additions	-	-	0	3,563,580	4,500,499		2,345,337															23,031,118			
At 30 <sup>th</sup> June 2020	600,000,000		203,151,300	3,563,580	37,990,499		11,345,337															23,031,118			
Depreciation and impairment																									
At 30 June 2018	-		4,063,026		8,372,500		1,281,600	1,125,000	1,346,800	2,916,000	1,340,000	55,444,926													
Depreciation	-		3,981,765		6,279,375		897,120	984,375	1,077,440	2,332,800	1,072,000	48,124,875													
At 30 <sup>th</sup> June 2019	-		8,044,791		14,651,875		2,178,720	2,109,375	2,424,240	5,248,800	2,412,000	103,569,801													
Depreciation	-		3,902,130	71,272	5,834,656		627,984	1,154,495	861,952	1,866,240	857,600	43,526,329													
At 30 <sup>th</sup> June 2020	-		11,946,921	71,272	20,486,531		2,806,704	3,263,870	3,286,192	7,115,040	3,269,600	147,096,130													
Net book values																									
At 30 <sup>th</sup> June 2020	600,000,000		191,204,379	3,492,308	17,503,968		1,465,296	8,081,467	3,447,808	7,464,960	3,430,400	1,114,271,704										23,031,118			
At 30 <sup>th</sup> June 2019	600,000,000		195,106,509		18,838,125		2,093,280	6,890,625	4,309,760	9,331,200	4,288,000	1,124,357,499													
At 30 <sup>th</sup> June 2018	600,000,000		199,088,274		25,117,500		2,990,400	7,875,000	5,387,200	11,664,000	5,360,000	1,172,482,374													

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**21. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Description	2019-2020	2018-2019
	KShs	KShs
Trade payables	7,374,017	12,834,759
<b>Total trade and other payables</b>	<b>7,374,017</b>	<b>12,834,759</b>

**22. DEFERRED INCOME**

Description	2019-2020	2018-2019
	KShs	KShs
Fees paid in advance	39,957,853	20,363,873
Prepaid examination fee	43,937,230	14,573,282
Kipsoen TTI fund	17,112	17,112
Koibatek TTI fund	90,764	90,764
	<b>84,002,959</b>	<b>35,045,031</b>

**23. FUNDED ACCOUNTS**

Description	2019-2020	2018-2019
	KShs	KShs
Development funds	-	-
Library development funds	-	-
I.C.T	-	-
Student Union	-	-
Project	-	-
<b>Total funded accounts</b>	<b>-</b>	<b>-</b>

**24. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS**

Description	2019-2020	2018-2019
	KShs	KShs
Caution money	3,855,190	2,279,233
Student deposits	5,706,826	332,506
Customers Retention Account	4,174,615	4,174,615
KUCCPs	2,107,300	-
<b>Total deposits</b>	<b>15,843,931</b>	<b>6,786,354</b>

**25. BORROWINGS**

Description	2019-2020	2018-2019
	KShs	KShs
At start of year	3,310,500	5,753,441
Interest accrued	-	874,309
Payment during the year	(3,310,500)	(3,317,250)
<b>At end of year</b>	<b>-</b>	<b>3,310,500</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**26. PRIOR YEAR ADJUSTMENTS**

The Prior year adjustments passed in the books of Rift Valley Institute of Science and Technology, are as a result of changes in accounting basis. According to IPSAS 3 paragraph 19, a change from one basis of accounting to another basis of accounting is a change in accounting policy. In this case, the institution changed from cash basis of accounting to accrual basis and this change has resulted in the financial statements providing reliable and more relevant information about the effects of transactions, other events and conditions on the entity's financial position, financial performance and cash flows.

The change has been applied retrospectively and as a result, the institution has adjusted the opening balance of each affected component of net assets for the earliest period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

Description	2019-2020	2018-2019
	KShs	KShs
- Brought forward debtors not captured in the books	2,323,936	-
- Receivable from CDF for RVIST primary	1,390,000	-
- Biological assets previously not recorded in the books of account	3,300,000	-
- Prior year inventories	2,493,907	-
- Total cost of assets purchased or donated in prior years	1,227,927,300	-
- Depreciation for previous years	(103,569,801)	-
- Interbank transfer erroneously recognised as a liability	19,397,454	-
- Farm reserve account reversed	7,806,955	-
- Computer package account reversed	47,236	-
- Reversal of ICT liability brought forward	3,345,348	-
- Reversal of Student union liability brought forward	682,335	-
- Reversal of Project liability brought forward	2,237,544	-
- Reversal of Development liability brought forward	(6,267,913)	-
- Reversal of Library development funds brought forward	4,202,862	-
<b>Total prior year adjustments</b>	<b>1,165,317,163</b>	<b>-</b>

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The above prior year adjustments can be presented per financial period as demonstrated below:

<b>Financial line item</b>	<b>2018/2019</b>	<b>Periods before 2018/2019</b>	<b>Total</b>
- Brought forward debtors not captured in the books	2,323,936		<b>2,323,936</b>
- Receivable from CDF for RVIST primary	1,390,000		<b>1,390,000</b>
- Biological assets previously not recorded in the books of account	3,300,000		<b>3,300,000</b>
Prior year inventories	2,493,907		<b>2,493,907</b>
Cost of fixed assets		1,227,927,300	<b>1,227,927,300</b>
Accumulated depreciation	(48,124,875)	(55,444,926)	<b>(103,569,801)</b>
Interbank transfer erroneously recognised as a liability	19,397,454		<b>19,397,454</b>
Farm reserve account reversed	7,806,955		<b>7,806,955</b>
Computer package account reversed	47,236		<b>47,236</b>
Reversal of ICT liability brought forward	3,345,348		<b>3,345,348</b>
Reversal of Student union liability brought forward	682,335		<b>682,335</b>
Reversal of Project liability brought forward	2,237,544		<b>2,237,544</b>
Reversal of Development liability brought forward	(6,267,913)		<b>(6,267,913)</b>
Reversal of Library development funds brought forward	4,202,862		<b>4,202,862</b>
<b>Total prior year adjustments</b>	<b>(7,165,211)</b>	<b>1,172,482,374</b>	<b>1,165,317,163</b>

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**27. ACCUMULATED SURPLUS**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
At start of year as previously stated	222,739,378	164,813,359
Prior year adjustments:		
- Brought forward debtors not captured in the books	2,323,936	-
- Receivable from CDF for RVIST primary	1,390,000	-
- Biological assets previously not recorded in the books of account	3,300,000	-
- Prior year inventories	2,493,907	-
- Interbank transfer erroneously recognised as a liability	19,397,454	-
- Farm reserve account reversed	7,806,955	-
- Computer package account reversed	47,236	-
- Reversal of ICT liability brought forward	3,345,348	-
- Reversal of Student union liability brought forward	682,335	-
- Reversal of Project liability brought forward	2,237,544	-
- Reversal of Development liability brought forward	(6,267,913)	-
- Reversal of Library development funds brought forward	4,202,862	-
- Total fixed assets purchased and donated in previous years	1,227,927,300	-
- Depreciation for previous years	(103,569,801)	-
- Less: brought forward capital donations	(883,500,000)	-
<b>Restated accumulated surplus as at 30 June 2019</b>	<b>504,556,541</b>	<b>164,813,359</b>
Surplus for the year	41,284,104	57,926,019
Transfer of capital grants depreciation	28,350,000	-
<b>Accumulated surplus as at 30 June 2020</b>	<b>574,190,645</b>	<b>222,739,378</b>

**28. CAPITAL GRANTS**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Land	600,000,000	600,000,000
Plant and machineries	350,000,000	350,000,000
Less: accumulated depreciation brought forward	(66,500,000)	(35,000,000)
Less: depreciation for the year	(28,350,000)	(31,500,000)
<b>Total capital grants</b>	<b>855,150,000</b>	<b>883,500,000</b>

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**29. CASH GENERATED FROM OPERATIONS**

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Surplus for the year	41,284,104	57,926,019
<b>Adjusted for:</b>		
Depreciation and amortisation	43,526,329	-
Working Capital adjustments		
(Increase)/decrease in receivables	(57,518,783)	30,917,536
Decrease in inventories	484,036	(2,493,907)
Increase in biological assets		(3,300,000)
Increase/(Decrease) in payables	49,244,263	(6,137,207)
Net cash flow from operating activities	<b>77,019,949</b>	<b>76,912,441</b>

**30. FINANCIAL RISK MANAGEMENT**

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

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

**(i) Credit risk**

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

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

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

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<b>At 30 June 2020</b>	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
Receivables from exchange transactions	<b>165,745,858</b>	165,745,858	-	-
Bank balances	<b>251,234,119</b>	251,234,119	-	-
<b>Total</b>	<b>416,979,977</b>	<b>416,979,977</b>	-	-

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

**(ii) Liquidity risk management**

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

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

<b>As at 30<sup>th</sup> June 2020</b>	<b>Due within Less 0-3 month Kshs</b>	<b>Due Between 1-5 months Kshs</b>	<b>Over 5 months Kshs</b>	<b>Total Kshs</b>
Trade and other payables from exchange transactions	7,374,017	-	-	7,374,017
Deferred income	84,002,959	-	-	84,002,959
Funded accounts	-	-	-	-
Refundable deposits from customers	15,843,931	-	-	15,843,931
<b>Total</b>	<b>107,220,907</b>	-	-	<b>107,220,907</b>

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**iii) Capital Risk Management**

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

<b>Description</b>	<b>Current Year KShs</b>	<b>Previous Year KShs</b>
Accumulated surplus	574,190,645	504,556,541
Capital grants	855,150,000	883,500,000
<b>Total Funds</b>	<b>1,429,340,645</b>	<b>1,388,056,541</b>
<b>Total Borrowings</b>	<b>-</b>	<b>3,310,500</b>
<b>Less: Cash and bank balances</b>	<b>251,234,119</b>	<b>207,654,704</b>
Excess Cash & Bank Balances	251,234,119	207,654,704
Gearing	-	-

**31. RELATED PARTY BALANCES**

**Nature of related party relationships**

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

**Government of Kenya**

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management;
- iv) Board of Governors;

**32. EVENTS AFTER THE REPORTING PERIOD**

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

**33. ULTIMATE AND HOLDING ENTITY**

Rift Valley Institute of Science and Technology is a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

**34. CURRENCY**

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

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**1. APPENDICES**

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
N/A	Current year outstanding creditors as at year end (7,345,912)	These were general creditors which were less than 60 days old and they were all cleared immediately after year end i.e in FY 2019/2020	Susan Koech (FO)	Resolved	Resolved
	Long outstanding creditors (5,488,847)	These are over 10 years old creditors. The institute had even put a gazette notice for the claim by creditors since they could not be traced. The board of governance will issue a resolution to write them back during the year 2020/2021	Mr. Mutai Institute Principal	<i>Not Resolved</i>	<b>30 June 2021</b>
	Prepaid fees (20,363,873)	These are normal prepayments by students which were utilised during the year 2019/2020	Susan Koech (Finance Officer)	Resolved	Resolved
	Student debtors (104,513,139)	The management has come up with a policy to enhance fee collection whereby students with fee balance are not allowed to sit for exam.	Susan Koech (Finance Officer)	<i>Not Resolved</i>	<b>30 June 2021</b>
	Funded accounts (22,645,622)	These were reserves for ICT, Library, Student union and internal development	Susan Koech (Finance Officer)	Resolved	Resolved

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<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
		<p>activities which were being retained by the institution. In the year 2019/2020, we have transferred them to accumulated surpluses because all institution activities are budgeted for every year and there is no need for reserve accounts for specific activities. So all school projects and activities will be funded from general reserve save for development activities funded by government restricted development funds.</p>			

Rift Valley Institute of Science and Technology principal

Date.....

