




OFFICE OF THE AUDITOR-GENERAL

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| <br>THE NATIONAL ASSEMBLY<br>PAPERS LAID |                           |
| DATE: 26 JUN 2019   | DAY: Wednesday            |
| TABLED BY: <b>REPORT</b>  | Hon. Aden Duale MP<br>LOM |
| CLERK AT THE TABLE:   | Halina Suliman            |

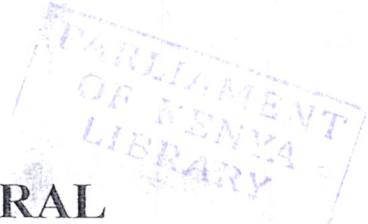
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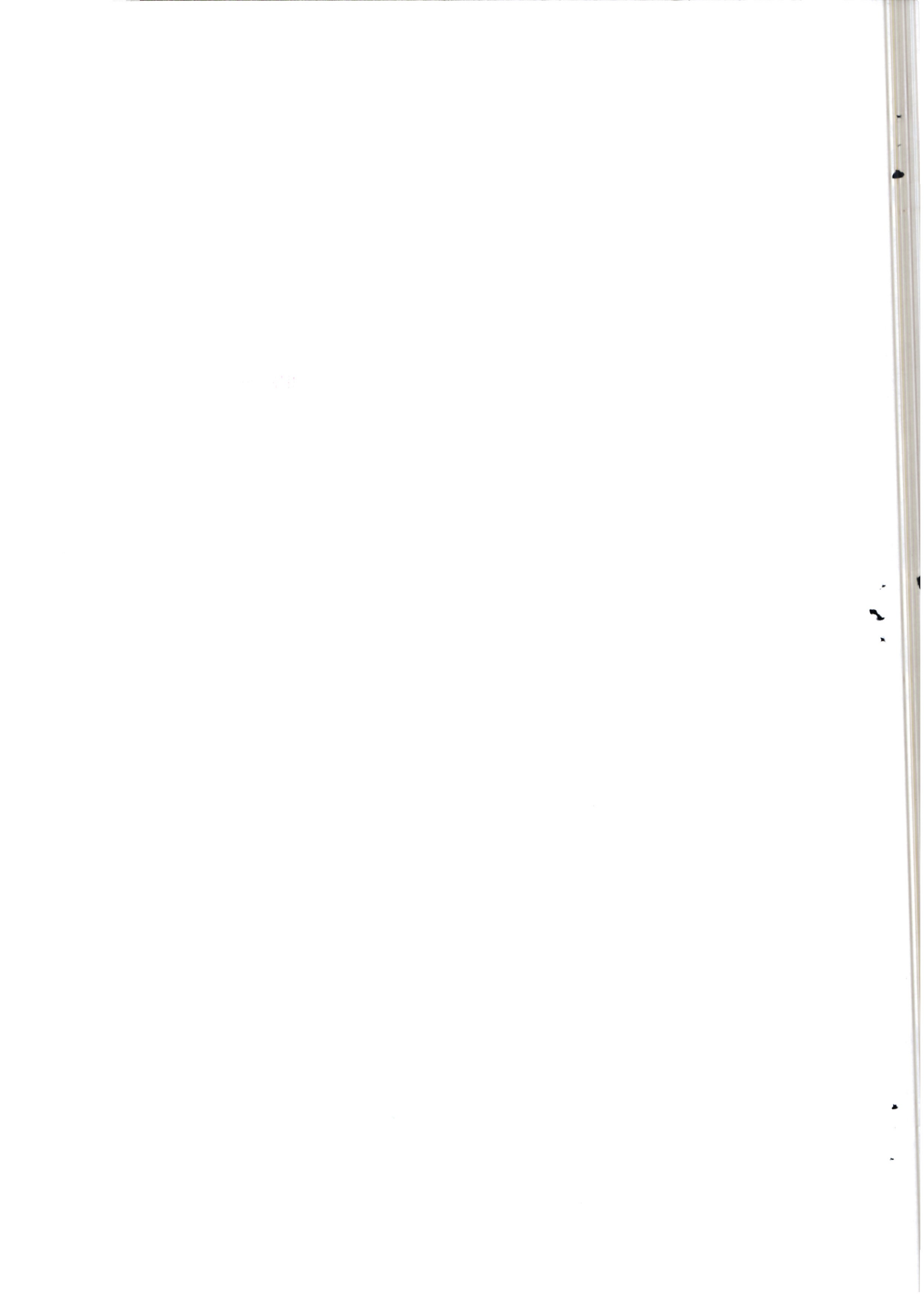
THE AUDITOR-GENERAL

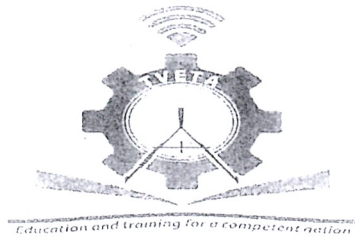
ON

THE FINANCIAL STATEMENTS OF  
TECHNICAL AND VOCATIONAL EDUCATION  
AND TRAINING AUTHORITY

FOR THE YEAR ENDED  
30 JUNE 2018







# TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY

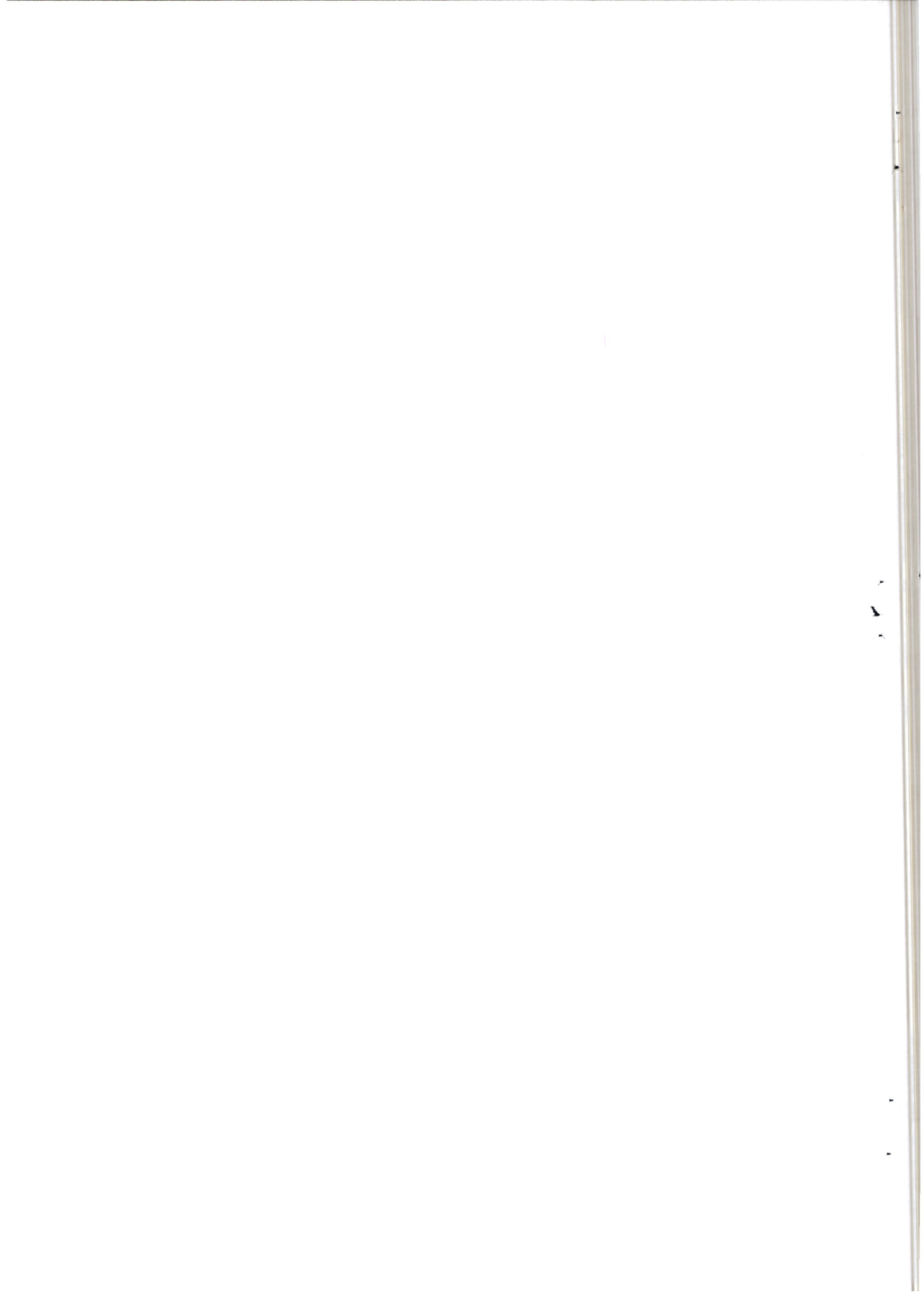
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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
30 JUNE 2018

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

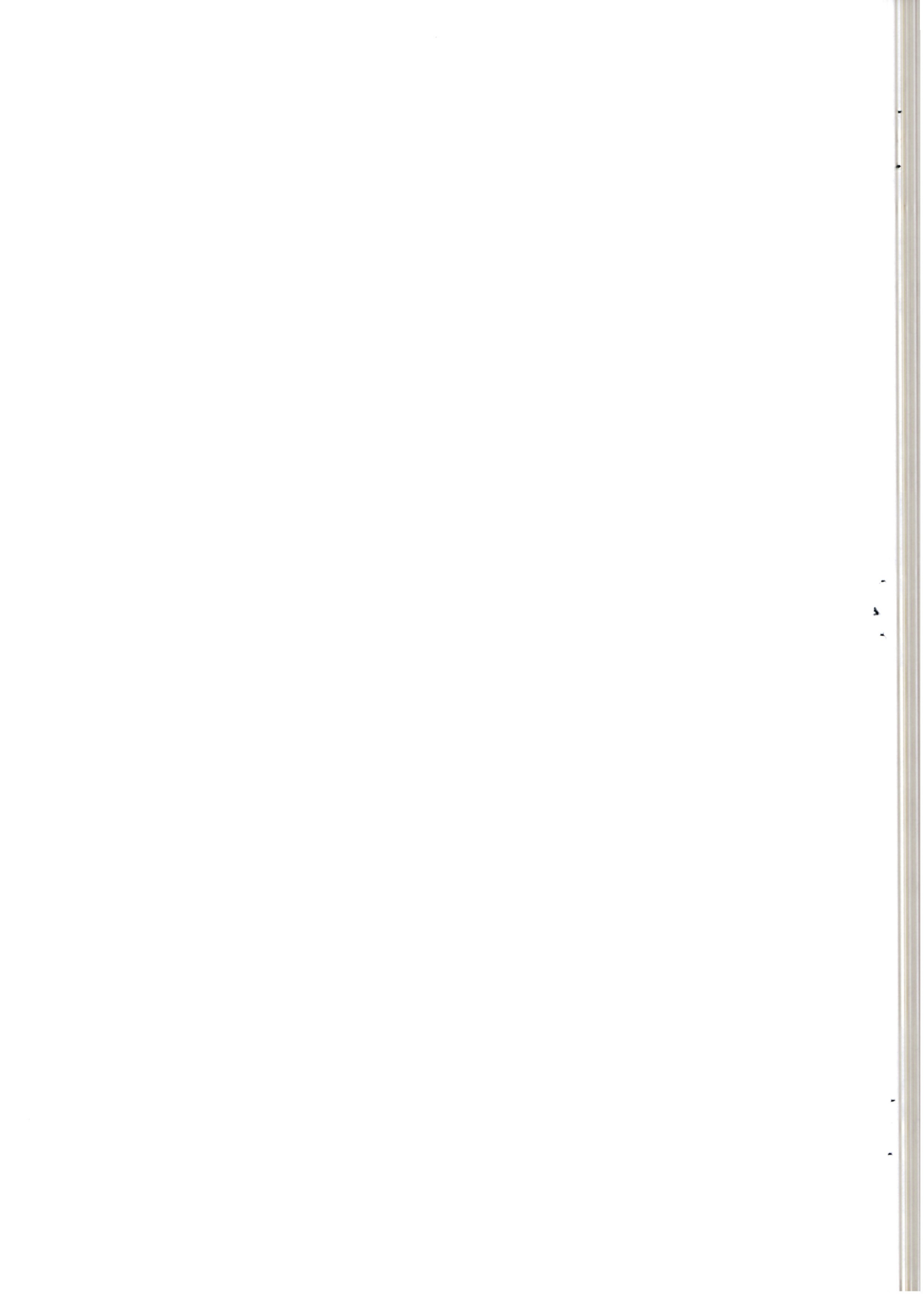


*TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY*  
**Annual Reports and Financial Statements**  
**For the year ended 30 June 2018**

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# TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY

## Annual Reports and Financial Statements

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### I. KEY ENTITY INFORMATION AND MANAGEMENT

#### (a) Background information

The Technical and Vocational Education and Training Authority (TVETA) is a State Corporation established by the Technical and Vocational Education and Training (TVET) Act No 29 of 2013 (*Kenya Gazette Supplement* No. 44) which commenced on 24 June 2013. TVETA is a regulatory body whose mandate is to regulate and coordinate the TVET sector through accreditation of institutions, programs and trainers as well as assure quality, access, equity and relevance in education and training. TVETA is domiciled in the Ministry of Education and has only one office in Nairobi.

#### (b) Principal Activities

##### Vision Statement

A coordinated, labour-market responsive TVET system, delivering a high quality competent workforce for sustainable economic, social and environmental development

##### Mission Statement

To regulate, coordinate, promote and develop TVET through registration, licensing, accreditation and development of institutions, programs and trainers for delivering a labour market relevant and competent workforce

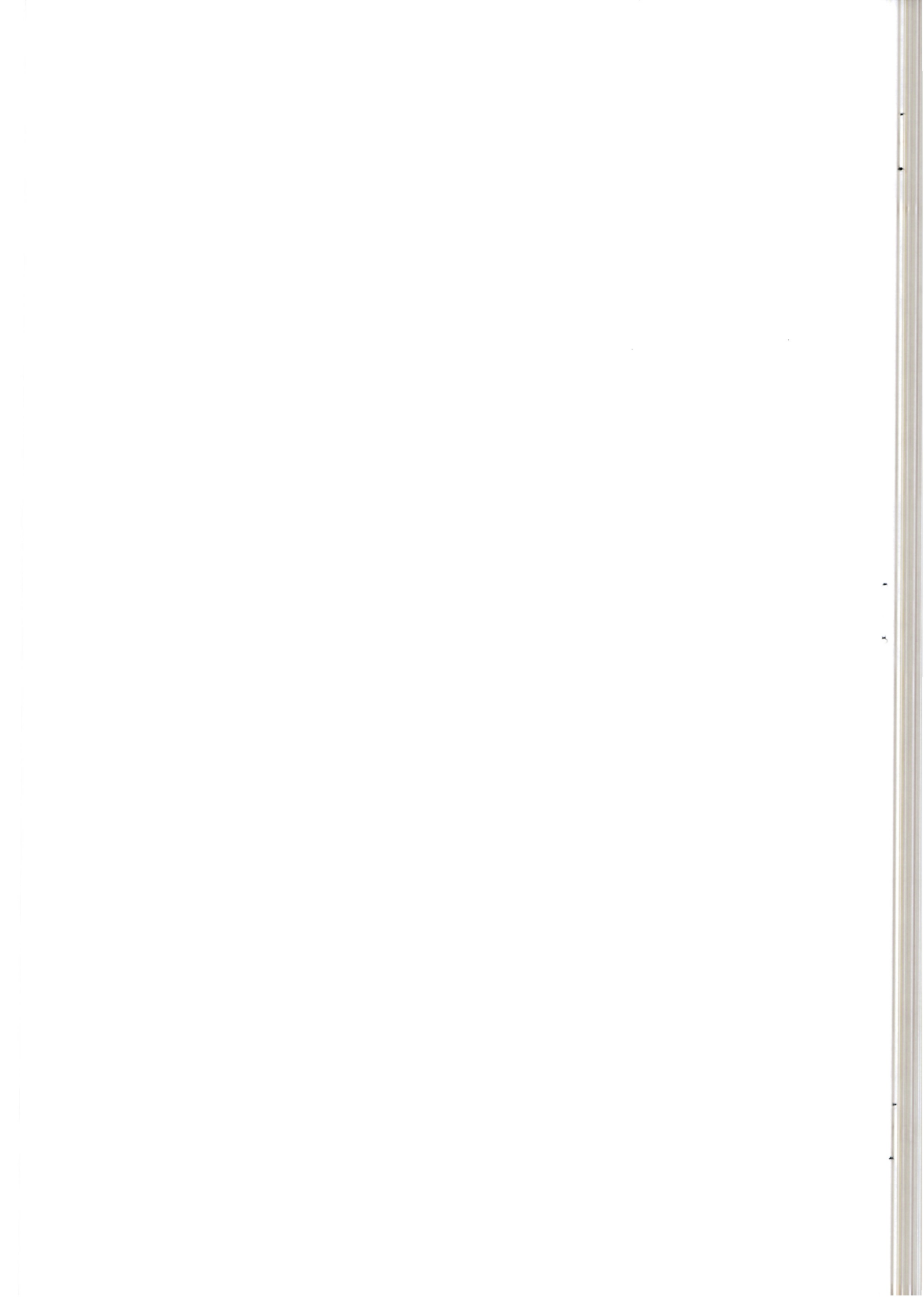
##### Strategic Objectives

The strategic objectives of TVETA are to:

- i. Enhance TVET quality and relevance
- ii. Promote access and equity in TVET
- iii. Strengthen governance and management
- iv. Mobilize financial resources for the Authority

Section 7 of the TVET Act, 2013 gives the powers and functions of the Authority. The Authority's functions are therefore to:

- i) Regulate and coordinate training under TVET Act, 2013
- ii) Inspect, register and license training institutions;
- iii) Accredite and inspect programmes and courses;
- iv) Assure quality and relevance in programmes of training;
- v) Prescribe the minimum criteria for admission to training institutions and programmes to promote access, equity and gender parity.
- vi) Collect, examine and publish information relating to training;
- vii) Determine the national technical and vocational training objectives;
- viii) Recognize and equate qualifications awarded by local or foreign technical and vocational education institutions' in accordance with the Standards and guidelines set out by the Authority from time to time;
- ix) Undertake, or cause to be undertaken, regular monitoring, evaluation and inspection of training and institutions to ensure compliance with set standards and guidelines;



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**(c) Key Management**

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

- The Board of Directors
- The Director General/ Chief Executive Officer
- Heads of Directorates

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30 June 2018 and who had direct fiduciary responsibility were:

| No   | Designation                                      | Name of holder      |
|------|--|---------------------|
| i.   | Director General                                 | Dr. Kipkirui Langat |
| ii.  | Head of Corporate Services (Alternate signatory) | Mrs. Bibiana Otieno |
| iii. | Accountant                                       | Mr. Philip Olulo    |
| iv.  | Internal Auditor                                 | Mr. Daniel Njaibu   |

**(e) Fiduciary Oversight Arrangements**

The Authority has the following 3 Board Committees;

- i. Technical Committee,
- ii. Finance and General-Purpose Committee and
- iii. Audit and Risk Committee.

The Finance and General-Purpose Committee has direct oversight on the finance activities of the Authority. The Committee reviews the budget, finance reports, procurement plans and reports before presentation to the full Board for deliberation and approval.

The Audit and Risk Committee on the other hand plays an auxiliary role through corporate wide risk assessment. Risks related to accounts have been identified and mitigation measures put in place. The risk register has been updated from time to time.

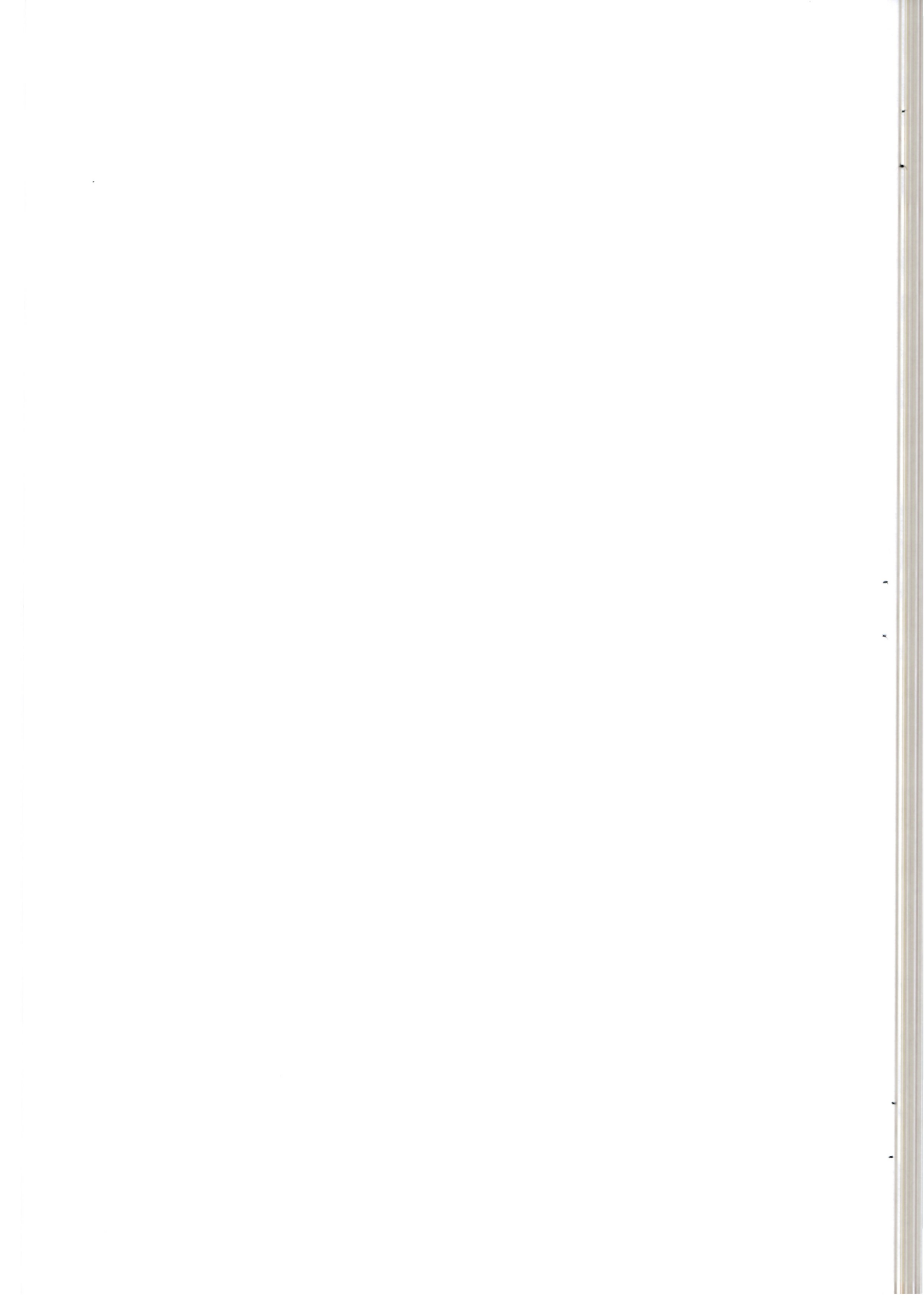
The committees met at least 4 times (quarterly) in the reporting period.

**(f) Authority's Headquarters**

Utalii house - 8th floor  
Uhuru Highway  
Nairobi

**(g) Authority's Contacts**

P.O. Box 35625 – 00100  
Nairobi  
Tel. +254202392140  
Email: [info@tvetauthority.go.ke](mailto:info@tvetauthority.go.ke)  
Website: [www.tvetauthority.go.ke](http://www.tvetauthority.go.ke)



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**(h) Authority's Bankers**

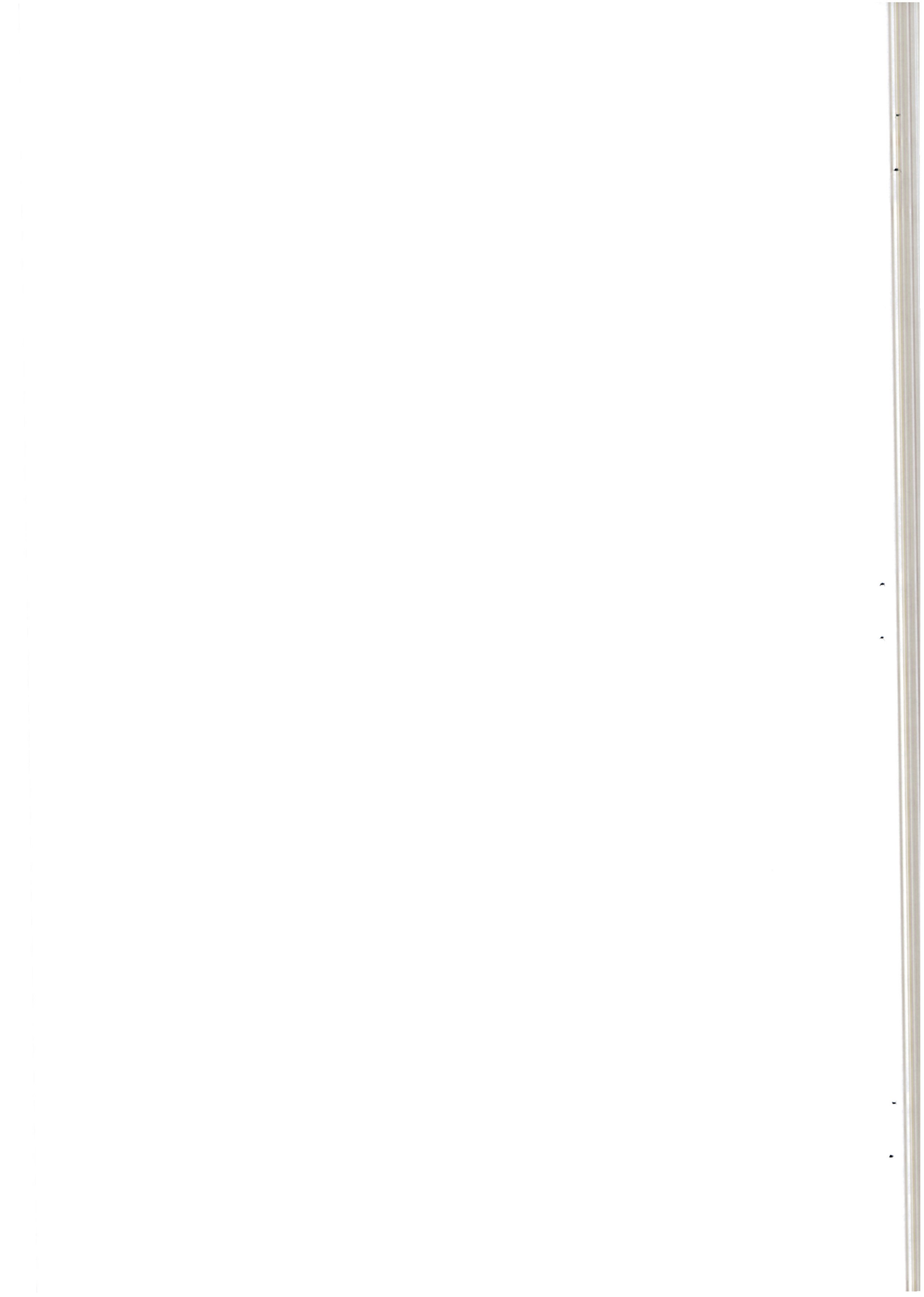
Kenya Commercial Bank Ltd.  
Kipande House Branch  
P.O. Box 30012-00100  
Nairobi, Kenya

**(i) Independent Auditors**

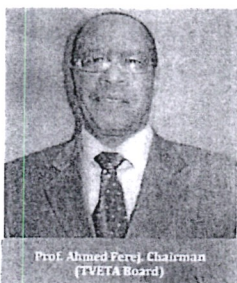
Auditor- General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084-00100  
Nairobi, Kenya

**(j) Principal Legal Adviser**

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

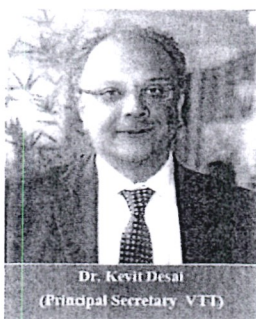


## **II. THE BOARD OF THE AUTHORITY**



### **Prof. Ahmed Ferej (Board Chair)**

Prof. Ferej was appointed as a TVETA Board Member on 25<sup>th</sup> April 2014. He is the Current TVETA Board Chairman. He holds a PhD in Education (TVET and Entrepreneurship) from the University of Illinois in the US (1994). He completed a Diploma in Mechanical and Electrical Engineering as well as a technical teacher's certificate at the Kenya Polytechnic in 1975. He is a Senior Lecturer at the University of Eldoret, in the Department of Technology Education. Prof. Ferej has over 30 years professional experience in the field of education and training, mostly TVET, where he has taught at the technical secondary, middle college and university levels. He has contributed to national curriculum development. He has supervised several Master's Degree and PhD candidates and served as external examiner for Kabarak University and Gold Coast University in Ghana.



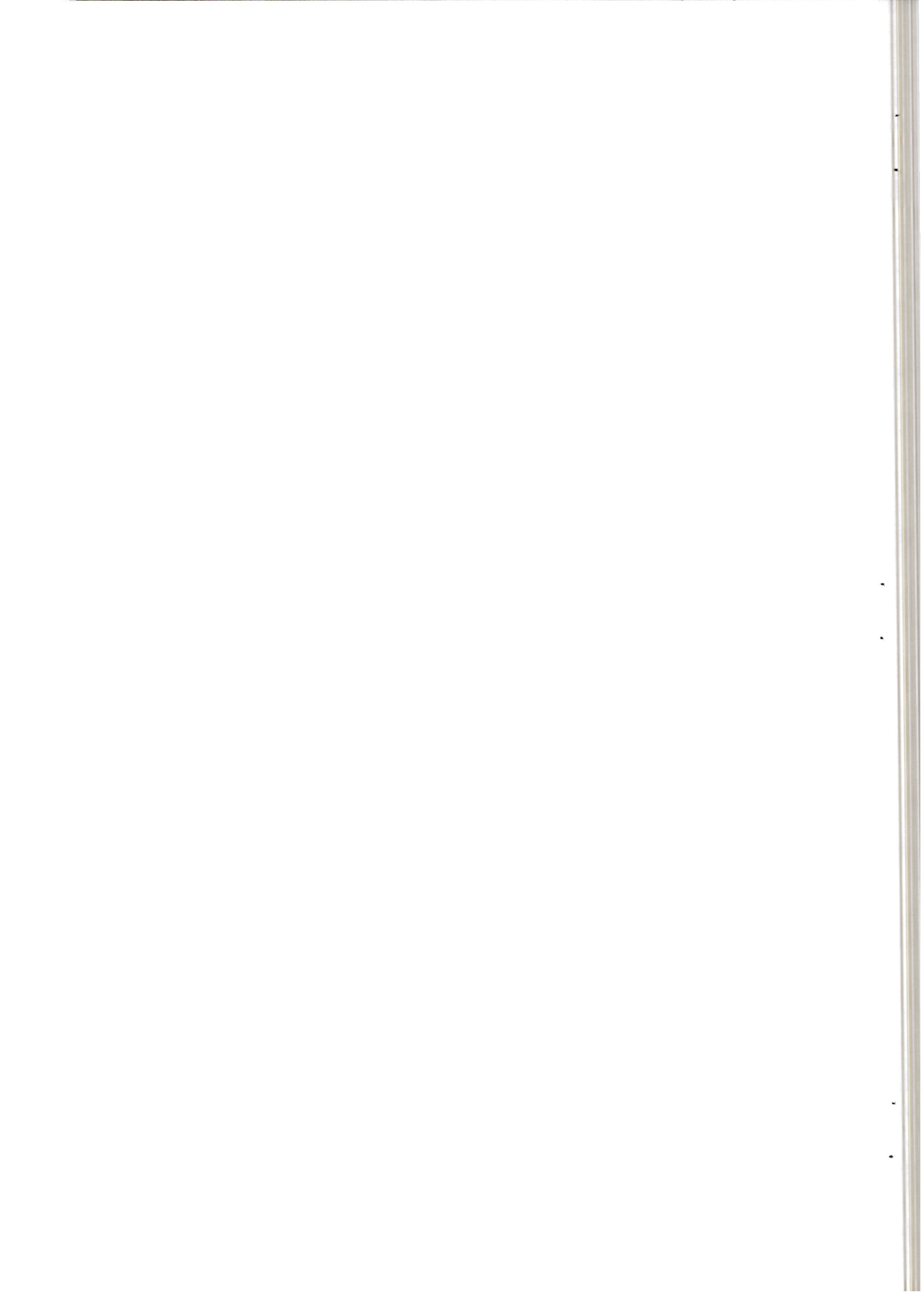
### **Dr. Kevit Desai (Principal Secretary – Vocational and Technical Training, Ministry of Education)**

Dr. Desai has a PhD in Robotics Control Systems Engineering, Shibaura Institute of Technology (SIT), Tokyo, Japan; MSc Robotics Control Systems Engineering, SIT, Tokyo Japan and a degree in Electrical/Electronic/Computer Engineering. As a Task Force Member of the former Ministry of Higher Education, Science and Technology, he was involved in the development of the University Act; Science and Technology Act; and Technical, Vocational Education and Training (TVET) Act. He is the Chairperson of the Social and Political Pillars Board Committee of Vision 2030. He is championing TVET reforms through linkages with Micro, Small and Medium Enterprises, government, Private Sector and Academia to promote outcomes of self and gainful employment, in an effort towards transformation of Kenya's Technical and Vocational Education Training Platform. He is the Chairman of the Permanent Working Group on TVET in Kenya, Chairman of Young Scientists Kenya and former Chairman of Karen Technical Institute for the deaf. He is a member of the Steering Committee in JICA Master's degree and internship program of the Africa Business Education (ABE) initiative for the youths, Board of young Scientists Kenya among others.



### **Eng. Catherine A. Nyambala (Chair - Audit and Risk Committee)**

was appointed as a TVETA Board Member on 25<sup>th</sup> April 2014. She is the Founder of STEM Africa – an organization that promotes careers and innovation in Science, Technology, Engineering and Mathematics. STEM Africa's goal is to see a new generation in Science and Technology in Africa with the goal of reducing poverty. An alumnus of the US State Department and Fortune Global Women's Mentoring Program (2010), Catherine was mentored by Marissa Mayer (Yahoo CEO) at Google. She has got experience in Energy, Telecoms and Manufacturing and has been successful in implementing Strategic Quality Management at the Kenya Electricity Generating Company. She holds a BSc in Electrical Engineering and an MBA in Operations Management. She is a Business Excellence and Innovation Management Expert and has been a participant in several local and international Innovation Awards including the Royal Academy of Engineering, the Kenya ICT Board, Bata legacy Award amongst others.

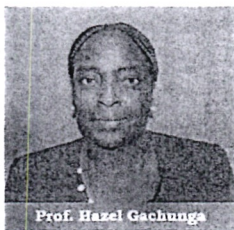


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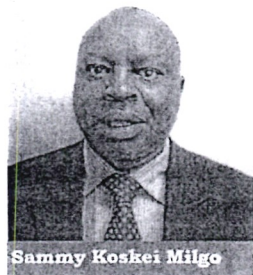
**Prof. Faith Muli (Chair – Technical Committee)**

Prof. Muli was appointed as a TVETA Board Member on 25<sup>th</sup> April, 2014. She is an Associate Professor of Pathology in the field of Medical Microbiology and holds a PhD degree from the University of Manchester, UK. She has a wealth of experience in academia, research, technical diagnostics and consultancy. She has taught at Kenyatta University, Jomo Kenyatta University of Science and Technology, Egerton University, Moi University Faculty of Health Sciences at Moi Teaching and Referral Hospital and Kenya Methodist University. She has published extensively in internationally recognized journals and has presented many papers at international, regional and local conferences. She has also served as a WHO consultant in Curriculum review for training on the control and management of HIV/AIDS in Kenya, Ethiopia and Tanzania under the Africa Regional Capacity Building on HIV/AIDS Network project (ARCAN).



**Prof. Hazel Gachunga (Chair – Finance and General Purpose Committee)**

Prof. Gachunga was appointed as a TVETA Board Member on 25<sup>th</sup> April, 2014. She is a Senior Lecturer at the Jomo Kenyatta University of Agriculture and Technology and has a considerably wide teaching, research and consultancy experience in the areas of Leadership, Change Management, Human Resource Management, and Organizational Behaviour amongst others. She is a holder of a Doctorate from the University of Nairobi/University of Sheffield and alumni of IESE on international faculty development and executive programs management. She has also conducted extensive research in the areas of leadership. Prof. Gachunga is a board member at the Institute of Human Resource Management Kenya. She is a certified Balanced Score Card expert and Change Management Professional.



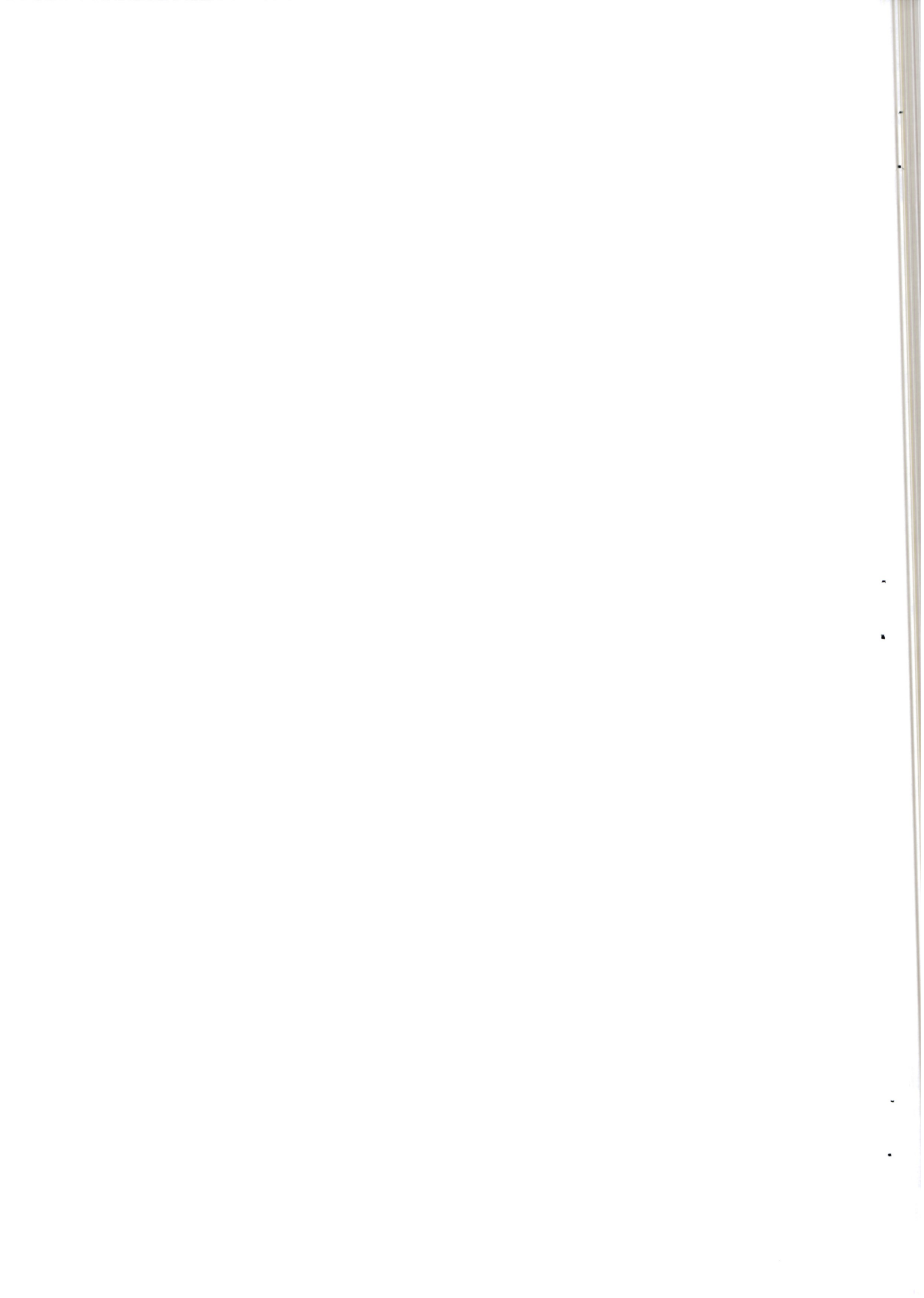
**Mr. Sammy Milgo (Director)**

Mr. Milgo holds a BSc. degree in Food Science and Technology (University of Nairobi, 1984), MSc. in Food Science & Technology (State University of Gent, Belgium, 1997), Advanced Certificate in Quality Management (Singapore, 2000) and Executive Masters' in Business Administration (MBA - Strategic Management option) (Moi University, 2012). Currently, he is pursuing a PhD in Climate Change and Adaptation (PhD - CCA) (Institute of Climate Change and Adaptation, University of Nairobi). Sammy has over nineteen (19) years' experience in Standardization (Standards, Metrology & Quality Assurance), and Conformity Assessment (Inspection, Testing, Certification, Proficiency Testing) activities having worked for the National Standards Body-KEBS, in various functional areas and rising from the position of Assistant Quality Assurance Officer (1985) to Managing Director/CEO of Kenya Accreditation Service (KENAS), a statutory organization of government that reports to the Ministry of Industry, Trade and Cooperatives (MOITC).



**Mr. Burua Sanga Shumaa (Director)**

Currently serving as Business Development Manager at Centum Learning Limited based in Nairobi. Sanga is a holder of BSc (Hons) Mechanical Engineering from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and MSc. in Human Resource Development and Performance Management from the University of Leicester, UK. With over 20 years of experience in the Oil and Gas industry, Sanga brings on board a wealth of experience in People Leadership, Performance Supervisory Essentials, Emotional Intelligence, Competence Observation, GAP Analysis, Assessment & verification, and Competence Assurance Management system- CAMS Assessor in the Oil, Gas and Petrochemical industry. His

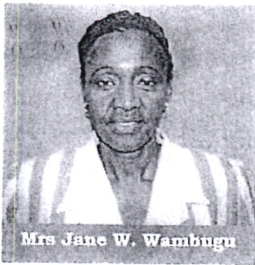


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experience is drawn from the Kenya Petroleum Refineries Limited (KPRL), where he served as Refinery Operator and later as Mombasa Terminal Superintendent with Caltex Oil. Thereafter, he took on the role of SOP and Training Specialist with Chevron for East & West Africa, before relocating to the middle East, where he worked with SABIC in Saudi Arabia, as well as ADNOC in Abu Dhabi, UAE at BOROUGE Petrochemical. In his leadership roles, Sanga has initiated the design and delivery of a tailor-made coaching and mentorship program and made it available to coaches/mentors/SMEs to help support employees' development, with the structures, procedures, skills and tools to effectively support the development programs.



#### **Mrs Jane W. Wambugu (Alternate Director to the Cabinet Secretary, the National Treasury and Planning)**

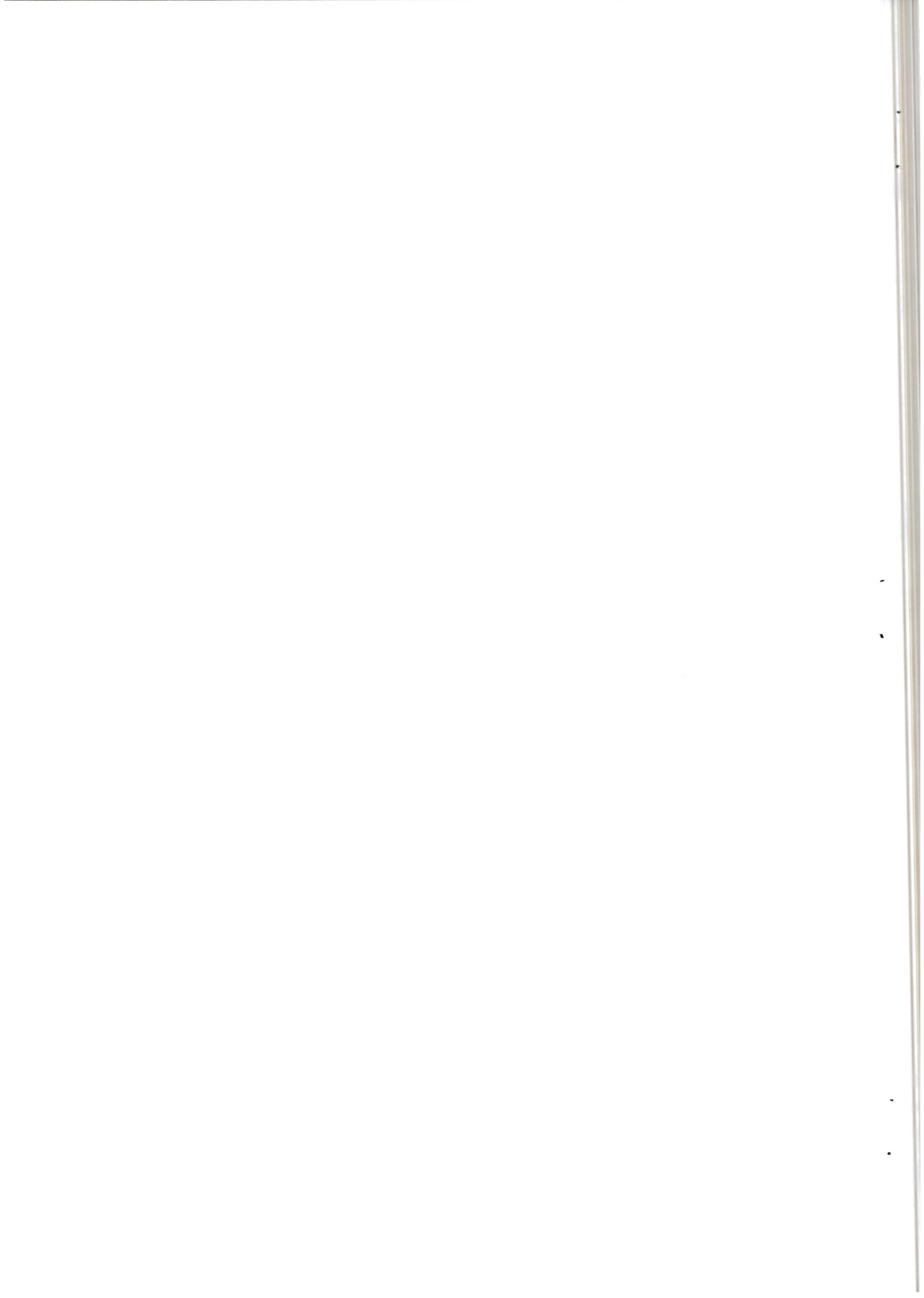
Mrs. Wambugu was appointed Alternate Director to the Cabinet Secretary, National Treasury and Planning where she is currently serving as a Chief Accountant. She has served in various Government Ministries as an Accountant with 10 years' experience as a Certified Public Accountant. Mrs Wambugu has also worked as a Project Accountant in Energy Sector donor funded projects in the Ministry of Energy for 4 years and 2 years as Ag, Deputy Head of Accounts Unit. She has also served as Deputy Head of Accounts unit in the Ministry of Tourism for 2 years. Mrs Wambugu is a holder of a Master's Degree in Business Administration (Finance), Certified Public Accountant and a member of Institute of Public Accountants (ICPAK).



#### **Dr. Kipkirui Langat (Director General/CEO)**

Dr. Langat was appointed the first Director General of TVET Authority on 30th April 2015. He has a wealth of experience from both public and private sector. He has close to 20 years' experience in TVET sector having joined Rift Valley Training Institute as Assistant lecturer in the Department of Automotive Engineering in 1996. He was promoted to a position of lecturer and appointed head of Department in 1998. He joined Eldoret Polytechnic in 2002 as a lecturer in the Department of Mechanical Engineering before being appointed Deputy Dean of students a year later. In 2004 he joined Egerton University as a lecturer in the Department of Industrial and Energy Engineering. While in Egerton University, he was instrumental in implementation and reviewing Bachelor of Industrial Technology programme where he was programme coordinator, and Examination and Timetabling officer until 2008. In 2009, he was appointed programme coordinator for Twinning Programme between Western Michigan University, USA and Egerton University. He was also among a team of experts who developed Bachelor of Technology in Mechanical Engineering and Bachelor of Philosophy in Mechanical Engineering at the Technical University of Kenya. He was a subject panel for Diploma and Higher National Diploma in Mechanical Engineering between 1999 and 2004 at Kenya Institute of Education.

In the last 10 years, Dr. Langat has been working with United Nations Environment Programme (UNEP) in developing policies and guidelines for transport emissions in East Africa Region. He was instrumental in the training of motor vehicle inspectors in Kenya and Rwanda. Since 2014, he has been advising East African Community in harmonization of standards for importation of used motor vehicles in the region. He is a member of Technical Committee on Road Transport Standards at the Kenya Bureau of Standards and a consultant for Boston Garage Equipment UK since 2007. He holds Bachelor of Education in Technology Education, Master of Philosophy in Technology Education (Automotive Technology) and Master of Business Administration (Strategic Management) all from Moi University, and Doctor of Philosophy in Engineering Systems and Management from Egerton University. He is a



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fellow member of Institution of Engineering Technologists and Technicians (IET) of Kenya. He has widely published in the areas of transport emissions and TVET.

**III. THE MANAGEMENT TEAM**



**Dr. Kipkirui Langat, PhD. FIETK**  
**Director General/CEO**

The Director General is the Chief Executive Officer overseeing the day to day operations of TVETA. Provides visionary leadership in the management of TVETA and is responsible for the operations of the Authority in accordance with the policies specified by the Board.



**Mr. Edward Mburu, MITM**  
**Ag. Head of Standards and Compliance**

The Head of Standards and Compliance is in charge of TVET standards development and compliance thereof. This involves regular quality audits of TVET institutions. The process of ISO Certification also falls under this office.



**Mr Fred Oanda**  
**Ag. Head of Accreditation**

The Head of Accreditation is in charge of a registration and licencing of TVET institutions. The function involves inspection of institutions for registration and licensing or approval of training programmes.



**Mrs. Bibiana Otieno, MA**  
**Ag. Head of Corporate Services**

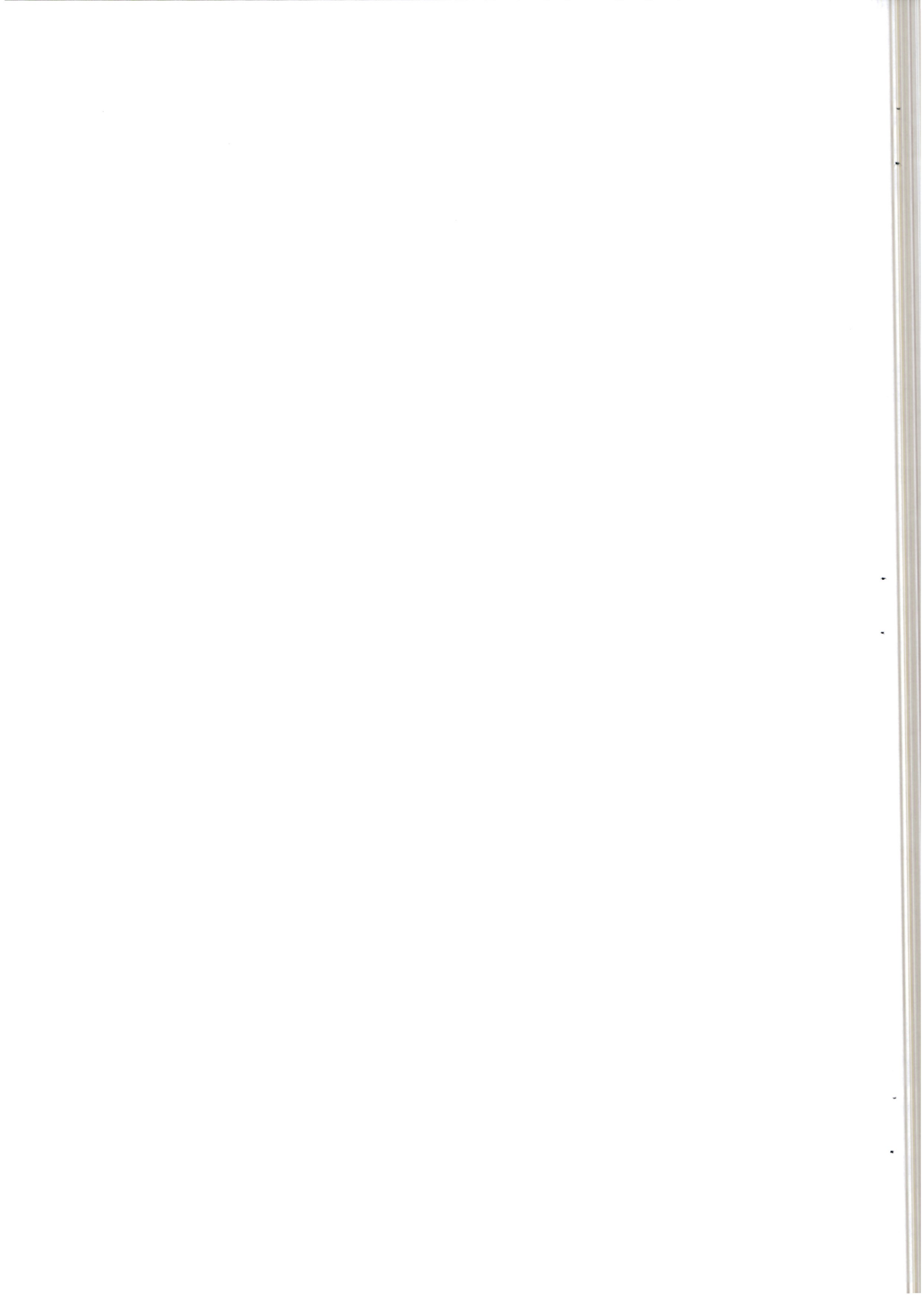
The Head of Corporate Services is in charge of the service units in TVETA including Human Resource Management, ICT, Procurement, Accounts, Finance, Internal Audit, Records Management, Transport and Front Office operations.



**Ms. Susan Njagi, MLIS**  
**Ag. Head of Research and Policy**

The Head of Research and Policy coordinates planning, analyzing and reviewing the impact of various policies on Technical and Vocational Education. This includes development and identification of impediments to TVET development with an objective of

developing appropriate policy interventions for TVET development as well as reviewing and updating the Authority's long term strategic plans, ensuring they are aligned to the National policies and



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measuring performance of their implementation. In addition, the office undertakes data collection and research activities.



**Mr. Daniel Njaibu**

**Internal Auditor**

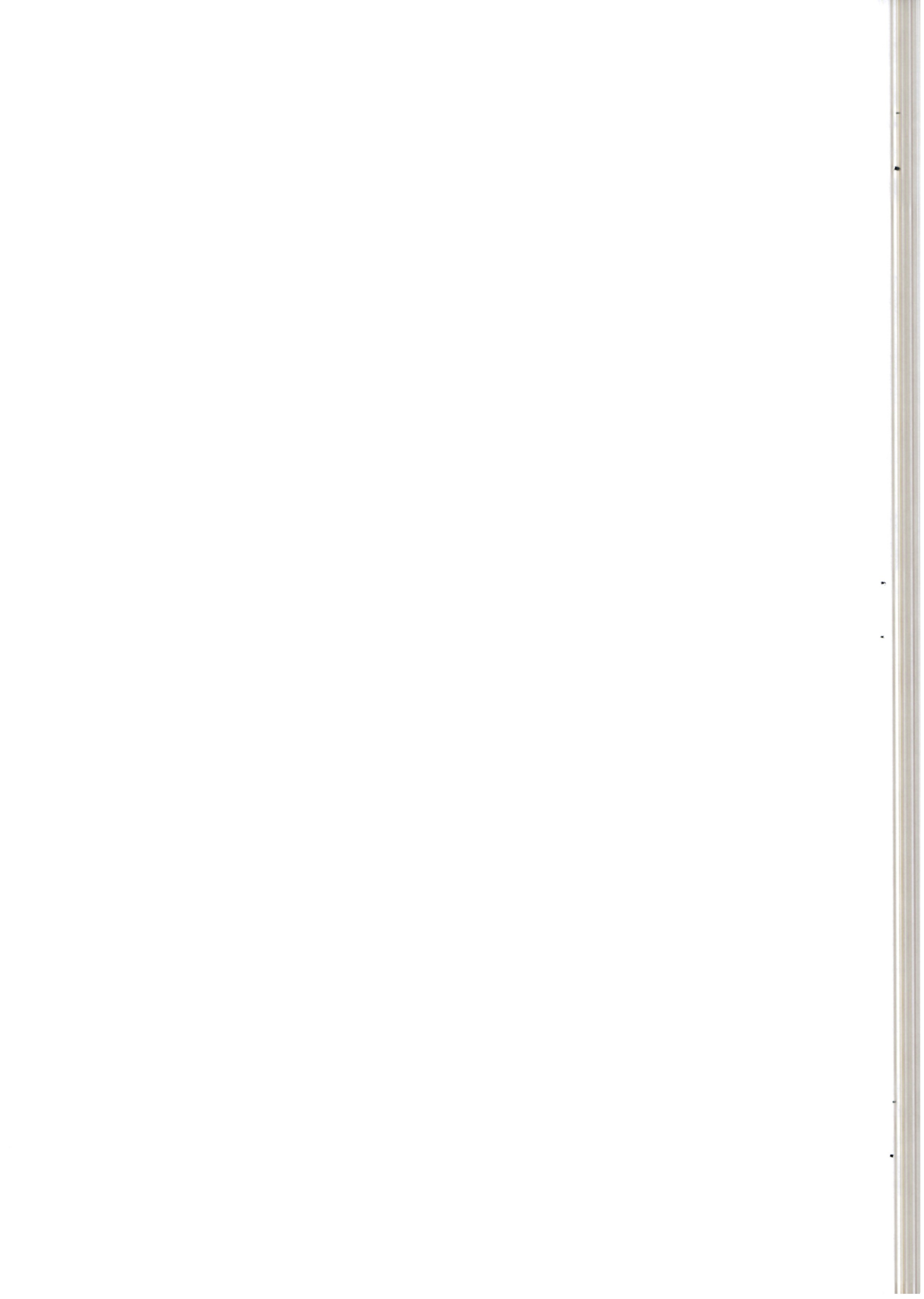
Mr. Njaibu is in charge of the internal audit activities and also the secretary of the Audit and Risk Committee of the Board.



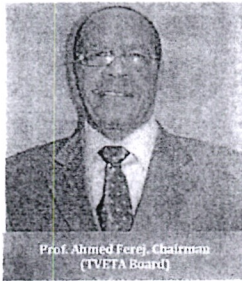
**Mr. Philip Olulo**

**Accountant**

Mr. Olulo is in charge of the accounting unit.



#### IV. CHAIRPERSON'S STATEMENT



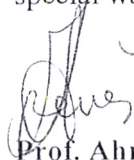
It gives me great pleasure to present the third annual financial statements of the Technical and Vocational Education and Training Authority, for the year ended 30<sup>th</sup> June 2018. The year 2018 showed more impressive financial performance attributable to the lessons learnt in the previous two reporting years. This remarkable performance is a testament to the Authority's commitment to operate within the prevailing financial management framework.

The reporting period has been dominated by efforts to lay the foundation for the Big Four Agenda for which the TVET is an enabler. The shift in focus justifies the tremendous growth in the TVET subsector with substantial government investment in the development of a TVET institution in every constituency in Kenya. This is in realization of the government's commitment to enhance access to education and training as envisaged in Medium Term Plan II of Vision 2030. The growth in private sector TVET has also been great. Enhanced access must however go hand in hand with enhanced quality in TVET. Quality assurance therefore is essential to ensure sustainability of the massive investment by both the government and private sector in the TVET system.

The Authority has steadily set itself to deliver its mandate as the principal instrument of government in the implementation of the TVET agenda. In so doing, we launched our strategic plan in the reporting period and sustained partnerships with development partners to achieve our mandate specifically that of ensuring compliance of all the TVET institutions. It is gratifying to report that the Authority now has commitment for various projects with support from the African Development Bank, NUFFIC and KEFFEP. Their support focuses on establishment of a quality assurance framework, development of a Management Information System and capacity building of TVETA staff, monitors and evaluators.

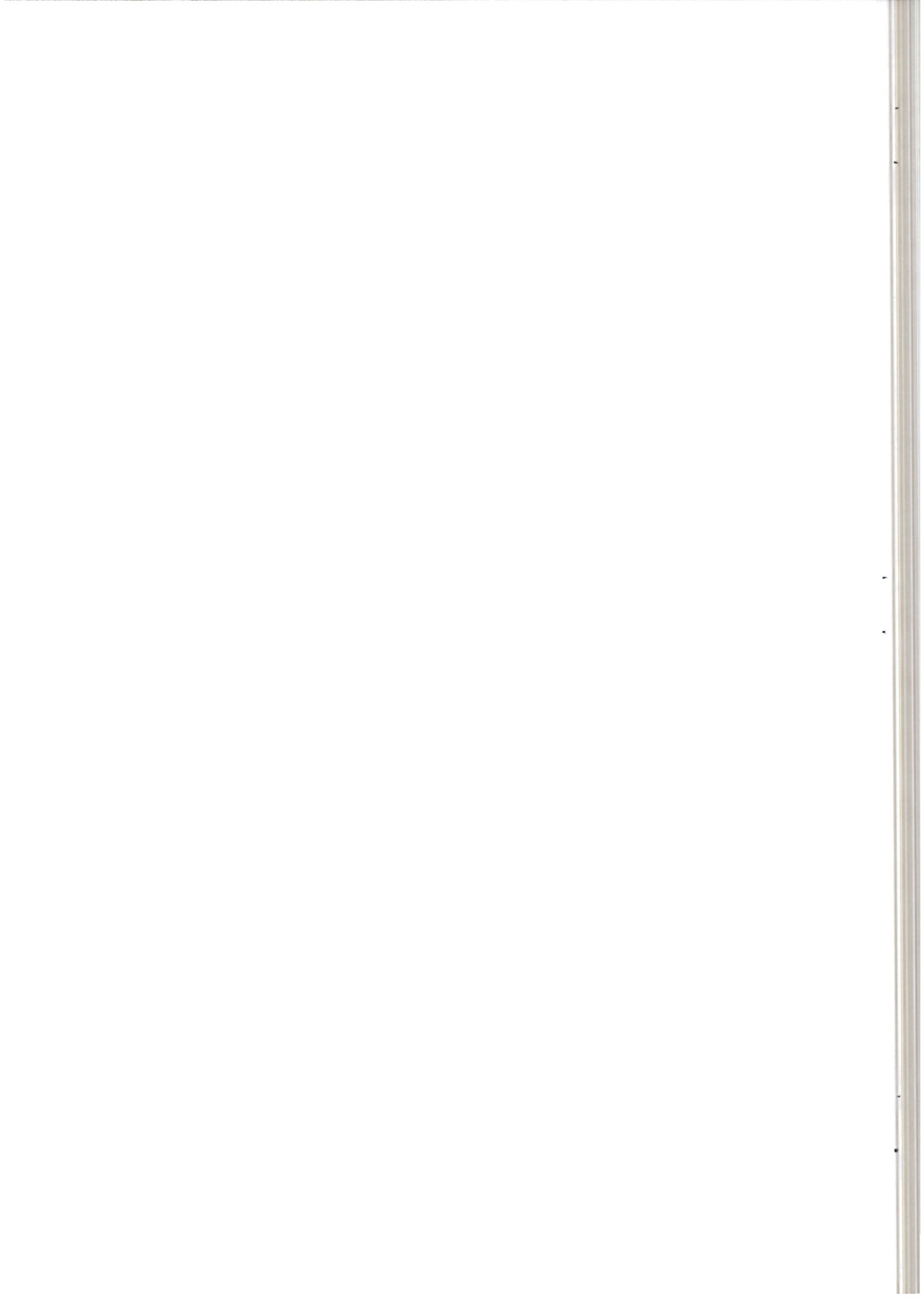
The stakeholder engagement witnessed in the reporting period was commendable and will be sustained moving forward. The Authority has developed strategies to strengthen compliance with training standards including Enhanced collaboration with the other lead agencies; Intensified TVETA campaigns through both the print and electronic media; Strengthening awareness among TVET providers through regional forums; and Enhancing ICT application in all TVETA operations.

On behalf of TVETA Board of Directors and staff, I express my sincere gratitude to the Government of Kenya, Ministry of Education our partners as well as the stakeholders for the support you have given us. I also thank my fellow Board members for giving me support in providing guidance and leadership to the Board. The Management and staff have worked tirelessly and I commend them generously on behalf of the Authority. I also acknowledge the support of the general public and the media both electronic and print, for always standing with us and promoting our brand in their own unique and special way. Through your contribution, TVETA's profile has been greatly elevated.



Prof. Ahmed Ferej

On behalf of the Board of Directors



## V. REPORT OF THE DIRECTOR GENERAL/CHIEF EXECUTIVE OFFICER



As bound by duty and in the spirit of transparency and accountability, it is my pleasure to present the annual report and accounts of the Technical and Vocational Education Training Authority (TVETA). During the reporting period, TVETA undertook various activities to ensure attainment of our vision of a coordinated, labour-market responsive TVET system, delivering a high quality competent workforce for sustainable economic, social and environmental development. Our efforts during the period were towards providing appropriate office accommodation, developing standards, enforcing TVET policies, sustaining partnerships and promoting public awareness.

### Partnerships

Under the support arrangement with African Development Bank (AfDB), the *Niras Consultants* finalized our strategic plan for the period 2018 - 2022. The process was very participatory and consultative. This entailed among others, review of the business environment, key policies and laws and regulations. The strategic plan is now being implemented by the Authority and will be reviewed to ensure resonance with the Big Four Agenda. The AfDB will also support the capacity building of approximately 300 TVET monitors and evaluators.

Apart from the AfDB partnership, the Authority continued with the Dutch NICHE initiative through which Nuffic and MDF Training and Consultancy are implementing a project with TVETA as the beneficiary. The deliverables of the project are; a Quality Assurance Framework and Quality Assurance System; a Management Information System for registration of institutions; and TVETA staff capacity building in elements of governance, HRD, quality management and dissemination. It is expected that at the end of the three-year project, there will be greater efficiency and effectiveness and enhanced ease of doing business.

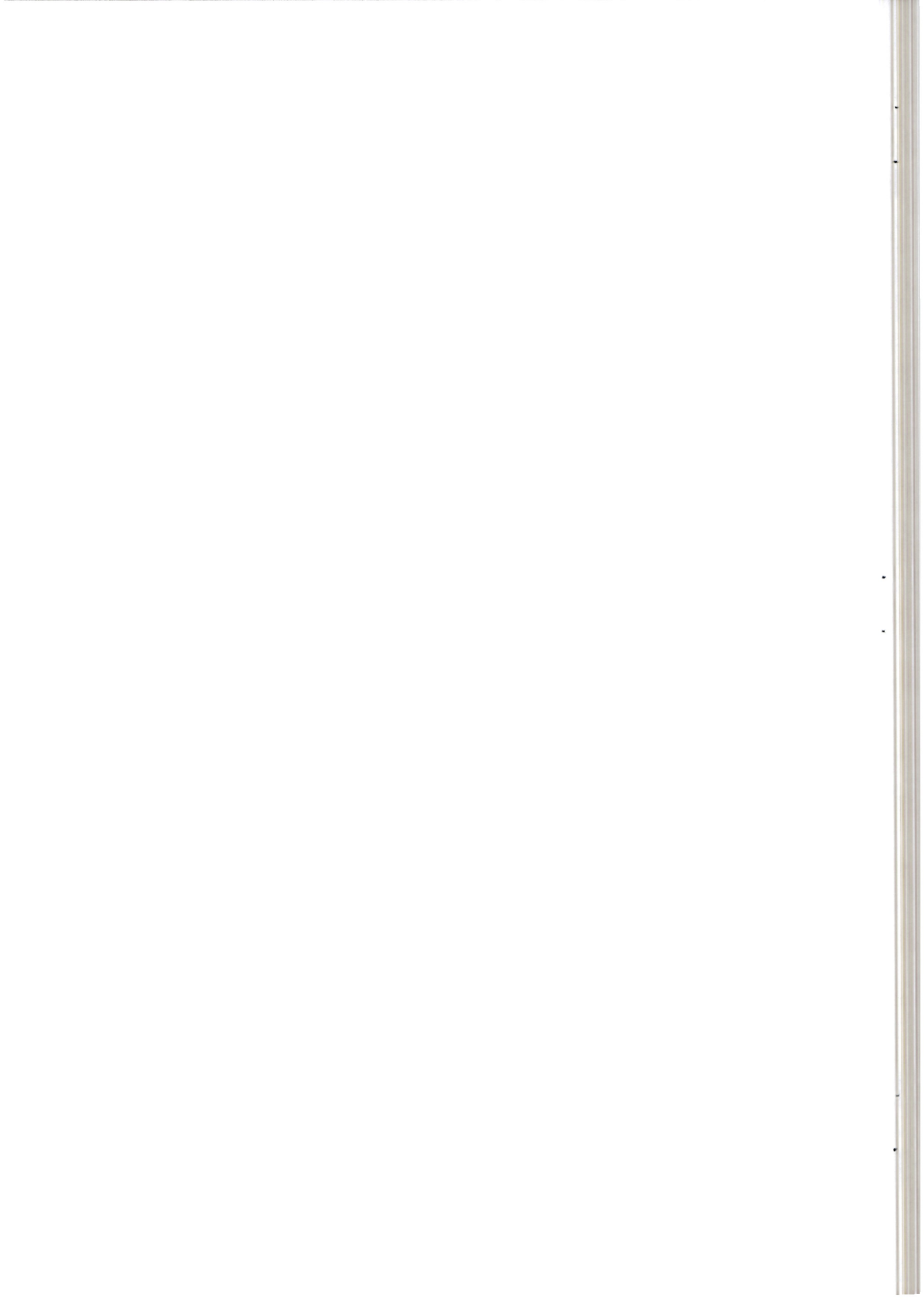
### Staffing

The Authority advertised 40 positions to be filled in the first quarter of the FY 2018 – 2019. This will go a long way in easing the pressure on the few staff available and ensure full implementation of the Authority's mandate. The estimated wage bill is Kshs 90 million per year. The Authority also gave paid internship opportunities to 3 youths over the period.

### Accreditation and quality assurance of TVET

To further the Authority's mandate, we undertook inspection of 424 TVET institutions for registration and licensing. This brings the total number of assessed institutions to 1,488. The Authority has continuously prepared and reviewed a register of TVET institutions to enable the public to know the complying institutions.

The Authority also developed approval criteria for Competency Based Education and Training and Assessment (CBETA) training programs; Prior Learning Assessment and Recognition (PLAR) Standard; and Trainers Qualification framework. Quality Audits were undertaken in 109 registered institutions sampled from the whole country.



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**Public awareness and education**

The Authority made significant strides in enhancing public education and awareness. Specifically, managers of TVET institutions were sensitized in five regional forums organized by TVETA in Nairobi, Mombasa, Eldoret, Embu and Kisumu. The forums offered an opportunity create awareness of provisions of the TVET Act and the gazette fees for the various services offered by TVETA.

Human capital is a key pillar to the successful execution of the Authority's strategic thinking. The input of members of staff is the most critical element guaranteeing in the attainment of the targets set in the Performance Contracts and Annual Work Plan. A number of staff of the Authority had the opportunity to attend workshops both locally and abroad.

**Office space, equipment and facilities**

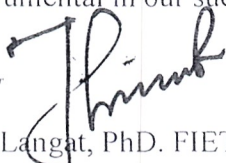
To enhance the work environment and performance of staff, the Authority leased space on 8<sup>th</sup> space of Utalii House and acquired additional office furniture, laptops and a double cabin pick up. Upon advise from the department of Public Works, the office space has been renovated at the cost of Kshs 18 million (total cost is Kshs. 43 million). This means our asset register is growing and we have made efforts to update it from time to time.

**Financial performance**

During the year under review, TVETA was allocated Kshs. 110 million by the exchequer which amount was disbursed in full. The expenditure returns show satisfactory absorption of 80.9% of allocated funds. It is gratifying to report that the Authority does not have any pending bills from the reporting period and this will be sustained.

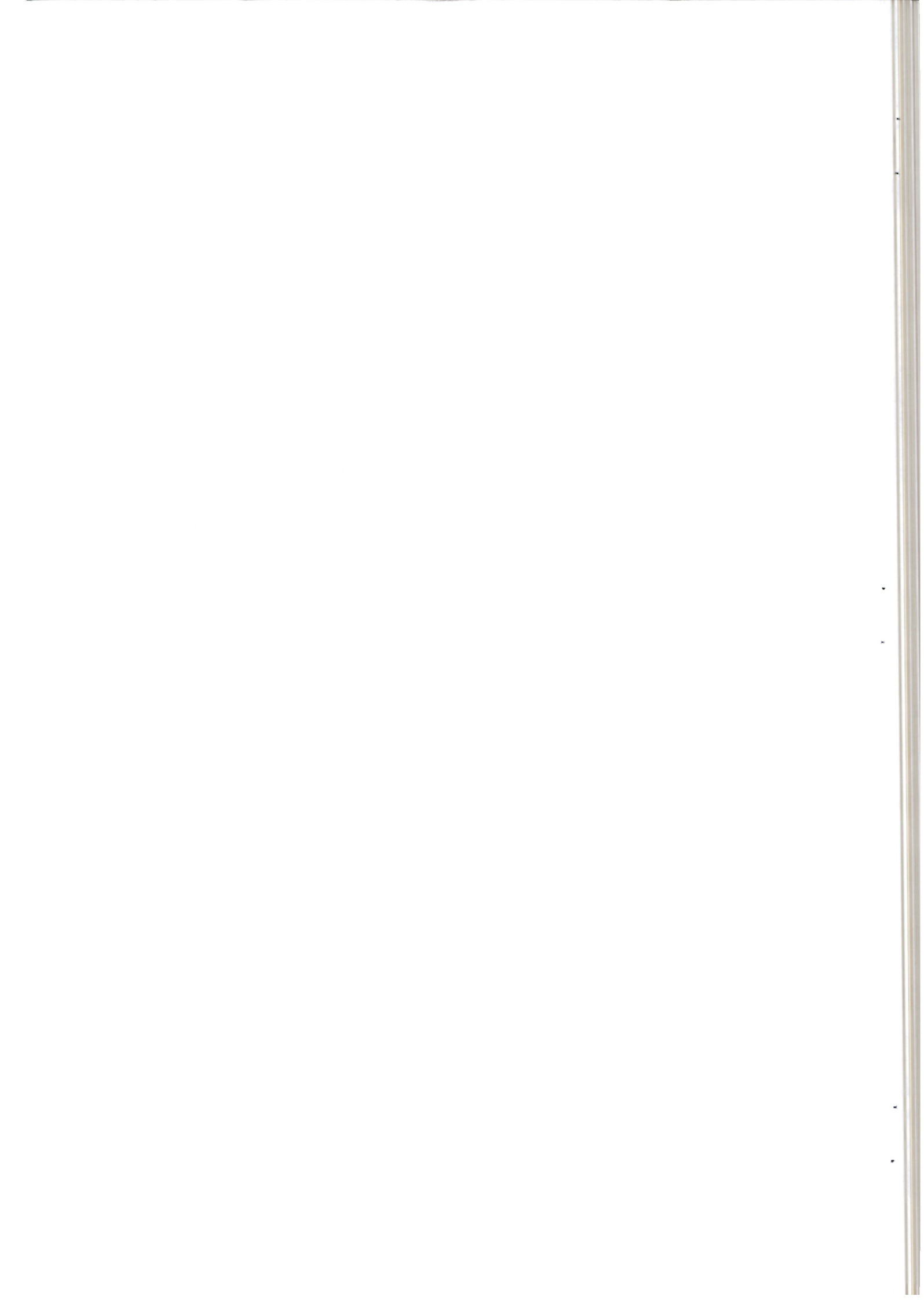
Once again, the impressive performance for the FY 2017/2018 would not have been made possible without the continued commitment and dedication of management and staff of TVETA. Thus, I thank them for their loyalty and hard work.

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



Dr. Kipkirui Langat, PhD. FIETK

**DIRECTOR GENERAL/CHIEF EXECUTIVE OFFICER**



## **VI. CORPORATE GOVERNANCE STATEMENT**

TVETA is driven by its mission to be a leading Authority in the regulation, quality assurance and accreditation of technical and vocational education and training for the provision of competent human capital. The general mandate of the Authority is to promote quality access, equity and relevance in Technical and Vocational Education and Training (TVET) by developing regulating standards, inspecting, registering, and licensing trainers, institutions and training programmes as appropriate.

The functions of the Authority are set out in Section 7 of the TVET Act and among others include the following;

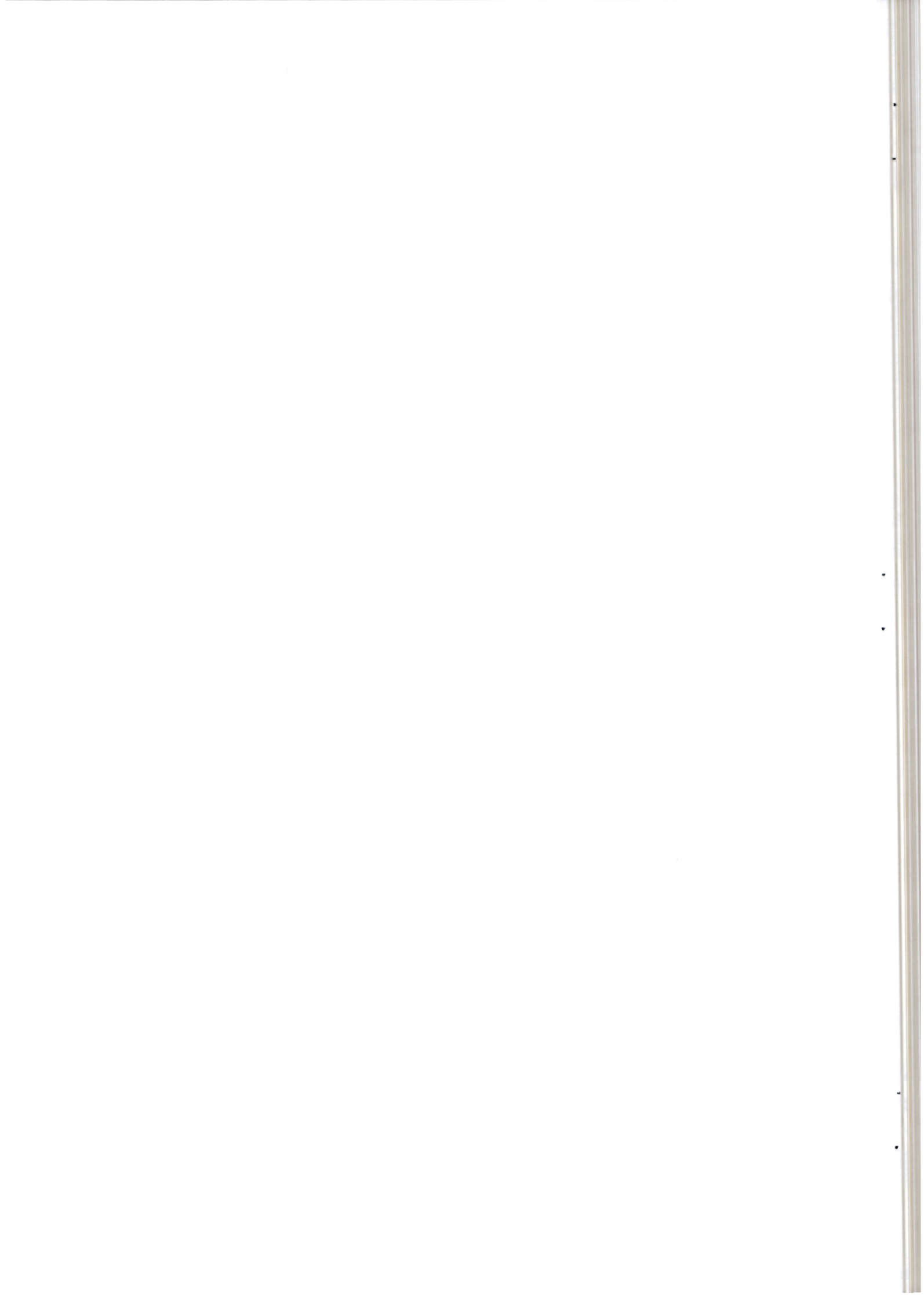
- a) Regulate and coordinate training under the Act;
- b) Inspect, license, register and accredit training institutions;
- c) Accredit and inspect programs and courses;
- d) Determine the national technical and vocational training objectives;
- e) Prescribe the minimum criteria for admission to training institutions and programs to promote access, equity and gender parity.
- f) Recognize and equate qualifications awarded by local or foreign technical and vocational education institutions' in accordance with the Standards and guidelines set out by the Authority from time to time;
- g) Collect, examine and publish information relating to training;
- h) Assure quality and relevance in programs of training;
- i) Liaise with the national and- county governments and with the public and the private sector on matters relating to training;
- j) Undertake, or cause to be undertaken, regular monitoring, evaluation and inspection of training and institutions to ensure compliance with set standards and guidelines;

### **Board Size, Composition and Appointment**

Section 8(1) of the TVET Act provides for the appointment of a nine-member Board as the governing organ of TVETA. The composition is as follows;

- a) a chairperson;
- b) ~~the~~ Principal Secretary ~~in the~~ Ministry responsible for finance;
- c) the Principal Secretary in the Ministry responsible for technical and vocational education and training;
- d) the Chief Executive of the Fund;
- e) five persons who have proven knowledge and experience in technical and vocational education and training, legal and financial matters of whom at least two and not more than three shall be of the same gender.

The Cabinet Secretary for Education via Kenya Gazette Notice number 3419 of 13<sup>th</sup> April 2017 appointed the following to be members of the Board, with effect from 25<sup>th</sup> April 2017; Hazel G. Gachunga (Dr.), Ahmed K. Ferej(Dr.), Nebart Muriuki (Eng), Catherine Auma Nyambala (Eng), and Faith Muli (Prof.). Mrs Jane Wambugu represents the PS National Treasury.



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Following the demise of the first Chair - Prof. Wilson Ogola, Dr. Ahmed Ferej was recruited as the new chair. In addition, Eng. Nerbart Muriuki resigned and consequently two new Board members – Mr. Burua Sanga and Mr. Sammy Milgo – were recruited. The Chief Finance Officer for the State Department of Vocational and Technical Training CPA Anthony Masinde was coopted following advice from the Audit and Risk Committee. The Board has been operating with eight members because the Chief Executive of the Fund has not yet been recruited.

#### The Role and Responsibilities of the Board

The Board provides leadership and strategic direction to the Authority. Its role remains to guide the Authority towards sustainable long-term success through the exercise of objective and informed judgment in determining the strategy of the Authority, having the best team in place to execute that strategy, monitoring performance and maintaining an effective framework of controls to mitigate risks facing the Authority.

#### Board Meetings

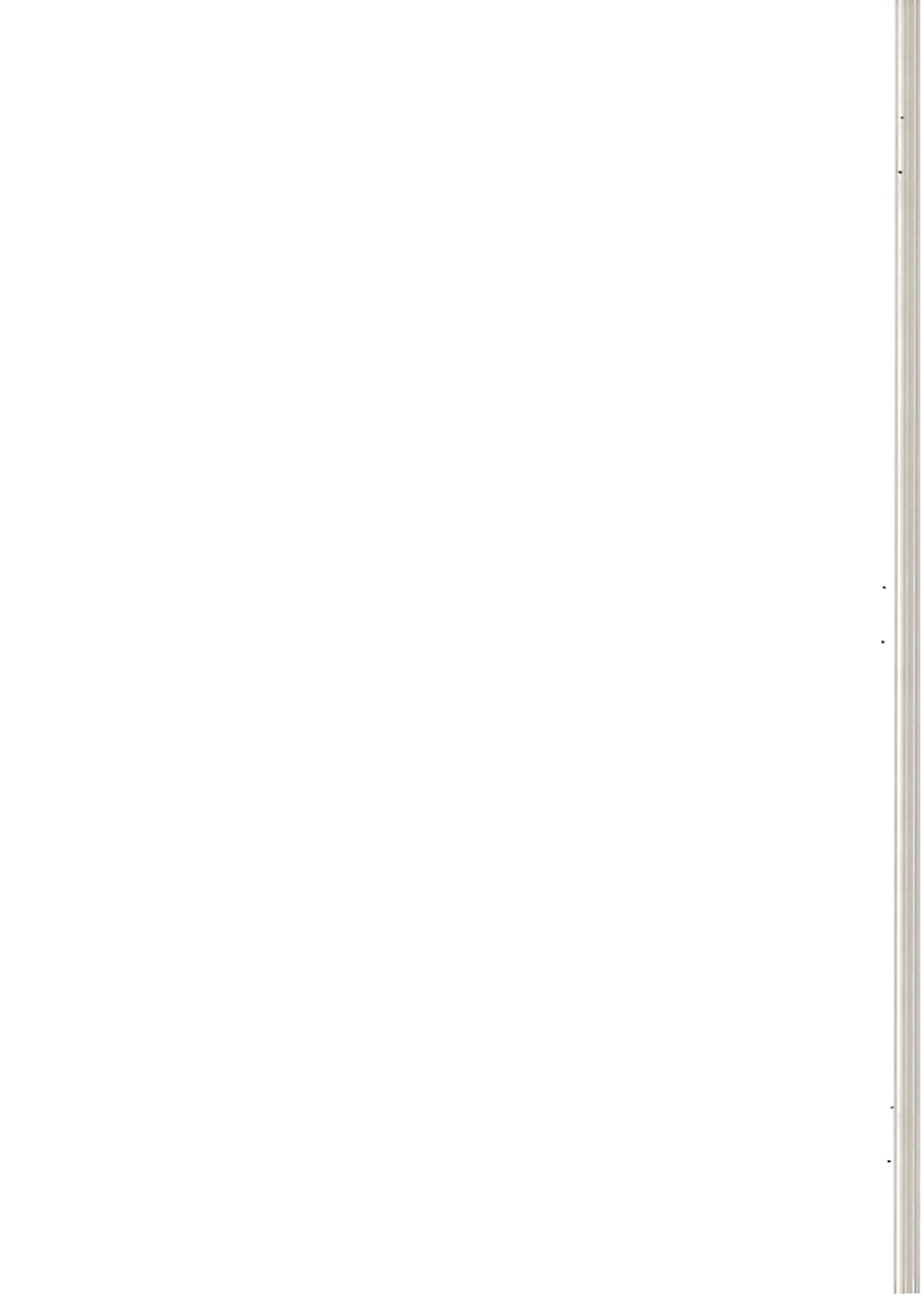
The Board meets regularly as required to efficiently monitor the implementation of the Authority's planned strategy and approve issues of strategic nature. Specific reviews are also undertaken on operational issues and future planning. During the year under review, the Board held 11 meetings. Attendance to the respective meetings is as summarised below:

| Name of Board member       | Board Position                        | Board attendance |
|----------------------------|---------------------------------------|------------------|
| Dr. Kevit Desai            | PS – VTT and Member                   | 1                |
| Dr. Ahmed K. Ferej         | Chair                                 | 11               |
| Prof. Hazel G. Gachanga    | Member                                | 8                |
| Eng. Catherine A. Nyambala | Member                                | 8                |
| Prof. Faith Muli           | Member                                | 11               |
| Mr. Sammy Milgo            | Member                                | 7                |
| Mr. Burua Sanga            | Member                                | 7                |
| Mrs Jane Wambugu           | Representative – CS National Treasury | 8                |
| Dr. Kipkirui Langat        | Secretary                             | 11               |
| CPA Anthony Masinde        | Co-opted (CFO - VTT)                  | 8                |
| Mr. Patrick Wandaka        | Representative- ISC                   | 7                |

#### Board Committees

The Board has three standing Committees that facilitate efficient decision making by the Board in the discharge of its duties and responsibilities. Each Committee has formal and approved terms of reference. In accordance with Section 1.7 of Mwongozo, the Board established 3 committees namely;

- i. Finance and general-purpose committee
- ii. Technical committee
- iii. Audit and risk committee



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**Board Remuneration**

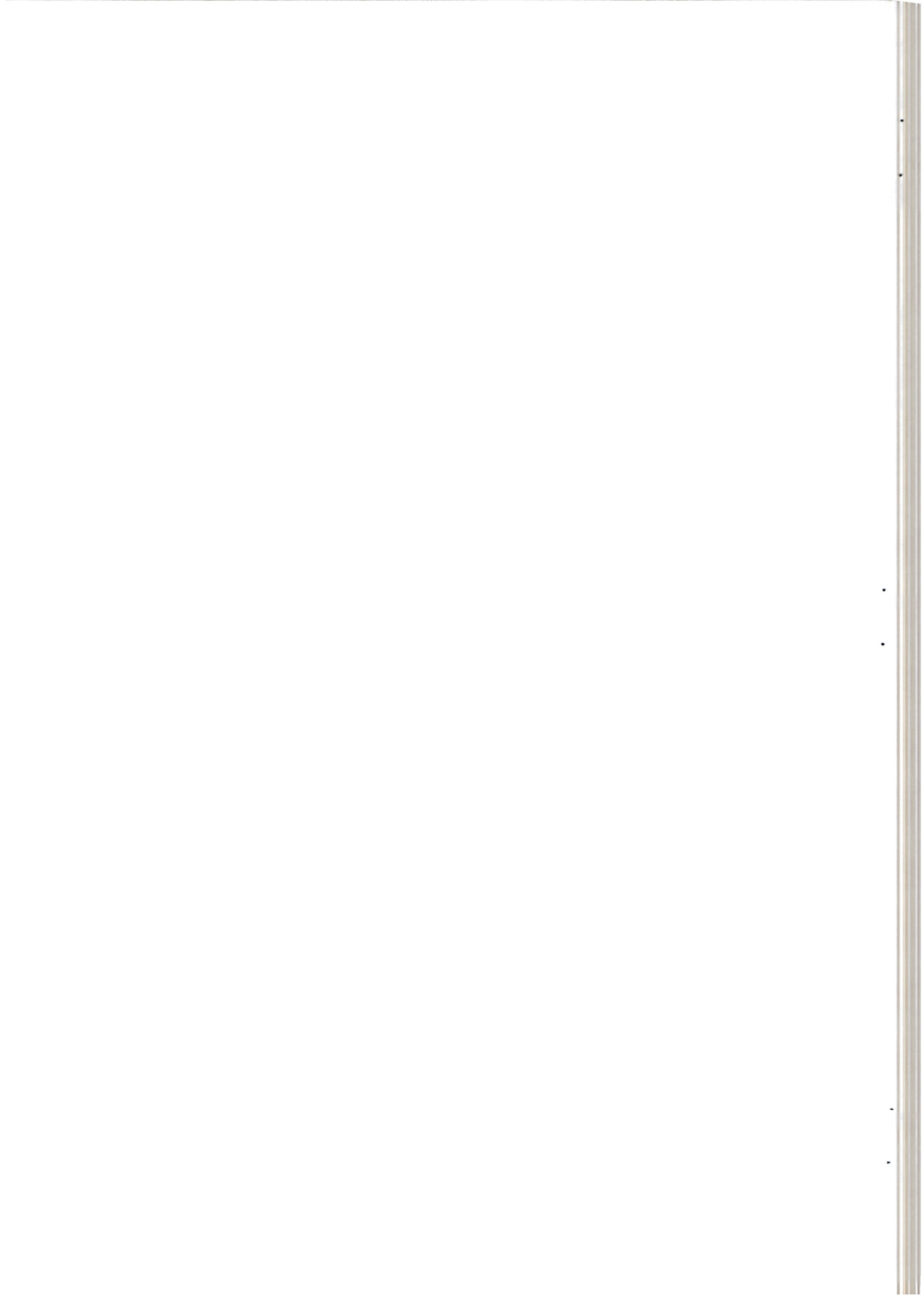
During every Board meeting, present Board members are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable within government set limits for State Corporations. The Chairman receives a monthly honorarium.

**Board Evaluation**

Board Evaluation is key in assessing the performance and efficiency and effectiveness of an organisation. Regular performance evaluations also enable the Authority to review its strategies with a view to ensuring continuous growth and sustainability. During the year, a Board evaluation exercise was carried out and it was conducted by the State Corporations Advisory Committee (SCAC).

**Conflict of Interest**

The Board members are obliged to fully disclose to the Board any real or potential conflict, which comes to any member's attention, whether direct or indirect. The statutory duty to avoid situations in which the Board members have or may have interest that conflict with those of the Authority was observed by the Board during the financial year under review. An acknowledgement that should it come to the attention of a Board member that a matter concerning the Authority may result in a conflict of interest, obligates the member to declare the same and exclude himself/herself from any discussion or decision over the matter in question. The Authority maintains a conflict of interest register which is made available in every meeting.



**VII. MANAGEMENT DISCUSSION AND ANALYSIS**

**Operational and financial performance**

The achievements are presented on the themes as outlined in the strategic objectives.

**QUALITY AND RELEVANCE**

**Inspection of TVET institutions:** The Authority inspected 423 inspections in the FY as compared to 410 in the previous year 2016/17. This brings the total number of institutions inspected by the Authority to 1,700 since inception.

**Accreditation of TVET institutions:** of the 423 assessed institutions, 376 were accredited by the Board. In FY 2016/17, the Board accredited 342 institutions. Cumulatively 1,410 institutions have been accredited to date. The institutions per category are summarized as follows;

| Category                         | Registered and licensed | Registered only | Total        |
|----------------------------------|-------------------------|-----------------|--------------|
| National Polytechnic             | 11                      | -               | 11           |
| Technical and Vocational College | 693                     | 150             | 843          |
| Vocational Training Centre       | 498                     | 58              | 556          |
| <b>Grand total</b>               | <b>1, 202</b>           | <b>208</b>      | <b>1,410</b> |

**Quality and Compliance Audits:** To ensure compliance with set standards, regulations and guidelines, the Authority undertook quality audit in 115 registered institutions.

**Development of TVET quality assurance framework:** The quality assurance framework manual and quality assurance management manual has been completed, gone through stakeholder’s forum and is awaiting official adoption and launch.

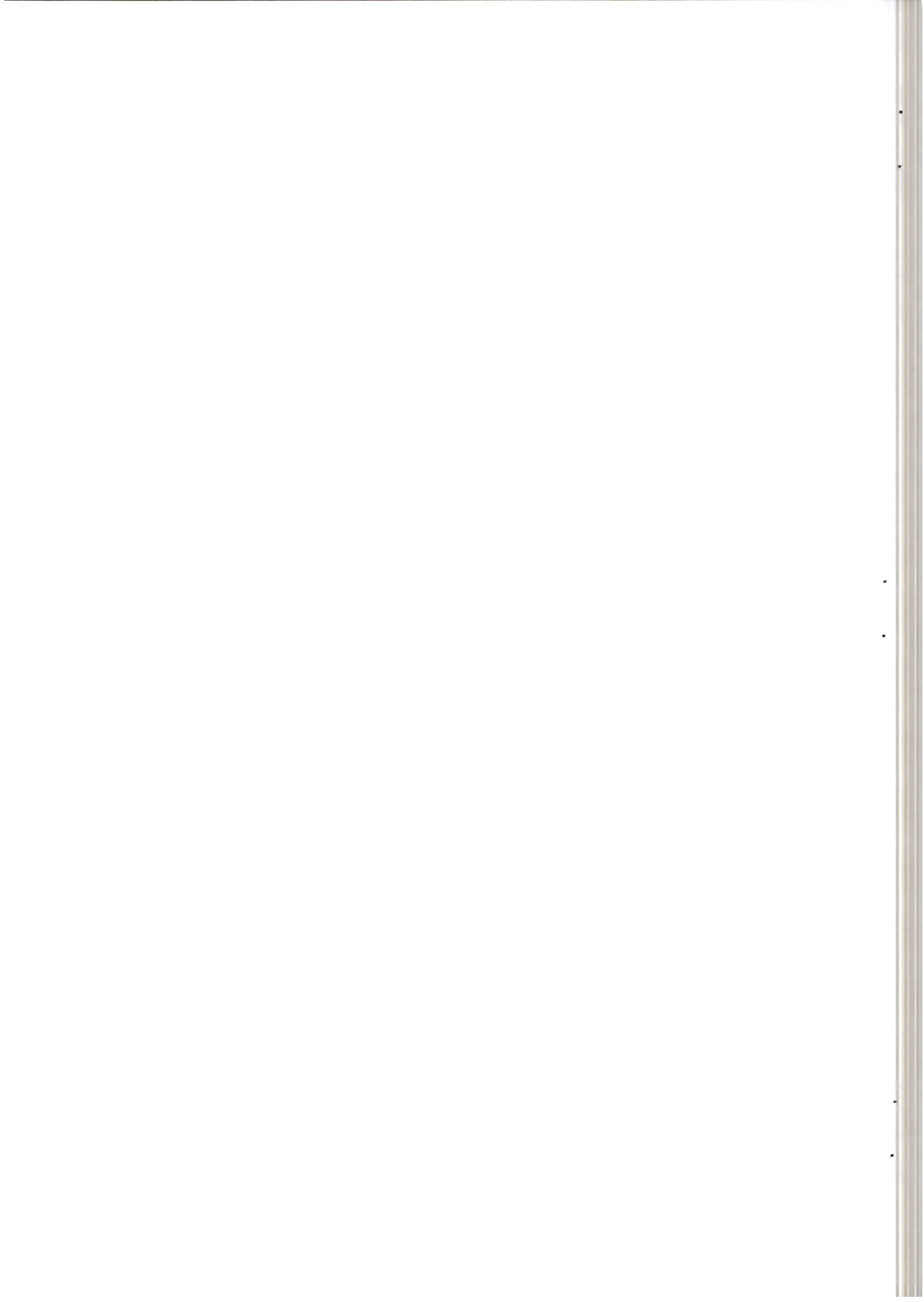
**ACCESS AND EQUITY**

**Standards development:** To enhance access and equity, the Authority through the support of AfDB developed the following standards to ensure quality in curriculum development, recognition of prior learning and set the basis for registration of TVET trainers;

- i. Approval criteria for Competency Based Education and Training and Assessment (CBETA) training programs;
- ii. Prior Learning Assessment and Recognition Standards; and
- iii. Trainers Qualifications Framework,

**Strengthening engagement with County Governments:** The Authority organized an outreach programme to sensitize vocational training managers in the counties. This was done in 6 forums which reached more than 600 training managers. In the previous year, the Authority reached more than 500 training managers through a similar number of forums.

**Participation in research:** The Authority organized a regional knowledge sharing workshop which brought together participants from Kenya, Rwanda and Ghana. The purpose was to share the Rwandan experience on career counselling which is increasingly becoming an issue especially in pre-TVET institutions (primary and secondary schools).



## VIII. GOVERNANCE AND MANAGEMENT

**Development of TVETA strategic plan:** The Authority successfully formulated and launched the strategic plan for the period 2018 – 2022 on 12<sup>th</sup> April 2018.

**Recruitment of staff:** To strengthen the human resource capacity, the advertised for 40 positions to be filled in the current financial year. Applications have been received and shortlisting will be done before end of the first quarter.

**ISO Certification:** The Authority has trained Internal Auditors, developed ISO procedures and briefed top management. The process is now at 65% and certification is likely be attained before end of the financial year.

**Office space:** To ensure adequate provision of office space, the Authority leased the 8<sup>th</sup> floor of Utalii house. However, based on the advice from Public Works, the space had to be renovated. The renovation is now at 80% completion level and should be available for use before the end of quarter one this financial year.

**Online registration system:** To enhance efficiency and reduce the cost borne by clients, the Authority is developing an online registration system with support from the Niche programme of Netherlands. The system is now at prototype level being 50% completion rate. The next step is to develop and pilot the system in the current financial year.

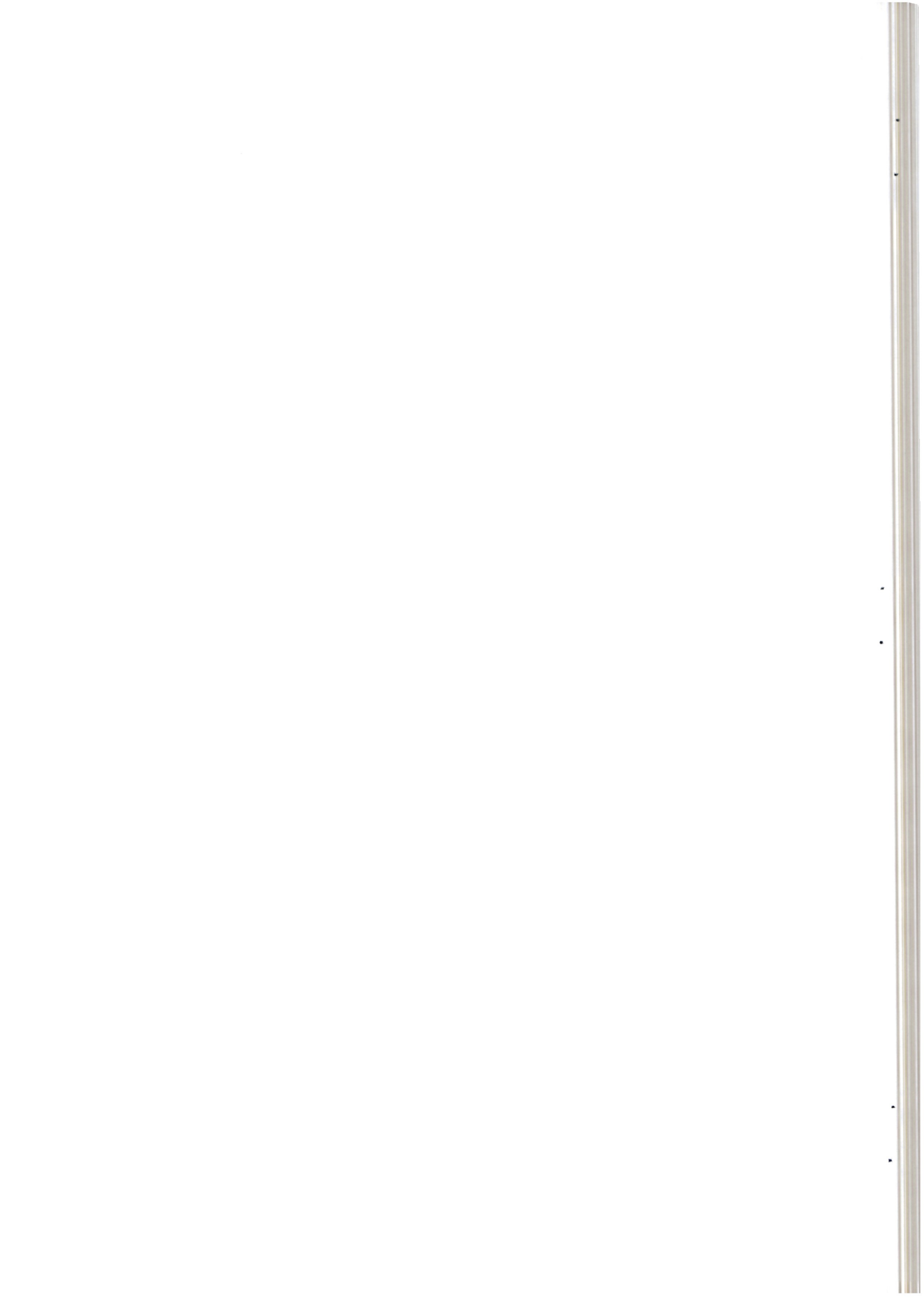
## MOBILIZATION OF FINANCIAL RESOURCES

**Appropriation in Aid:** Following gazettelement of its fees, the Authority was able to collect Kshs. 19.9M for services rendered.

**Strengthening engagement with development partners:** Authority implemented 3 projects with development partners. The projects were being supported by development partners as follows:

- i. AfDB that supported in the following:
  - a) Development of strategic plan which was launched on 12<sup>th</sup> April 2018
  - b) Development of standards and accreditation manuals. 3 standards were completed, and these are trainer qualification framework, prior learning assessment and recognition, and standards and guidelines for CBET programme
- ii. KEFEP through the Canadian Government that is assisting in capacity building for TVETA staff in enhancing quality assurance an accreditation of CBET programmes and training institutions.
- iii. NICHE project through the Netherlands Government that is assisting in development of;
  - a) Quality assurance framework
  - b) A management information system
  - c) Staff capacity building
  - d) Tool to assist in entrepreneurial profiling of TVET institutions and gender and
  - e) Rebranding of TVET

This project is for a period of 3 years and will close in 2020



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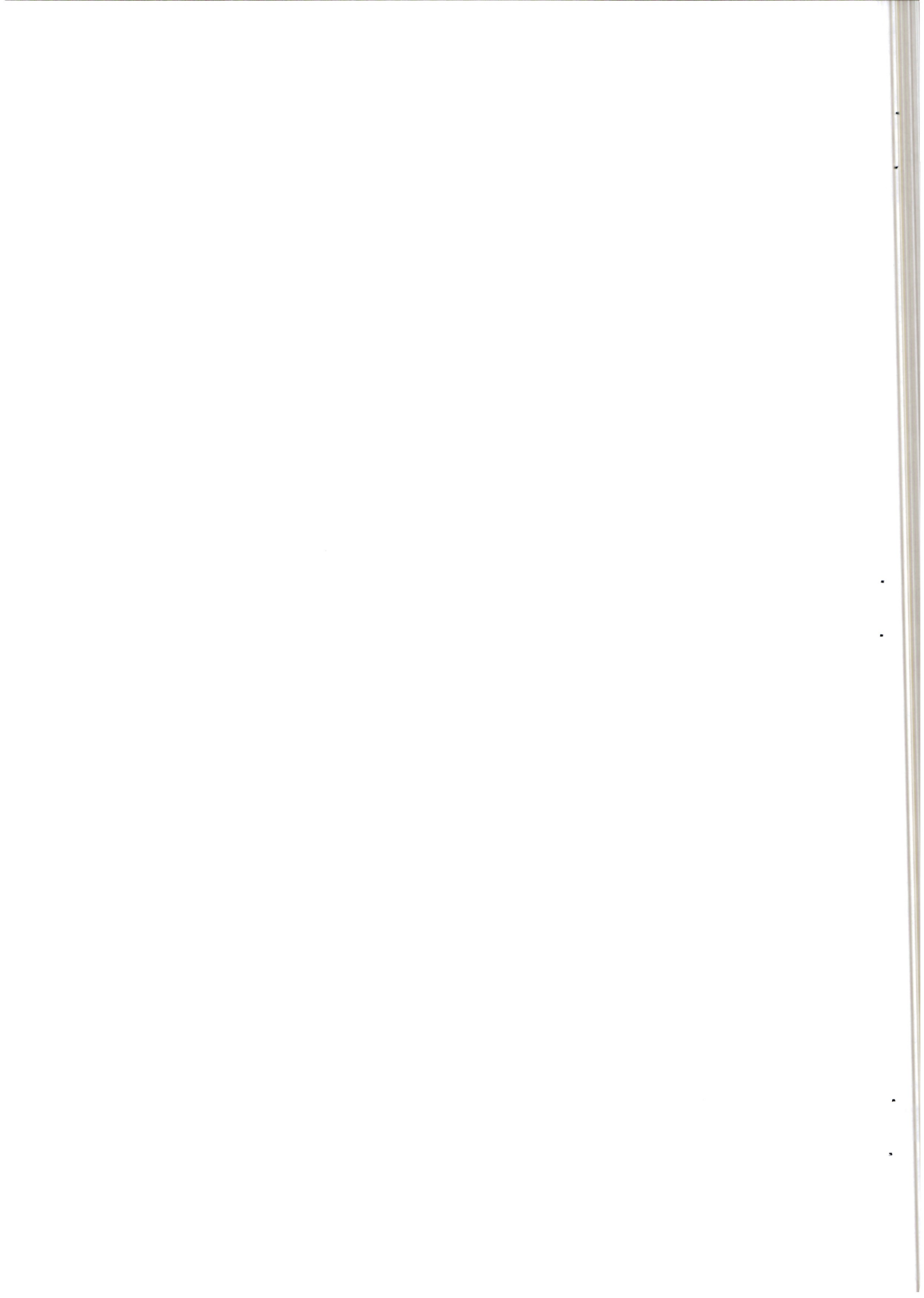
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**Compliance with statutory requirements**

The Authority complied with statutory requirements through preparation and submission of budgets, preparation and submission of procurement plans, remission of taxes (PAYE) to KRA, regular financial reporting and availing all records for auditing.

**Major risks facing the organisation**

The Audit and Risk Committee of the Board spearheaded the development of a corporate-wide risk register and heat map. The risk register has risks identified in all operational units of the Authority, the risk levels, responsibility and possible remedial action.



## **IX. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the *entity's* affairs.

### **Principal activities**

The principal activities of the Authority are as outlined in Section 7 of the TVET Act, 2013 and include to:

- i) Regulate and coordinate training under TVET Act, 2013
- ii) Inspect, register and license training institutions;
- iii) Accredite and inspect programmes and courses;
- iv) Assure quality and relevance in programmes of training;
- v) Prescribe the minimum criteria for admission to training institutions and programmes to promote access, equity and gender parity.
- vi) Collect, examine and publish information relating to training;
- vii) Determine the national technical and vocational training objectives;
- viii) Recognize and equate qualifications awarded by local or foreign technical and vocational education institutions' in accordance with the Standards and guidelines set out by the Authority from time to time;
- ix) Undertake, or cause to be undertaken, regular monitoring, evaluation and inspection of training and institutions to ensure compliance with set standards and guidelines;

### **Results**

The results of the entity for the year ended June 30, 2018 are set out from page 16 of this report.

### **Directors**

The members of the Board of Directors who served during the year are shown from page 5. During the year, Eng. Nerbart Muriuki - director resigned and Mr. Burua Sanga and Mr. Sammy Milgo were appointed with effect from 5<sup>th</sup> October 2017.

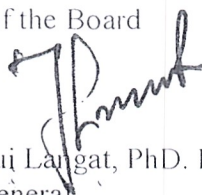
### **Dividends/Surplus remission**

The Authority did not make any surplus in form of profit during the year ( FY 2017 Nil) but had a saving from grant and hence no remittance to the Consolidated Fund.

### **Auditors**

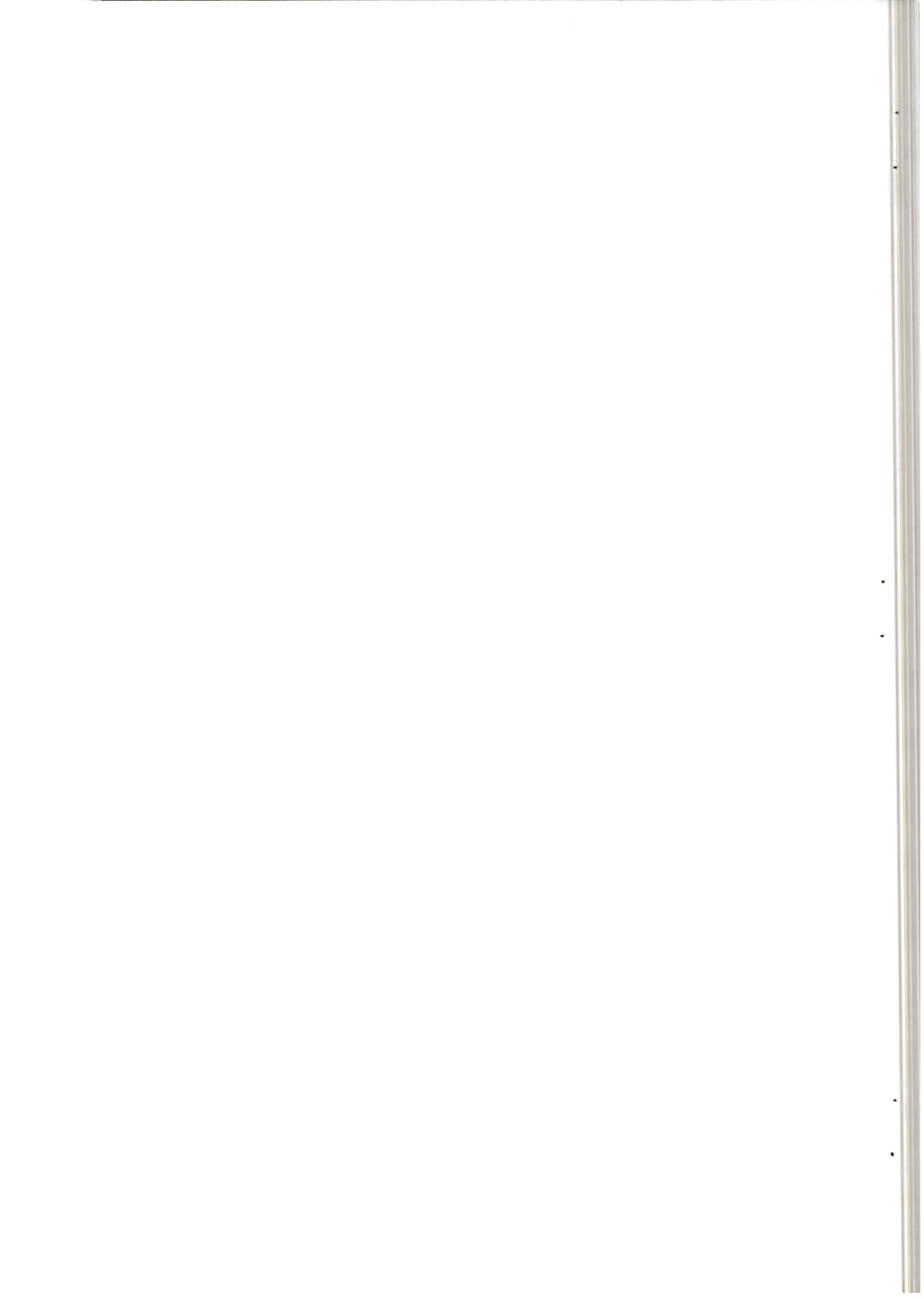
The Auditor General is responsible for the statutory audit of the *Authority* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Dr. Kipkirui Langat, PhD. FIETK  
Director General  
Nairobi

Date: 19 March 2019



## X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 83 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the *Authority*, which give a true and fair view of the state of affairs of the *Authority* at the end of the financial year and the operating results of the *Authority* for that year. The Directors are also required to ensure that the *Authority* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Authority*. The Directors are also responsible for safeguarding the assets of the *Authority*.

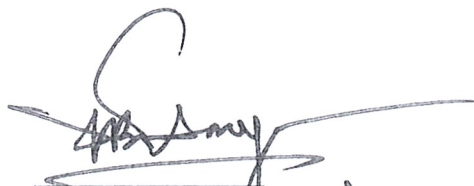
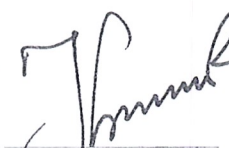
The Directors are responsible for the preparation and presentation of the *Authority's* financial statements, which give a true and fair view of the state of affairs of the *Authority* for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Authority*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

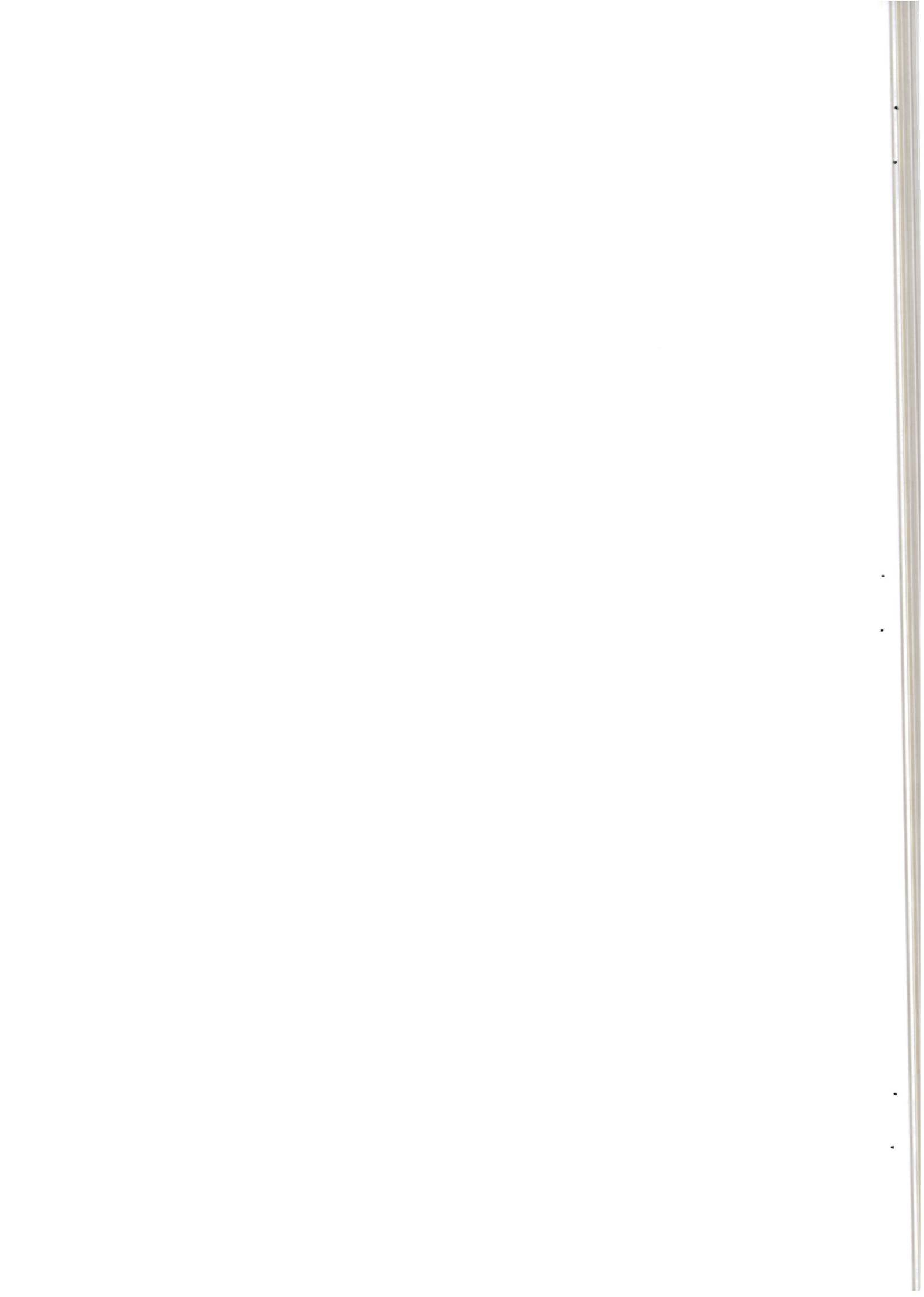
The Directors accept responsibility for the *Authority's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public-Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act). The Directors are of the opinion that the *Authority's* financial statements give a true and fair view of the state of *Authority's* transactions during the financial year ended June 30, 2018, and of the *Authority's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Authority*, which have been relied upon in the preparation of the *Authority's* financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

The *Authority's* financial statements were approved by the Board on 24.09. 2018 and signed on its behalf by:

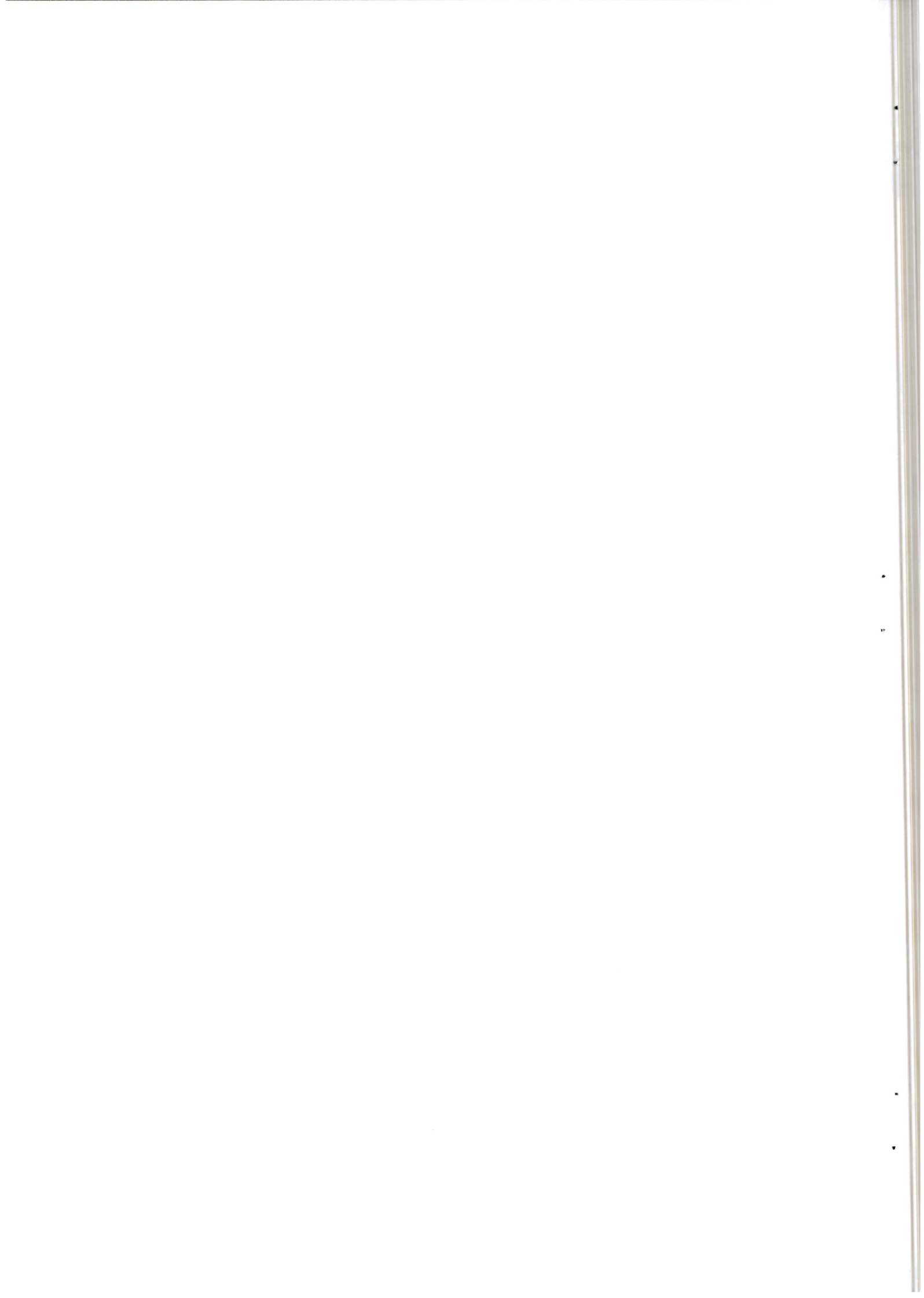
  
\_\_\_\_\_  
Director  
\_\_\_\_\_  
Director  
\_\_\_\_\_  
Director



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**XI. AUDITOR GENERAL'S REPORT**



# REPUBLIC OF KENYA

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Fax: +254-20-311482  
E-Mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL OF TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

##### Opinion

I have audited the accompanying financial statements of Technical and Vocational Education and Training Authority set out on pages 22 to 36, which comprise the statement of financial position as at 30 June 2018, and statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Technical and Vocational Education and Training Authority as at 30 June 2018 and of its financial performance and of its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Technical and Vocational Education and Training Act, 2013.

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

##### Key Audit Matters

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

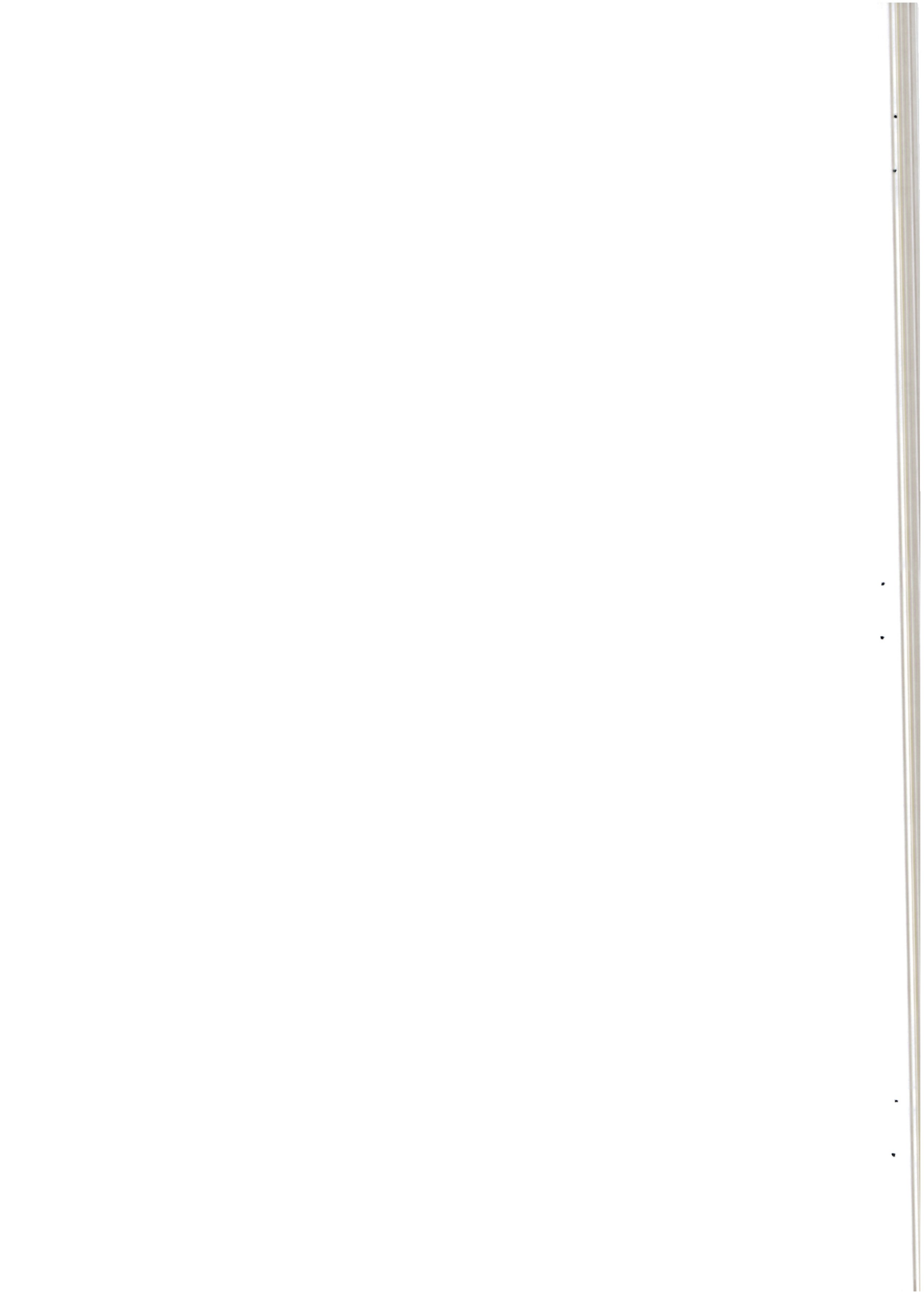
#### REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

##### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

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*Report of the Auditor-General on the Financial Statements of Technical and Vocational Education and Training Authority for the Year Ended 30 June 2018*



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

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

### **Conclusion**

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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**

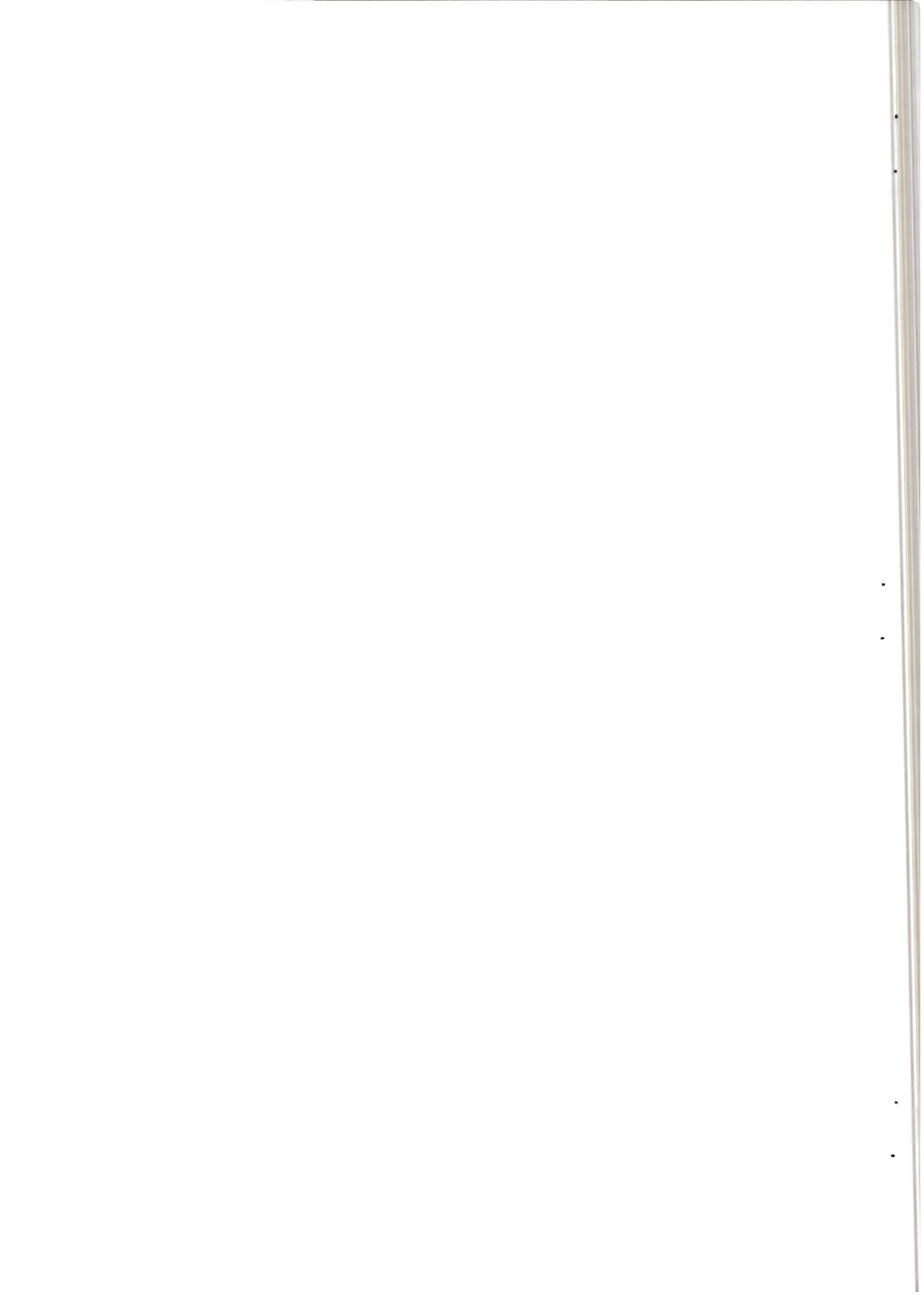
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial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

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

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Authority monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and



systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

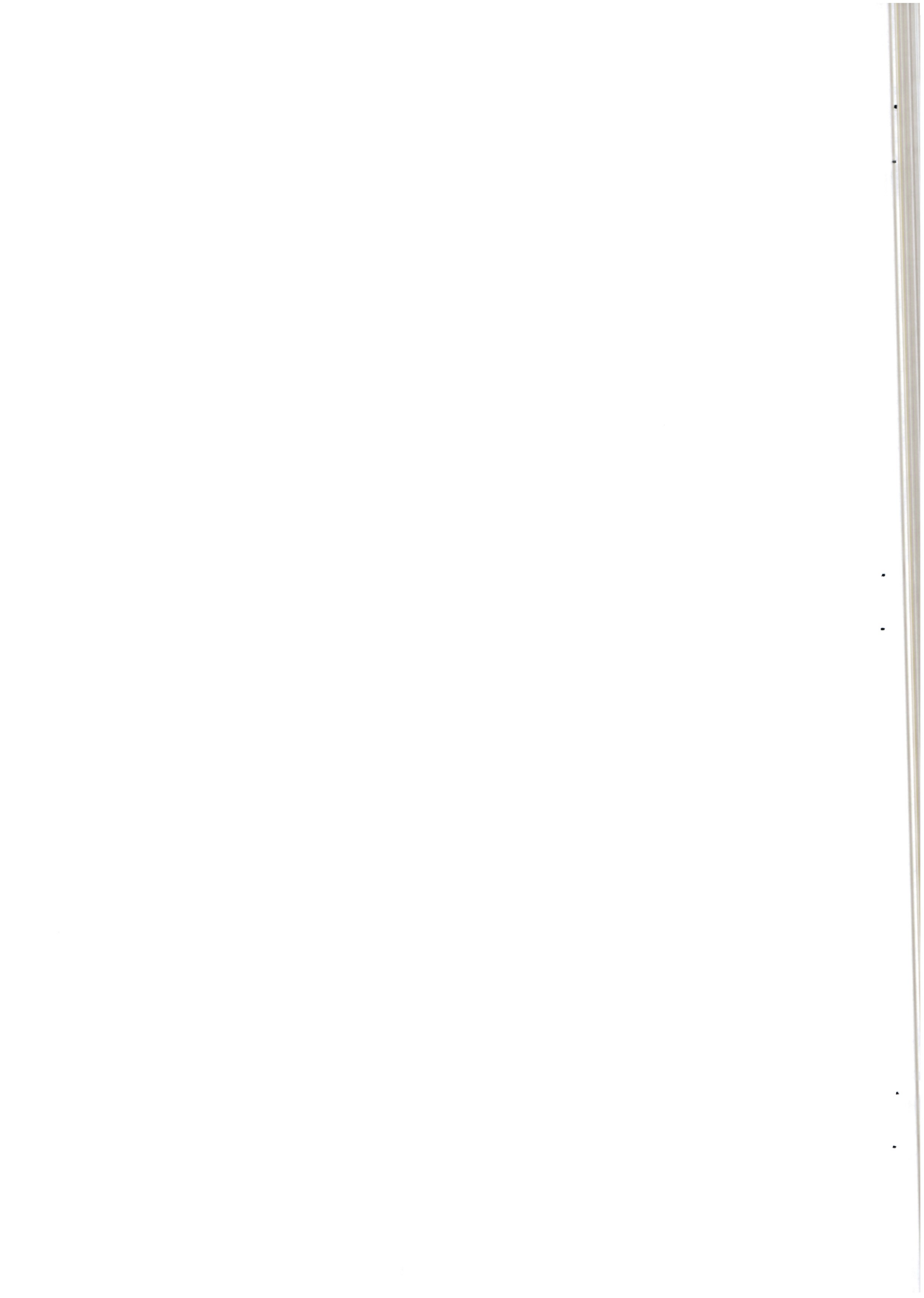
In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

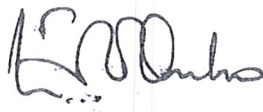


fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

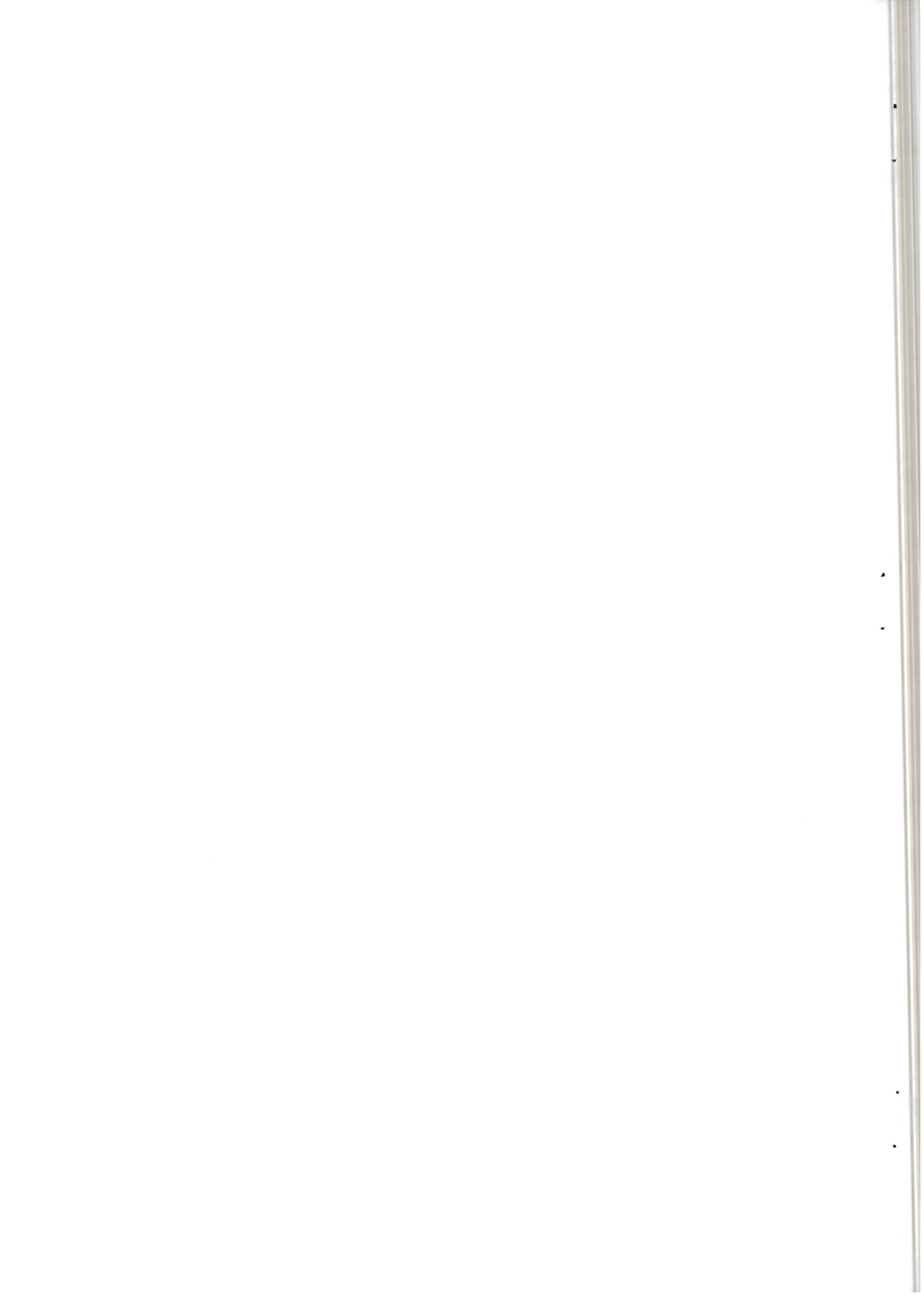
I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

22 March 2019



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XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

|  | Notes | 2017-2018<br>Kshs         | 2016-2017<br>Restated<br>Kshs |
|--|-------|---------------------------|-------------------------------|
| <b>Revenue from non-exchange transactions</b>    |       |                           |                               |
| Transfers from government – and services-in-kind | 3     | 110,000,000               | 110,000,000                   |
|  |       | <b>110,000,000</b>        | <b>110,000,000</b>            |
| <b>Revenue from exchange transactions</b>        |       |                           |                               |
| Accreditation Fees                               | 3b    | 19,937,338                | -                             |
| Other income                                     | 4     | 111,000                   | 325,000                       |
| Total  |       | <b>20,048,338</b>         | <b>325,000</b>                |
| <b>Total revenue</b>                             |       | <b><u>130,048,338</u></b> | <b><u>110,325,000</u></b>     |
| <b>Expenses</b>                                  |       |                           |                               |
| Employee costs                                   | 5     | 15,462,106                | 8,939,250                     |
| Board Expenses                                   | 6     | 11,657,904                | 12,490,486                    |
| Depreciation and amortization expense            | 7     | 9,583,768                 | 9,913,139                     |
| Repairs and maintenance                          | 8     | 2,329,795                 | 2,191,323                     |
| Contracted services                              | 9     | 672,000                   | 1,325,900                     |
| Operation expenses                               | 10    | 76,771,603                | 70,545,219                    |
| <b>Total expenses</b>                            |       | <b><u>116,477,177</u></b> | <b><u>105,405,317</u></b>     |
| <b>Surplus/(Deficit) For the Period</b>          |       | <b><u>13,571,161</u></b>  | <b><u>4,919,683</u></b>       |

Signed 

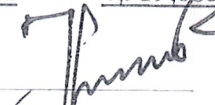
Date: 19 March 2019

Chairman

Signed 

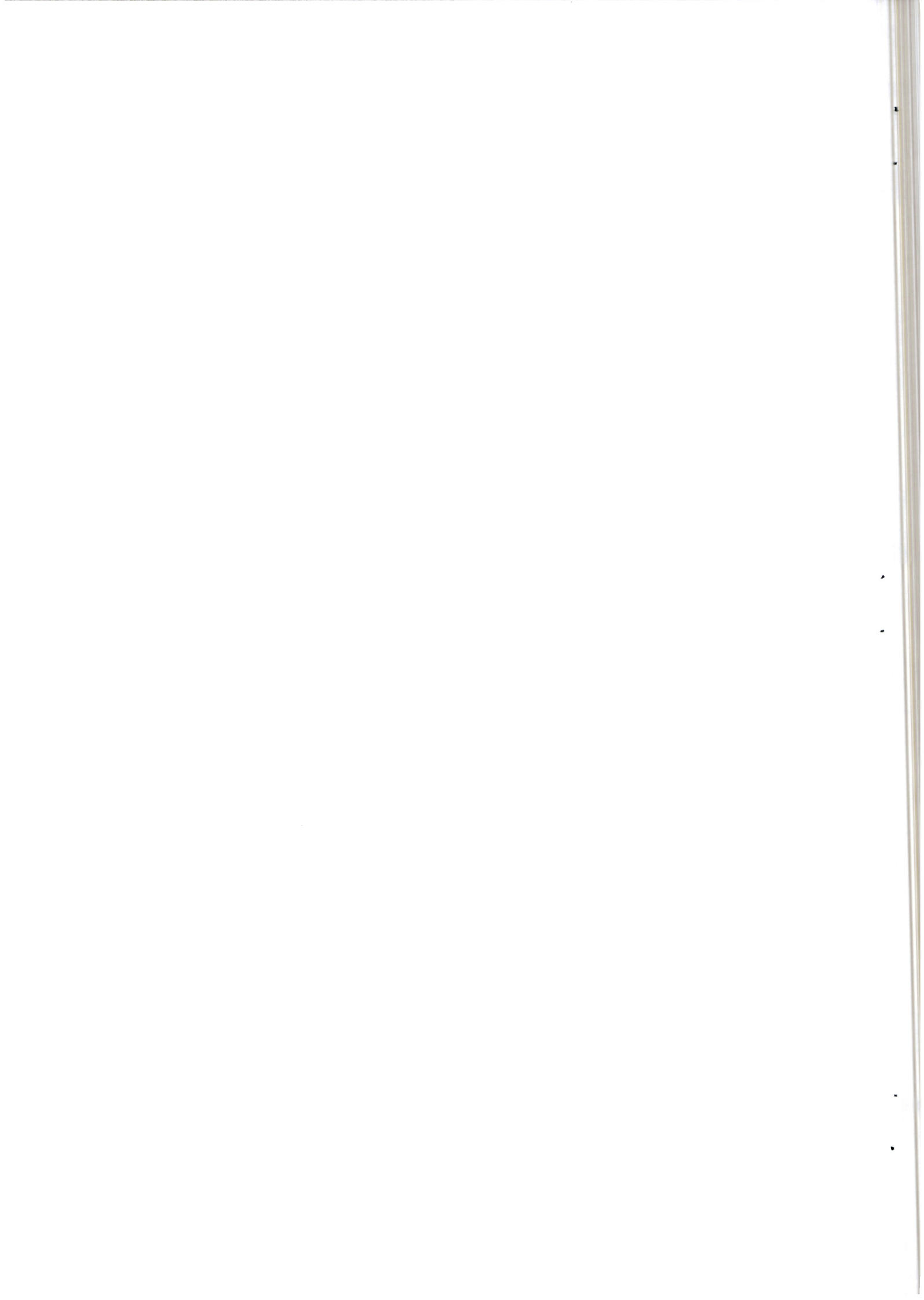
Date: 19 March 2019

Accountant  
ICPAK No: 4405

Signed 

Date: 19 March 2019

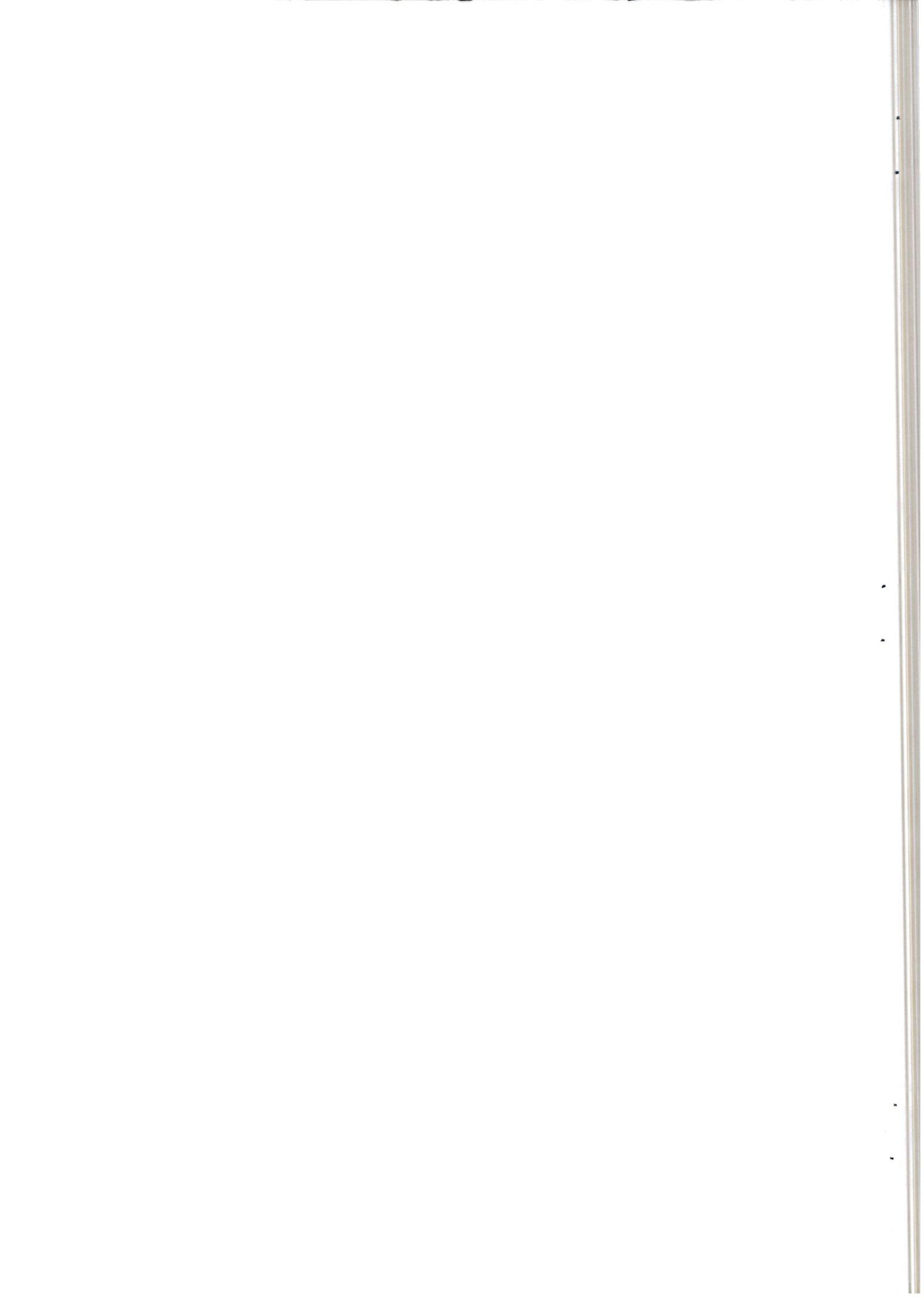
Director General



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**XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018**

|   | Notes | 2017-2018<br>Kshs | 2016-2017<br>Restated<br>Kshs |
|---|-------|-------------------|-------------------------------|
| <b>Assets</b>                                       |       |                   |                               |
| <b>Current assets</b>                               |       |                   |                               |
| Cash and cash equivalents                           | 11    | 27,333,880        | 15,409,598                    |
| Receivables from exchange transactions              | 12    | 1,364,819         | 11,830,205                    |
|   |       | <u>28,698,699</u> | <u>27,239,803</u>             |
| <b>Non-current assets</b>                           |       |                   |                               |
| Plant and equipment                                 | 15    | 5,466,594         | 4,707,676                     |
| Motor Vehicles                                      | 15    | 20,172,623        | 21,096,830                    |
| Computers & Printers                                | 15    | 3,331,447         | 3,486,325                     |
| Furniture & Fittings                                | 15    | 4,555,991         | 4,312,667                     |
| Renovation and Refurbishment (WIP)                  | 15    | 18,650,120        | -                             |
| <b>Total current assets</b>                         |       | <u>52,176,775</u> | <u>33,603,498</u>             |
| <b>Total Assets</b>                                 |       | <u>80,875,474</u> | <u>60,843,301</u>             |
| <b>Liabilities</b>                                  |       |                   |                               |
| <b>Current liabilities</b>                          |       |                   |                               |
| Trade and other payables from exchange transactions | 12(b) | 1,865,012         | 500,000                       |
| Provisions  | 13    | 5,096,000         | -                             |
| <b>Total current liabilities</b>                    |       | <u>6,961,012</u>  | <u>500,000</u>                |
| <b>Net assets</b>                                   |       |                   |                               |
| Reserves (accumulated surplus)                      |       | 1,048,098         | 15,489,477                    |
| Capital Fund  |       | 72,866,364        | 44,853,824                    |
| <b>Total net Assets</b>                             |       | <u>73,914,462</u> | <u>60,343,301</u>             |
| <b>Total net assets and liabilities</b>             |       | <u>80,875,474</u> | <u>60,843,301</u>             |

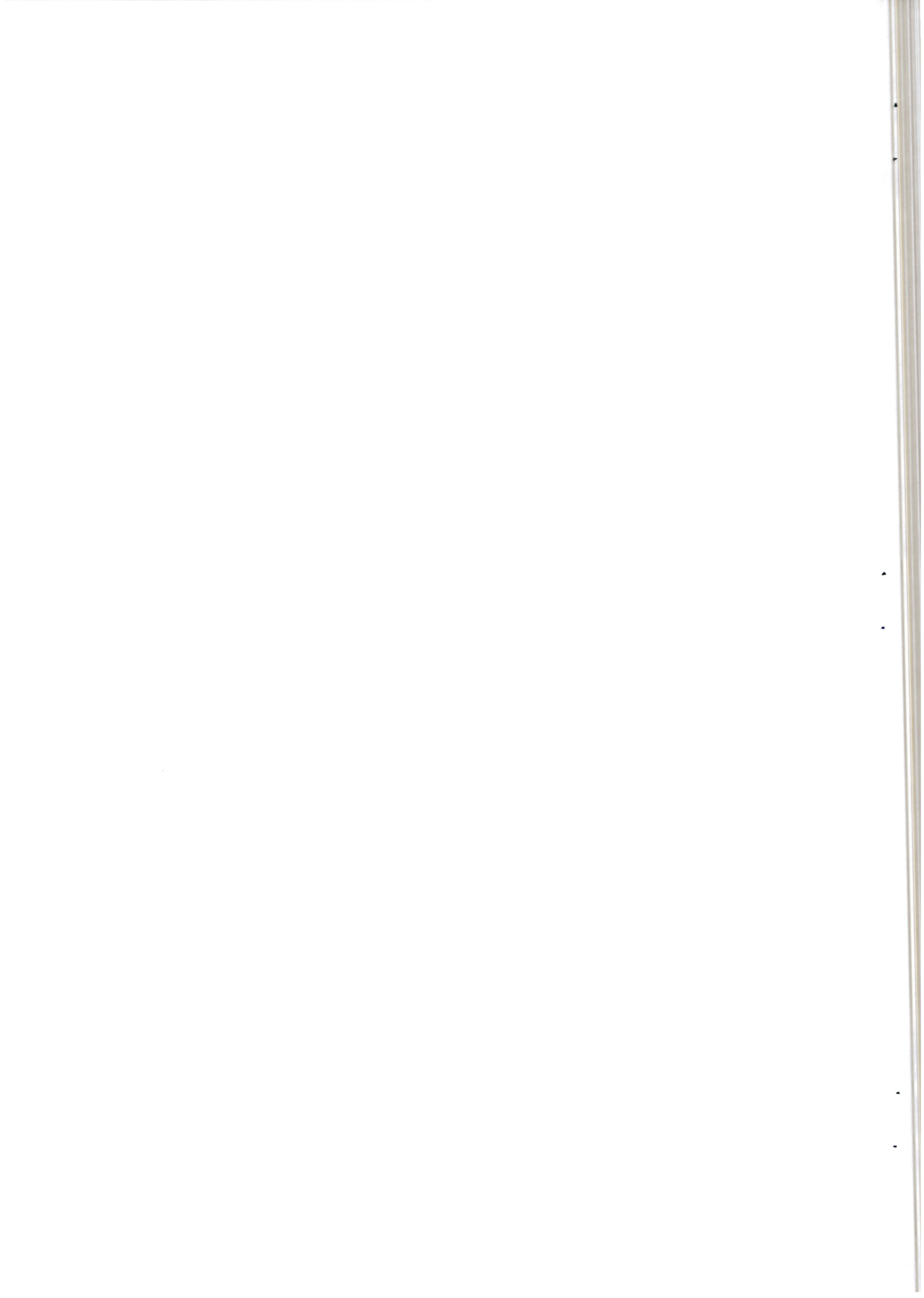


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**XIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018**

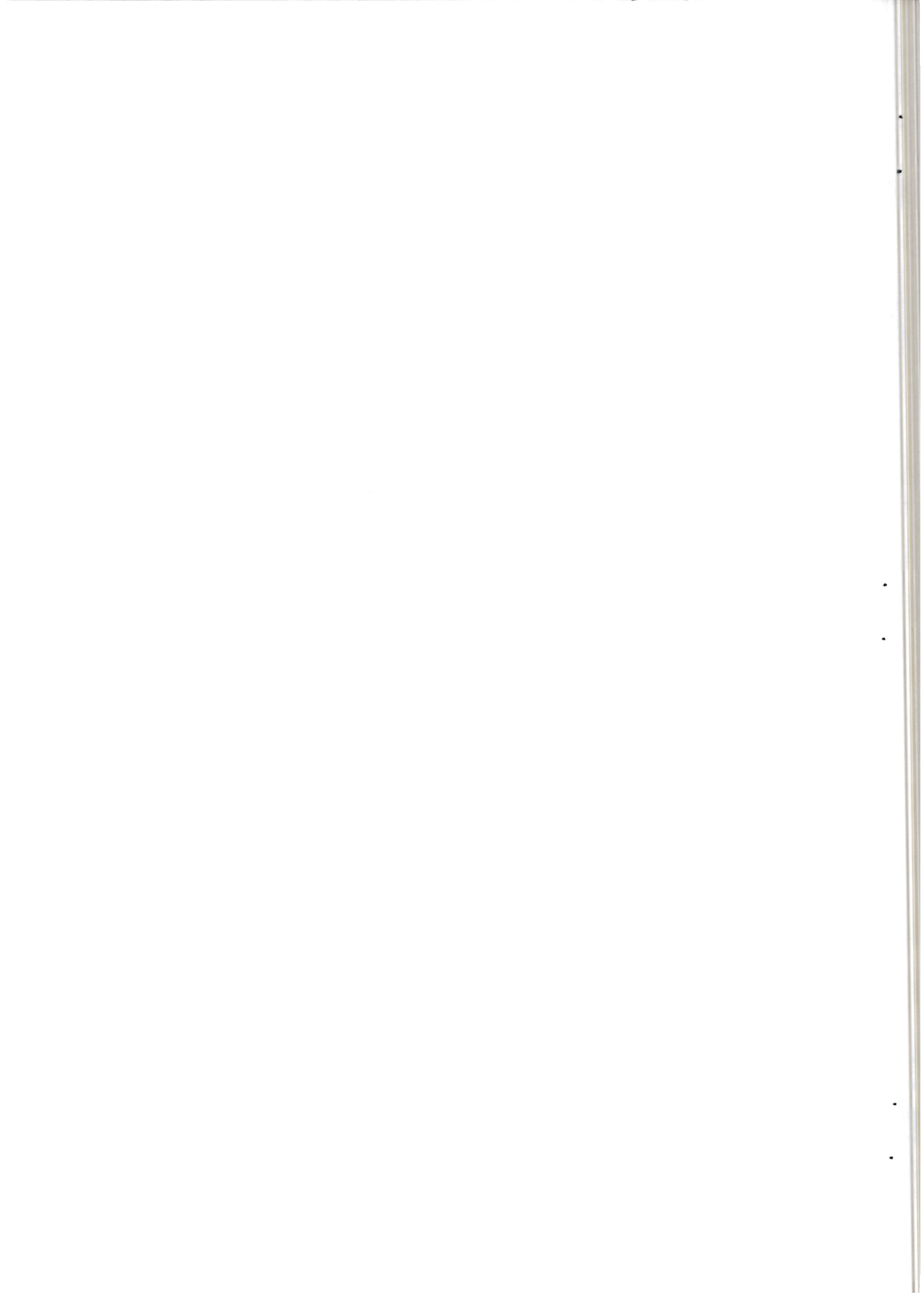
|  | Retained earnings | Capital/<br>Development<br>Grants/Fund | Total      |
|--|-------------------|--|------------|
| At July 1, 2016                            | 23,814,323        | 31,609,295                             | 55,423,618 |
| Capital/Development grants during the year | (13,244,529)      | 13,244,529                             | -          |
| Surplus/(Deficit) for the year             | 4,919,683         | -                                      | 4,919,683  |
| At June 30, 2017                           | 15,489,477        | 44,853,824                             | 60,343,301 |
| At July 1, 2017                            | 15,489,477        | 44,853,824                             | 60,343,301 |
| Capital/Development grants during the year | (28,012,540)      | 28,012,540                             | -          |
| Surplus/(Deficit) for the year             | 13,571,161        | -                                      | 13,571,161 |
| At June 30, 2018                           | 1,048,098         | 72,866,364                             | 73,914,462 |



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**XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018**

|   |      | 2017-2018                  | 2016-2017                  |
|---|------|----------------------------|----------------------------|
|   | Note | Kshs                       | Kshs                       |
| <b>Cash flows from operating activities</b>                 |      |                            |                            |
| <b>Receipts</b>   |      |                            |                            |
| Public contributions and donations                          |      | -                          | 325,000                    |
| Government grants and subsidies                             | 3    | 110,000,000                | 110,000,000                |
| Accreditation Fees & Other Receipts                         | 4    | 20,048,338                 | -                          |
| <b>Total Receipts</b>                                       |      | <b><u>130,048,338</u></b>  | <b><u>110,325,000</u></b>  |
| <b>Payments</b>   |      |                            |                            |
| Compensation of employees                                   | 5    | 10,866,106                 | 8,939,250                  |
| Operation expense   | 10   | 47,877,711                 | 67,565,734                 |
| Directors Allowances  | 6    | 11,657,904                 | 12,490,486                 |
| Repairs and Maintenance                                     | 8    | 2,329,795                  | 2,191,323                  |
| Contracted services   | 9    | 672,000                    | 1,325,900                  |
| Rent paid   | 10   | 16,708,000                 | 7,776,000                  |
| <b>Total Payments</b>                                       |      | <b><u>90,111,516</u></b>   | <b><u>100,288,693</u></b>  |
| <b>Net cash flows from operating activities</b>             |      | <b><u>39,936,822</u></b>   | <b><u>10,036,307</u></b>   |
| <b>Cash flows from investing activities</b>                 |      |                            |                            |
| Purchase of office equipment                                | 14   | (1,539,860)                | (2,372,222)                |
| Purchase of Motor Vehicle                                   | 14   | (5,800,000)                | (12,629,357)               |
| Purchase of Computers                                       | 14   | (1,128,380)                | (1,162,500)                |
| Purchase of Furniture                                       | 14   | (894,180)                  | (2,280,450)                |
| Renovations and Refurbishment                               | 14   | (18,650,120)               | -                          |
| <b>Net cash flows used in investing activities</b>          |      | <b><u>(28,012,540)</u></b> | <b><u>(18,444,529)</u></b> |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>11,924,282</b>          | <b>(8,408,222)</b>         |
| Cash and cash equivalents at 1 July 2017                    |      | 15,409,598                 | 23,817,820                 |
| <b>Cash and cash equivalents at 30 June 2018</b>            |      | <b><u>27,333,880</u></b>   | <b><u>15,409,598</u></b>   |

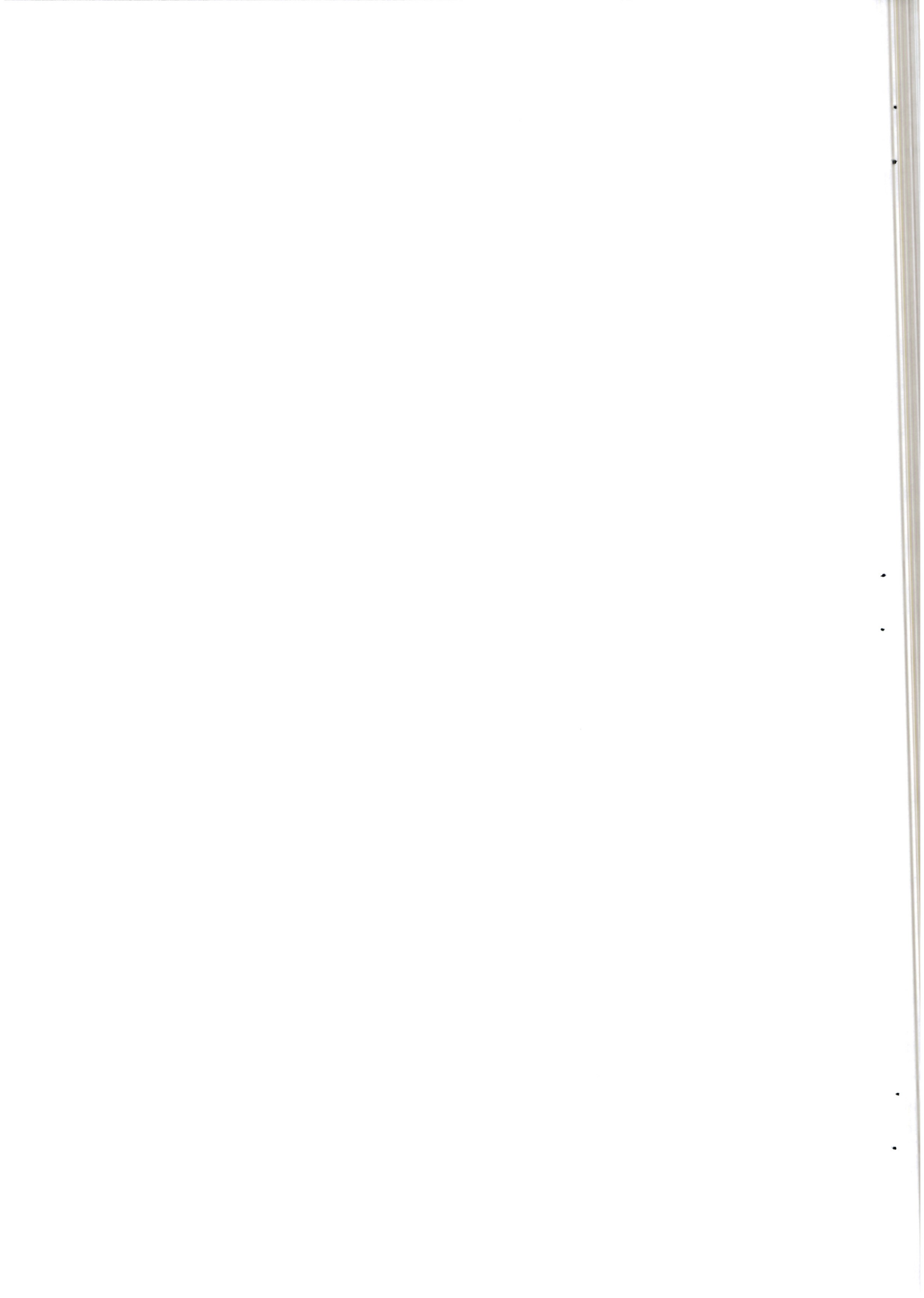


**TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY**  
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**XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

|                                 | Original budget    | Adjustments      | Final budget       | Actual on comparable basis | Performance difference |
|---------------------------------|--------------------|------------------|--------------------|----------------------------|------------------------|
|                                 | 2017-2018          | 2017-2018        | 2017-2018          | 2017-2018                  | 2017-2018              |
|                                 | Kshs               | Kshs             | Kshs               | Kshs                       | Kshs                   |
| <b>Revenue</b>                  |                    |                  |                    |                            |                        |
| Government grants and subsidies | 110,000,000        | -                | 110,000,000        | 110,000,000                | -                      |
| Accreditation Fees              | 10,000,000         | 9,700,000        | 19,700,000         | 19,937,338                 | 237,338                |
| Other income                    | -                  | -                | -                  | 111,000                    | 111,000                |
| <b>Total income</b>             | <b>120,000,000</b> | <b>9,700,000</b> | <b>129,700,000</b> | <b>130,048,338</b>         | <b>348,338</b>         |
| <b>Expenses</b>                 |                    |                  |                    |                            |                        |
| Compensation of employees       | 31,017,312         | -                | 31,017,312         | 15,462,106                 | 15,555,206             |
| Operations                      | 64,780,000         | 4,845,000        | 69,625,000         | 76,771,603                 | (7,146,603)            |
| Board expenses                  | 8,000,000          | 4,770,000        | 12,770,000         | 11,657,904                 | 1,112,096              |
| Repairs and Maintenance         | 3,300,000          | (512,000)        | 2,788,000          | 2,329,795                  | 458,205                |
| Contracted services             | 1,000,000          | (100,000)        | 900,000            | 672,000                    | 228,000                |
| <b>Total expenditure</b>        | <b>108,097,312</b> | <b>9,003,000</b> | <b>117,100,312</b> | <b>106,893,408</b>         | <b>10,206,904</b>      |
| <b>Surplus for the period</b>   | <b>11,902,688</b>  | <b>697,000</b>   | <b>12,599,688</b>  | <b>23,154,930</b>          | <b>(10,555,242)</b>    |
| Capital Expense                 | 27,302,688         | 777,000          | 28,079,688         | 28,012,540                 | 67,148                 |

a. The under expenditure in compensation of employees is due to new staff had not come on board by end of June. The over expenditure in operations is due to Rent expense in statement is kshs. 16,708,000, but actual payment kshs. 8,932,000.00 the difference was amount of prepayment from f/y 2016-2017. Fuel expense kshs. 3,192,200 while actual payment kshs. 1,828,200.00, difference being balance brought forward. Medical insurance expense kshs. 1,218,720 being amount brought forward from f/y 2016-2017. Travelling expense received support from our development partners thus reduction.



## **XVII. NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

Technical and Educational Education and Training Authority is established by and derives its authority and accountability from PFM Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is regulation of TVET institutions.

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

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

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

#### **Early adoption of standards**

The Authority did not early – adopt any new or amended standards in year 2018.

#### **Summary of significant accounting policies**

##### **a) 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 Authority and can be measured reliably.

##### **b) Financial Instruments IPSAS 29**

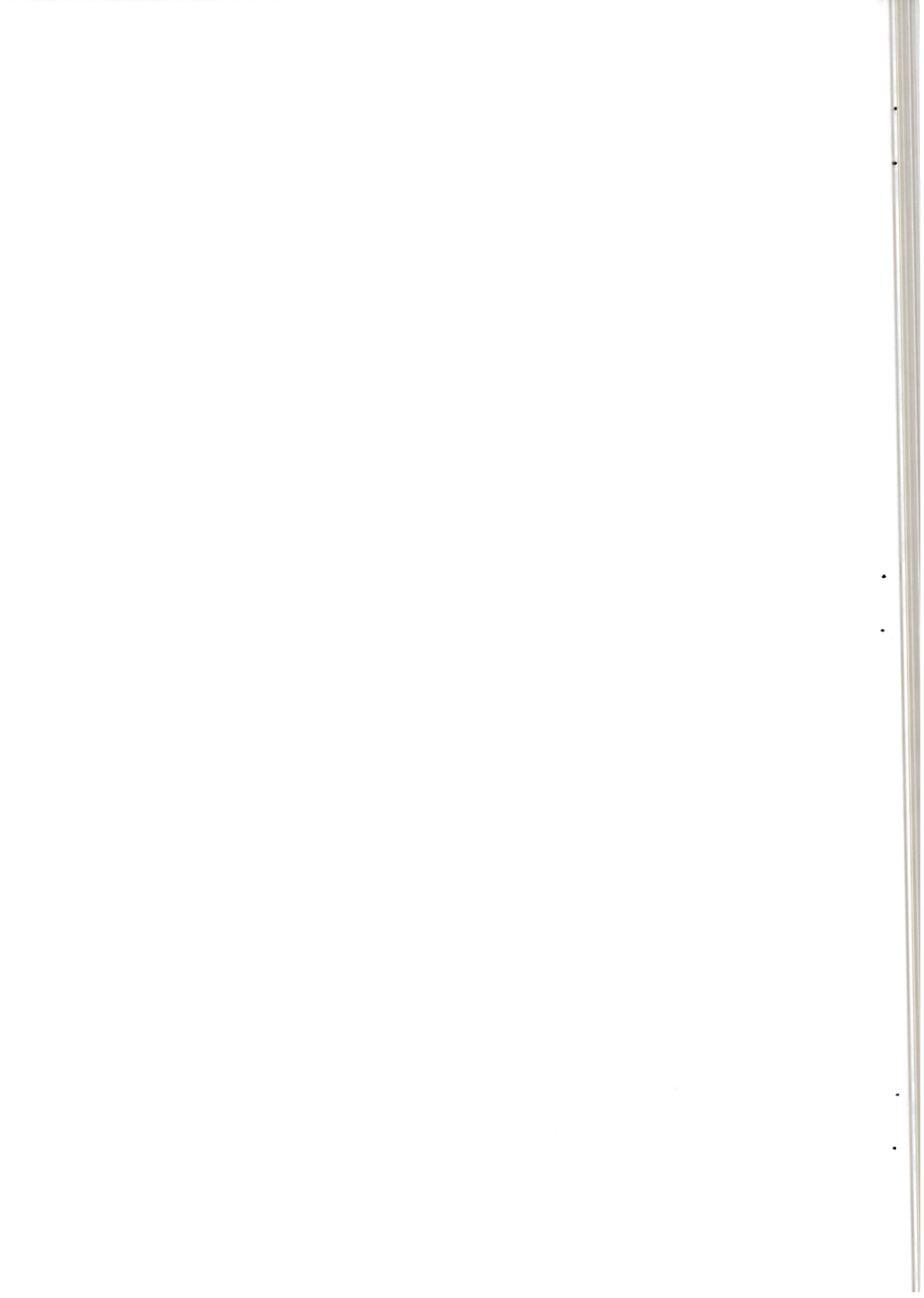
###### **Financial Assets**

###### **Initial recognition and measurement**

Financial assets are classified at initial recognition by the Authority at fair value as held-to-maturity investments. Non-derivative financial assets with fixed or determinable payments and fixed maturities

##### **c) Property, plant and equipment – IPSAS 17**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Authority 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 as 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.



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

**d) Depreciation**

Depreciation is calculated on reducing balance at the following rates:

| Assets                         | Rate   |
|--------------------------------|--------|
| Motor Vehicle                  | 25%    |
| Furniture and fittings         | 12.50% |
| Plant, Machinery and Equipment | 12.5%  |
| Computers                      | 30%    |

It is the Authority's policy to provide for depreciation on assets in the year of acquisition. 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.

**e) Nature and purpose of reserves**

The Authority creates and maintains reserves in terms of specific requirements. The Authority maintains a revenue reserve where the entire surplus for the period is taken.

**f) Foreign currency transactions – IPSAS 4**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Cash and cash equivalent is accounted for using the closing rate at the end of the financial year.

**g) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Kenya Commercial Bank.

**h) Comparative figures**

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

**i) 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

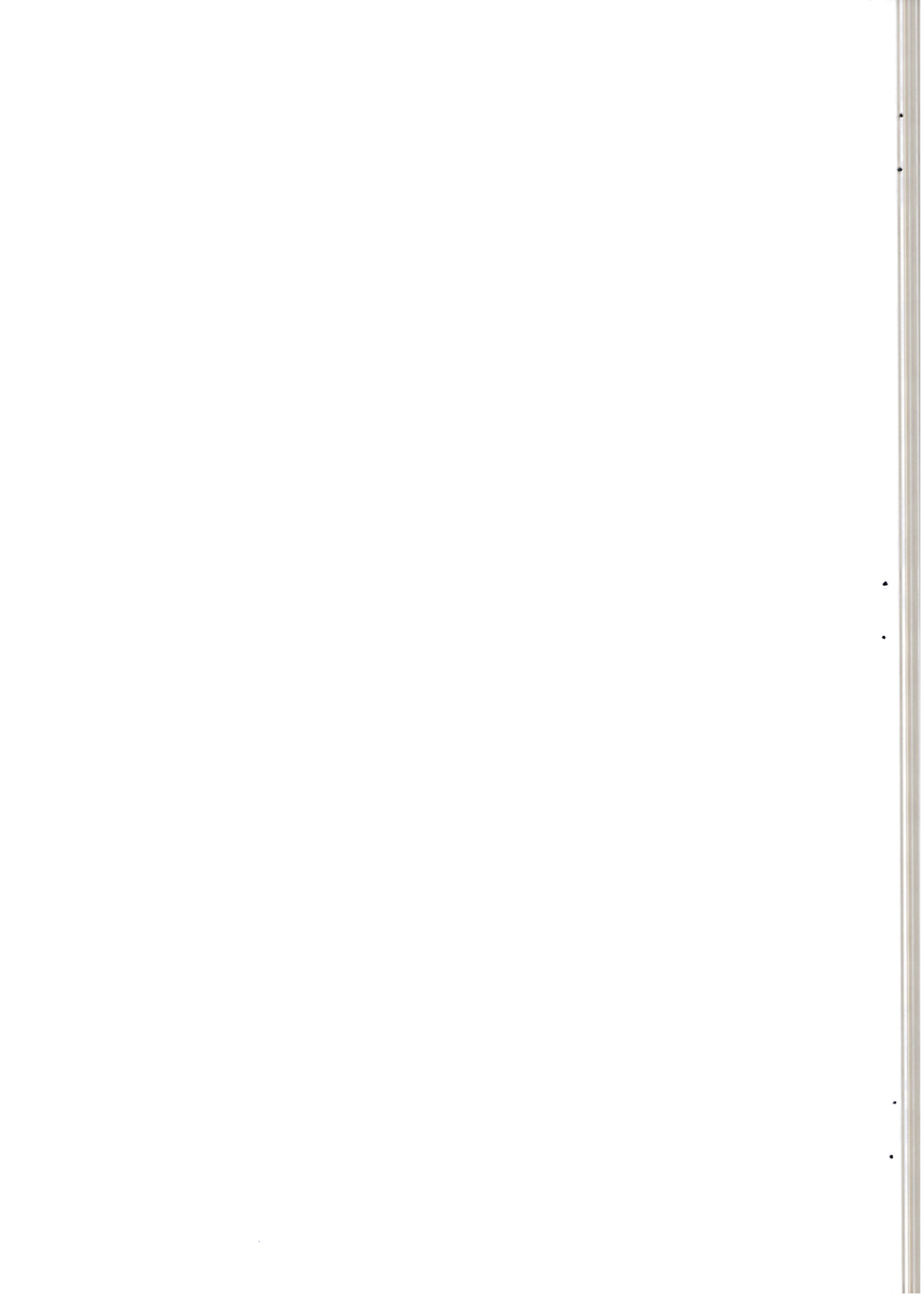
**j) Useful lives and residual values**

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 Authority
  - 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

**k) Provisions**

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



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

**l) Subsequent events – IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2018.

**m)Contingent liability**

There were no contingent liabilities in the year.

**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.

**Comparative figures**

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

**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**

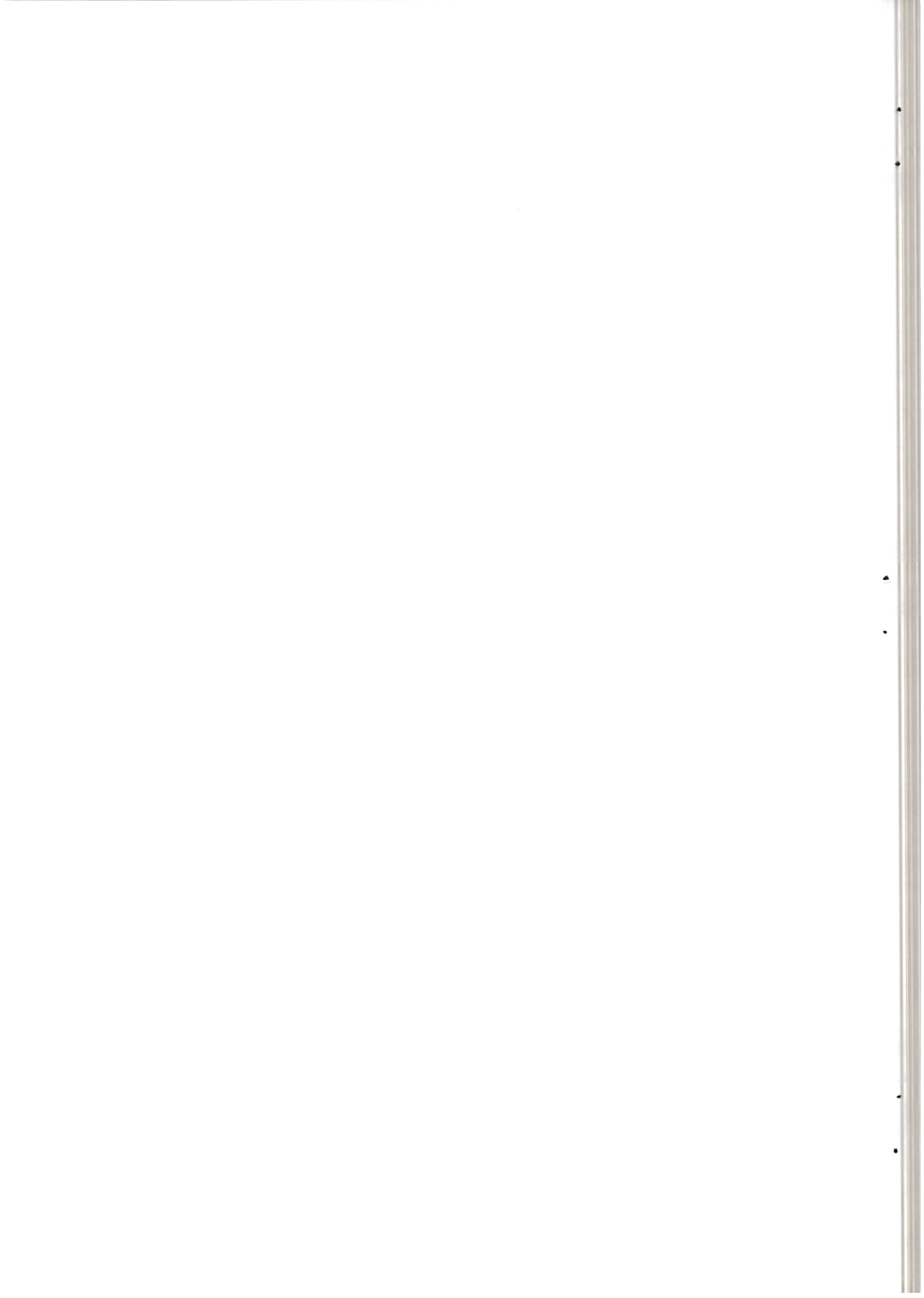
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority based its 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



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

The nature of the processes in which the asset is deployed  
 Availability of funding to replace the asset  
 Changes in the market in relation to the asset

**Provisions**

Provisions were raised, and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 10.

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

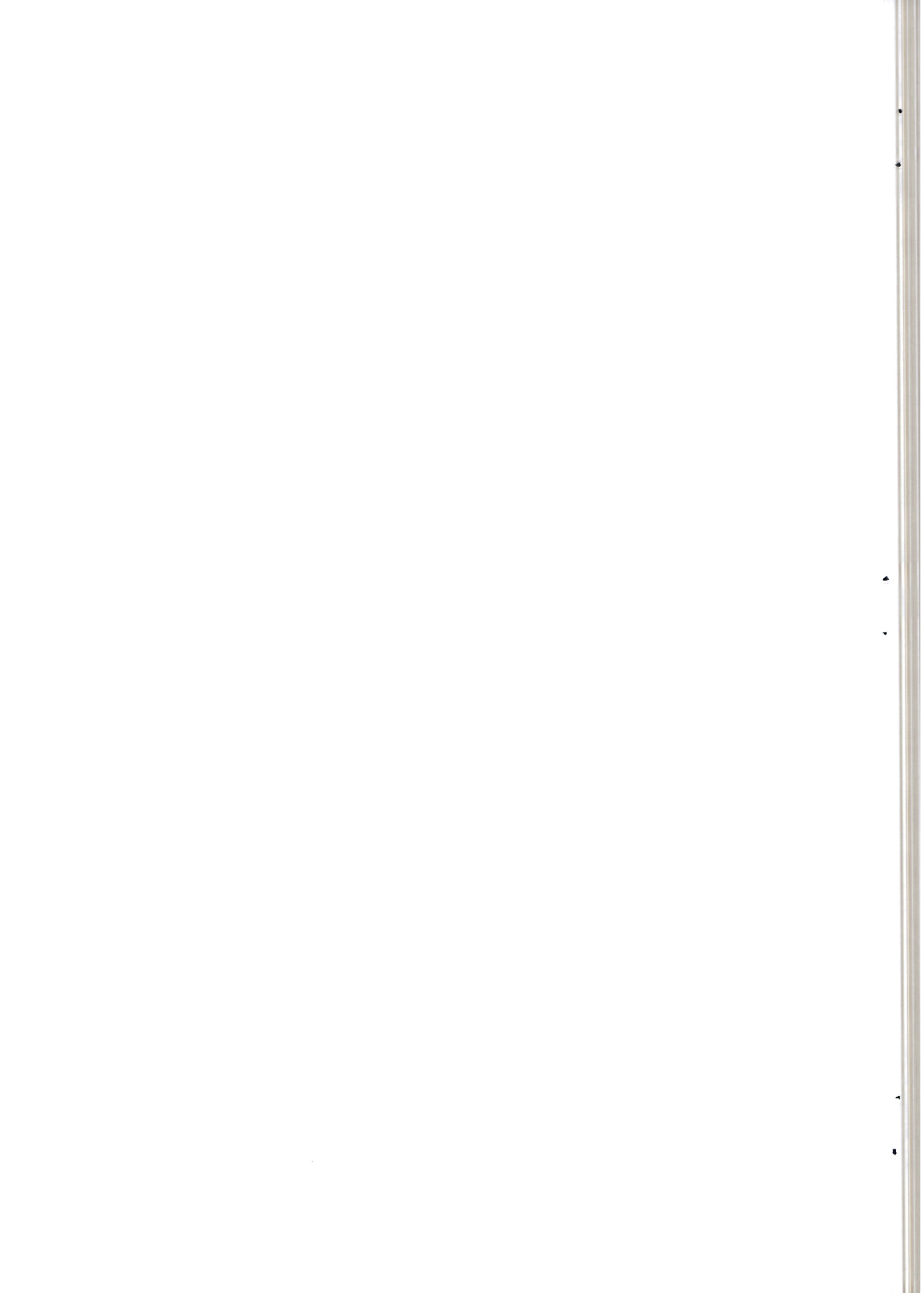
**Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2018.

**3 TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES**

| (a) Name of the Entity sending the grant                                | Amount recognized to Statement of Comprehensive Income | Total grant income during the year | 2016-2017          |
|---|--|------------------------------------|--------------------|
| Ministry of Education/State Department of Vocational Technical Training | 104,483,968  | 104,483,968                        | 110,000,000        |
| Transfers from other governments – services-in-kind                     | 5,516,032  | 5,516,032                          |                    |
| <b>Total</b>  | <b>110,000,000</b>                                     | <b>110,000,000</b>                 | <b>110,000,000</b> |

| Description                | 2017-2018<br>Kshs | 2016-2017<br>Kshs |
|----------------------------|-------------------|-------------------|
| Insurance recoveries       | 100,000           | 5,200,000         |
| Accreditation Fees         | 19,937,338        |                   |
| Income from sale of tender | 11,000            | -                 |
| Donation                   | -                 | 1,500,000         |
| <b>Total other income</b>  | <b>20,048,338</b> | <b>6,700,000</b>  |



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**5.EMPLOYEE COSTS**

|  | 2017-2018                | 2016-2017               |
|--|--------------------------|-------------------------|
|  | Kshs                     | Kshs                    |
| Directors General's salary                   | 5,516,032                | -                       |
| Emily Maina Acting DG Salary                 | 1,024,174                | -                       |
| Internship Allowances                        | 1,100,000                | -                       |
| Extraneous Allowance 2016-2017               | 3,225,900                | 8,939,250               |
| Provision for Extraneous Allowance 2017-2018 | 4,596,000                | -                       |
| <b>Total employee costs</b>                  | <b><u>15,462,106</u></b> | <b><u>8,939,250</u></b> |

**6.BOARD EXPENSES**

| Description                         | 2017-2018                | 2016-2017                |
|-------------------------------------|--------------------------|--------------------------|
|                                     | Kshs                     | Kshs                     |
| Chairman's Honoraria                | 658,667                  | 55,667                   |
| Directors Allowances                | 7,955,119                | 8,306,314                |
| Board Retreat and Capacity Building | 3,044,118                | 4,128,505                |
| <b>Total director emoluments</b>    | <b><u>11,657,904</u></b> | <b><u>12,490,486</u></b> |

**7.DEPRECIATION AND AMORTIZATION EXPENSE**

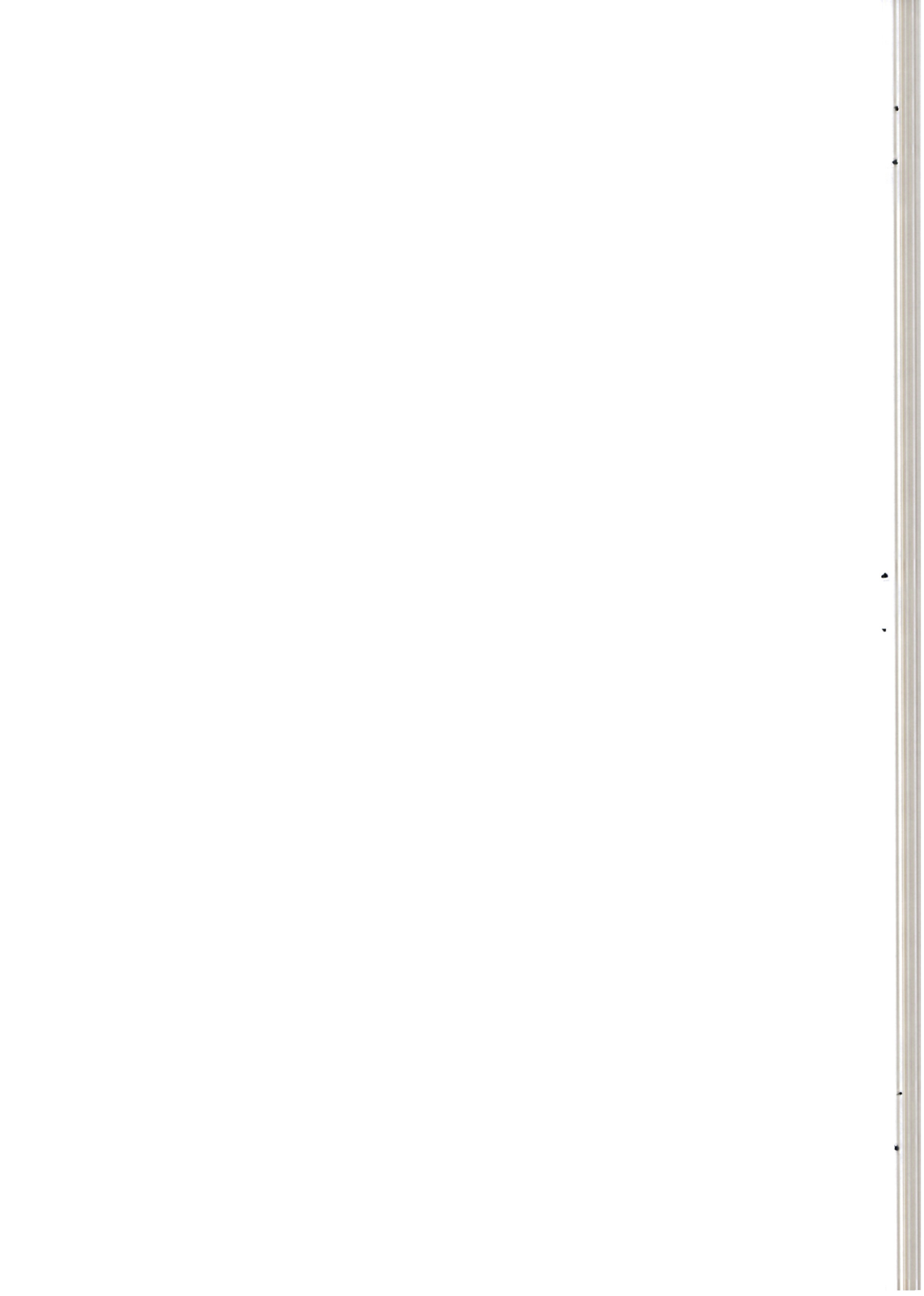
| Description                                | 2017-2018               | 2016-2017               |
|--|-------------------------|-------------------------|
|  | Kshs                    | Kshs                    |
| Property, plant and equipment Note 15      | 9,583,768               | 9,913,139               |
| <b>Total depreciation and amortization</b> | <b><u>9,583,768</u></b> | <b><u>9,913,139</u></b> |

**8.REPAIRS AND MAINTENANCE**

| Description                          | 2017-2018               | 2016-2017               |
|--------------------------------------|-------------------------|-------------------------|
|                                      | Kshs                    | Kshs                    |
| Vehicles                             | 2,200,175               | 2,117,386               |
| Other Assets                         | 129,620                 | 73,937                  |
| <b>Total repairs and maintenance</b> | <b><u>2,329,795</u></b> | <b><u>2,191,323</u></b> |

**9.CONTRACTED SERVICES**

| Description                          | 2017-2018             | 2016-2017               |
|--------------------------------------|-----------------------|-------------------------|
|                                      | Kshs                  | Kshs                    |
| Human Resource Professional Services | 672,000               | 919,900                 |
| Provision for Audit fees             | -                     | 406,000                 |
| <b>Total contracted services</b>     | <b><u>672,000</u></b> | <b><u>1,325,900</u></b> |



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**10. OPERATION EXPENSES**

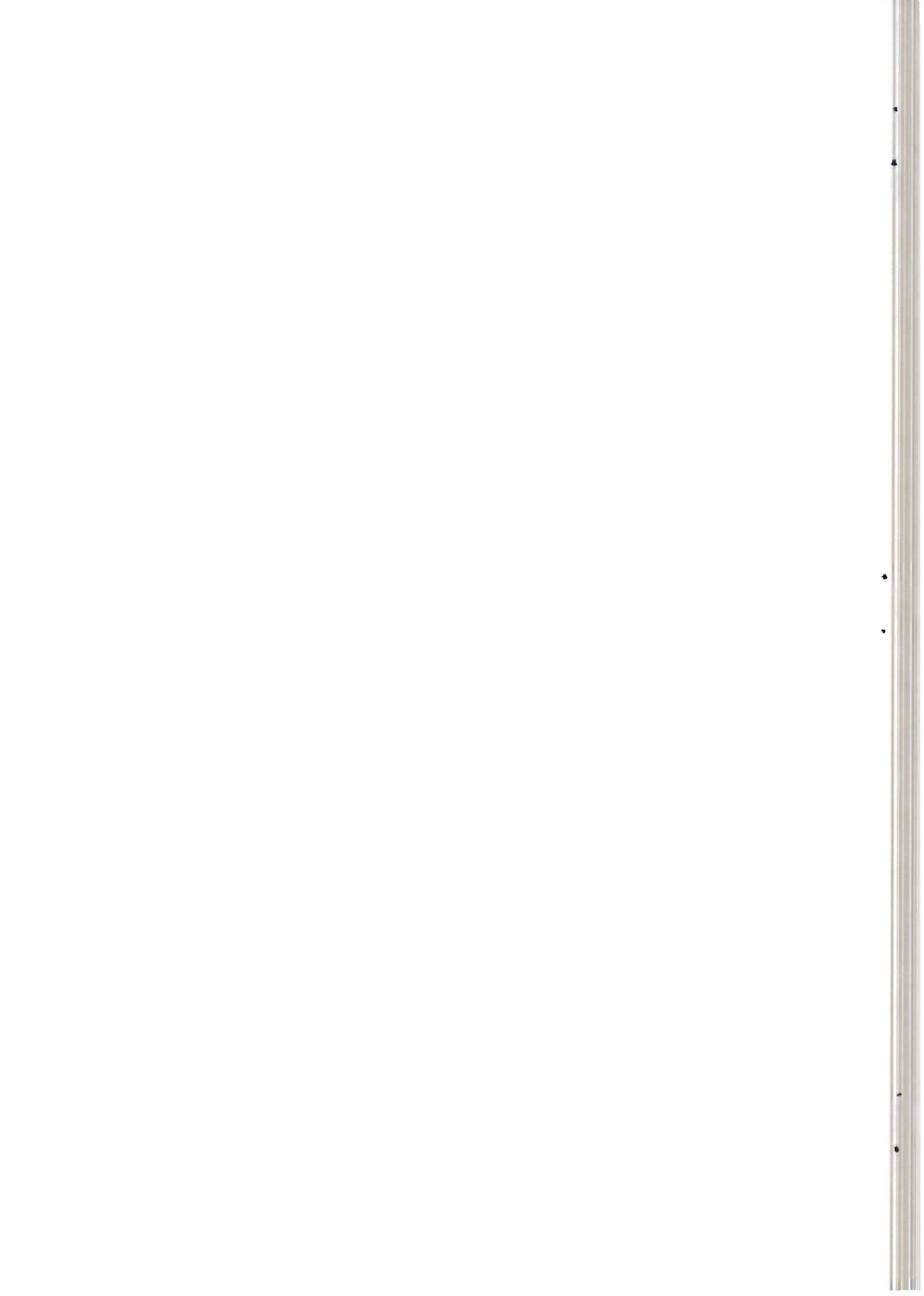
| Description                               | 2017-2018                | 2016-2017                |
|---|--------------------------|--------------------------|
|   | Kshs                     | Kshs                     |
| Provision for Audit fees                  | 500,000                  | 500,000                  |
| Retreat/Seminar/Workshops and Conferences | 6,327,750                | 9,878,133                |
| ISO Certification                         | 1,214,500                | 2,907,078                |
| Office and General Supplies               | 1,798,591                | 2,842,786                |
| Fuel and oil                              | 3,192,200                | 807,950                  |
| Hospitality                               | 5,246,596                | 5,883,800                |
| Traveling Expense                         | 6,312,396                | 8,982,981                |
| Quality and Standards Assurance           | 4,254,060                | 8,236,180                |
| Accreditation                             | 10,940,849               | 8,631,145                |
| Research and Policy                       | 945,040                  | 3,437,561                |
| Strategic Plan                            | 1,694,930                | -                        |
| Insurance-MV and Other Assets             | 1,381,076                | 1,325,226                |
| Insurance-Medical                         | 1,218,720                | -                        |
| Specialized Materials                     | -                        | 789,128                  |
| Legal expenses                            | 38,000                   | -                        |
| Computer Supplies and Accessories         | 1,184,020                | 4,717,541                |
| Printing and Advertisement                | 5,504,429                | 5,719,720                |
| IT services                               | 1,622,690                | -                        |
| Rental                                    | 16,708,000               | -                        |
| communication Supplies and Services       | 2,190,970                | 1,918,400                |
| Trade Shows and Exhibitions               | 2,815,312                | 2,366,643                |
| Training                                  | 883,250                  | 1,453,498                |
| Bank Charges/fines/penalties              | 107,602                  | 147,449                  |
| TVET Sensitization conferences            | 155,400                  | -                        |
| Uniforms and Clothing                     | 397,700                  | -                        |
| <b>Total Operation expenses</b>           | <b><u>76,771,603</u></b> | <b><u>70,545,219</u></b> |

**11. CASH AND CASH EQUIVALENTS**

| Description                            | 2017-2018                | 2016-2017                |
|--|--------------------------|--------------------------|
|  | KShs                     | KShs                     |
| a                                      |                          |                          |
| Current account                        | 27,321,638               | 14,920,102               |
| Cash in Hand                           | 12,242                   | 131,130                  |
| <b>Total cash and cash equivalents</b> | <b><u>27,333,880</u></b> | <b><u>15,051,232</u></b> |

**b. DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS**

| Financial institution             | 2017-2018         | 2016-2017         |
|-----------------------------------|-------------------|-------------------|
|                                   | Kshs              | Kshs              |
| a) <b>Current account</b>         |                   |                   |
| Kenya Commercial bank- 1164286862 | 7,580,300         | 15,276,175        |
| Kenya Commercial bank- 1212502450 | 19,741,338        | -                 |
| <b>Sub- total</b>                 | <b>27,321,638</b> | <b>15,276,175</b> |



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|                           |                          |                          |
|---------------------------|--------------------------|--------------------------|
| <b>b) Others(specify)</b> |                          |                          |
| cash in hand              | 12,242                   | 133,423                  |
| <b>Sub- total</b>         | <b>12,242</b>            | <b>133,423</b>           |
| <b>Grand total</b>        | <b><u>27,333,880</u></b> | <b><u>15,409,598</u></b> |

**12.RECEIVABLES FROM EXCHANGE CONTRACTS**

| Description                         | 2017-2018               | 2016-2017                |
|-------------------------------------|-------------------------|--------------------------|
|                                     | Kshs                    | Kshs                     |
| <b>Current receivables</b>          |                         |                          |
| National Oil Corporation (Fuel)     | 736,651                 | 2,100,651                |
| Tourism Finance Corporation (rent)  | -                       | 7,776,000                |
| Jubilee Insurance -Motor Vehicles   | 628,168                 | 734,834                  |
| Britam Insurance Ltd. (Medical BOD) |                         | 1,218,720                |
| <b>Total current receivables</b>    | <b><u>1,364,819</u></b> | <b><u>11,830,205</u></b> |

**(b) Trade and Other Payables from exchange transactions**

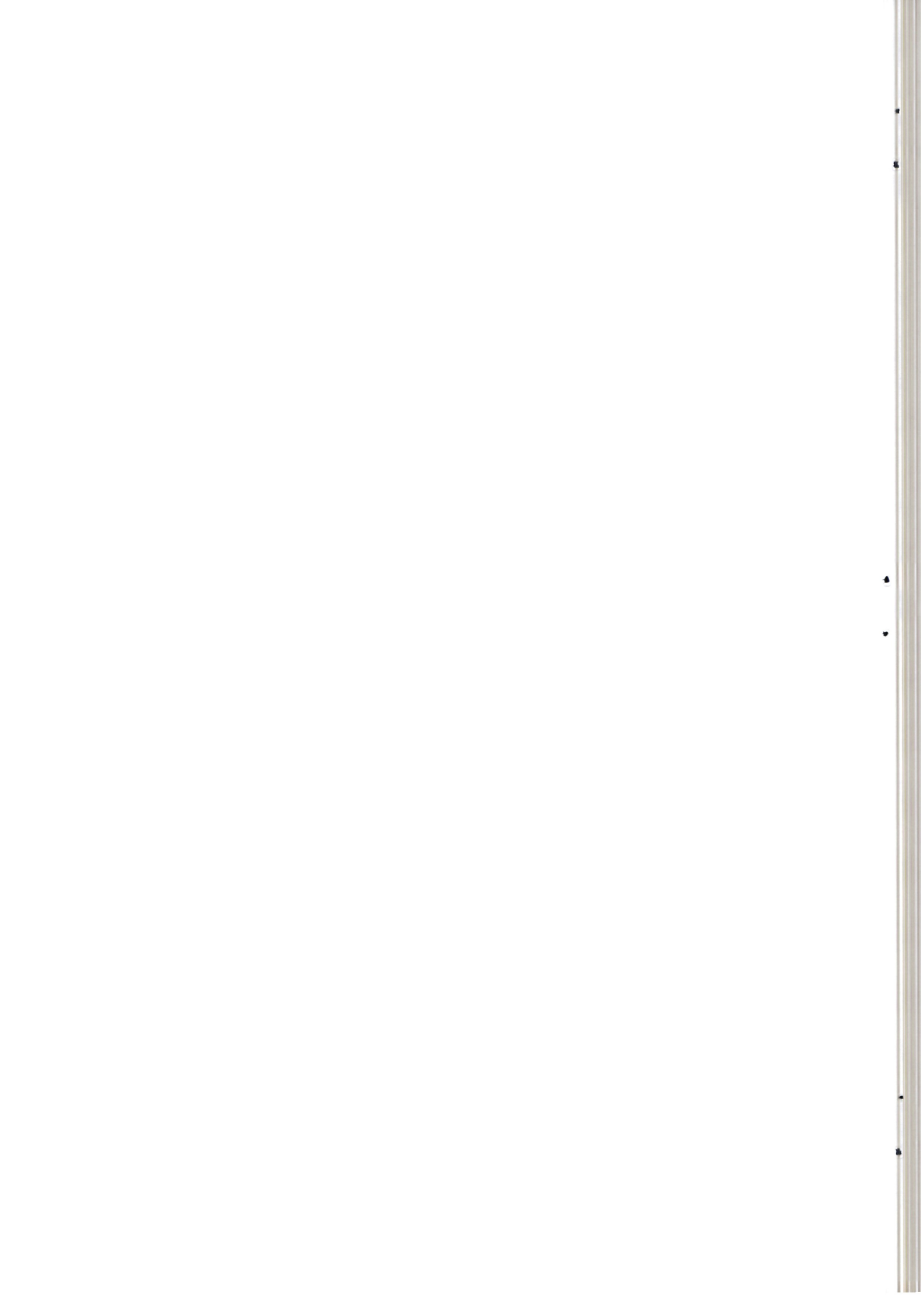
| Description                                    | 2017-2018               | 2016-2017       |
|--|-------------------------|-----------------|
| Kodaji Building and Construction Works limited | 1,865,012               | -               |
| <b>Total</b>                                   | <b><u>1,865,012</u></b> | <b><u>-</u></b> |

**13 PROVISIONS FROM EXCHANGE TRANSACTIONS**

| Description                           | 2017-2018               | 2016-2017             |
|---------------------------------------|-------------------------|-----------------------|
|                                       | Kshs                    | Kshs                  |
| Provision for Audit Fees              | 500,000                 | 500,000               |
| Provision for extraneous              | 4,596,000               | -                     |
| <b>Total trade and other payables</b> | <b><u>5,096,000</u></b> | <b><u>500,000</u></b> |

**14 CAPITAL EXPENSE**

| Description                              | 2017-2018                | 2016-2017                |
|--|--------------------------|--------------------------|
|  | Kshs                     | Kshs                     |
| Purchase of Laptops and Desktop computer | 1,128,380                | 1,162,500                |
| Office Furniture and Fittings            | 894,180                  | 2,280,450                |
| Office Equipment                         | 1,539,860                | 2,372,222                |
| Purchase of Motor Vehicle                | 5,800,000                | 12,629,357               |
| Renovation and Refurbishment             | 18,650,120               | -                        |
| <b>Total</b>                             | <b><u>28,012,540</u></b> | <b><u>18,444,529</u></b> |



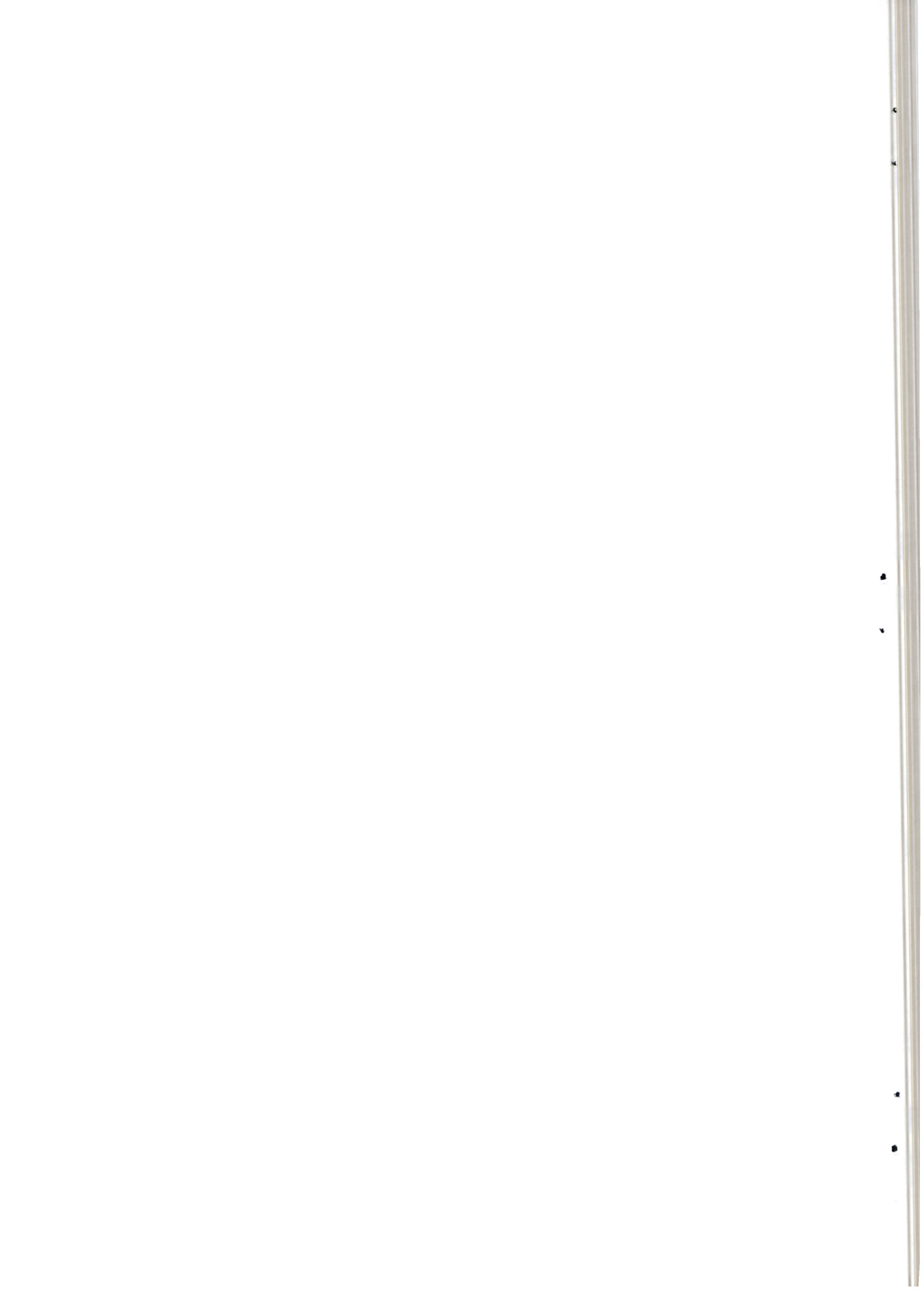
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Property, plant and equipment

|  | Motor Vehicles    | Furniture & Fittings | Plant & Equipment | Computers        | Capital Work in Progress | Total             |
|--|-------------------|----------------------|-------------------|------------------|--------------------------|-------------------|
|  | 25.00%            | 12.50%               | 12.50%            | 30.00%           |                          |                   |
| Cost 1 July 2017                       | 29,233,357        | 4,978,130            | 5,455,437         | 5,186,900        |                          | 44,853,824        |
| Additions                              | 5,800,000         | 894,180              | 1,128,380         | 1,539,860        | 18,650,120               | 28,012,540        |
| <b>Cost 30 June 2018</b>               | <b>35,033,357</b> | <b>5,872,310</b>     | <b>6,583,817</b>  | <b>6,726,760</b> | <b>18,650,120</b>        | <b>72,866,364</b> |
| Accumulated Depreciation 1 July 2017   | 8,136,527         | 665,463              | 747,761           | 1,700,575        |                          | 11,250,326        |
| Charge for the Year                    | 6,724,208         | 650,856              | 1,427,763         | 780,942          |                          | 9,583,768         |
| Accumulated Depreciation 30 June 2018  | 14,860,735        | 1,316,319            | 2,175,524         | 2,481,517        |                          | 20,834,094        |
| <b>Net Book Value 30 June 2018</b>     | <b>20,172,623</b> | <b>4,555,991</b>     | <b>3,331,447</b>  | <b>5,466,594</b> | <b>18,650,120</b>        | <b>52,176,775</b> |
| <b>Net Book Value 30 June 2017</b>     | <b>21,096,830</b> | <b>4,312,667</b>     | <b>4,707,676</b>  | <b>3,486,325</b> |                          | <b>33,603,498</b> |
| Cost 1st July 2016                     | 21,804,000        | 2,697,680            | 3,083,215         | 4,024,400        |                          | 31,609,295        |
| Additions                              | 12,629,357        | 2,280,450            | 2,372,222         | 1,162,500        |                          | 18,444,529        |
| Disposals                              | (5,200,000)       | -                    | -                 | -                |                          | (5,200,000)       |
| <b>Cost 30 June 2017</b>               | <b>29,233,357</b> | <b>4,978,130</b>     | <b>5,455,437</b>  | <b>5,186,900</b> |                          | <b>44,853,824</b> |
| Accumulated Depreciation 1st July 2016 | 1,537,583         | 49,368               | 75,236            | -                |                          | 1,662,187         |
| Disposals                              | (325,000)         | -                    | -                 | -                |                          | (325,000)         |
| Charge for the Year                    | 6,923,944         | 616,095              | 672,525           | 1,700,575        |                          | 9,913,139         |
| Accumulated Depreciation 30 June 2017  | 8,136,527         | 665,463              | 747,761           | 1,700,575        |                          | 11,250,326        |
| <b>Net Book Value 30 June 2017</b>     | <b>21,096,830</b> | <b>4,312,667</b>     | <b>4,707,676</b>  | <b>3,486,325</b> |                          | <b>33,603,498</b> |
| <b>Net Book Value 30th June 2016</b>   | <b>20,266,417</b> | <b>2,648,312</b>     | <b>3,007,979</b>  | <b>4,024,400</b> |                          | <b>29,947,108</b> |

WIP amounting to kshs. 18,650,120 is the first certificate paid to the contractor doing the renovation of the offices at the 8th floor Utalii house. The work is due for completion by 10th October 2018 as per the contract.



### **16. 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 company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Authority has in place policies to ensure that credit is only extended to customers with an established credit history.

#### **(i) Credit risk**

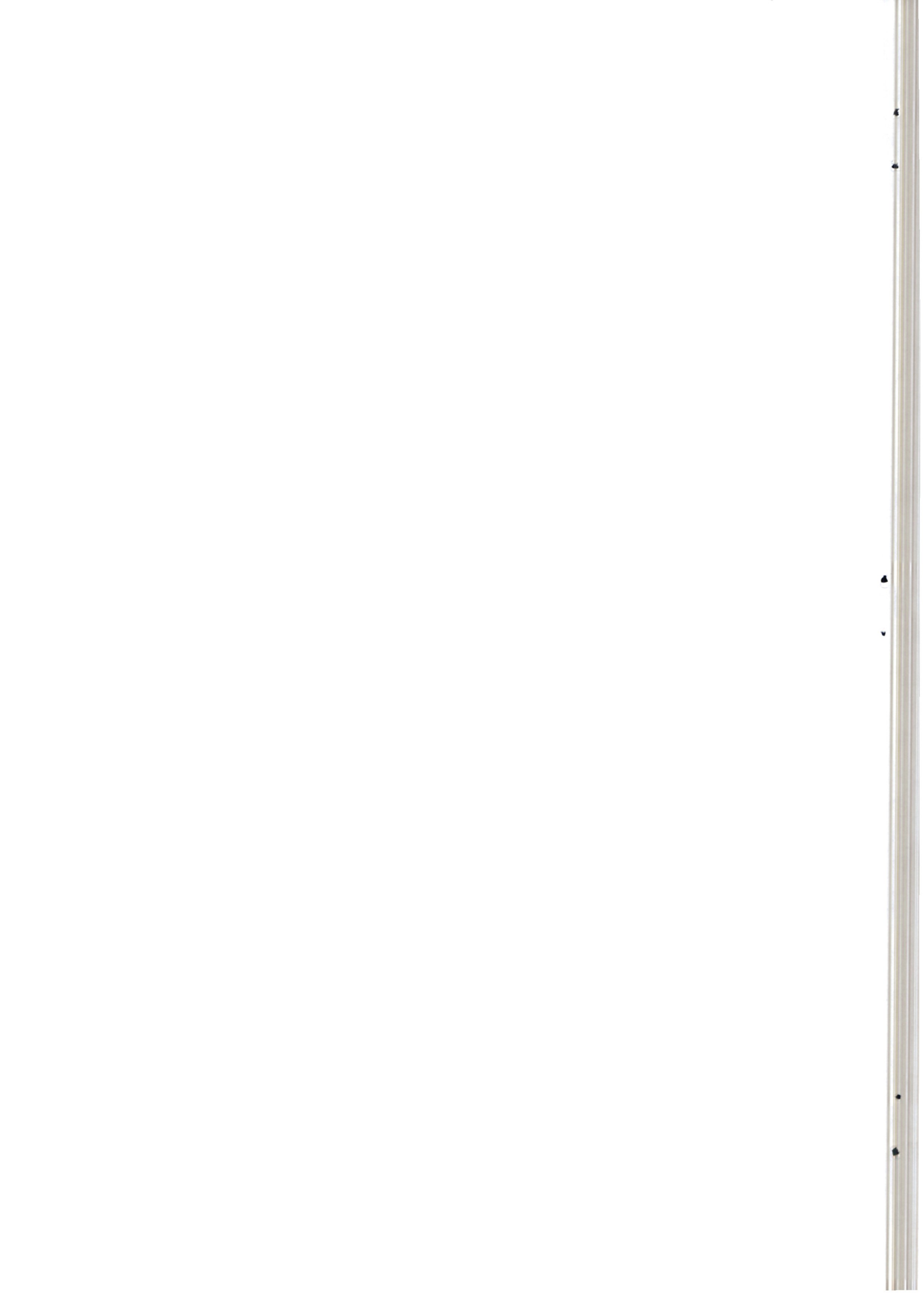
The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

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 company's management based on prior experience and their assessment of the current economic environment.

#### **(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board. The Board has put in place appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements. The Authority manages liquidity risk by maintaining enough required funds for its operations through continuous monitoring of forecast and actual cash flows.

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



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

**17. Related Party Balances**

**a) Nature of related party relationships**

The management staff and the Members of the Board are for the purposes of this report considered related parties. During the year, Management staff and the Board Members were only paid salaries and board allowances.

The Authority is related to:

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

**b) Related party transactions**

|   | 2018                      | 2017                      |
|---|---------------------------|---------------------------|
|   | Kshs                      | Kshs                      |
| Transfers from related parties <sup>7</sup> | <u>110,000,000</u>        | <u>110,000,000</u>        |
| <b>Total</b>                                | <b><u>110,000,000</u></b> | <b><u>110,000,000</u></b> |

**c) Key management remuneration**

|                             | 2018              | 2017              |
|-----------------------------|-------------------|-------------------|
|                             | Kshs              | Kshs              |
| Board members allowances    | 11,657,904        | 12,490,486        |
| Key Management compensation | -                 | -                 |
| <b>Total</b>                | <b>11,657,904</b> | <b>12,490,486</b> |

**18. Events after the reporting period**

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

**19. Ultimate and Holding Entity**

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

**20. Currency**

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

