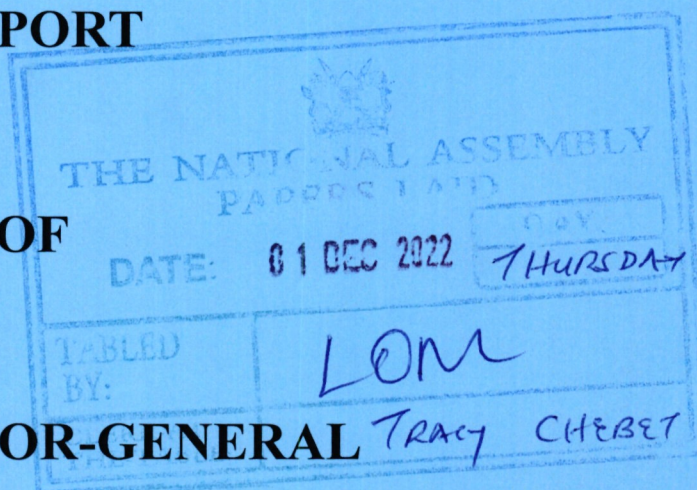


REPORT

PARLIAMENT
OF KENYA
LIBRARY

OF



THE AUDITOR-GENERAL

ON

LUGARI DIPLOMA TEACHERS
TRAINING COLLEGE

FOR THE YEAR ENDED
30 JUNE, 2021



REPUBLIC OF KENYA
MINISTRY OF EDUCATION

LUGARI DIPLOMA TEACHERS'
TRAINING COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE 2021



NATIONAL
PAPER STAMP

DATE: 01 DEC 2022

LUGARI DIPLOMA TEACHERS' TRAINING COLLEGE

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

P.O BOX 229-50241 KIPKAREN RIVER

Email: lugaridttc2021@gmail.com

Website: www.lugaridttc.ac.ke

LUGARI DIPLOMA TEACHERS TRAINING COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021.

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The college was established under the Basic Education Act 2013 on March 17, 2015 to train and instruct secondary school diploma trainees. On December 30, 2020 the college's registration status was revised to include Diploma Training in ECDE and Primary options. The college is domiciled in Kenya, Kakamega County in Lugari sub-county. The college operates under the Ministry of Education.

(b) Principal Activities

The principal activity/ mandate of the college is to train and instruct Diploma teachers.

Vision

To be a model Diploma Teacher Training College.

Mission

To provide education that nurtures resourceful teachers for Kenya and beyond.

Motto

Knowledge is Power.

(c) Key Management

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

1. Board of Management.
2. Accounting officer/Chief Principal/Secretary BOM.

(d) Fiduciary Management

The key management personnel who held office during the financial year that ended June 30, 2021 and who had direct fiduciary responsibility were: -

No.	Designation	Name
1.	Chief Principal	Mrs Anne Esese.
2.	Deputy principal	Mr John K. Mwatha.
3	Registrar	Mrs Nellie Simiyu.
4	Dean of students	Mrs Agnes A. Mungai.
5	Head of Finance	CPA Michael Muholo.
6	Procurement Officer	Ms Jacklyn Luvisia.

(e) Fiduciary Oversight Arrangements

Full Board of Management

The full board of management is responsible to;

1. Promote the best interests of the institution and ensure its development;
2. Promote quality education for all learners in accordance with the standards set under this Act or any other written law;
3. Ensure and assure the provision of proper and adequate physical facilities for the institution;
4. Manage the institution's affairs in accordance with the rules and regulations governing the occupational safety and health;
5. Advise the County Education Board on the staffing needs of the institution;
6. Determine cases of students discipline and make reports to the County Education Board;
7. Facilitate and ensure the provision of guidance and counselling to all learners;
8. Provide for the welfare and observe the human rights and ensure safety of the pupils, teachers and non-teaching staff at the institution;
9. Encourage a culture of dialogue and participatory democratic governance at the institution;
10. Promote the spirit of cohesion, integration, peace, 2013 Basic Education No. 14 255 tolerance, inclusion, elimination of hate speech, and elimination of tribalism at the institution;
11. Encourage the learners, teachers and non-teaching staff and other, parents and the community, and other stakeholders to render voluntary services to the institution;
12. Allow reasonable use of the facilities of the institution for community, social and other lawful purposes, subject to such reasonable and equitable conditions as it may determine including the charging of a fee;
13. Administer and manage the resources of the institution;
14. Receive, collect and account for any funds accruing to the institution;
15. Recruit, employ and remunerate such number of non-teaching staff as may be required by the institution in accordance with this Act; and
16. Perform any other function to facilitate the implementation of its functions under this Act or any other written law.

The full BOM consists of the following 3 committees;

a. Finance, Procurement and General-Purpose Committee

Perform financial, procurement and recruitment responsibilities delegated by the full board of management. Their recommendation is subject to approval by the full BOM.

b. Academic, Quality Standards and Environment committee.

Perform academic reviews and performance and set performance requirements in accordance to ministerial expectations. Their recommendation is subject to approval by the full BOM.

c. Project Management Committee.

Evaluate projects progress and implementation in liaison with the Public Works ministry and advise the Full BOM on appropriate actions to take. Their recommendation is subject to approval by the full BOM.

LUGARI DIPLOMA TEACHERS TRAINING COLLEGE
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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

P.O. Box 229-50241

Kipkaren River

KENYA.

Physical Location: Lumakanda near Bishop Slumeti Girls off Eldoret-Bungoma highway.

(g) Entity Contacts

Telephone: (254) 722655908

E-mail: lugaridttc2021@gmail.com

Website: www.lugaridttc.ac.ke

(h) Entity Bankers

S.NO	Account Name	Type	Account No.	Bank	Branch
1	Lugari Diploma TTC- Recurrent A/C	Current	1166632431	Kenya Commercial Bank	Webuye
2	Lugari Diploma TTC- Development A/C	Current	1166632288	Kenya Commercial Bank	Webuye
3	Lugari Diploma TTC- College Fund A/C	Current	011295343412 00	Co-Operative Bank	Webuye
4	Lugari Diploma TTC- Savings A/C	Savings	011005343412 00	Co-Operative Bank	Webuye

(i) Independent Auditors

Auditor General

Office of Auditor General

Anniversary Towers, Institute Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

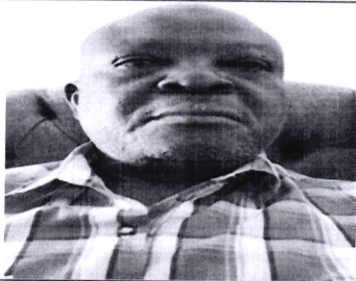
P.O. Box 40112

City Square 00200

Nairobi, Kenya

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II. BOARD OF MANAGEMENT

No.		Member/ Director	Details
	Insert each Council/Board of Governor's passport-size photo	Name, and key profession/academic qualifications	Provide a concise description of each member's date of birth, key qualifications, and work experience. Indicate whether the member is independent or an executive member and which committee the member chairs where applicable.
1.		CPA Rashid Nasoro MBA /CPA-K	Masters' holder, Accountant ID No: 4827781 Phone No:0722863037 Age: 67 years. Chairperson of the Board of Management (BOM) and Executive Board Chair.
2.		Prof. Lydia M. Wamocha PhD Holder/Lecturer	Professor (PhD) and Lecturer at MMUST. ID: 8079499. Phone No: 0722291931. Age: 54 years. V. Chairperson BOM and Chairperson Academic, Quality assurance, Standards, Environment committee (AQASE)
3.		CPA Sylvester Butoyi MBA/CPA-K	MBA/ CPAK, Chief Accountant KNEC. ID No: 7156517. Phone No: 0715177608. Age; 59 years. Executive BOM member and Chairperson Finance, Procurement and General-Purpose Committee. (FPGP)
4.		Mrs. Mary Atalitsa B.Ed.	Degree holder and Retired C.D.E Busia County. ID No: 2855386. Phone No: 0722578017. Age: 67 years. Chairperson Project Management Committee and BOM member. (PMC)

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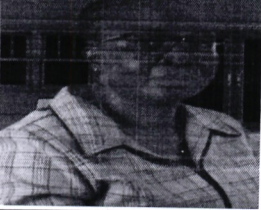
5.		Mr. Solomon Wamwayi. L.L. B	Degree holder, Advocate High Court of Kenya. ID No: 4826576. Phone No: 0722982314. Age: 66years. Member of Executive BOM and PMC
6.		Mr. Patrick Ogecha Nyagosia B. Ed	Degree holder, Retired TSC County Director Kisumu. ID No: 6952762. Phone No: 0722696699. Age: 66 years. BOM member and AQASE member.
7.		Mr. Johnstone Ole Turana. BA. Economics	BA. Economics, Corporate Communications Manager KPLC. ID No: 13610535. Phone No 0702391303. Age:49 years. BOM member and FPGP member
8.		Mr. John Mung'oni B.Ed.	Degree holder, Retired DEO. ID No: Phone.No:0704231468 Age:65 years. BOM member and AQASE member
9.		Mrs. Nellie Simiyu M.Ed.	Masters' holder, Lecturer Lugari Diploma T.T.C. ID No: 7085946. Phone No: 0720880099. Age: 58years. BOM member.
10		Mrs. Rose M. Mmbasu. B. Ed	Degree holder, Retired High School Principal. ID No: 0308626. Phone No: 0720958590. Age: 69 years. BOM member and FPGP member.

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11		Bishop Moses Mwangi Diploma in Theology.	Diploma holder. ID No: 13863737. Phone No: 0720324543 Age: 46 years. BOM member PMC member.
12		MS. Caroline Shigholi Master's in Business Administration	Masters holder, Import/Export Group Manger IPS. ID No: 22412178. Phone No: 0722602376. Age: 41 years BOM member and FPGP member. Women representative as well.
13		Dr Henry Wanjala PhD Holder/Lecturer	PhD holder, Lecturer at KU Music department. ID No: 3463124. Phone No: 0722394863 Age: 69 years. BOM member and AQASE member. Representative of PLWD.
14		Mr. Brian Sisa	Student at Lugari Diploma TTC- pursuing Mathematics/Geography
15		Mrs Anne A. Esese M.Ed.	Masters' holder, Chief Principal Lugari Diploma T.T.C. ID No: 672107 Phone No: 0722655908 Age: 57 years. TSC NO: 225601 BOM Secretary.

LUGARI DIPLOMA TEACHERS TRAINING COLLEGE
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I. MANAGEMENT TEAM

N o.		Member/ Director	Details
	Insert each key manager's/ Principal passport-size photo	Name, and key profession/academic qualifications	Indicate the main area of responsibility – without details
1.		Mrs Anne A. Esese Master's in Education.	Chief Principal Lugari Diploma T.T.C. Overall supervision and management of curriculum and college resources.
2.		Mr John K. Mwatha Master's in Education	Deputy Principal. Curriculum implementation and students discipline.
3.		Mrs Nellie Simiyu Master's in Education	Registrar Supervision and implementation of academic programmes.
4.		Mrs Agnes A. Mungai Master's in Education	Dean of Students Students and staff affairs
5.		CPA Michael Muholo Bachelor of Commerce- Finance CPA-K	Finance Officer Finance and accounting functions
6.		Ms Jacklyn Luvisia Bachelor in Business Administration Procurement	Procurement Officer Procurement and supply functions.

III. CHAIRMAN'S STATEMENT

On behalf of Lugari Diploma Teachers Training College, I am pleased to present the Annual Report for the 2020/2021 financial year. I am also pleased to preside over the Lugari Diploma Teachers Training College's management team.

Lugari Diploma Teachers College remains committed to all its stakeholders in executing its mandate as outlined in the Strategic Plan.

Financial Performance

In the financial year that ended on June 30, 2021, the College recorded a fairly worse financial performance as compared to the previous years. This is attributed to reduced Government capitation from the previous Kshs 40m to the current Kshs 34m on recurrent account and Kshs 85m to Kshs 20m on development account. Student enrolment has substantially reduced from the previous high of 510 students to the current 200 students.

Challenges:

One of the biggest challenges facing LDTTC is an acute shortage of students with grade C plus and above which is the entry grade for diploma in teacher education secondary option. Covid-19 however has not spared the college economically and in curriculum implementation. There is also a shortage of learning facilities like, science laboratory, staff houses and accommodation. We therefore appeal to the government to intervene and help us address this issue even as we strive to fix the challenge as best as we can.

Mentoring Institution

Lugari Diploma Teachers Training College commenced in October 2015. This was a government funded project. On behalf of the Board of Management, I extend my gratitude to the Lugari NG-CDF for their contribution in this endeavour.

May I extend my sincere gratitude to Lugari Diploma Teachers Training College BOM, our Principal and the entire Management team, staff, Students and all stakeholders for their commitment and support to the college. I am optimistic that the college is set for a prosperous future.

Thank you for your support.



CPA Nasoro Rashid
Chairman B.O.M.

IV. REPORT OF THE CHIEF PRINCIPAL

Dear stake holders, first of all, I would like to state that 2020/2021 FY has been a year of relative success, challenging but fruitful as well.

The Lugari Diploma Teachers Training College's 2017 - 2022, five-year Strategic Plan places the college at the apex of the factors crucial for learning and teaching in the 21st Century. During the financial year 2020/2021, we completed the three storey administration/tuition block, build three staff houses and erected 108 cubic metres square low-level and high-level water tank to a 95% practical completion awaiting final account of the projects. This has created a conducive learning environment for the students, accommodation for top management taken care of and at the same time ensured that we have adequate supply of water to the institution.

We also increased internet bandwidth and coverage within the college to ease sharing of information, research and communication. This has reduced the demand for textbooks which were inadequate for the learners and helped us to ensure social distance is maintained by the students during study time hence controlling the of spread of covid-19.

We had 188 students sitting for DTE Exams in October 2020 through March 2021 for teaching practice. The students excelled in their exams by scoring 95 % transition rate. This is a record pass over the years. The college is as well in the process of developing a human resource policy for the non-teaching and subordinate staff. The policy has been adopted by the executive BOM awaiting ratification by full BOM.

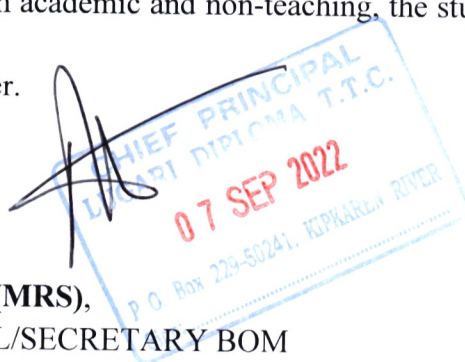
The major challenge we are facing as an Institution is the low enrolment of students due to competition from universities. We are mitigating this by registering to start offering P1 upgrade by the year 2022. Another challenge is the reduced funding by the exchequer for both development and recurrent expenditure. This has caused downward revision of budgets to operate within the available funds as is the policy of the BOM. We therefore appeal to the government through the line Ministry to intervene so that we may have adequate facilities to give learners conducive learning atmosphere.

While the achievements of the years have put us in a position of strength, our effort in the coming days will be doubled so that we can meet our long-term objectives. We shall have to be innovative to stay afloat. To this end, we shall endeavour to become more visible by using generally accepted parameters of measure to place ourselves. Our strategic plan is the key direction that remains our guiding blueprint and our emphasis based on the FIVE pillars therein. I wish to convey my gratitude to the line Ministry, the BOM, all staff, both academic and non-teaching, the students and parents who together are lending to our collective dream.

Knowledge is power.

Thank you

ANNE A. ESESE (MRS),
CHIEF PRINCIPAL/SECRETARY BOM



V. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

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

Lugari Diploma T.T.C has five strategic pillars /issues/ themes and objectives within current Strategic Plan for the FY 2017 FY 2022. These strategic pillars are as follows:

- a) To Improve Academic Performance.
- b) To Improve Physical Infrastructure.
- c) To Improve Co-Curricular Activities.
- d) To Improve Resource Mobilization.
- e) To Create a Conducive Learning.
- f)

Lugari Diploma T.T.C develops its annual work plans based on the above five pillars. Lugari Diploma T.T.C partly achieved its performance targets set for the FY 2020/21 period for its five strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
To Improve Academic Performance	i) Improve instructional resource ii) Increase teaching staff iii) Enough N.T.S personnel iv) improving students entry behaviour v) Motivation of staff and students vi) Benchmarking with peers vi) inviting resource persons vii) E-Learning	• Availability of instructional resources • Adequate teaching staff • Good academic performance • Quality work output • Increased work morale • Reduced quarrel and wrangles		• Text books worth Kshs 180,000 were bought. • 6 computers were bought to equip the computer lab. • Capacity building was done in 2019. • E-learning was to be implement but low enrolment hindered implementation. • Covid 19 and budget cuts hindered implementation of some activities.
To Improve Physical Infrastructure.	i) Administration facilities ii) construction of staff quarters	1. New administration block. 2. Staff residing	1. Construction of New administration block.	• Tuition and admin block was completed.

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	iii) College security iv) Improve sanitation	in college 3. Improved learning and ICT USE 4. Improved college security system 5. Have piped water 6. Enough stock of water at all times 7. A clear compound 8. Enough washrooms	2. Construct staff houses 3. Increase security patrol 4. Have a constant water supply of tap water.	- Staff houses are 95% complete. - There is a security firm in place to secure the college. - Water was drilled, storage tanks installed. - There are adequate washrooms in the college. - WIFI connectivity was enhanced.
To Improve Co-Curricular Activities	i) Acquire more land ii) Improve fields iii) Acquisition of games equipment iv) Clubs and societies	1. Land to put up co-curricular facilities 2. Good playing fields 3. Existence of clubs and societies 4. Active involvement of staff and students 5. Existence of clubs and societies	1. Lease land for field marking 2. Purchase various games equipment e.g. ball games, netball, etc. 3. Hire and activate various clubs and societies. 4. Appoint competent patrons 5. Provide rooms for club meetings	1. Land was purchased to construct a playfield which is ongoing. 2. Budget cuts and limited sporting activities made it not possible to budget for games equipment. 3. There are active clubs and societies where students and staff are actively involved eg Geography, Languages, CU and SDA.
To Improve Resource	i) Improve fees collection	1. Reduced fee balances	1. Computerized accounting	1. Record keeping has

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Mobilization	ii) Improve college management system iii) To increase the level of resource mobilization	2. Increased student population 3. Improved record keeping 4. Reduced impulse expenditure 5. Availability of records & information for decision making 6. Smooth execution of programmes 7. Minimum movement of students out of college. 8. Improved performance of students in educational programs.	system 2. Restrictions on fees payment 3. Encourage students to apply for scholarships, and bursaries from MOE, CDF, HELB, County etc. 4. Timely budgeting & proposals 5. Frequently update of stores and a/c records 6. Timely handing over of requisitions for activities. 7. Networking & automation of Admission records. 8. Proper projection of annual expenditure.	improved though need to be automated. 2. Students pay school fees through pay bill direct to the college bank account. 3. Lugari NG-CDF stepped in to clear fees balances for 2018 DTE students. 4. Budgets proposal is prepared and approved in good time. 5. Candidate's results have always been on upward trajectory since 2018 when the 1st candidates sat for their exams. 6. The college has always had no pending bills at year end.
To Create a Conducive Learning	i) Improve discipline ii) Guidance and counselling iii) Establish Performance based management iv) Encourage consultative leadership Activities v) Time	1. Students abiding by college rules & regulations 2. Improved results 3. Improved student participation in college activities. 4. Improved discipline 5. Improved	1. College rules and regulations clearly stipulated. 2. Have a clear stipulated college program. 3. Strict disciplinary measures against undisciplined students.	

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	management vi) ICT vii) Improve HIV Services and awareness viii) Support persons living with disabilities	student/staff discipline 6. Improved awareness on various issues 7. Improved performance 8. More student's participation in various activities. 9. Exam results analysis 10. Educational trips 11. Giving awards during graduation ceremony 12. Best practices from bench marking 13. Strong student leadership 14. Cohesion in the college community.	4. Have a functional office for G&C 5. Form peer counselling groups 6. Establish award system for good performance 7. Motivation for staff and students 8. Training students in leadership skills 9. Have a suggestion box 10. lecturers and other staff. 11. Have an annual calendar of events 12. Allocation of responsibilities 13. 6. Enough personnel in every department and they should be qualified. 14. Provide VCT services 15. Guidance & Counselling 16. Create awareness through health care providers 17. Provide necessary facilities.	
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VI. CORPORATE GOVERNANCE STATEMENT

The college BOM is presided by the Chairman of the board to govern the college operations. The BOM is appointed in accordance with the Basic Education Act 2013 by the Cabinet Secretary in charge of the Ministry of Education. The BOM provides strategic direction, exercises control and remains accountable through effective leadership, enterprise, integrity and good judgment. It is diverse in its composition, independent but flexible, pragmatic, objective and focused on balanced and sustainable performance of the college. The BOM retains responsibility for establishing and maintaining the institution's overall control of financial, operational and compliance issues as well as implementing strategies for the long-term success of the Institution.

The membership of the Board includes:

- a) Six independent members appointed from the community.
- b) One (1) member representing the special needs. (PLWD)
- c) One (1) member representing special interest (women)
- d) Four (4) members representing the ministry through the County Education Board. (CEB)
- e) The Chief Principal.
- f) One (1) member representing student's body.
- g) One (1) member representing the staff at the college.

Appointment and Removal of Board Members

- i. Every appointment is by name and by notice of appointment by the Cabinet Secretary in the Ministry of Education. The appointment ceases if the Board member: Serves the appointing authority with a written notice of resignation; or is absent, without the permission of the Chairperson, from the three consecutive meetings; or is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Council; or Conducts himself in a manner deemed by the appointing authority to be inconsistent with membership of the Board.

Ethics and Conduct

The Council adheres to the Code of Conduct and Ethics for State Corporations (SCs) which focuses on ethical conduct and integrity at the workplace. It defines the University Councils' commitment to the highest standards of behaviour so as to contribute to the achievement of the national development goals. The Code sets out expectations for individual behaviour necessary to meet these standards and includes requirements and guidance to help carry out their roles with integrity and in compliance with the law. The

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Board is expected to uphold Article 10 of the Constitution of Kenya on National Values and Principles of Governance and Chapter 6 on Leadership and Integrity.

Conflict of Interest Policy & Disclosures

A conflict of interest may arise where a Board member or close family member such as a spouse, child, parent or sibling has private interests that could improperly influence the performance of the Board member's official duties and responsibilities. Conflict may also arise where a Board member uses their office for personal gain.

Board members are required to avoid conflict of interest and deal at arms-length in any matter that relates to the college. However, a Board member who identifies an area of conflict shall be required to disclose any actual or potential conflict of interest to the Board. In so reporting, the Board member is required to provide all relevant information, including information which relates to their immediate family members by blood or marriage which is related to the area of conflict. When declared, the Board member shall abstain from decisions where the conflict exists.

Board Remuneration

Board members are reimbursed their transport and travel cost and subsistence for the day while attending meetings and official consultations for the college.

Our Board Composition

Diversity

The College Board has (15) members, (9) male and (6) female, who combined give various inputs borrowing from their areas of expertise in the fields of Education, governance and finance.

Committees of the Board

To effectively discharge its mandate, the Council establishes Committees with specific terms of reference.

The Council has established the following Standing Committees: -

1. **Finance, Procurement and General-Purpose Committee (FPGP)**

Perform financial, procurement and recruitment responsibilities delegated by the full board of management. Their recommendation is subject to approval by the full BOM.

2. Academic, Quality Standards and Environment committee. (AQASE)

Perform academic reviews and performance and set performance requirements in accordance with ministerial expectations. Their recommendation is subject to approval by the full BOM.

3. Project Management Committee. (PMC)

Evaluate projects progress and implementation in liaison with the Public Works ministry and advise the Full BOM on appropriate actions to be taken. Their recommendation is subject to approval by the full BOM.

Other than the stated Committees, an Ad-hoc Committees may be established as need arises.

The college operational and Financial Performance

Generally, the college operated at a net deficit of Kshs -9,077,551 during the financial year. This was majorly due to;

- Low enrolment of learners
- Adoption of new format of reporting i.e., IPSAS accrual that takes into account college assets and related depreciation as an expense.
- Allocation cuts from the Ministry of Education.

However, this is an indication that the Institute is growing and the going concern is guaranteed because a big proportion of the deficit is depreciation (Kshs 9,787,496) which is not a cash expense.

Compliance with Statutory Requirements

By the end of the year, Lugari Diploma T.T.C had paid all its statutory requirements in terms of NSSF, NHIF, PAYE and all withholding taxes from contractor's payable to KRA. The college has been withholding taxes on all payment made to contractors and remitting them to KRA. The college is operating under legal frame works necessary under public sector requirement such as;

- The Constitution of Kenya, 2010
- Public Finance Management Act, 2012
- Procurement and Assets Disposal Act, 2015
- IPSAS standards. (Adopted for the 1st time)
- Basic Education Act 2013
- All other relevant laws in its operation (regular circulars from treasury and ministry of education)

Major risks the college is facing;

Operational Risks

The college faces competition for resources including; students, teaching staff and financial resources from the students and the Ministry of Education.

The college's financial assets are trade receivables from students as well as cash and short-term deposits which arise directly from its operations. It has also investments in fixed deposit returns which are short-term incomes from idle retention and examination fees. The college has no financial liabilities apart from retention and examination money which is available in the savings account. The management has ensured timely payment to suppliers, contractors and other service providers, hence no pending bills.

Liquidity Risk

Liquidity risk is the risk that the college will not be able to meet its financial obligations as they fall due. The college's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the college's reputation.

Credit Risk

Credit risk is the risk of financial loss to the college if a customer/learner or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the organization's receivables from customers/learners. The Institute receives fees from students as well as capitation from the Government which minimizes the credit risk exposure. For this reason, the college has a fees payment policy which is in force. This mitigates accumulation of fees arrears.

Market Risk

To mitigate market risk, students are placed by KUCCPS and some students are admitted based on request and availability of chance.

VII. REPORT OF THE COUNCIL/BOARD OF MANAGEMENT

The Council/Board members submit their report for the year ended June 30 2021 which show the state of the entity's affairs.

Principal activities

The principal activities of the entity is instruction and training DTE students.

Results

The results of the entity for the year ended June 30 are set out on page 1 to page 36.

COUNCIL/BOARD OF MANAGEMENT

The members of the Board /Council who served during the year are shown on page vi to viii.

Auditors

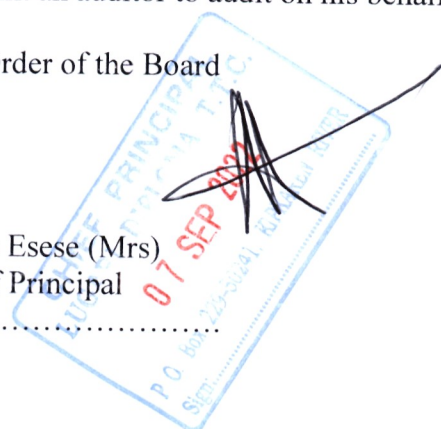
The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the entity for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Anne Esese (Mrs)

Chief Principal

Date.....



VIII. STATEMENT OF BOARD OF GOVERNORS/ COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Basic Education act 2013 require the BOM members to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The council members are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The BOM members are also responsible for safeguarding the assets of the entity.

The BOM members are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2021. 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 entity;
- (v) Selecting and applying appropriate accounting policies;
- (vi) Making accounting estimates that are reasonable in the circumstances.

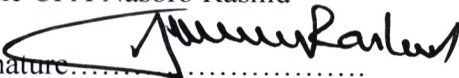
The BOM members accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Basic Education act 2013. The BOM members are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2021, and of the entity's financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

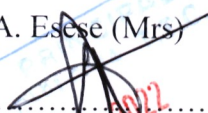
The entity's financial statements were approved by the Board on **28/9/2021** and signed on its behalf by:

Name CPA Nasoro Rashid

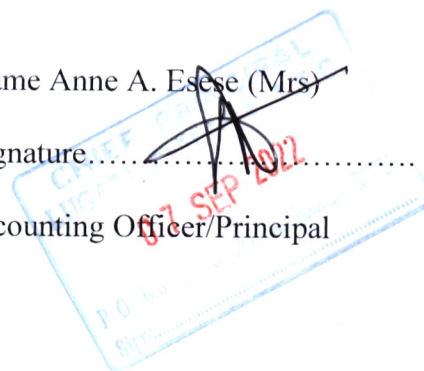
Signature.....

Chairperson of the Board/Council

Name Anne A. Esese (Mrs)

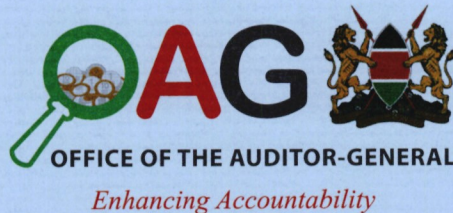
Signature.....

Accounting Officer/Principal



REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON LUGARI DIPLOMA TEACHERS TRAINING COLLEGE FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lugari Diploma Teachers Training College set out on pages 1 to 34, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget

Report of the Auditor-General on Lugari Diploma Teachers Training College for the year ended 30 June, 2021

and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lugari Diploma Teachers Training College as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, and the Technical and Vocational Education and Training Act, 2013.

Basis for Qualified Opinion

1. Unsupported Changes in Net Assets

The statement of changes in net assets reflects an amount of Kshs.71,616,631 with respect to capital grants received during the year. However, the balance was not supported by any documentation.

In the circumstances, the accuracy of the statement of changes in net assets could not be confirmed.

2. Inaccuracies in the Financial Statements

The statement of cash flows reflects an opening balance of Kshs.67,823,413 with respect to cash and cash equivalents which is at variance with the closing balance of Kshs.80,475,470 reported in the audited financial statements for 2019/2020 financial year. This resulted to an unexplained variance of Kshs.12,652,057.

Similarly, the statement of comparison of budget and actual amounts reflects an original total receipts budget of Kshs.47,681,980 while the recalculated amount was Kshs.53,681,980 resulting to an unexplained variance of Kshs.6,000,000.

In the circumstances, the accuracy of the financial statements could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lugari Diploma Teachers' Training College Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to make me believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Staff Ethnic Diversity

Review of human resource records of the College, including the payroll, revealed that during the year under review, the College had 45 employees, out of which, 34 members of staff or 76% of the staff were from the same ethnic community. This is contrary to the provisions of Section 7(2) of the National Cohesion and Integration Act, 2008, which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstances, Management was in breach of the law.

2. Delayed Construction of Playing Field

The statement of financial position reflects a balance of Kshs.263,206,617 with respect to property, plant and equipment which as disclosed under Note 23 to the financial statements includes Kshs.150,847,372 relating to capital work in progress. The amount of capital work in progress balance includes Kshs.3,459,120 paid during the year in respect of construction of a playing field. The contract was entered into in July, 2019, and scheduled for completion on 30 October, 2019, at a contract sum of Kshs.4,441,640. However, as at the time of audit in May, 2022, the project had not been completed and was at 92% completion stage. No explanation was provided for the failure to complete the project within the project duration.

In the circumstances, value for money was not obtained from the project.

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, except for the matter described in the Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Internal Audit Function and Audit Committee

During the year under review, the College did not have both internal audit function and audit committee to monitor the College's governance process, accountability process and control systems as well as offer objective advice on issues concerning risk, control, regulatory requirements and governance.

In the circumstances, the College did not benefit from the assurance and advisory services of the internal audit function as well as oversight from the Audit Committee.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall 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 misstatements, 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 College's ability to sustain services, disclosing, as applicable, matters related to sustainability of service and using the applicable basis of accounting unless Management is aware of the intention to terminate the College or to cease operations.

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

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

Those charged with governance are responsible for overseeing the College's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance

and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 College's policies and procedures may deteriorate.

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

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

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

- 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 applicable 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 College's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the College to cease to sustain services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College 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 controls that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 September, 2022

LUGARI DIPLOMA TEACHERS TRAINING COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021.

X. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

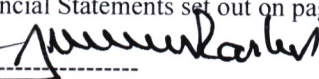
	Notes	2020/2021
		Kshs
Revenue from non-exchange transactions		
Transfers from the National Government – grants/ gifts in kind	6	34,000,000
Public contributions and donations	7	0
Total Revenue from non-exchange transactions		34,000,000
Revenue from exchange transactions		
Rendering of services- Fees from students	8	2,648,600
Sale of goods	9	0
Rental revenue from facilities and equipment	10	4,060,000
Other income	11	1,988,003
Revenue from exchange transactions		8,696,603
Total revenue		42,696,603
Expenses		
Use of goods and services	12	1,782,112
Employee costs	13	5,213,626
Remuneration of directors	14	0
Depreciation and amortization expense	15	9,787,496
Repairs and maintenance	16	4,865,361
General expenses	17	30,125,559
Finance costs	18	0
Total expenses		51,774,154
Other gains/(losses)		
Net deficit for the year		-9,077,551

The notes set out on pages 1 to form an integral part of the Annual Financial Statements.

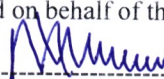
XI. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

	Notes	2020/2021
		Kshs
Assets		
Current assets		
Cash and cash equivalents	19	40,707,735
Receivables from exchange transactions	20	574,500
Receivables from non-exchange transactions	21	0
Inventories	22	884,828
Total Current Assets		42,167,063
Non-current assets		
Property, plant and equipment	23	263,206,617
Intangible assets	24	0
Total Non-current Assets		263,206,617
Total assets		305,373,680
Liabilities		
Current liabilities		
Trade and other payables from exchange transactions	25	14,391,008
Payments received in advance	25	270,845
Total Current Liabilities		14,661,853
Non-current liabilities		
Non-current provisions	28	755,583
Borrowings	30	0
Total Non-current liabilities		755,583
Total liabilities		15,417,436
Capital and Reserves		
Reserves		136,766,424
Accumulated deficit		-9,077,551
Capital Fund		162,267,371
Total Capital and Reserves		289,956,244
Total Liabilities and Capital & Reserves		305,373,680

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

Sign 

Chairman of Council/Board of Governors

Sign 

Finance Officer
ICPAK No 19843

Sign 

Chief Principal

Date.....

Date.....

Date.....



LUGARI DIPLOMA TEACHERS TRAINING COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

XII. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2021

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital Fund	Total
Balance b/f at July 1, 2019	0	0	0	0	0
Revaluation gain					0
Fair value adjustment on quoted investments					0
Total comprehensive income			0		0
Capital/Development grants received during the year					0
Transfer of depreciation/amortization from capital fund to retained earnings					0
Valuation of assets as at July 1, 2020.	136,766,424	0	0	90,650,740	227,417,164
Balance c/d as at June 30, 2020	136,766,424	0	0	90,650,740	227,417,164
Balance b/f at July 1, 2020	136,766,424	0	0	90,650,740	227,417,164
Revaluation gain					0
Fair value adjustment on quoted investments					0
Total comprehensive income			-9,077,551		-9,077,551
Capital/Development grants added during the year				71,616,631	71,616,631
Transfer of depreciation/amortization from capital fund to retained earnings					0
Balance c/d as at June 30, 2021	136,766,424	0	-9,077,551	162,267,371	289,956,244

Note:

- For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
- Prior year adjustments should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.

XIII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

		2020/2021
	Note	Kshs
Cash flows from operating activities		
Receipts		
Transfers from other Government entities/Govt. grants	6	34,000,000
Public contributions and donations	7	0
Rendering of services- Fees from students	8	2,648,600
Sale of goods	9	0
Rental revenue from facilities and equipment	10	4,060,000
Other income, rentals and agency fees	11	1,988,003
Total Receipts		42,696,603
Payments		
Compensation of employees	13	5,213,626
Use of goods and services	12	1,782,112
Remuneration to Directors	14	0
General Expenses	17	30,125,559
RMI	16	4,865,361
Total Payments		41,986,658
Net cash flows from operating activities		709,945
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	23	-62,216,631
Proceeds from sale of property, plant and Equipment		0
Decrease/in Payables	25	14,391,008
Increase in inventories		0
Net cash flows used in investing activities		-47,825,623
Cash flows from financing activities		
Proceeds from borrowings		0
Repayment of borrowings		0
Development Grants and subsidies received	6	20,000,000
Increase in deposits		0
Net cash flows used in financing activities		20,000,000
Net increase/(decrease) in cash and cash equivalents		-27,115,678
Cash and cash equivalents at 1 July 2020		67,823,413
Cash and cash equivalents at 30 June 2021	28	40,707,735

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation).

LUGARI DIPLOMA TEACHERS TRAINING COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2021

	Original budget	Adjustment	Final budget	Actual on comparable basis	Performance difference	Utilization difference
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Transfers from other Govt entities Govt grants	40,000,000	-6,000,000	34,000,000	34,000,000	0	100%
Rendering of services- Fees from students	4,288,000	-2,136,400	2,151,600	2,048,600	-103,000	98.5%
Rental Income	7,600,000	-3,600,000	4,000,000	4,060,000	-60,000	102%
Consultancy Income	0		0	0	0	0%
Other incomes	1,793,980	-849,780	944,200	1,988,003	-1,043,803	0%
Total income	47,681,980	-12,586,180	41,095,800	42,696,603	-1,600,803	
Expenses						
Compensation of employees	6,844,431	-500,000	6,344,431	5,213,626	1,130,805	82%
Use of Goods and services	2,214,000	-294,000	1,920,000	1,782,112	137,888	93%
Repairs & Maintenance	4,792,000	-270,000	4,522,000	4,865,361	-343,361	108%
Remuneration of directors	0	0	0	0	0	0%
General expenses	33,831,549	-11,522,180	28,309,369	30,125,559	-1,816,190	106%
Grants and subsidies paid			0		0	0%
Total expenditure	47,681,980	-12,586,180	41,095,800	41,986,658	-890,858	
Surplus for the period	0	0	0	709,945	709,945	

Budget notes

1 Compensation of employees was under absorbed due not filling some positions in the establishment e.g. cateress, matron,

2. There were downward scaling from the original budget to final budget caused by MOE budget cuts from Kshs 40m to Kshs34m and low enrolment from 380 to 200 students.

XV. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Lugari Diploma TTC is established by and derives its authority and accountability from the Basic Education Act 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is teaching and instructing students in Diploma Teacher Education.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, the preparation of financial statements is in conformity with International Public Sector Accounting Standards (IPSAS) which allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the TVET Act, the new directive by treasury on the reporting template for TTCs and International Public Sector Accounting Standards (IPSAS).

LUGARI DIPLOMA TEACHERS TRAINING COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2021
NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2021.**

Standard	Impact
Other Improvements to IPSAS	Applicable: 1st January 2021: a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks. b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved. c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.

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ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: •Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; •Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and •Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. (State the impact of the standard to the entity if relevant)
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. (State the impact of the standard to the entity if relevant)
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2020/2021 was approved by the BOM. Subsequent revisions were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

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

c) Taxes

Current income tax

The entity is exempt from paying corporate taxes. However, it is authorised to withhold VAT at 2 per cent and withholding tax at 3 per cent from construction works and remit to KRA.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (continued)

Sales tax/ Value Added Tax

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

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

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

d) Investment property

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

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

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

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

e) Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Intangible assets

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

i) Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting policies and estimates

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

k) Employee benefits

Retirement benefit plans

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

l) Foreign currency transactions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Related parties

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

n) Service concession arrangements

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

o) 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.

p) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Useful life 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 nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

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

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)

6. (a) TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2020-2021
	KShs
Operational grant	34,000,000
Development grants	20,000,000
Total Government grants and subsidies	54,000,000

(b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year 2020-2021 KShs
MOE	8,500,000	0	0	8,500,000
MOE	8,500,000	0	0	8,500,000
MOE	8,500,000	0	0	8,500,000
MOE	8,500,000	0	0	8,500,000
MOE	0	0	12,500,000	12,500,000
MOE	0	0	7,500,000	7,500,000
Total	34,000,000	0	20,000,000	54,000,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2020-2021
	KShs
Public donations	0
Donations from local leadership	0
Donations from religious institutions	0
Donations from alumni	0
Other donations	0
Total donations and sponsorships	0

8. RENDERING OF SERVICES

Description	2020-2021
	KShs
Tuition fees	710,500
Activity fees	203,000
Examination fees	463,800
RMI	304,500
LTT Fees	453,200
Medical fees	81,200
EWC income	406,000
Registration fees	26,400
Total Rendering of Services	2,648,600

9. SALE OF GOODS

Description	2020-2021
	KShs
Sale of goods	
Sale of books	0
Sale of publications	0
Sale of farm produce	0
Cafeteria	0
Other (include in line with your organisation)	0
Total revenue from the sale of goods	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. HIRE OF FACILITIES AND EQUIPMENT

Description	2020-2021
	KShs
Boarding Fees	4,060,000
Total rentals	4,060,000

11. OTHER INCOME

Description	2020-2021
	KShs
Bank clearance fee	5,500
Contingencies Fees	531,200
Caution money	4,400
Computer course charges	304,500
Games Equipment	22,000
P. E Uniforms	55,000
Graduation Fee	
Student Council Fees	13,200
Student Welfare	60,900
Postage	20,300
Rehabilitation	203,000
Sundry Incomes	768,003
Total other income	1,988,003

12. USE OF GOODS AND SERVICES

Description	2020-2021
	KShs
Electricity, Water & conservancy	1,782,112
Total good and services	1,782,112

13. EMPLOYEE COSTS

Description	2020-2021
	KShs
Salaries and wages	5,213,626
Employee related costs - contributions to pensions and medical aids	
Total Employee costs	5,213,626

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. REMUNERATION OF DIRECTORS

Description	2020-2021
	KShs
Chairman's Honoraria	0
Director's emoluments	0
Other allowances	0
Total director emoluments	0

15. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2020-2021
	KShs
Property, plant and equipment	9,787,496
Intangible assets	-
Investment property carried at cost	-
Total depreciation and amortization	9,787,496

16. REPAIRS AND MAINTENANCE

Description	2020-2021
	KShs
RMI	4,865,361
Total Repairs and Maintenance	4,865,361

LUGARI DIPLOMA TEACHERS TRAINING COLLEGE
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. GENERAL EXPENSES

Description	2020-2021
	KShs
Bank Charges	47,808
Boarding/B..E.S	8,827,854
Computer course	433,800
Contingencies	7,151,944
L.T&T	3,691,423
Medicare	1,248,835
Postage	30,831
Registration	6,000
Student Council	11,620
Students welfare	5,000
Tuition /T.E.S	8,670,444
Total general expenses	30,125,559

18. FINANCE COSTS

Description	2020-2021
	KShs
Borrowings (amortized cost) *	-
Finance leases (amortized cost)	
Total finance costs	-

19. CASH AND CASH EQUIVALENTS

Description	2020-2021
	KShs
Current account	30,699,161
On - call deposits	
Fixed deposits account	10,000,000
Staff car loan/ mortgage	
Others (Cash in Hand)	8,574
Total cash and cash equivalents	40,707,735

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 (a). DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

		2020-2021
Financial institution	Account number	KShs
a) Current account		
Kenya Commercial bank Webuye Branch	1166632431	379,035
Kenya Commercial bank Webuye Branch	1166632288	24,357,879
Co-Operative Bank Webuye Branch	01129534341200	47,652
Sub- total		24,784,566
b) Savings Account		
Co-Operative Bank Webuye Branch	01100534341200	5,914,595
Sub- total		5,914,595
c) Fixed deposits account		
Co-Operative Bank Webuye Branch	01100534341200	10,000,000
Sub- total		10,000,000
d) Cash in hand		
Recurrent account	Cash	3,908
College fund account	Cash	4,666
Sub- total		8,574
GRAND TOTAL		40,707,735

20. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021
	KShs
Current receivables	
Student debtors	574,500
Rent debtors	
Total current receivables	574,500
Non-current receivables	
Refundable deposits	-
Advance payments	
Public organizations	
Less: impairment allowance	
Total non-current receivables	-
Total receivables	574,500

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2020-2021
	KShs
Current receivables	
Transfers from other govt. entities	
Undisbursed donor funds	-
Other debtors (non-exchange transactions)	
Less: impairment allowance	
Total current receivables	-

22. INVENTORIES

Description	2020-2021
	KShs
Stationery & Consumable stores	333,580
Health Unit stores	34,321
Catering stores	516,927
Total Inventories	884,828

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. PROPERTY, PLANT AND EQUIPMENT

Cost	Land KShs	Buildings	Motor vehicles	Furniture and fittings	Computers	Library Books	Plant and equipment	Capital Work in progress	Total
	KShs		KShs	KShs	KShs	KShs	KShs	KShs	KShs
At 1 July 2020	11,600,000	85,942,573	15,008,000	12,454,100	3,133,900	825,308	7,666,100	90,650,740	227,280,721
Additions	9,400,000				1,629,999		390,000	60,196,632	71,616,631
Disposals									0
Transfer/adjustments									0
At 30th June 2021	21,000,000	85,942,573	15,008,000	12,454,100	4,763,899	825,308	8,056,100	150,847,372	298,897,352
Depreciation and impairment									0
At 1 July 2020	0	6,875,409	7,504,000	6,227,050	1,044,529	419,202	3,833,050	0	25,903,239
Depreciation		1,718,851	3,752,000	1,556,763	1,587,808	165,062	1,007,013	0	9,787,496
Disposals									0
Impairment									0
Transfer/adjustment									0
At 30th June 2021	0	8,594,260	11,256,000	7,783,813	2,632,336	584,264	4,840,063	0	35,690,735
Net book values									0
At 30th June 2021	21,000,000	77,348,313	3,752,000	4,670,288	2,131,563	241,044	3,216,038	150,847,372	263,206,617
At 30th June 2020	11,600,000	79,067,164	7,504,000	6,227,050	2,089,371	406,106	3,833,050	90,650,740	201,377,481

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24. INTANGIBLE ASSETS-SOFTWARE

Description	2020-2021
	KShs
Cost	
At beginning of the year	-
Additions	-
Cost end of the year	-
Amortization and impairment	
At beginning of the year	-
Amortization	-
Amortization at end of the year	-
Less: Impairment loss	
At end of the year	-
NBV	-

25. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021
	KShs
Trade payables	-
K.N.E.C Examinations	1,204,783
Retention Money from construction	11,293,705
Caution money	142,200
Teaching Practice Allowance students	1,750,320
Total trade and other payables	14,391,008

26. CURRENT PROVISIONS

Description	Leave provision	Bonus provision	Gratuity Provisions	Other provision	Total
	KShs	KShs	KShs	KShs	KShs
Balance at the beginning of the year	0	0	0	0	0
Additional Provisions	0	0	0	0	0
Provision utilised	(0)	(0)	(0)	(0)	(0)
Change due to discount and time value for money	(0)	(0)	(0)	(0)	(0)
Transfers from non -current provisions	0	0	0	0	0
Total provisions	0	0	0	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2020-2021
	KShs	KShs	KShs	KShs
Current benefit obligation	0	0	0	0
Non-current benefit obligation	0	0	0	0
Total employee benefits obligation	0	0	0	0

28. NON-CURRENT PROVISIONS

	Long service leave	Gratuity	Other Provisions	Total
Balance at the beginning of the year		509,810		509,810
Additional Provisions		245,773		245,773
Provision utilized				0
Change due to discount and time value for money				0
Less: Current portion				0
Total Non-current provisions	-	755,583	-	755,583

29. BORROWINGS

Description	2020-2021
	KShs
Borrowings - Current portion	
Government bonds issued	
Commercial bank Loans	-
Total current portion	-
Borrowings – Non- current portion	
Government bonds issued	
Commercial bank Loans	-
Other loans- from donor and financiers	
Total Non-current portion	-

LUGARI DIPLOMA TEACHERS TRAINING COLLEGE
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due e.g. trade and other receivables

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions	574,500	574,500	0	0
Receivables from non-exchange transactions	-	-	0	0
Bank balances	40,707,735	40,707,735	0	0
Total	41,282,235	41,282,235	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

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

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

(ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	-	14,391,008	0	14,391,008
Current portion of borrowings	0	0	0	-
Provisions	0	0	0	-
Deferred income	0	0	0	-
Employee benefit obligation	0	0	0	-
Total	-	14,391,008	-	14,391,008

NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

The entity has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. FINANCIAL RISK MANAGEMENT (Continued)

a) Interest rate risk

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

Management of interest rate risk

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

b) Interest rate risk(continued)

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

iv) Capital Risk Management

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

	2020-2021
	Kshs
Revaluation reserve	136,629,981
Retained earnings	-9,077,551
Capital reserve	
Total funds	127,552,430
Total borrowings	0
Less: cash and bank balances	40,707,735
Net debt/(excess cash and cash equivalents)	40,707,735

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

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

32. EVENTS AFTER THE REPORTING PERIOD

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

33. ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of xxx. Its ultimate parent is the Government of Kenya.

34. CURRENCY

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

LUGARI DIPLOMA TEACHERS TRAINING COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2021

INTER-ENTITY TRANSFERS

MINISTRY OF EDUCATION

STATE DEPARTMENT FOR EDUCATION

Appendix2: Inter-Entity Transfers confirmation

Confirmation of amount received by LUGARI DIPLOMA TEACHERS TRAINING COLLEGE as at 30 th June 2021							
Reference Number	Date Disbursed	Amount Disbursed [SC/SAGA/Fund] (Kshs) as at 30 th June 2021				Amount Received by [beneficiary entity] (Kshs) as at 30 th June 2021 (E)	Difference s (Kshs)(f)= (D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
0110	11/8/2020	8,500,000	-	-	8,500,000		
0110	18/8/2020	-	12,500,000	-	12,500,000		
0110	05/11/2020	8,500,000	-	-	8,500,000		
0110	11/2/2021	8,500,000	-	-	8,500,000		
0110	29/4/2021	-	7,500,000	-	7,500,000		
0110	12/5/2021	8,500,000	-	-	8,500,000		
Total		34,000,000	20,000,000	-	54,000,000	54,000,000	

In confirm that the amount shown above are correct as of the date indicated and are as included in the financial statements

HEAD OF ACCOUNTS DEPARTMENT OF BENEFICIARY ENTITY:

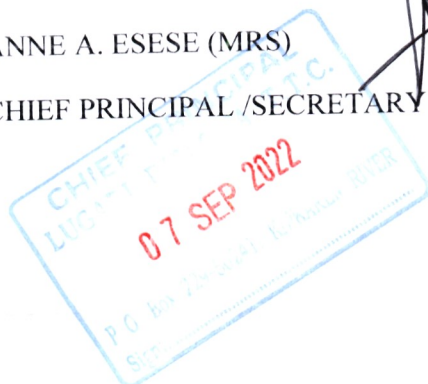
.....

Name..... MICHAEL MUHORO

Sign..... [Signature] Date 6/5/2022

ANNE A. ESESE (MRS)

CHIEF PRINCIPAL /SECRETARY BOM



LUGARI DIPLOMA TEACHERS TRAINING COLLEGE

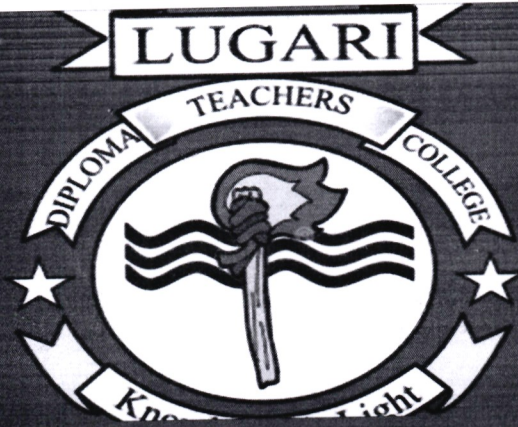
PROJECTS IMPLEMENTED BY THE ENTITY AND CONSOLIDATED IN THE FINANCIAL STATEMENTS

B. DEVELOPMENT PROJECT STATUS

B. DEVELOPMENT PROJECT STATUS								
S/ N	PROJECT	TENDER NO & CONTRACTOR	CONTRACT SUM(KSHS)	CERT.NO AND AMOUNT PAID KSH	FULL/EXECUTIV E BOM APPROVAL MIN.	TOTAL AMOUNT PAID(KSHS)	PROJECT BAL. (KSHS)	LEVEL OF COMPLN
1	ADMIN/TUI TION BLOCK PHASE 2	LDTTC/ADMIN/ FY/2018/2019 WINAM CONTRACTORS	45,543,873	1,9,516,569 2,9,679,479 3,7,750,458 4,6,679,807 5,6,620,729	MIN: FB4/24/7/2020 MIN: FB5/5/11/2020 MIN: EXB4/20/11/2020 MIN: EXB4/31/12/2020	40,247,010	5,296,863	95%
2	3 NO STAFF HOUSING PROJECT	LDTTC/STAFF HOUSES/ FY/2019/2020 LIYA MOTORS ENGINEERING	26,970,790	1,9,673,387 2,4,153,945 3,5,063,057 4,4,098,918	MIN: EXB4/20/11/2020 MIN: EXB4/20/11/2020 MIN: EXB4/31/12/2020 EXB3/24/05/2021	22,989,309	3,981,631	95%
3	PLAY FIELD	LDTTC/PLAY FIELD/FY/2018/ 2019. NOLADS CONTRACTORS	4,441,640	1,3,459,120	MIN: FB4/24/7/2020	3,459,120	982,520	78%
	PROJECT	TENDER NO	CONTRACT	CERT.NO	FULL/EXECUTIV	TOTAL AMOUNT	BAL.	LEVEL OF

LUGARI DIPLOMA TEACHERS TRAINING COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2021

		SUM(KSHS)	AND AMOUNT PAID KSH	E BOM APPROVAL MIN.	PAID(KSHS)	(KSHS)	COMPLETION
4	WATER TANK INSTALLATI ON	LDTTC/WATER TANK INSTALLATION /FY/2019/2020. FORTRESS ENGINEERING	1.3,134,000 2.11,020,08 8	MIN: EXB4/31/12/2020	14,154,880	326,102	99%
5	HOSTEL PROJECT	KAK/LDTTC/ HOSTEL/2015/ 2016-01. BLUE NILE(K)LTD	1-12 61,640, 941	MIN: FB4/24/7/2020	61,640,941	4,384,773	92%



Motto:

Knowledge is Power

Vission:

To be a Model Diploma Teachers Training in
Kenya and Beyond

Mission:

To Provide education and training to Produce
Resourceful teachers for Kenya and beyond

