

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

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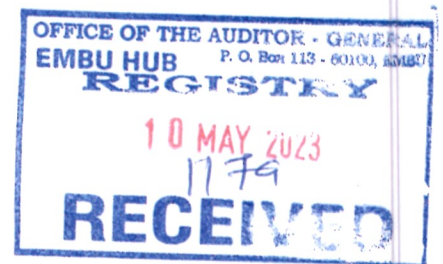
THE AUDITOR-GENERAL

ON

**MITUNGUU TECHNICAL TRAINING
INSTITUTE**

**FOR THE YEAR ENDED
30 JUNE, 2022**

MITUNGUU TECHNICAL TRAINING INSTITUTE



ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE 2022

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Mitunguu Technical Training Institute
Annual Report and Financial Statements for the year ended 30th June 2022

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I. Key Entity Information and Management

(a) Background information

Mitunguu Technical Training Institute is a government sponsored Institute under the Ministry of Education, State Department for Vocational & Technical training. It was incorporated in the year 2015 under the TVET Act 2013. The institution is domiciled in Kenya and has its head office in Mitunguu Town, South Imenti Constituency, in Meru County.

The core mandate of the Institution is to equip young people with knowledge, skills and attitudes needed to secure employment in today's labour market. As a TVET institute, this is recognized as a driving vehicle towards achieving the Country's BIG4 agendas and the Vision 2030

As a Centre of Excellency in Electrical and Electronics engineering, Mitunguu Technical Training Institute opened its doors in 2015 and the first batch of students was admitted in May 2015.

The Institution sits on a 52-acre parcel of land properly demarcated but without a title deed and in a serene environment conducive for learning and personal development. The institution is well equipped and adequately staffed to offer market driven skills and knowledge to its trainees through inspired innovation, creativity, reliability and responsiveness with utmost goal of releasing all rounded graduate.

(b) Principal Activities

The principal activities of Mitunguu Technical Training Institute are to offer skills technical and vocational education and training.

Vision

To be a national centre of excellence in Technical and Vocational Education and Training (TVET).

Mission

To develop professional skills and technical competences, produce proficient and versatile professional managers by providing quality management courses.

(c) Key Management

Mitunguu Technical Training Institute's day-to-day management is under the following key organs:

Board of Governors
Accounting officer/ Principal
Senior Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	Lucy M. Anampiu
2.	Deputy principal Administration	Penina Ngina
3	Deputy principal Academics	Joseck Munyua
4	Registrar	Anastacia Mutimbi
5	Dean of students	Polline Mawira
6	Head of Finance	Mathew Kabete

(e) Fiduciary Oversight Arrangements

1.	Executive Board Meeting	1 st October 2021	<ol style="list-style-type: none"> 1. Mr. Jenaro Guantai Ithinji 2. Mr. Kelvin Mutuma Mbaabu 3. Ms. Sabina Gatumi 4. Ms. Margaret Nduhiu 5. Ms. Penninah Ngina Musili
2.	Special Board Meeting	4 th February 2022	<ol style="list-style-type: none"> 1. Mr. Jenaro Guantai Ithinji 2. Mr. Kelvin Mutuma Mbaabu 3. Ms. Margaret Nduhiu 4. Mrs. Lucy Mukiri Anampiu
3.	Special Board Meeting	1 st March 2022	<ol style="list-style-type: none"> 1. Mr. Jenaro Guantai Ithinji 2. Mr. Kelvin Mutuma Mbaabu 3. Ms. Margaret Nduhiu 4. Mrs. Lucy Mukiri Anampiu 5. Mr. Mathew Kabete

Key Entity Information and Management (Continued)

(f) Entity Headquarters

Mitunguu Technical Training Institute
Along Tunyai-Nkubu Mati Road
P.O. Box 64-60204
Mitunguu
Meru, Kenya.

(g) Entity Contacts

Telephone :(254) 701 233 591
E-mail: Mitunguutechnical@gmail.com
Website: www.mitunguutechnical.ac.ke

(h) Entity Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi,

2. Co-operative Bank of Kenya
Nkubu branch
P.O. Box 740-60202

3. KCB Bank
Nkubu branch
P.O Box 178-60200
Meru.

4. Equity Bank (Kenya) Ltd
Nkubu branch
P.O Box 60-60202
Nkubu.




(i) Independent Auditors





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

(j) Principal Legal Adviser



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

II. The Board of Governors





MEMBER	DOB	QUALIFICATIONS	EXPERIENCE
<p>Kenneth Gitonga</p>  <p>BOG Chairman</p>	1973	<p>MBA (Strategic management) Bachelor of commerce CPA (K)</p>	<p>The current CEO Meru Central Dairy Union Ltd Previously worked as Deputy CEO at Yetu Sacco Ltd and as a Finance Manager South Imenti Tea Growers Sacco Ltd.</p> <p>Appointed on March 2022.</p>
<p>Kelvin Mutuma Mbaabu</p>  <p>BOG Member</p>	1985	<p>Bachelor of laws (LLB) Postgraduate Diploma in Law (KSL) CPA(K) CPS(K)</p>	<p>A senior partner in Mbaabu M'Inoti Advocates LLP and heads the Conveyancing and Commercial litigation division. He has 14 years of experience and interest in Conveyancing, Commercial litigation, Debt recovery, Insurance Claims, Probate, and Administration. He has been involved in various Landmark cases in commercial transactions. Kelvin is an Advocate of the High Court, Notary Public, and Commissioner for Oaths.</p> <p>Appointed on November 2021.</p>
<p>Mrs. Lucy Mukiri Anampiu</p>  <p>BOG Secretary/Principal</p>	1979	<p>Masters in project planning and management Bachelor of science (Maths and Chemistry) KeMU Diploma in science Education (KSTC) Senior Management course (KSG)</p>	<p>Lucy mukiri Anampiu is the current Principal Mitunguu Technical Training Institute with good track record in management. She has attended the senior management course at the Kenya school of government and attained a distinction. Previously she worked at Tigania East TVC as the Principal for two years helping operationalize the new institution, Karumo Technical Training Institute for four years held several responsibilities like assistant dean of students in charge of games and sports, a member of the performance contracting in charge of complaints and compliments, a member of the strategic plan committee, a trainer in applied mathematics and physical science. She worked at St. Cyprian Boys High School for 10 years where she was the head of sciences department, a basketball and rugby coach, a member of the senior management team, teacher's representative to the board of management and she was the subcounty secretary science and engineering fair</p>

<p>Titus Mabeya</p>  <p>BOG Member and Chairman, Audit and Risk Committee</p>	<p>1984</p>	<p>PhD -Finance (UON)- Ongoing MBA-Finance (KU) Bachelor of commerce (KU) CPA(K) GRI certified</p>	<p>CPA Titus M. Mabeya is a member of the Institute of Certified Public Accountants Kenya (ICPAK) in good standing and a Global Reporting Initiative (GRI) Certified on sustainability reporting. He has attended other several courses related to finance, accountancy, performance management, sustainability reporting and governance. He is a GRI certified. He is currently working at the Higher Education Loans Board (HELB). He has cross cutting financial management experience, skills and competencies ranging from private (Standard Chartered Bank), Nongovernmental (European Union) and public (HELB, JKUAT and UON) sectors spanning 11 years. Previously, he worked at Standard Chartered Bank and European Union under Community Development Trust Fund. He has been a member of Boards of schools. He has mobilized and participated in several community transformational initiatives.</p> <p>Appointed on March 2022.</p>
<p>Stella Kirui</p>  <p>BOG Member</p>	<p>1965</p>	<p>Ph.D. in Entomology M.Sc. in Entomology Bachelor of Education (Science)</p>	<p>A seasoned academia currently working as an Associate Professor Maasai Mara University Having worked as the Lecturer at Maasai Mara University and Eldoret National Polytechnic and worked as CECM for Agriculture livestock and fisheries and Education in Elgeyo Marakwet county between 2013 and 2017.</p> <p>Appointed on March 2022.</p>
<p>Nancy Gitonga</p>  <p>BOG Member</p>	<p>1970</p>	<p>Bachelor of Commerce (Management Option) Diploma in Sales and Marketing</p>	<p>A seasoned Banker currently working as a Business growth and Development Manager Equity Bank(K) Ltd and also worked as a branch Manager Barclays Bank(k) Ltd</p> <p>Appointed on March 2022.</p>
<p>Kobia Wakamau</p>  <p>BOG Member and Chairman, Finance, Admin and HR</p>	<p>1960</p>	<p>MA, BA, PGD/D/R</p>	<p>Retired county commissioner/Secretary of Administration, served in various capacities as public administrator in various Provinces, Districts, Counties and Ministries</p> <p>Appointed on March 2022.</p>



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<p>Mary Mwandulo</p>  <p>BOG Member and Chairperson Academic and Research</p>	<p>1980</p>	<p>Ph.D. in IT M.Sc in IT Bachelor of Science (Maths and Computer Science)</p>	<p>Chairperson Department of Computer Science Meru University of Science and Technology</p> <p>Lecturer at Meru University of science and Technology</p> <p>Appointed on March 2022.</p>
<p>Alexander K. Mukui</p>  <p>BOG Member</p>	<p>1972</p>	<p>M.Sc. in Civil Engineering</p>	<p>A Registered Civil Engineer working and worked in various public and private companies such as Iiazsons Civil Engineering Co., Ministry of Roads and Public Works, Safaricom Ltd, Alan Dick &Co. East Africa, H Young & Co. ltd, Director in various companies such as Voltex Ltd, Structural Ventures Ltd, H.P Gauff Ingenieure.</p> <p>Appointed on March 2022.</p>

III. Management Team

MEMBER	DOB	QUALIFICATIONS	EXPERIENCE
<p>Lucy M. Anampiu</p>  <p>BoG Secretary/Principal</p>	1979	<p>Masters in project planning and management</p> <p>Bachelor of science (Maths and Chemistry) KeMU</p> <p>Diploma in science Education (KSTC)</p> <p>Senior Management course (KSG)</p>	<p>Lucy mukiri Anampiu is the current Principal Mitunguu Technical Training Institute with good track record in management. She has attended the senior management course at the Kenya school of government and attained a distinction. Previously she worked at Tigania East TVC as the Principal for two years helping operationalize the new institution, Karumo Technical Training Institute for four years held several responsibilities like assistant dean of students in charge of games and sports, a member of the performance contracting in charge of complaints and compliments, a member of the strategic plan committee, a trainer in applied mathematics and physical science. She worked at St. Cyprian Boys High School for 10 years where she was the head of sciences department, a basketball and rugby coach, a member of the senior management team, teacher's representative to the board of management and she was the subcounty secretary science and engineering fair</p>
<p>Pennina Ngina</p>  <p>D/Principal Administration</p>	1973	<p>M.Sc in applied mathematics</p>	<p>The D/principal administration Mitunguu Technical Training Institute, worked as the Registrar Mitunguu Technical Training Institute, Deputy Principal Uruku girls Sec School, Teacher at Kathanthatu Sec School and Muthetheni Girls</p>
<p>Joseck Munyua</p>  <p>D/Principal Academics</p>	1966	<p>BED-Arts</p>	<p>Dec.2019 to Date: The D/Principal Academics Mitunguu Technical Training Institute, worked as Head of Department Mitunguu Technical Training Institute, Lower Chure Sec. School and Kithatu Girls Sec School</p>
<p>Anastacia Mutimbi</p>  <p>Registrar</p>	1974	<p>Bachelor of Education</p>	<p>The Registrar Mitunguu Technical Training Institute, worked as Examination Officer Mitunguu Technical Training Institute, Office administrator 2 at the Ministry of Health and a trainer at Meru National Polytechnic</p>

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<p>Polline Mawira</p>  <p>Dean of Students</p>	<p>1979</p>	<p>BED-Arts</p>	<p>The Dean of students Mitunguu Technical Training Institute, worked as Guidance and Counselling Mitunguu Technical Training Institute and as HOD Kionyo Sec. school</p>
<p>Mathew Kabete</p>  <p>Finance Officer</p>	<p>1986</p>	<p>MBA(Finance)-Ongoing Bachelor of Commerce (Accounting) CPA(K)</p>	<p>The current Finance Officer Mitunguu Technical Training Institute, previously worked at Kabete National Polytechnic as Accountant 1 and Tharaka Boys High School as Accountant 2</p>

IV. Chairman's Statement

Mitunguu Technical Training Institute is situated in Meru County, 32 kilometers from Meru town and 17 kilometers from Nkubu town in the Eastern region of Kenya and approximately 235 kilometers Northeast of Nairobi. Meru County borders five other counties namely; Isiolo to the North, Nyeri to the South West, Tharaka-Nithi to the South East and Laikipia to the West. Meru County is made up of nine constituencies; Igembe South, Igembe Central, Igembe North, Tigania West, Tigania East, North Imenti, Buuri, Central Imenti and South Imenti where the Institute is situated

Mitunguu Technical Training Institute is established and registered by Technical and Vocational Education and Training Authority (TVETA) established by the TVET Act No. 29 of 2013. The institute sits on a 50-acre piece of land. The vision of the institute is to be national centre of excellence in technical and vocational and training. The mission is to produce proficient and versatile human resource by providing quality relevant, and innovative technical and vocation education and training.

The major successes and strengths of the institute include: -

- The state- of- the- art infrastructure
- Consistent good performance in Performance Contracting
- The Institute enjoys political good will in promoting technical vocational and training (TVET),
- Good catchment area for the trainees from Tharaka Nithi, Mbeere and Embu areas.
- accessible road network: the instituted along the Mati Road connecting to Embu County and Nkubu Town in Meru County
- Adequate land the institute is on 50 acres of land piece no. 2863
- Formation of covid-19 response team and provision of PPEs like sanitizers, Face masks detergents and fumigation solution in preparedness of the reopening of the institute. The institute is KEBS certified to produce sanitizers.
- Electricity supply: the institute is connected to the National Grid on three phase supplies
- Enactment of TVET Act, 2013
- Funding support from the government for the ongoing administration block left wing up second floor

- Establishment of the state department of TVET
- Developing the second vibrant strategic plan aligned to big four agenda, Covid-19 pandemic and vision 2030.

The Institute has its challenges bearing in mind that it started in May 2015 with little or no resources some of which include the following:

- ✓ Late disbursement of capitation grants which makes implementation of projects difficult.
- ✓ High rate of depreciation.
- ✓ Lack of dormitories.
- ✓ Raising number of the trainees versus physical facilities.
- ✓ Inadequate funds to meet learning infrastructural needs of the trainees.
- ✓ Lack of boarding facilities to take care of the trainees who do not come from the surroundings. The community also have not developed facilities that can be hired for accommodation
- ✓ Low automation level, the connectivity of the institute to the internet is very low and the government fibre optical cable is not available
- ✓ Inadequate learning and training resources. The government provide basic resources to start the institute in electrical & electronics and information Communication Technology departments however, the departments require very many consumable resources on daily basis which are not available.
- ✓ Floods during the rainy seasons
- ✓ Changing technology which makes the facilities provided by the government need replacement frequently
- ✓ Competition from other institutions offering similar courses in shorter durations
- ✓ HIV/AIDS
- ✓ Drug and substance abuse
- ✓ Changing economic times
- ✓ Inadequate staff both trainers and support staff. Employment of the staff is the responsibility of the government of which this has been done but not enough.
- ✓ Change in government policy
- ✓ Political interference
- ✓ Covid-19 pandemic

The way forward for the Mitunguu Technical Training Institute is allocate more funds on marketing and publicity so as increase gross enrolment, enhance collaboration partnerships with the local community and other agencies, integrate ICT in education and training, improve the human resource capacity through enhancing competencies and team building.

The institute will also strife to improve physical facilities and infrastructure, institute's safety and security through developing security policy, asset management by developing and updating asset inventory and train staff and trainees on first aid, firefighting skills and disaster management skills.

The vision for Mitunguu Technical Training Institute is to be a national centre of excellence in Technical & Vocational Education and Training.

V. Report of the Principal

LOCATION AND ESTABLISHMENT

Mitunguu Technical Training Institute is situated in Meru County, 32 kilometers from Meru town and 17 kilometers from Nkubu town in the eastern region of Kenya and approximately 235 kilometers northeast of Nairobi.

Mitunguu Technical Training Institute was established and registered by Technical and Vocational Education and Training Authority (TVETA) established by the TVET Act No. 29 of 2013. The institute sits on a 52-acre piece of land. Its construction was funded by the government of Kenya between the years 2011 and 2015 with the core mandate of providing training to the large number of young people who graduate annually from secondary and primary school system. This is in the realization that producing a properly and effectively trained, disciplined and patriotic human resource can make a positive contribution to the development of the nation in line with Kenya Vision 2030.

The Institute was designed to be constructed in phases. The first phase of the Institute was designed to offer courses mainly in Electrical & Electronic Engineering and Information & Communication Technology. The Institute opened its doors in May 2015 and admitted eight (8) students in Electrical Installation (Artisan). It had one (1) TSC teacher (Principal), two (2) BOG teachers and two (2) non-teaching staff. Currently the institute is made up of 47 courses in six departments. The institute population comprises 907 trainees, 29 public service commission trainers, 28 BOG trainers and 16 non-training staff.

The major successes and strengths of the institute include: -

STRENGTHS

- Adequate land
- Good & modern physical structures
- Internet available
- Supply of clean water
- Electricity supply
- Qualified personnel
- Conducive environment

SUCSESSES

- Funding support from the government
- Political Goodwill

- High population density for trainees
- Economically endowed region
- Accessible road network
- Support from neighbouring institutions
- Increasing demand for technical education
- Implementation of Kenya Vision 2030
- Enactment of TVET Act 2013
- Establishment of the state department of TVET

CHALLENGES

The Institute has its challenges which include the following:

- Lack of boarding facilities
- Inadequate of Institute transport facilities
- Inadequate of recreational facilities
- Inadequate Automation level
- Low enrolment
- Inadequate learning & training resources
- Inadequate financial resources



Lucy Mukiri Anampiu

Principal

VI. Statement of Performance against Predetermined Objectives

The pillars are summarized in the table below

Strategic Pillar	Objective	Strategy
Science Technology and Innovation	To improve physical facilities and infrastructure	Expand facilities and infrastructure Improve existing facilities and infrastructure Asset management
	To improve the Institute's safety and security systems	Information security management Security policy, Work environment Promote health and safety
Education and Training	To enhance corporate governance by developing and adapting a Quality Management System (QMS)	Develop and implement Processes and procedures, Adaption of QMS, Management Reviews, Zero tolerance to corruption Ensure continued relevance of the service delivery charter, Students' governance
	To enhance collaboration & development partners	Source for funding, Collaborate with the local community, Collaboration with other agencies.
	To strengthen the Institute's financial management system	To enhance management of Financial Resources, To operate within the set budgetary allocations, Diversify sources of income, Reduce costs.
Human Resource Management and Development	Training and improve the human resource capacity	Enhance competencies, Team building, Staff appraisal, HR Policy, Transfer of skills, Succession planning, Staff motivation
Information and Communication Technology (ICT)	To integrate ICT in education and Training	Integrate ICT ERP System
Gender and Youth Development	To increase gross enrolment	Intensify marketing Expand the curriculum

VII. Corporate Governance Statement

S/N	Type of Meeting	Date of Meeting	Attendance
4.	Full Board Meeting	16 th July 2021	<ol style="list-style-type: none"> 1. Mr. Jenaro Guantai Ithinji 2. Mr. Kelvin Mutuma Mbaabu 3. Ms. Sabina Gatumi 4. Mr. Charles Ikiara 5. Dr. Mary Mwadulo 6. Mr. Jonathan K. Muketha 7. Mr. Miriti Munanu 8. Ms. Margaret Nduhiu 9. Mr. Joseph Kobia Thaimuta
5.	Executive Board Meeting	1 st October 2021	<ol style="list-style-type: none"> 1. Mr. Jenaro Guantai Ithinji 2. Mr. Kelvin Mutuma Mbaabu 3. Ms. Sabina Gatumi 4. Ms. Margaret Nduhiu 5. Ms. Penninah Ngina Musili
6.	Special Board Meeting	4 th February 2022	<ol style="list-style-type: none"> 1. Mr. Jenaro Guantai Ithinji 2. Mr. Kelvin Mutuma Mbaabu 3. Ms. Margaret Nduhiu 4. Mrs. Lucy Mukiri Anampiu
7.	Special Board Meeting	1 st March 2022	<ol style="list-style-type: none"> 1. Mr. Jenaro Guantai Ithinji 2. Mr. Kelvin Mutuma Mbaabu 3. Ms. Margaret Nduhiu 4. Mrs. Lucy Mukiri Anampiu 5. Mr. Mathew Kabete
8.	Full Board Meeting – Inauguration of the new Board	19 th April 2022	<ol style="list-style-type: none"> 1. Mr. Kenneth Gitonga 2. Mr. Kelvin Mutuma Mbaabu 3. Ms. Margaret Nduhiu 4. Mr. Kobia Wakamau 5. Ms. Nancy Gitonga 6. Dr. Mary Mwadulo 7. CPA. Titus Mabeya 8. Prof. Stella Kirui 9. Mrs. Lucy Mukiri Anampiu
9.	Full Board Meeting	28 th June 2022	<ol style="list-style-type: none"> 1. Mr. Kenneth Gitonga 2. Mr. Kelvin Mutuma Mbaabu 3. Ms. Margaret Nduhiu 4. Mr. Kobia Wakamau 5. Ms. Nancy Gitonga

			6. Dr. Mary Mwadulo 7. Mr. Alexander Mukui 8. CPA. Titus Mabeya 9. Prof. Stella Kirui 10. Mrs. Lucy Mukiri Anampiu
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Succession Plan

Appointment of Board members from the ministry and internal appointments of various heads of departments

Existence of a Board Charter

The board charter is available and in place.

VIII. Management Discussion and Analysis

SECTION A

The Operational and Financial Performance of Mitunguu Technical Institute

Mitunguu Institute mandate is Education and Training. It was established to train in Electrical & Electronics Engineering, and Information Communication & Technology. The Institute has been able to address the industry demands by introducing new courses like Building & Construction Technology, Cosmetology, Business Management Courses, General Agriculture, Mechanical and Automotive engineering, Hospitality and institutional management and Competence Based Education & Training. The enrolment has gradually increased over the years from six male trainees in 2015 to over 1,982 trainees' net enrolment. The Institute has also been able to admit 429 trainees from the NYS under the sponsorship of the government and 370 Trainees sponsored by KCB Foundation. Despite delays in remitting funds by the government, the Institute has been able to mitigate the financial constraints through preparation of supplementary budget during the year. Some of the challenges that the Institute is experiencing is lack of boarding facilities, inadequate learning & training resources, low automation, lack of recreational facilities, low enrolment, lack of transport facilities, inadequate financial resources among others. The Institute enjoys political goodwill, accessible road network, increasing demand for technical education, establishment of the state department of TVET, economically endowed region, adequate land for expansion among others

SECTION B

Compliance with Statutory Requirements

Mitunguu Technical Training Institute has complied with the statutory requirements like payment of the KRA Returns- PAYE & WITH-HOLDING TAX, NSSF, NHIF and NITA. The institute has not been involved in any court case since it started in 2015 to-date. The community is very supportive and there has not been any claim of any Institute property.

SECTION C

Key Projects and Investments Decisions the Entity is planning /Implementing

The Institute is procuring textbooks to enhance training for the trainees from the savings. Construction of administration block is ongoing that is financed by the Government of Kenya. Installing of drip irrigation project to provide food and practical for the agriculture trainees

SECTION D

Major Risks facing the Institute

The Institute has risks like flooding due to high water table and long dry spell during the dry seasons. Competitions from the neighbouring Institutions offering similar courses hence low enrolment, drug & substance abuse, inadequate staffing by the Ministry of Education, changing technology, HIV/AIDS, Covid-19 pandemic, changing government policy, political interference, changing economic times, information security, legal and statutory regulations among others.

SECTION E

Material Arrears in Statutory /Financial Obligations

The institute has no arrears in statutory or financial obligations and this is demonstrated by financial statements.

IX. Environmental and Sustainability Reporting Statement

Environmental performance

1. The Institute environmental club has planted over 500 exotic and indigenous trees within the compound
2. Drainage around the institute has been improved
3. Litter bins have been set up around to avoid pollution of the environment
4. Compost pits have been dug at strategic points within the compound

Employee welfare

The hiring process is clearly stipulated in the human resource manual as outlined in the below extract. The manual is to be reviewed as need arises in cases of new regulation and a review of the whole document every 5years.

Recruitment and Selection

- I. The Institute strives to recruit and select the best-qualified candidates to support The Institute's vision and mission.
- II. Equal opportunities shall be provided for all persons throughout The Institute in recruitment, appointment, promotion, payment, training, and other employment practices without discrimination against people based on race, ethnic, gender, disability, national origin, colour, religion, marital status, or political affiliation.
- III. Employees shall be correctly placed on the occupations that match their skills and abilities while taking cognizance of special needs.
- IV. Recruitment of Employees shall be done as per the recruitment policy and procedures for all cadres of staff. Equity shall be exercised at all times.

The organization undertakes a training needs analysis, skills gaps analysis and puts up mechanisms of addressing the gaps among them sending employees on skills improvement trainings and workshops, and benchmarking on best practices.

The below is an extract from the manual which shows the institution commitment to compliance with OSHA

HEALTH AND SAFETY

The Institute Board recognizes and commits itself to the achievement of the highest standards of health and safety in the workplace, and the elimination or minimization of health and safety hazards and risks that may affect its employees. In this regard, it will develop and implement policies and programmes that assure their protection from such hazards and disasters. The policies and programmes will be implemented in compliance with the provisions of Occupational Safety and Health Act, 2007 and other Labour Laws.

The institute as acquired among others fire extinguishers, first aid boxes and clearly marked emergency exits in compliance with occupational safety and health act 2007.

Market place practices

To develop and improve sports the management has:

1. Sponsored various ball games for competition up to the national level.
2. Sponsored various athletics teams and indoor games up to the national level.
3. Participated in friendly matches with the neighbouring institutions.

On health care the institute did the following:

1. Ensure that there are regular visits by the nurse 2 times a week.
2. Conducted sensitization on HIV&AIDS for trainees and trainers.
3. Conducted sensitization on NCDs and Mental Health Wellness.
4. Facilitated production of handwash and sanitizer
5. Provision of First Aid kits.

On anti-corruption practices,

1. Received complaints and resolved them.
2. Conducted sensitization to trainees and trainers.

Corporate Social Responsibility/Community Engagements

Corporate Social Responsibility CSR is a self-regulating business model that helps organization to be socially accountable to its self, stakeholders and the public. By practicing CSR organization can be conscious of the kind of impact they are having on all aspects of society including economic, social and environmental.

The following are some of the CSR activities carried out by Mitunguu Technical Training Institute during the FY 2021/2022

1. The institute paid two visits to the Shalom children's home during the year.
2. Greening the institute where community can come for recreation

3. Employment of community people as workers in the institute thus giving back to the society

1. Christian movement and young Christian society movement have organized crusades with local churches, secondary schools and primary schools around the area
2. The Institute held a cultural day whereby the community has come to watch their children's talents this has brought harmonious co-existence.

X. Report of the Board of Governors

The Board members submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Mitunguu Technical Training Institute's affairs.

Principal activities

The core business of Mitunguu Technical Training Institute is to offer technical and vocational education and training at the institute level.

Results

The results of the Mitunguu Technical Training Institute for the year ended June 30 are set out on page 1 to 4

Board of Governors

The members of the Board who served during the year are shown on page vi to vii. During the year 2021/2022 five board members retired and six were appointed with effect from March 2022 date.

Auditors

The Auditor General is responsible for the statutory audit of the Mitunguu Technical Training Institute in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or Certified Public Accountants nominated by the Auditor General to carry out the audit of the Mitunguu Technical Training Institute for the year ended June 30, 2022, 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



Secretary of the Board
Nairobi
Date: 28/9/2022

XI. Statement of Board of Governors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013*) - require the Board 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 Board members are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of *Mitunguu Technical Training Institute*. The Board members are also responsible for safeguarding the assets of *Mitunguu Technical Training Institute*.

The Board members are responsible for the preparation and presentation of the *Mitunguu technical training institute'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 period ended on June 30, 2022. 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 *Mitunguu Technical Training Institute*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board members accept responsibility for *Mitunguu Technical Training Institute's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*the State Corporations Act, and the TVET Act*).

The Board members are of the opinion that *Mitunguu Technical Training Institute's* financial statements give a true and fair view of the state of *Mitunguu Technical Training Institute's* transactions during the period ended June 30, 2022, and of the *Mitunguu Technical Training Institute's* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for *Mitunguu Technical Training Institute*, which have been relied upon in the preparation of the *Mitunguu Technical Training Institute's* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *Mitunguu Technical Training Institute* financial statements were approved by the Board on and signed on its behalf by:

Name: Kenneth Gitonga



Signature
Chairperson of the Board

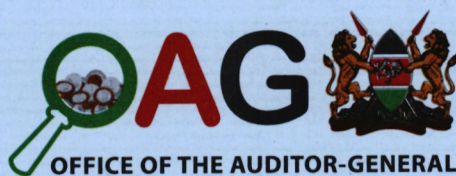
Name: Lucy M. Anampiu



Signature
Principal

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MITUNGUU TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2022

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 the 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

Adverse Opinion

I have audited the accompanying financial statements of Mitunguu Technical Training Institute set out on pages 1 to 37, which comprise the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Mitunguu Technical Training Institute as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act, 2013.

Basis for Adverse Opinion

1. Inaccurate Statement of Cash Flows

The statement of cash flows reflects Kshs.568,051 in respect to increase in receivables from exchange transactions. However, re-computation gives Kshs.789,510 resulting to unreconciled and unexplained variance of Kshs.221,459.

In addition, the statement reflects Kshs.1,348,738 in respect to increase in trade and other payables. However, re-computation gives Kshs.1,575,314 resulting to unexplained variance of Kshs.226,576. Furthermore, the cash flow statement has been prepared using the hybrid method combining both the direct and indirect method yet the standards advocate for the direct method.

In the circumstances, the accuracy of the statement of cash flows could not be confirmed.

2. Inaccurate Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 16 to the financial statements reflects a balance of Kshs.20,944,519 in respect to cash and cash equivalents which includes Kshs.18,022,899 in respect to current account held at Kenya Commercial Bank. However, the bank reconciliation statement for the account reflects cashbook bank balance understatement of Kshs.804,528, receipts in bank statement not in cashbook of Kshs.11,918,693 and payments in bank statement not in cashbook of Kshs.261,265 which have not been updated. The bank reconciliation further includes Kshs.9,594,528 in respect to receipts in cashbook not in bank statement. Management has not given reasons why the amount was not banked.

Further, the balance of Kshs.20,944,519 includes Kshs.174,302 in respect to current account held at a local bank. However, the bank reconciliation statement for the account reflects receipts in bank statement not in cashbook of Kshs.55,900 which have not been updated in the cashbook.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.20,944,519 could not be confirmed.

3. Inadequate Disclosure of Biological Assets

The statement of financial position and as disclosed in Note 20 to the financial statements reflects a balance of Kshs.81,500 in respect to biological assets. However, the valuation

report from the Government Agricultural Officer, the register showing weight and vaccination, progress on health of the animals, date of births or acquisitions of animals, disclosure of the methods and significant assumptions applied in determining the fair value of each group of biological assets were not provided contrary to paragraph 45 of the International Public Sector Accounting Standards number 27 which states that an entity shall disclose the methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest and each group of biological assets.

Further, physical verification carried out in March, 2023 revealed that the Institute did not disclose two hundred (200) macadamia trees, mango trees, fifty (50) bee hives, five hundred (500) exotic and indigenous trees planted in the financial statements.

In the circumstances, the accuracy of the biological assets balance of Kshs.81,500 could not be confirmed.

4. Unsupported Revenue from Exchange Transactions

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects an amount of Kshs.51,807,694 in respect to rendering of services - fees from students. A comparison of the enrollment against the actual students in session per term revealed that an average of 25% of the students enrolled at any given moment were never in session during the year.

However, class attendance registers and the TVET-MIS showing details of students on industrial attachments, long-holidays, and deferments was not provided. The billing for rendering of services income was only done for students who physically reported back to the Institute at the start of every new term. Consequently, it was not possible to distinguish between the students who were genuinely away on industrial attachments, long-holidays and deferments, from those who were either irregularly attending classes without proper authorization or had dropped-out for various reasons.

In addition,, the student's ledger showing how the fees collected was distributed to the different vote-heads as outlined in the fees structure were not provided.

In the circumstances, the accuracy and completeness of the income from rendering of services of Kshs.51,807,694 could not be confirmed.

5. Lack of Provision for Bad and Doubtful Debts and Ageing Analysis

The statement of financial position and as disclosed Note 17 to the financial statements reflects a balance of Kshs.91,813,717 in respect to receivables from exchange transactions comprising of student debtors. However, the Institute did not have an approved policy on provision for bad and doubtful debts. The receivables reflected in the financial statements represent invoiced amounts and no provision had been made for bad and doubtful debts.

In addition,, the ageing analysis of the student debtors to confirm how long the debts have been outstanding was not provided.

In the circumstances, the accuracy and recoverability of the receivables from exchange transactions balance of Kshs.91,813,717 could not be confirmed.

6. Accuracy of Refundable Deposits from Customers/Students

The statement of financial position and as disclosed in Note 24 to the financial statements reflects a balance of Kshs.2,342,900 in respect to refundable deposits from customers and sundry creditors with a nil balance for caution money for brought forward balance. However, the comparative balance of Kshs.514,000 and additional caution money of Kshs.675,500 for the previous year totalling Kshs.1,189,000 were not disclosed resulting to unreconciled variance of Kshs.1,189,000. There was no evidence provided by the Management to show whether the refundable deposits were indeed refunded.

In the circumstances, the accuracy of refundable deposits balance of Kshs.2,342,900 could not be confirmed.

7. Unsupported Payments for Construction of Bus Park

The statement of financial position and as disclosed in Note 21 to the financial statements reflects a balance of Kshs.37,605,787 in respect to property, plant and equipment which includes Kshs.6,678,127 relating to work in progress additions during the year which further includes Kshs.3,058,086 paid for construction of a bus parking unit. However, the payment certificates, the contract agreement, minutes of site meetings and handover reports were not provided for audit review.

In the circumstances, the accuracy and propriety for the expenditure of Kshs.3,058,086 could not be confirmed.

8. Unsupported Trade and Other Payables

The statement of financial position and as disclosed in Note 23 to the financial statements reflects a balance of Kshs.5,135,841 in respect to trade and other payables from exchange transactions. However, the balance was not supported with ageing analysis and ledger records. Only a list of all the payables showing the names and amount rather than the age of the creditors was provided for audit review.

In the circumstances, the accuracy and completeness of the trade and other payables from exchange transactions balance of Kshs.5,135,841 could not be confirmed.

9. Unsupported Caution Money Balance

The statement of financial position and as disclosed in Note 24 to the financial statements reflects a balance of Kshs.2,342,900 in respect to refundable deposits from customers and sundry creditors which includes Kshs.1,320,500 in respect to caution money. However, the ledger supporting the caution money balance of Kshs.1,320,500 was not provided for audit review.

Further, the Management did not maintain a separate bank account for the refundable caution money collected since inception of the Institute in May, 2015.

In the circumstances, the accuracy and existence of the caution money balance of Kshs.1,320,500 could not be confirmed.

10. Unsupported Fees Paid in Advance

The statement of financial position and as disclosed in Note 23 to the financial statements reflects a balance of Kshs.5,135,841 in respect to trade and other payables from exchange transactions which includes Kshs.2,492,401 in respect to fees paid in advance.

However, the students ledger statements showing the student name, student number, programme undertaken and the date the fee was debited and credited to the account were not provided for audit review. Further, confirmation on how long the amount has been a prepayment and whether all the prepaid students were still with the Institute could not be confirmed.

In the circumstances, the accuracy and completeness of fees paid in advance balance of Kshs.2,492,401 could not be confirmed.

11. Lack of Ownership Documents, Valuation and Non-Disclosure of Land

The statement of financial position and as disclosed in Note 21 to the financial statements reflects a balance of Kshs.37,605,787 in respect to net book value of property, plant and equipment. However, the Institute is situated on a parcel of land whose value is not disclosed in the financial statements. Further, examination of the land documents provided indicated that the parcel of land was allotted to the Institute in the year 2011 by the defunct Meru County Council. The Institute initiated the process of acquiring the title deed on 17 February, 2022, a land search was conducted on 10 May, 2022 and an application letter by the National Land Commission to the Meru County was done on 11 May, 2022. Further, the National Land Commission issued a letter of allotment on 16 March, 2023 requiring a payment of Kshs.6,922. However, the payment is yet to be made hence the Institute is yet to receive a title deed for the parcel of land.

In the circumstances, the ownership and accuracy of the property, plant and equipment balance of Kshs.37,605,787 could not be confirmed.

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects approved final receipts budget of Kshs.117,514,423 and actual receipts of Kshs.135,615,874 resulting to budget over realization of Kshs.18,101,451 or 15% of the budget.

Similarly, the statement reflects budgeted payments of Kshs.115,514,423 and actual payments of Kshs.93,492,441 resulting to under expenditure of Kshs.22,021,982 or 19% of the budget.

In the circumstances, the service delivery to the members of the public may have been affected.

2. Unresolved Prior Year Matters

Review of the progress on follow up of Auditor-General's recommendations revealed that Management has not resolved or given explanation on some issues raised in previous years' audit reports contrary to Section 31(1) of Public Audit Act, 2015 which states that

within three months after Parliament or the County Assembly has debated and considered the final report of the Auditor-General and made recommendations, a State Organ or a public entity that had been audited shall, as a preliminary step, submit a report on how it has addressed the recommendations and findings of the previous year's audit.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Irregularities in Staff Recruitment

The statement of financial performance and as disclosed in Note 12 to the financial statements reflects an amount of Kshs.12,064,844 in respect to employee costs. However, the Institute advertised for vacant positions as follows; automotive trainer (1 post), electrical and electronics trainer (1 post), carpentry trainer (1 post), welding and fabrication (1 post), catering and accommodation trainer (1 post), food and beverage trainer (1 post), land survey trainer (1 post) and masonry trainer (1 post) through advertisement number MTTI/ADV/08/2021 dated 21 November, 2021 and the closing date for the advertisement was 24 November, 2021. However, the advertisement was open for four (4) days only instead of at least 21 days before closing advert contrary to Section B4.1 of the Public Service Commission Human Resource Policies and Procedures, 2016.

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

2. Non-Compliance with Law on Ethnic Composition

Review of staff bio data revealed that the Institute had seventy-seven (77) staff out of which fifty-five or 71% were from the dominant ethnic community. This is contrary to Section 7 (2) of National Cohesion and Integration Act, 2008 which requires that no public establishment shall have more than one third of its staff from the same ethnic community.

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

3. Non Gazettement of Board Members

The Institute has eight (8) Board of Governors who were appointed on 3 November, 2021 and 25 March, 2022. However, their appointments were not processed by way of notice in the Kenya Gazette contrary to provisions of Annexure 1(3) (1) of Mwongozo Code of

Governance for State Corporations dated January, 2015 which states that the relevant appointing authority shall select and appoint Board members and that every appointment shall be by name and by notice in the Kenya Gazette and Section 8 (13) of the Technical and Vocational Education and Training Act, 2013 which requires all appointments under the section shall be by notice in the Kenya Gazette.

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

4. Incomplete Work Plan

The Institute estimated to procure items valued at Kshs.119,892,808 in the annual 2021/2022 procurement plan. However, the method of procurement and the category of group to be awarded were omitted from the procurement plan contrary to Section 41, (g) of the Public Procurement and Asset Disposal Regulations, 2020.

In the circumstance, the Institute was in breach of the law.

5. Irregularities on Procurement

The Institute engaged suppliers for contracts amounting to Kshs.59,540,979 as per the list of awarded contracts out of which Kshs.50,679,322 contracts were either completed, ongoing and pending. However, no professional opinion was issued by the head of procurement function contrary to Section 84(1) of the Public Procurement and Asset Disposal Act, 2015 which states that the head of procurement function of a procuring entity shall, alongside the report to the Evaluation Committee as secretariat comments, review the tender evaluation report and provide a signed professional opinion to the accounting officer on the procurement or asset disposal proceedings.

In addition, the procurement function failed to carry out market survey contrary to Section 33 (3) (a) of the Public Procurement and Asset Disposal Regulations, 2020 which states that the role of the procurement function shall be to carry out market surveys to inform the placing of orders or adjudication by the relevant awarding authority.

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

6. Lack of Disposal Plan

There was no approved asset disposal plan for asset disposal, planning and identification of unserviceable assets contrary to Section 176(1) of the Public Procurement and Asset Disposal Regulations, 2020 which states that an accounting officer of a procuring entity shall ensure that an annual assets disposal plan is prepared for items declared as unserviceable, surplus or obsolete, obsolescence stores, asset or equipment as set out under section 53(4) of the Act.

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

7. Irregular Procurement of Security Services

The statement of financial performance and as disclosed in Note 11 to the financial statements reflects an amount of Kshs.76,778,817 in respect to use of goods and services which includes Kshs.848,016 for security which further includes Kshs.696,000 paid to a security firm. However, the contract with the security firm did not provide for performance security by the successful tenderer contrary to the provision of Section 142 (1) of the Public Procurement and Asset Disposal Act, 2015 which states that subject to

the regulations, a successful tenderer shall submit a performance security equivalent to not more than ten per cent of the contract amount before signing of the contract.

Further, there was no evidence that value for money assessment was undertaken by the Institute to determine whether the terms designated in the contract agreement remained competitive. This is contrary to the provisions of Article 227(1) of the Constitution of Kenya, 2010 which requires that when a state organ or any public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive, and cost-effective.

In the circumstances, the Institute's Management was in breach of the law.

8. Irregular Procurement of Administration Expenses

The statement of financial performance and as disclosed in Note 11 to the financial statements reflects use of goods and services amount of Kshs.76,778,817 which includes Kshs.6,847,900 for administration expenses which further includes Kshs.1,857,602 paid to various suppliers as follows:

- i. A total of Kshs.1,386,480 was paid to various suppliers. However, the Ad hoc Opening Committee and Evaluation Committee were not appointed in writing by the Accounting Officer contrary to Section 91(2)(a)(b) of the Public Procurement and Asset Disposal Regulations, 2020. In addition, the appointment letters of Ad-hoc Inspection and Acceptance Committee, opening minutes, acceptance letter by the winning bid were not provided for audit.
- ii. In addition, quotations were not evaluated by the Evaluation Committee contrary to Section 91(3) of the Public Procurement and Asset Disposal Regulations, 2020. Further, the inspection and acceptance of the goods were not carried out contrary to Section 48(3) of the Public Procurement and Asset Disposal Act, 2015.

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

9. Irregular Procurement and Installation of 8 Meters 2000 Liters Water Tank Tower

The statement of financial position and as disclosed in Note 21 to the financial statements reflects a balance of Kshs.37,605,787 in respect to property, plant and equipment which includes Kshs.6,678,127 on work in progress additions during the year which further includes Kshs.665,150 paid to a firm for installation of 8 meters 2000 liters water tank tower. However, the request for quotation documents were floated on 15 June, 2021, the bidders sent in their quotes on 15 June, 2021 and the Tender Opening Committee met on 15 June, 2021 and the local service order was issued on 15 June, 2021 raising doubts on the fairness of the process since the whole procurement process was done in one day. Further, the evaluation minutes, professional opinion, market survey report and the bill of quantities for the tower were not provided for audit review.

In the circumstances, the value for money spent could not be confirmed.

10. Lack of Assets Register

The statement of financial position and as disclosed in Note 21 to the financial statements reflects property, plant and equipment net book value balance of Kshs.37,605,787. However, the Institute did not provide the fixed assets register for audit review as required

by Section 139(1) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that the Accounting Officer of a National Government entity shall take full responsibility and ensure that proper control systems exist for assets.

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

11. Non-Competitive Procurement Process on Teaching and Learning Materials

The statement of financial performance and as disclosed in Note 11 to the financial statements reflects an amount of Kshs.76,778,817 in respect to use of goods and services which includes Kshs.25,559,701 for teaching and learning materials which further includes Kshs.3,736,426 out of which an amount of Kshs.2,950,526 was paid to various suppliers for supply of learning and examination materials. The request for quotations was issued to different suppliers and one of the requirements was that the quotations be submitted on the same day. Therefore, the tenderers were not given sufficient time to prepare their quotes contrary to Section 106 (2) (c) of the Public Procurement and Asset Disposal Act, 2015 which states that the accounting officer of a procuring entity shall give the request to each person early enough so that the person has adequate time to prepare a quotation.

Further, the Tender Opening Committee held a meeting on the same day raising doubts how it was possible for the tenderers to send quotations on time.

In addition, a payment of Kshs.785,900 was made to another firm for supply of teaching and learning materials. However, the letter for award was issued on 10 September, 2021 but the supplier raised the invoice on 9 September, 2021 which is a day before awarding of the tender. Further, the supplier issued a job card on 07 September, 2021 which is an indication that the supplier had already been informally awarded the tender. Also, the learning and teaching materials stores ledger was not provided for audit review.

In the circumstances, Management is in breach of laws.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Approved Credit Policy

The Institute has no Credit Policy to guide in management of credit facilities. As such, the basis for granting credit facilities and provisioning for bad and doubtful debts could not be ascertained.

In the circumstances, the Institute's accounting and internal controls system in relation to student receivables is weak and this may negatively affect recovery of receivables and work against the Institute's operations.

In the circumstances, the effectiveness of the internal controls are doubtful.

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

Responsibilities of Management and those Charged with Governance

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, the 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 Institute's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

I also provide the 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

10 July, 2023

XIII. Statement of Financial Performance for the year ended 30 June 2022

	Notes	2021/2022	2020/2021
			Kshs
Revenue from non-exchange transactions			
Transfers from the National Government - capitation	6	28,732,500	18,187,500
Transfers from other levels of government	7	54,238,250	
Total Revenue from non-exchange transactions		82,970,750	18,187,500
Revenue from exchange transactions			
Rendering of services- Fees from students	8	51,807,694	37,610,278
Sale of goods	9	246,520	33,450
Other income	10	590,910	1,338,364
Revenue from exchange transactions		52,645,124	38,982,092
Total revenue		135,615,874	57,169,592
Expenses			
Use of goods and services	11	76,778,817	37,771,394
Employee costs	12	12,064,844	7,792,180
Remuneration of Directors	13	2,056,102	1,361,000
Depreciation and amortization expense	14	1,645,454	2,078,820
Repairs and maintenance	15	2,592,678	3,649,384
Total expenses		95,137,895	52,652,778
Net Surplus for the period		40,477,979	4,516,814

(The notes set out on pages 6 to 39 form an integral part of the Annual Financial Statements).

The Financial Statements set out on pages 1 to 5 were signed by:



Chairman of the Board

Date 28/9/2022



Finance Officer
ICPAK No.19316

Date 28/9/2022



Principal

Date 28/9/2022

Mitunguu Technical Training Institute
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XIV. Statement of Financial Position as at 30th June 2022

	Notes	2021/2022 Kshs	2020/2021 Kshs
Assets			
Current assets			
Cash and cash equivalents	16	20,944,519	6,063,860
Receivables from exchange transactions	17	91,813,717	70,672,773
Receivables from non-exchange transactions	18	6,542,010	5,752,500
Inventories	19	720,090	531,200
Biological Assets	20	81,500	66,000
Total Current Assets		120,101,836	83,086,333
Non-current assets			
Property, plant and equipment	21	37,605,787	32,318,045
Intangible Assets	22	277,556	396,508
Total Non-current Assets		37,883,343	32,714,553
Total assets		157,985,179	115,800,886
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	23	5,135,841	3,560,527
Refundable deposits from customers and sundry creditors	24	2,342,900	2,211,900
Total Current Liabilities		7,478,741	5,772,427
Total liabilities		7,478,741	5,772,427
Capital and Reserves			
Accumulated surplus		118,005,225	77,300,670
Capital Fund		32,501,213	32,501,213
Total Capital and Reserves		150,506,438	110,028,886
Total Liabilities and Capital & Reserves		157,985,179	115,800,886

The Financial Statements set out on pages 6 to 39 were signed by:



Chairman of the Board

Date 28/9/2022



Finance Officer
ICPAK No 19316

Date 28/9/2022



Principal

Date 28/9/2022

XV. Statement of Changes in Net Asset for the year ended 30 June 2022

Description	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2020	73,010,432	27,895,125	100,905,557
Total comprehensive income	4,516,814	-	4,516,814
Capitalized fund during the year		4,606,088	4,606,088
At June 30, 2021	77,527,246	32,501,213	110,028,459
At July 1, 2021	77,527,246	32,501,213	110,028,459
Total comprehensive income	40,477,979	-	40,477,979
At June 30, 2022	118,005,225	32,501,213	150,506,438

XVI. Statement of Cash Flows for the year ended 30 June 2022

		2021-2022	2020-2021
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfer from ministries, department and agencies	6	28,732,500	18,187,500
Transfers from other Government entities/Govt. grants	7	54,238,250	
Rendering of services- Fees from students	8	51,807,694	37,610,278
Sale of goods	9	246,520	33,450
Other income	10	590,910	1,338,364
Total Receipts		135,615,874	57,169,592
Payments			
Use of goods and services	11	76,778,817	37,771,394
Compensation of employees	12	12,064,844	7,792,180
Remuneration of directors	13	2,056,102	1,361,000
Depreciation and amortization expense	14	1,645,454	2,078,820
Repair and maintenance	15	2,592,678	3,649,384
Total Payments		95,137,895	52,652,778
Net surplus		40,477,979	4,516,814
Cash flows from Operating activities			
Non-cash movements			
Depreciation and amortization expense	14	1,645,454	2,078,820
Increase in receivables from exchange transactions	17	(21,140,944)	(15,209,580)
Increase in receivables from non-exchange transactions	18	(568,051)	(2,343,830)
Increase in inventories	19	(188,890)	(156,180)
Increase in trade and other payables	23	1,348,738	
Net cash flows from Operating activities		21,574,286	(15,630,770)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	21	(6,678,127)	(4,606,088)
purchase of biological assets	20	(15,500)	
Net cash flows used in investing activities		(6,693,627)	(20,236,858)
Cash flows from financing activities			
Increase in deposits			(23,279,780)
Net cash flows from financing activities		-	(23,285,144)
Net increase/(decrease) in cash and cash equivalents		14,880,659	(39,005,188)
Cash and cash equivalents at 1 July 2021		6,063,860	45,069,048
Cash and cash equivalents at 30 JUNE 2022	16	20,944,519	6,063,860

The Financial Statements set out on pages 6 to 39 were signed by:




Chairman of the Board

Date 28/9/2022



Finance Officer

ICPAK No 19316



Principal

Date 28/9/2022

**Mitunguu Technical Training Institute
Annual Report and Financial Statements for the year ended 30th June 2022**

XVII. Statement of Comparison of Budget & Actual amounts for the year ended 30 June 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Performance difference
	2021-2022 Kshs	2021-2022 Kshs	2021-2022 Kshs	2021-2022 Kshs	2021-2022 Kshs	2021-2022 %
Revenue						
Transfers from other Govt entities Govt grants	24,240,000		24,240,000	28,732,500	-4,492,500	18.53
Transfer from other levels of Government	57,637,227		57,637,227	54,238,250	3,398,977	5.90
Rendering of services- Fees from students	24,467,696	-	24,467,696	51,807,694	-27,339,998	111.74
Sale of Goods	2,987,000		2,987,000	246,520	2,740,480	- 91.75
Other income	8,182,500		8,182,500	590,910	7,591,590	- 92.78
Total income	117,514,423	-	117,514,423	135,615,874	-18,101,451	15.40
Expenses						
Compensation of employees	13,623,880	-	13,623,880	12,064,844	1,559,036	11.44
Use of goods and services	90,228,170	-	90,228,170	76,778,817	13,449,353	14.91
Remuneration of Directors	3,402,000		3,402,000	2,056,102	1,345,898	39.56
Other expenditure	8,260,373		8,260,373	2,592,678	5,667,695	68.61
Total expenditure	115,514,423	-	115,514,423	93,492,441	22,021,982	19.06
Surplus for the period	2,000,000	-	2,000,000	42,123,433	-40,123,433	2006.17

(Budget notes)

1. variance of 18.53% on transfers from other government entities was due to increased enrolment during the year.
2. variance of 111.74% on rendering of services-fees from students was due to increased enrolment during the year.
3. variance of 91.75% was due to failure of rains thus low yields
4. variance of 92.78% was due to low enrolment in production units' courses.
5. variance of 11.44% on compensation of employees was due to failure of implementation of proposed salary adjustments
6. variance of 39.56% was due to restricted physical meetings due to Covid-19 and expiry of BOG and delayed appointment of new one
7. variance of 68.61% on other expenditure was due to delayed release of funds thus limited repairs and maintenance.

XVIII. Notes to the Financial Statements

1. General Information

Mitunguu technical training institute is established by and derives its authority and accountability from TVET Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activity of Mitunguu Technical Training Institute is to offer skills technical and vocational education and training.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *Mitunguu technical training institute* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Mitunguu Technical Training Institute.

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

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 2022.

IPSASB deferred the application date of standards from 1st January 2022 owing to covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>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.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • 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.

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Standard	Effective date and impact:
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>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.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i>

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Standard	Effective date and impact:
	<p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

Mitunguu technical training institute did not early-adopt any new or amended standards in year 2022.

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.

Dividends

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

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 2021/2022 was approved by the Board on **16/7/2021**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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.

c) Taxes

Current income tax

The entity is exempt from paying taxes.

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.

Notes to the Financial Statements (Continued)

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) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

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

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

g) Intangible assets

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

h) Research and development costs

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

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

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

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

i) financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

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

j) 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)

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.

k) 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)

l) Nature and purpose of reserves

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

m) 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.

n) Employee benefits

Retirement benefit plans

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

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

o) 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.

p) Borrowing costs

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

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

q) 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 BOG, the Principal and senior managers.

r) 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.

s) 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.

t) Comparative figures

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

u) 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, 2022.

Notes to the Financial Statements (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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

Notes to the Financial Statements (Continued)

6. Transfers from other National Government entities

Description	2021-2022	2020-2021
	Kshs	Kshs
Unconditional Grants		
Capitation Grants	28,732,500	18,187,500
Total Government Grants and Subsidies	28,732,500	18,187,500

(a) Transfers from other Government entities (Categorized)

Name of the entity sending the grant	Amount recognized to statement of comprehensive income	Amount deferred under deferred income	Amount recognised in capital fund	Total grant income during the year
	Kshs	Kshs	Kshs	Kshs
State department of vocational and technical training of Education	28,732,500	-		28,732,500
Total	28,732,500	-		28,732,500

7. Transfers from Other Levels of Government

Description	2021-2022	2020-2021
	ksh	
Transfer from Meru County		
Transfer from National Youth Service	54,238,250	-
Total transfers	54,238,250	-

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Notes to the Financial Statements (Continued)

8. Rendering of Services

Description	2021-2022	2020-2021
		ksh
Tuition fees	17,540,000	23,469,568
Activity fee	2,726,360	2,757,000
Examination fee	2,120,220	
Facilities and materials	22,252,854	10,690,460
attachment	2,435,250	43,250
Student ids	370,750	
student welfare	1,298,800	650,000
Repair and maintenance	3,063,460	
Total revenue from the rendering of services	51,807,694	37,610,278

9. Sale of Goods

Description	2021-2022	2020-2021
	Kshs	Kshs
Sale of goods	-	33,450
Sale of farm produce	246,520	
Total from sale of goods	246,520	33,450

10. Other Income

Description	2021-2022	2020-2021
	Kshs	Kshs
Income from production unit	313,910	1,220,364
Bus hire	277,000	118,000
Total other income	590,910	1,338,364

Mitunguu Technical Training Institute
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Notes to the Financial Statements (Continued)

11. Use Of Goods and Services

Description	2021-2022	2020-2021
	kshs	kshs
Teaching and learning materials	25,559,701	4,056,187
Industrial attachment	919,489	317,921
Electricity	3,470,064	2,005,055
activity	2,498,495	334,750
Security	848,016	601,281
Kitchen expenses		117,000
School equipment and stores	2,365,050	1,315,144
Marketing and Advertising	2,639,950	1,176,781
Examination fees	3,780,940	7,759,031
Audit fees provision	528,740	528,740
Performance contracting	779,670	177,524
Travelling and accommodation	4,865,741	2,309,872
Motor vehicle expenses	814,988	397,072
Admin expenses	6,847,900	3,308,720
Students' welfare	1,448,415	357,550
farm expenses	1,389,138	2,946,900
Printing and stationery	140,000	92,032
medical expenses	35,420	206,365
Rent expenses		833,200
Cleaning	1,167,499	1,179,870
NYS students' upkeep	6,851,725	2,894,814
Internet expenses	614,852	428,431
Training expenses	250,162	3,113,211
BES	4,311,600	30,800
Sanitary services	30,000	33,000
Covid-19 expenses	398,400	1,250,143
Guidance & counselling	91,500	
MYS upkeep	89,700	
Annual subscriptions	80,000	
Hostel and accommodation	3,720,000	
Insurance	241,662	
Total goods and services	76,778,817	37,771,394

Mitunguu Technical Training Institute
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Notes to the Financial Statements (Continued)

12. Employee Costs

Description	2021-2022	2020-2021
	kshs	kshs
Salaries and wages	12,064,844	7,792,180
Employee cost	12,064,844	7,792,180

13. Board Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Directors' emoluments	2,056,102	1,361,000
Total directors' emoluments	2,056,102	1,361,000

14. Depreciation and Amortization expense

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, plant and equipment	1,526,502	1,908,888
Intangible assets	118,952	169,932
Total depreciation and amortization	1,645,454	2,078,820

15. Repairs and Maintenance

Description	2021-2022	2020-2021
	Kshs	Kshs
Property	2,592,678	3,649,384
Total repairs and maintenance	2,592,678	3,649,384

Notes to the Financial Statements (Continued)

16. Cash and Cash Equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Current account	20,940,945	6,063,860
Others: Cash in hand	3,574	
Total cash and cash equivalent	20,944,519	6,063,860

16 (a). Detailed Analysis of Cash and Cash equivalents

Financial institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
a) Current account			
Kenya Commercial bank	1169208630	18,022,899	232,055
Co-operative bank	1139206659600	2,743,744	5,203,704
Equity Bank	370279113346	174,302	591,420
Sub-Total		20,940,945	6,027,179
b) Others			
Cash in hand		3,574	36,681
Total		20,944,519	6,063,860

17. Receivables from Exchange transactions

Description	2021-2022	2020-2021
	Ksh	Ksh
Current receivables		
Student debtors	91,813,717	70,672,773
Total current receivables	91,813,717	70,672,773

18. Receivables from Non-Exchange transactions

Description	2021-2022	2020-2021
	Ksh	Ksh
Current receivables		
Capitation grant*		5,752,500
Other debtors (non-exchange transactions)	6,542,010	
Total receivables	6,542,010	5,752,500

Notes to the Financial Statements (Continued)

19. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Consumable stores	156,030	241,430
Electrical stores	130,415	156,180
Cleaning materials	178,215	113,590
Catering stores	255,430	
Total inventories at the lower of cost and net realizable value	720,090	531,200

20. Biological Assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Pigs	50,000	36,000
Bulls	-	30,000
Goats	31,500	-
Total	81,500	66,000

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Notes to the Financial Statements (Continued)

21. Property, Plant and Equipment

Cost	Dep rate 2.5% p.a	Dep rate 12.5% p.a	Dep rate 20% p.a	WIP	Total
	Buildings Shs	Furniture and Fittings Shs	Motor vehicle Shs		
Cost at 1st July 2019	18,113,857	1,324,734	-		19,438,591
Additions	0	0	6,695,000	0	6,695,000
Depreciation charge for year	452,846	165,592	1,339,000.00	0	1,957,438
Net book value as at 30th June 2020	17,661,011	1,159,142	5,356,000	0	24,176,153
At 1 July 2020	17,661,011	1,159,142	5,356,000	0	24,176,153
Additions	4,606,088			5,444,692	10,050,780
At 30th June 2021	22,267,099	1,159,142	5,356,000	5,444,692	34,226,933
Depreciation charge for year	556,677	144,893	1,071,200.00		1,772,770
Net book value as at 30th June 2021	27,018,996	1,014,249	4,284,800	-	32,318,045
At 1 July 2021	27,018,996	1,014,249	4,284,800	5,444,692	37,762,737
Opening Balances at July 2021 (Restated)	21,710,421	1,014,249	4,284,800	5,444,692	32,318,045
Additions	0	0		6,678,127	6,678,127
At 30th June 2022	21,710,421	1,014,249	4,284,800	12,122,819	39,132,290
Depreciation charge for period	542,761	126,781	856,960.00	0	1,526,502
Net book value as at 30th June 2022	21,167,660	887,468	3,427,840	12,122,819	37,605,787

Note: The opening balance for Buildings were restated as they were overstated by ksh5,308,575 in the previous year, therefore the correct figure which ksh 21,710,421 has been entered.

Notes to the Financial Statements (Continued)

22. Intangible Assets

Description	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	396,508	566,440
Additions		
At end of the year	396,508	566,440
Additions-internal development	-	-
At end of the year	396,508	566,440
Amortization and impairment	-	-
At beginning of the year	-	-
Amortization	118,952	169,932
At end of the year	277,556	396,508
Impairment loss	-	-
At end of the period	277,556	396,508
NBV	277,556	396,508

23. Trade and Other Payables from Exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Fee paid in advance	2,492,401	1,672,403
Audit fees b/d	2,114,700	1,585,960
Audit fees	528,740	528,740
Total trade and other payables	5,135,841	3,787,103

24. Refundable Deposits from Customers/Students

Description	2021-2022	2020-2021
	Kshs	Kshs
Caution money b/d		514,000
Caution money	1,320,500	675,500
Students' welfare	1,022,400	1,022,400
Total deposits	2,342,900	2,211,900

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Notes to the Financial Statements (Continued)

Notes to the Financial Statements (Continued)

25. Cash generated from operations

Description	2021-2022	2020-2021
	Kshs	Kshs
Surplus for the period before tax	40,477,979	4,516,814
Adjusted for:		
Depreciation	1,645,454	
Working Capital adjustments		
Increase in inventory	(188,890)	
Increase in receivables	(21,140,944)	
Increase in payables	1,348,738	
Increase in non-exchange receivables	(568,051)	
Net cash flow from operating activities	21,574,286	4,516,814

26. 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. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

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

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

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions	70,672,773	xxx	xxx	xxx
Receivables from non-exchange transactions	5,752,500	xxx	xxx	xxx
Bank balances	6,063,860	xxx	xxx	xxx
Total	82,489,133	xxx	xxx	xxx
At 30 June 2022				
Receivables from exchange transactions	91,813,717	xxx	xxx	xxx
Receivables from non-exchange transactions	6,542,010	xxx	xxx	xxx
Bank balances	20,944,519	xxx	xxx	xxx
Total	119,300,246	xxx	xxx	xxx

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

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

(ii) Liquidity risk management

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

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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade Payables	xxx	xxx	xxx	3,560,527
Total	xxx	xxx	xxx	3,560,527
At 30 June 2022				
Trade Payables	xxx	xxx	xxx	5,135,841
Total	xxx	xxx	xxx	5,135,841

(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)

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022			
Financial Assets (Investments, Cash, Debtors)	xxx	xxx	Xxx
Liabilities			
Trade and Other Payables	xxx	xxx	Xxx
Borrowings	xxx	xxx	Xxx
Net Foreign Currency Asset/(Liability)	xxx	xxx	Xxx

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30th June 2022			
Financial Assets (Investments, Cash, Debtors)	xxx	xxx	Xxx
Liabilities			
Trade and Other Payables	xxx	xxx	Xxx
Borrowings	xxx	xxx	Xxx
Net Foreign Currency Asset/(Liability)	xxx	xxx	Xxx

b) foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Notes to the Financial Statements (Continued)

	Change in currency rate	Effect on Profit before tax	Effect on Equity
	Kshs	Kshs	Kshs
20xx			
Euro	10%	xxx	Xxx
Usd	10%	xxx	Xxx
20xx			
Euro	10%	xxx	Xxx
Usd	10%	xxx	Xxx

c) Interest rate risk

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

Management of interest rate risk

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

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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs xxx (2022: Kshs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs xxx (2022 – Kshs xxx)

Notes To the Financial Statements (Continued)

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:

Description	2021-2022 Kshs	2020-2021 Kshs
Retained Earnings	118,005,225	77,527,246
Capital Reserve	32,501,213	32,501,213
Total Funds	150,506,438	110,028,459
Total Borrowings	xxx	xxx
Less: Cash and Bank Balances	(20,944,519)	(6,063,860)
Net Debt/ (Excess Cash and Cash Equivalents)	129,561,919	103,964,599
Gearing	8.6%	17.1%

27. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

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

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Notes to the Financial Statements (Continued)

The transactions and balances with related parties during the year are as

Description	2021-2022	2020-2021
	Kshs	Kshs
Transactions with Related Parties		
a) Sales to related parties		
Sales of goods	246,520	33,450
Others incomes (production)	590,910	1,338,364
Total	837,430	1,371,814
B) Purchases from related parties		
Purchases of electricity and water	3,470,064	2,005,055
Total	3,470,064	2,005,055
b) Grants /Transfers from the Government		
Grants from National Govt (Capitation)	28,732,500	18,187,500
Total	28,732,500	18,187,500
c) Expenses incurred on behalf of related parties		
Payments of Salaries and Wages for BoG Employees	12,064,844	7,792,180
Payments for Goods and Services	76,778,817	37,771,394
Total	88,843,031	45,563,574
d) Key Management Compensation		
Directors' emoluments	2,056,102	1,361,000
Total	2,056,102	1,361,000

Notes to the Financial Statements (Continued)

28. Events After the Reporting Period

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

29. Ultimate and Holding Entity

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

30. Currency

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

Mitunguu Technical Training Institute
Annual Report and Financial Statements for the year ended 30th June 2022

XIX. Appendices
Appendix 1: Implementation Status of Auditor-General Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Report on the financial statements			
	Inaccuracies in the financial statements	Corrections done and continuous improvement embraced	resolved	31/12/2022
	Variance between the enrolled students and reported students	Control mechanisms being put in place to force students report back into the system upon resumption from holidays	Not resolved	30/6/2023
2.0	Property, plant and equipment			
2.1	Lack of valuation report and ownership documents	Asset listing done, process for acquiring land title at advanced stage and valuation of institute assets	Not resolved	30/08/2023
2.2	Unsupported depreciation and amortization expense	Depreciation and amortization movement scheduled well done	resolved	31/12/2022
	Other matter			
	Budgetary control and performance	Regularise the budget semi-annually to have a realistic budget in future	Not resolved	30/04/2023
	Report on lawfulness and effectiveness in use of public resources			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Irregular recruitment of staff	To adhere to recruitment guidelines	resolved	31/12/2022
2.0	Lack of assets register and non-tagging of assets	Asset listing done and some assets tagged and the process of preparing asset register underway	Not resolved	30/06/2023
	Report on effectiveness of internal controls, risk management and governance			
1.0	Lack of internal audit department and non-establishment of internal audit committee	Audit committee formed and internal auditor recruited	resolved	31/10/2022
2.0	Lack of information, communication and technology (ICT) Policy	Institute policies to be formulated and approved by BOG	resolved	31/12/2022
3.0	Operating without a board of governors	Follow with the ministry of education	resolved	30/04/2022



Name: Lucy Mukiri Anampiu
Accounting Officer
Principal
Date 28/9/2022

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Appendix II: Projects Implemented by Mitunguu Technical Training Institute

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds	
1	Admin Block 1	42.5M	27,541,216	75%	20M	42.5M	Internal savings

NB:

- The Block when complete should be up to 3rd floor
- Delays in completion was due to insufficient funds, delays in disbursements of capitation and lack Board of Governors.

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Appendix III- Inter-Entity Confirmation Letter



Mitunguu Technical Training Institute
P.O Box 64-60204
Mitunguu

The state department of vocational and technical training wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below. Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Mitunguu Technical Training Institute as at 30th June 2022							
Reference Number	Amounts Disbursed by state department of vocational and technical training (Kshs) as at 30th June 2022				Total (D)=(A+B+C)	Amount Received by Mitunguu Technical Training Institute (KShs) as at 30 th June 2021 (E)	Differences (F)=(D-E)
	Date Disbursed	Recurrent (A)	Development (B)	Inter-Ministerial (C)			
	18 Nov. 2021	8,790,000	-	-	8,790,000	8,790,000	-
	02 March 2022	8,790,000	-	-	8,790,000	8,790,000	-
	03 June 2022	11,152,500	-	-	11,152,500	11,152,500	-
Total		28,732,500			28,732,500	28,732,500	-

In confirm that the amounts shown above are correct as of the date indicated.
Head of Accountants department of beneficiary Entity:

Name Mathew Muturi Kabete Sign **Date 28/9/2022**