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REPORT

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THE AUDITOR-GENERAL

ON

**NATIONAL INDUSTRIAL TRAINING
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2019**





NATIONAL INDUSTRIAL TRAINING AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2019

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

**National Industrial Training Authority
Annual Reports and Financial Statements
For the year ended June 30, 2019**

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

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

(b) Principal Activities

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

Vision

A globally competitive and adequate workforce for industrial development

Mission

To regulate and facilitate quality industrial training for enhanced productivity

Principal Activities

Core Values

Customer Focus; Integrity; Transparency and Accountability; Creativity and Innovation Lifelong Learning; Stakeholder Engagement and Equity and Access

Strategic Objectives

Facilitate provision of adequate, relevant and portable skills for productivity enhancement and competitiveness; Mainstream the informal sector with relevant curriculum in industrial training; Mainstream quality assurance among key stakeholders; Enhance and expand service delivery in industrial training at National and County Government levels; Ensure skilled and productive Workforce; Enhance industry-institutional linkages and expand capacity of industrial training institutions; Establish and implement sustainable funding model for industrial training

Mandate

Industrial training; assessing and collecting industrial training levy and fees; regulating trainers registered under the Act; developing industrial training curricula; integrating labour market information into skills development; harmonizing curricula and certificates of competence; Assessing industrial training, testing occupational skills and awarding certificates including Government trade test certificates; equating certificates; accrediting institutions engaged in skills training for industry

NITA has five industrial training centres:

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

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(c) Key Management

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

- NITA Board of Directors
- Director General
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Director General	Stephen Ogenga
2.	Ag. Director, Industrial training	William Mwanza
3.	Director Human Resource and Administration	Dr. Julius Olayo
4.	Centre Manager NITA Nairobi	Patrick Masinde
5.	Centre Manager Nairobi Textile Training Institute	Festus Musyoki
6.	Centre Manager NITA Athi River	Jane Kamau
7.	Centre Manager NITA Mombasa	Liban Roba Duba
8.	Centre Manager NITA Kisumu	Mary Wamoko

(e) Fiduciary Oversight Arrangements

National Industrial Training Board comprises of four committees that provide oversight.

These are the:

1. Industrial Training and Strategy Committee previously the Industrial Training Committee (ITC);
2. Finance and Levy Administration Committee (FLAC);
3. Human Resource, Governance and Administration Committee (HRGA), previously the Human Resources and Administration Committee (HRAC);
4. Audit and Risk Management Committee (ARMC) formerly Audit and Compliance Committee (AACC)

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

The FLAC provides oversight on all matters to do with Finance and Levy. It handles budgets and Financial Statements, quarterly management accounts, changes in rates for any income generating activities and any significant (un-budgeted) expenditure.

At the same time the committee provides oversight on the operations of the levy section including collections strategies and operational reports on performance.

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

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

NITA is also guided and complies with circulars giving guidance from the National Treasury as well as any other direction given by the Parent Ministry.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Headquarters

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

(g) Contacts

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

(h) Bankers

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

(i) Independent Auditors




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

(j) Principal Legal Adviser

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

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THE BOARD OF DIRECTORS

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

THE BOARD OF DIRECTORS (Continued)

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

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THE BOARD OF DIRECTORS (Continued)

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

THE BOARD OF DIRECTORS (Continued)



Mr. Wilson Ngahu
 Board Member as at 30th May 2019

MBA - Master of Business Administration in Strategic Management University (University of Nairobi) December 2012.
 Bachelor of Arts (Economics) University of Nairobi) December 2002.
 Certified Public Accountant (CPA) (K) KASNEB 2002-2007
 Board member, National Industrial Training Authority, State Corporation from May 2019 to present







M. Eng. Sc. (Computer Engineering)
 B. Eng. Tech. (Electrical/Electronic)
 Member IEEE
 Member (Inst. of Eng. Australia)





Ag. Director General
Work Experience:
 2014 to date – Director Industrial Training, NITA;
 2013-2014 – Deputy Director KICD;
 2008-2012 – Senior Assistant Director KIE;
 2007-2008 – Lecturer Maseno University and MMUST;
 1999-2006 – Tutorial Fellow and Senior Instructor University of Botswana

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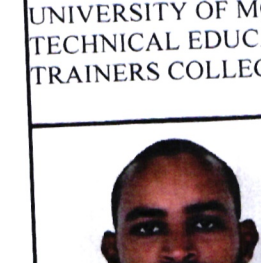

MANAGEMENT TEAM

	<p>Stephen O. Ogenga M. Eng. Sc. (Computer Engineering) B. Eng. Tech. (Electrical/Electronic) Member IEEE Member (Inst. of Eng. Australia)</p>	<p>Ag. Director General</p>
	<p>Dr. Julius O. Olayo Doctor of Philosophy (HRM) JKUAT, MBA (HRM) and BA from Kenyatta University</p>	<p>Director Human Resource and Administration</p>
	<p>William O. Mwanza B. Phil. Mech Eng. Technical University of Kenya</p>	<p>Ag. Director Industrial Training</p>
	<p>Irene Moraa Ogamba Master of law, Bachelor of laws (LLB), Certified Public Secretary Diploma in law from the Kenya School of Law</p>	<p>Manager, Legal Affairs</p>

MANAGEMENT TEAM (Continued)

	<p>Galm Guyo MBA strategic Management, Degree in Cooperative Management, Diploma in cooperative management, Diploma in banking.</p>	<p>Manager, Levy Administration</p>
	<p>Julius M. Ndenge MBA from Kenyatta University BCOM Finance, CPA (K)</p>	<p>Ag. Manager Finance</p>
	<p>Teresa Lagat MBA from University of Nairobi CFE, CPA (K)</p>	<p>Manager Internal Audit</p>
	<p>Eliva Osodo MBA in Procurement and Supply Chain Management from University of Nairobi, BBA(Enterpreneurship)KE MU Diploma in Procurement and Supply Chain Management TUK Member of KISM.</p>	<p>Manager, Supply Chain Management</p>
	<p>Festus Kitui MSc.in Management Information system from the Institute of Technology Australia (IOTA) and BSc. in Mathematics, Physics & Computing from Maseno University.</p>	<p>Manager, Information Communication Technology</p>

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	<p>Eng. FESTUS MUSYOKI MBA (PROJECT MANAGEMENT) KENYATTA UNIVERSITY B. TECH (TEXTILE. ENG) MOI UNIVERSITY EBK MEMBER</p>	<p>Centre Manager - NITA textile training institute (NTTI)</p>
	<p>PATRICK MASINDE Bachelor of Industrial Technology (Hons) - Egerton University/HND Mechanical Engineering - Kenya Polytechnic.</p>	<p>Centre Manager- NITA NAIROBI</p>
	<p>MARY WAMOKO BACHELOR OF EDUCATION, SCIENCE (MATHS, COMPUTER) MOUNT KENYA UNIVERSITY, HIGHER –DIPLOMA ELECTRICAL ENGINEERING, TECHNICAL</p>	<p>Centre Manager NITA Kisumu</p>
	<p>LIBAN ROBA DUBA MBA, Bachelor of Arts (BA), Economics, University of Nairobi; Member, Institute of Directors, IOD (K)</p>	<p>Centre Manager NITA Mombasa</p>
	<p>JANE W. KAMAU BSc. Mechatronic Eng. JKUAT</p>	<p>Centre Manager NITA Athiriver</p>

CHAIRMAN'S STATEMENT

It is with great pleasure that I present the Authority's Financial Report for the year 2018/2019 on behalf of Board members, management and staff of National Industrial Training Authority.

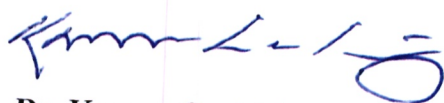
The National Industrial Training Authority (NITA) is charged with the management and coordination of industrial training in the country. Industrial training plays a crucial role in the modern world by supplying the skills required by the industry for development. This role is even more important for a country like Kenya which aims to become a globally competitive and prosperous nation by the year 2030.

National Industrial Training Authority (NITA) as a regulator of industrial training in the country has continued to ensure that the industry is supplied with adequate and skilled labour force capable of meeting the industry demand. The Authority as part of its strategic objective as contained in its strategic plan 2018/2022 has embarked on ensuring that the critical components of skills in the country meet the needs of industry through a collaborative effort of the interested parties and relevant training. The Authority takes cognizance of the fast changing need of skills in the industry and therefore strengthening linkages between training institutions and industry to ensure skills developed remain responsive to changes in the industry.

During the year under review, the Authority developed transformational guideline that seeks to ensure that its functions are more effective to meet and surpass the expectations of industry through the developed and reviewed industrial training schemes in; industrial training skills development; research and curriculum development, industrial training skills development, and industry based training, so as to align skills development to the requirements of the industry and Kenya National Qualifications Framework (KNQF). This will see the Authority achieve increased efficiency in service provision a milestone that seeks to place Kenya on a competitive edge with the rest of the world. Kenya's global competitiveness depends on the ability to create a human resource base that is constantly subjected to skills upgrading.

Finally, I would like to express my gratitude to the Board, Management and staff for your dedication and resilience to deliver. On behalf of the Board, I wish to thank the Government, our partners and all the stakeholders for their continued support and contribution to the Authority.

Thank You.



Dr. Kamau Gachigi

NITB Chairman

REPORT OF THE DIRECTOR GENERAL

I am pleased to present the Annual Report and Financial Statement for the Financial Year ended 30th June 2019. The Financial Year 2018/2019 was an ambitious one for the Authority in many ways.

In the Financial Year under review, the Authority remained focused and aligned to its Vision of “a globally competitive and adequate workforce for industrial development “ and its Mission of “providing quality industrial training for enhanced productivity, therefore contributing to the development of the human resource component in the industry in Kenya.

Kenya in its path towards achieving the Kenya Vision 2030 has to strategize comprehensively to have an adequate and sustainable source of human capital to enable the desired political, social and economic growth. It is therefore imperative that national agents such as the NITA should provide leadership in the skills transformation ecosystem to ensure that strategic policy formulation, innovative training systems including open ended and flexible structures for lifelong learning, mobilization of resources to drive skills development, strategies to raise relevance, quality, increased access and equity are achieved.

Toward this end, the Authority has embarked on a Transformation journey that will enable the development of specific frameworks and standards that will respond to the demands of both formal and informal sector skills patterns. To align herself to the national skills development agenda therefore, NITA has initiated the process of internal transformation along key thematic areas resonating around the industrial training function.

The year under Review also saw the Authority receive the ISO 9001:2015 Certification after an arduous journey of reviewing and re-aligning the Authority’s quality processes to the new standard with a strong focus on continuous improvement.

The Authority took the major stride of reviewing and developing industrial training schemes to align skills development to the requirements of Industry and the Kenya National Qualifications Framework [KNQF] in the FY 2018/19. The development of the industrial training schemes in various disciplines is stipulated under Section 21 and 22 of the Industrial Training Act Cap 237. The Schemes underwent a rigorous validation process from both internal and external stakeholders after which they were presented to the National Industrial Training Board for approval for gazettelement and subsequent implementation in line with the KNQF requirements.

Another milestone that was achieved by the Authority in the year under review was the launch of the NITA Strategic Plan 2018-2022 which will effectively be the Authority’s implementation blueprint for the next five years. It has been developed on the backdrop of several changes in the operational environment, key amongst them being the proposed Transformation agenda of the Authority, the need to entrench skills development and the provision of relevant skills to Industry, the BIG Four agenda and the Third Medium Term Plan.

The Authority is a strong believer in forging close collaborations and synergies in order to meet the expectations of our partners and stakeholders. In this regard, the Authority is committed to strengthening partnerships and building capacity across the country. In the year under Review the

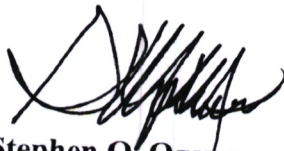
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Authority witnessed commencement of key Partnerships with various County Governments as well as industry stakeholders to sponsor youth to pursue various industrial training courses.

The Authority has continued to achieve remarkable gains especially with the Kenya Youth Employment and Opportunities Project [KYEOP] which is geared towards reversing the alarming levels of youth unemployment which poses a threat to the overall economic and well-being of the country. The Authority NITA is charged with implementing the first component [Component one [I]], improving youth employability by addressing structural labour market problems in urban and rural areas involving the difficulties youths face in acquiring the skills and work experience sought by employers. The target group currently receiving services under this component are “vulnerable youths” between 16-29 years of age with the education level of Standard 8 to Form Four. The component which is its 4th Cycle is currently offering these youths six months of training and work experience in either the formal and informal sectors. The training offered will be guided by employers in consultation with NITA. By the end of the four years that the project is envisaged to run, the Authority is expected to have reached 80,000 beneficiaries. The NITA programme component will be implemented in all the 47 counties over the duration of the Project.

I believe that moving forward, NITA will remain committed to playing its critical role in ensuring that Industry in Kenya is adequately equipped and supplied with a competent, competitive, quality, relevant and skilled workforce for optimum productivity. A critical component in this endeavor is to drive the skills development agenda in Industry pursuant to the global, regional and national requirements and benchmarks. NITA has provided and shall continue to provide strategic leadership in the development and advancement of the Industrial skills ecosystem to ensure systemic, deliberate and innovative policy formulation and mobilization of resources effort to intensively and effectively drive the skills development agenda in Industry.

I would like to appreciate the Management and indeed the staff of NITA for their hard work, commitment and diligence in the realization of the many achievements during the year under review, despite the many operational challenges. You have been a great team. We owe all that the Authority has achieved during this period to each one of you. We have trust and confidence that we have put in place a strong team that will carry forward the work that we began years ago into the future with even more achievements. We urge each one of our employees to remain focused and continue to nurture the momentum that we have built together as an Authority.



Stephen O. Ogenga
A.g DIRECTOR GENERAL

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CORPORATE GOVERNANCE STATEMENT

The Board of Directors recognizes the importance of applying the highest standards of corporate governance as a key contributor to its long term success, long term value and prosperity. Balancing the interest of the company's many stakeholders. It provides the frame work for attaining the Authority's objectives.

The Board

The size, composition and appointments of the Members of the Board are prescribed in the Training and Industrial Act. NITA Board comprises of eleven (11) independent non-executives board of directors of sector. Each private member serves for a maximum of two terms of four (4) years each.

NO.	COMMITTEE NAME	NEW MEMBERSHIP
1.	Audit and Risk Management Committee; - ARMC	1. Mr. Aram Mbui - Chair 2. Mr. Hirji Shah, OGW 3. Ms. Alice Nyariki 4. Ms. Joyce Mwale 5. Mr. Rajabu Mwondi
2.	Finance and Levy Administration Committee; - FLAC ;	1. Eng. Ernest Nadome - Chair 2. Mr. Alice Nyariki 3. Mrs. Jacqueline Mugo, EBS 4. Mr. Benson Okwaro 5. Mr. Wilson Ngahu
3.	Human Resource, Governance and Administration Committee; - HRG&C ;	1. Mrs. Jacqueline Mugo, EBS - Chair 2. Mr. Hirji Shah 3. Mr. Rajabu Mwondi 4. Mr. James Onyango 5. Ms. Joyce Mwale
4.	Industrial Training and Strategy Committee; - IT&SC ;	1. Mr. Benson Okwaro - Chair 2. Eng. Aram Mbui 3. Mr. James Onyango 4. Mr. Wilson Ngahu 5. Mr. Ernest Nadome
	Ad Hoc Steering Committee of The Kenya Youth & Employment And Opportunities Project (KYEOP)	1. Mr. Hirji Shah OGW - Chair 2. Dr. Kamau Gachigi 3. Mrs. Jacqueline Mugo, EBS 4. Mr. Benson Okwaro 5. Eng. Aram Mbui 6. Ms. Joyce Mwale 7. Mr. Ernest Nadome

The Board is charged with the following responsibilities:

- a) Defining the purpose of the National Industrial Training Authority, that is, its strategic intent and objectives, and its values which should be clear, concise and achievable;
- b) Strategy formulation and ensuring there are appropriate policies, systems and structures to effectively and successfully implement the strategies;
- c) Provide leadership within a framework of prudent and effective structures which enable risks to be assessed;
- d) Identify the opportunities as well as the principle risks in its operating environment including the preparation of the risk policy plans/risk management policies and implementation of appropriate measures to manage such risks or anticipated impact on the corporate business;
- e) Review on a regular basis the adequacy and integrity of the internal controls, acquisition and divestures, management information systems including compliance with applicable laws and regulations;
- f) In stewardship and in discharging its obligations, the Board assumes responsibility in the following areas:
 - (i) Retaining full and effective control over NITA, and monitoring management in implementing Board plans and strategies;
 - (ii) Ensuring ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, and NITA's own governing documents and Code of Ethics;
 - (iii) Defining levels of materiality, reserving specific powers to the Board and delegating other matters with the necessary written authority to management and instituting effective mechanisms that ensure Board responsibility for management performance of its functions; among other mandates and responsibilities as stipulated in the Industrial act.

BOARD COMMITTEES

- The board has established the following committees;
- Industrial Training & Strategy committee
- Human Resource, Governance & Administration committee
- Finance & Levy Administration committee
- Audit & Risk Management committee

FINANCE & LEVY ADMINISTRATION COMMITTEE.

- Terms of reference for the committee include;
- Approve and maintain budgetary systems of Authority.
- Oversee financial reporting process & internal controls

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- Monitor the financial reporting process to ensure compliance.
- Review, approve or recommend to the Board on matters pertaining to investments.

HUMAN RESOURCE, GOVERNANCE & ADMINISTRATION COMMITTEE.

- The term of reference for the committee include;
- To approve recommendations on terms and condition of employment in the Authority, recruitment functions and staff appraisals.
- To ensure effective management, succession planning and management development plans are in place.
- Approve programs & policies involving the overall compensation of employees & Authority's collective bargaining agreement.
- Regularly assess staff benefit plans including new trends
- Review & monitor corporate performance against approved targets.

INDUSTRIAL TRAINING & STRATEGY COMMITTEE

- The terms of reference for the committee include;
- To develop strategies for industrial training
- Ensure that implementation of Industrial Training is effective & efficient
- Advice on terms & conditions of industrial training providers.
- Develop regulations to facilitate effective industrial training
- Monitor Industrial training & advice on Industrial training.

AUDIT & RISK MANAGEMENT COMMITTEE.

- The terms of reference for the committee include;
- Establish a NITA'S risk management policy.
- Create an understanding and ensure risk management practices at NITA.
- Review the scope & planning of the external audit.
- Review the annual financial statements of the Authority

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Compliance with Statutory Requirements.

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

During the year under review, the Authority improved industrial training levy collections by 4.4% compared to the previous year. The positive increase is attributed to Revenue Automation which is currently on going. The management however recognises that the Training levy collection for the period under review is 20.3% below the budget. This under achievement of budget can be attributed to challenges faced during by the Authority due to many organizations non-compliance to pay the Industrial Training Levy. In order to mitigate on this non-compliance, the Authority in consultation with FKE is holding sensitization forums with employers across the country to educate them about the benefits of being compliance with the Industrial Training Levy payments. The Authority is also contemplating recovering the same through enforcement of the Act and recover with interest and penalties all outstanding levy contributions due to the Authority. The authority has therefore continued to improve its customer relations with employers, which has been achieved through closer liaison with the Authority's stakeholders. From the implementation of 2018/19 FY budget, it was clear that about 46% of the total revenue to the Authority was realized from Industrial training levy, Government grants and subsidies 16% while revenue from exchange transactions accounted for 38%.

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It was also realized that over 37.5% of the total expenditure was on employees' which is also 48.2% of the total revenue collected. General expenses were at 37% while Depreciation and amortization of assets was 9.7% and loss on Revaluation of asset was 9.3% as illustrated below.

Total Revenue Collection

TOTAL REVENUE PERCENTAGE

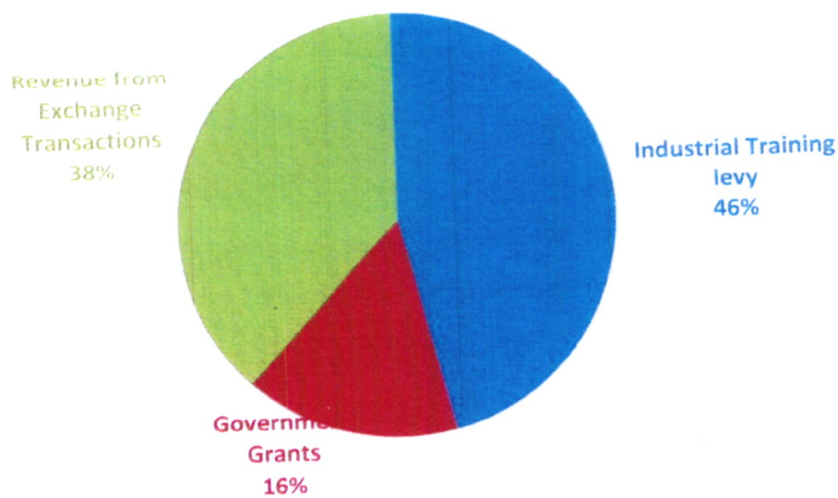


Figure 1.0 Total revenue collected for the year 2018/2019

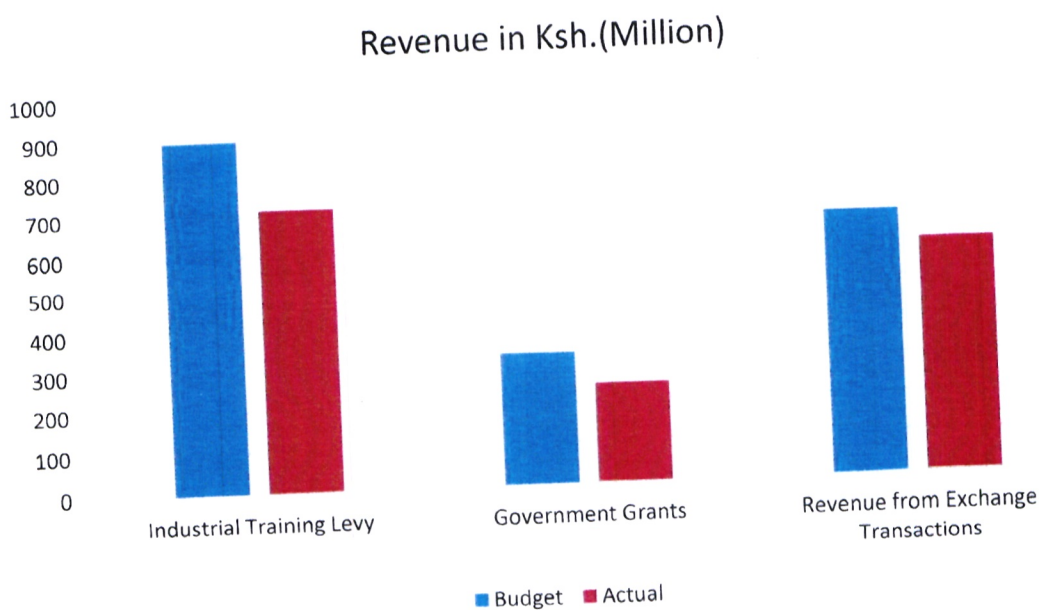


Figure 1.1 Total revenue and Budget for the year 2018/2019

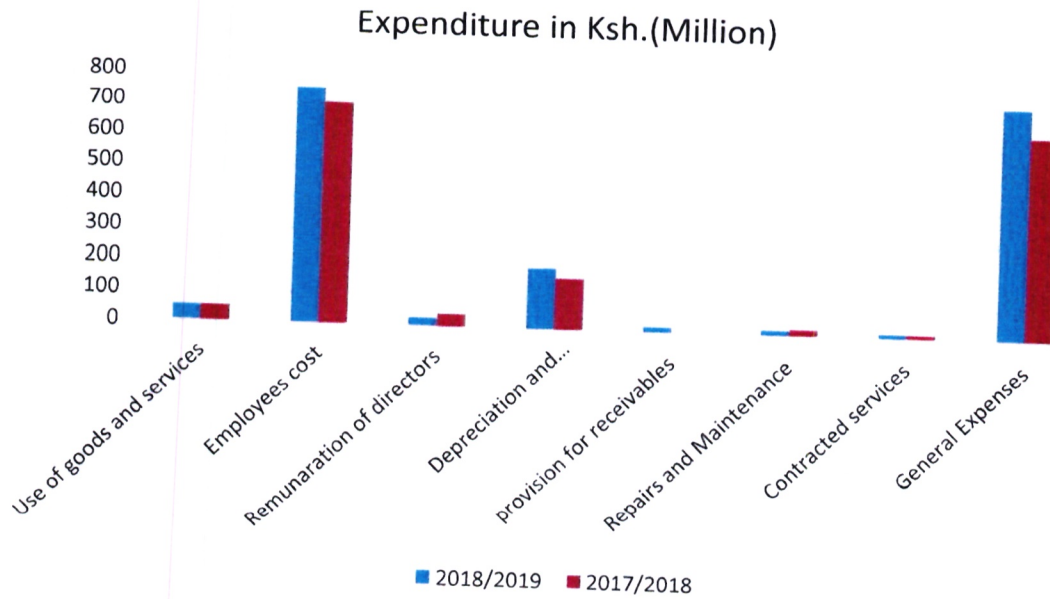


Figure 2.0 Expenditure comparison for the year 2018/19 and 2017/18

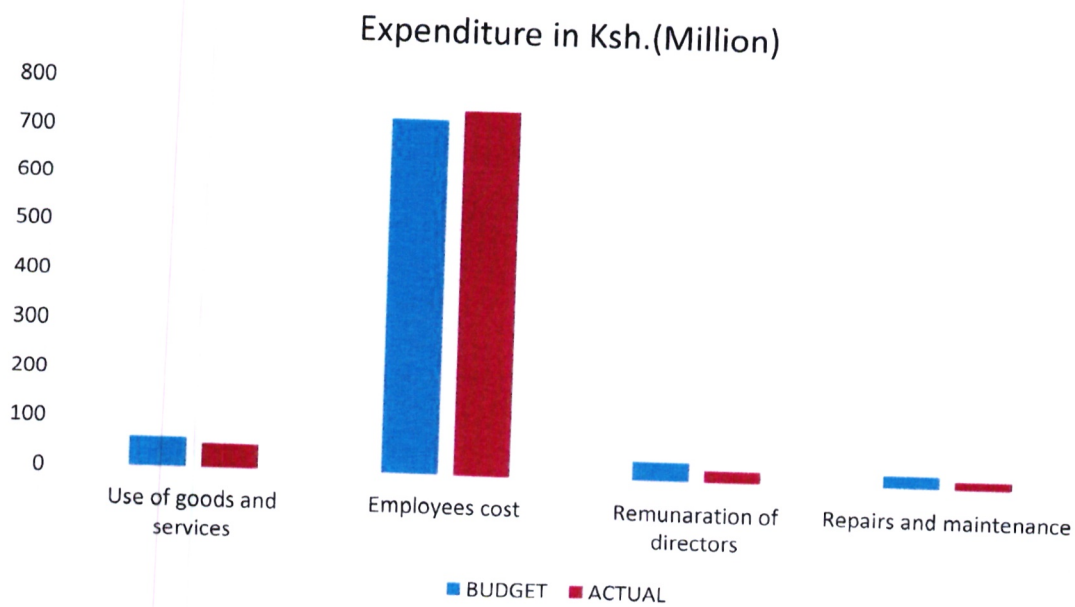


Figure 2.2 Total Expenditure in comparison with Budget for the year 2018/2019

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The major risk facing the National Industrial Training Authority are financial and operational risks associated with the Authority's business. During the financial year 2018/2019 the management updated and monitored the risk profiles for each of the operating businesses and major projects to identify the nature and likelihood of its occurrence for specific material risks, key controls that are in place to mitigate and manage the risks, sources and levels of assurance provided on the effective operations of key controls and responsibilities for managing risks. Therefore, the risk framework, policies and procedures will continue to be enhanced as the Authority's existing operations develop and its range of activities expand. During the year under review the Authority procured and implemented an ERP system as a way of automating and improving on service delivery and strengthening its internal control systems so as to enhance efficiency, accountability and transparency in its operations.

The year 2018/2019 the Authority's income on investment increased 10.5% as compared to the last financial year but 9% below the budget. This under achievement of the budget was attributed to changes in investment when the Authority liquidated 250M to procure Training Equipment to Centres. The Authority has also opened a CDS account with the Central bank of Kenya to facilitate investment in Treasury bills as directed by the National Treasury.

Equity shares with the Consolidated Bank of Kenya is 8.4M

CORPORATE SOCIAL RESPONSIBILITY STATEMENT / SUSTAINABILITY REPORTING

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

Female Engineering Sponsorship Programme (FEP)

NITA sponsors 25 Kenyan female students from needy backgrounds annually to pursue engineering courses at craft, certificate and diploma levels in an effort to reduce gender disparity in technical/engineering disciplines through the Female Engineering Training Programme (FETP) as a part of its Corporate Social Investment. The programme was initiated in 2006 as follow-up to recommendations of an overseas study tour, to date over three hundred (300) Kenyan deserving and qualified girls have benefitted across the country.

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

The first group of twenty-five (25) females was selected by the Directorate in November 2006 and enrolled in respective National Polytechnics and Technical Training Institutes in January 2007, a practice that has continued every year for the last 10 (ten) years and to date the programme has benefitted over 300, three hundred needy and qualified females in Kenya.

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

The objectives of the Programme include

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

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

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

The sponsorship provisions include the following:

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

The Authority has partnered with various institutions over the years and currently partners with Kisumu Polytechnic, Railway Training Institute (RTI), Kenya Institute of Highways & Building Technology) and Rift Valley Institute of Science for the 2018 Intake.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the National Industrial Training Authority affairs.

Principal activities

The Principal activities of the Industrial Training Authority are:

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

Including Government trade test certificates;

- Equating certificates;
- Accrediting institutions engaged in skills training for industry;
- Associating or collaborating with any other body or organization within or outside Kenya as the Board may consider desirable or appropriate and in furtherance of the purposes for which the Authority is established;

Directors

The members of the Board of Directors who served during the year are shown on page vi to page ix.

Auditors

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

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the NITA's financial statements, which give a true and fair view of the state of affairs of NITA for and as at the end of the financial year ended on June 30, 2019. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of NITA
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of NITA
- (v) selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

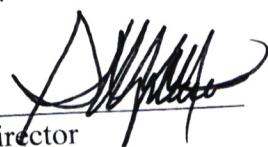
The Directors accept responsibility for NITA financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Industrial Training (Amendment) Act, 2011.

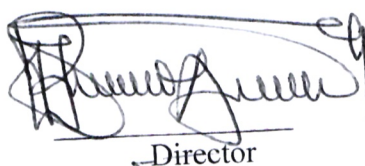
The Directors are of the opinion that NITA financial statements give a true and fair view of the state of NITA transactions during the financial year ended June 30, 2019, and of the NITA's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for NITA which have been relied upon in the preparation of the NITA's statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

NITA financial statements were approved by the Board on 24th September 2019 and signed on its behalf by:


Director


Director


Director

REPUBLIC OF KENYA

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



OFFICE OF THE AUDITOR GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON NATIONAL INDUSTRIAL TRAINING AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Industrial Training Authority set out on pages 1 to 36, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Industrial Training Authority as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Industrial Training Act and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Property, Plant and Equipment

The statement of financial position as at 30 June, 2019 reflects a balance of Kshs.9,725,738,000 in respect of property, plant and equipment. However, a review of the supporting records for the balance revealed the following anomalies:

1.1 Assets Without Ownership Documents

The property, plant and equipment balance of Kshs.9,725,738,000 includes amounts of Kshs.6,608,300,000 and Kshs.2,547,948,000 relating to land and buildings respectively. However, and as previously reported, the Authority did not provide ownership documents for the land for audit verification. Further, included in the property, plant and equipment balance is an amount of Kshs.386,331,000 being the net book value for motor vehicles which excluded the value of motor vehicle Reg. No. Ex -UN 205K donated by United Nations Industrial Development Organization (UNIDO) in 2001. As at the time of audit, the donated vehicle was in use at the Athi River Centre of the Authority though the vehicle was yet to be registered in the name of the Authority.

1.2 Allocation of NITA Land to a Private Developer

As previously reported, the value of Kshs.6,608,300 for land excluded the value of disputed plots No. 464/R and No. 6229 of undetermined value. The land measuring 6.2 hectares (Ref: No. Plot No.464/R) located in Bombolulu area was on 23 May, 1996 allocated to Mombasa Industrial Training Centre (MITC) as an alternative to plot No. 6229 which had been carved out and allocated to a private developer. No evidence that the Authority was pursuing the matter with the National Land Commission to hasten acquisition of ownership documents to avoid losing the property was presented for audit. Further, the status of the two parcels of land was not disclosed in the financial statements.

In view of the foregoing matters, it has not been possible to confirm the accuracy and completeness of the reported property, plant and equipment balance of Kshs.9,725,738,000 as at 30 June, 2019.

2.0 Cash and Cash Equivalentents

The statement of financial position reflects a balance of Kshs.45,698,000 in respect of cash and cash equivalentents. However, a review of the cashbooks and other supporting records revealed the following anomalies:

2.1 Stale Cheques

The bank reconciliation statements for the various bank accounts held by the Authority for June, 2019, reflected un-presented cheques amounting to Kshs.23,327,315 out of which cheques totalling Kshs.1,030,126 were stale. No satisfactory reason was provided for not reversing the stale cheques in the cashbook.

2.2 Dormant Bank Account

The Authority maintained a dormant current account with Standard Chartered Bank. The account continued to attract bank charges for no justifiable reason. In the financial year 2018/2019, bank charges amounting to Kshs.17,100 were incurred reducing the bank balance.

2.3 Bank Certificate and Board of Survey Report

The Authority did not provide certificate of bank balances for the bank accounts held and board of survey reports as at 30 June, 2019 for audit purposes.

2.4 Unsupported Clearance of Bank Reconciliation Items

An amount of Kshs.5,677,181 brought forward from June 2016 was cleared from the June, 2019 bank reconciliation statement. However, supporting documents for the clearance of the balance were not provided for audit.

Under the circumstances, the accuracy of the cash and cash equivalentents balance of Kshs.45,698,000 could not be confirmed.

3.0 Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.149,993,000. The following observations were made regarding the balance:

3.1 Unsupported Receivables

As disclosed at Note 20 to the financial statements, the balance included Kshs.50,936,000 and Kshs.67,475,000 described as conference and students receivables respectively. However, supporting documents for the receivables were not provided for audit verification.

3.2 Missing Cheques

The balance included an amount of Kshs.12,823,000 described as missing cheques in the June, 2018 bank reconciliation statement. The Management explained that the amount was misappropriated by a former accountant and that the matter was in court.

3.3 Bounced Cheques

As disclosed at Note 20 to the financial statements, the reported receivables balance included an amount of Kshs.18,759,000 relating to bounced cheques dating back to February, 2015. Supporting documents for the balance were not provided for audit verification.

In the circumstances, it was not possible to confirm the accuracy, completeness and full recoverability of the reported receivables from exchange transactions balance of Kshs.149,993,000.

4.0 Deposits Held in Collapsed Banks and not Disclosed in the Financial Statements

As disclosed in Note 27 to the financial statements, the Authority had deposits amounting to Kshs.129,466,000 held in various collapsed financial institutions. Although the deposits were provided for in full, they were not disclosed in the statement of financial position. Further, the Authority did not demonstrate any efforts to recover the deposits through the Deposit Protection Fund. The recoverability of the deposits totaling to Kshs.129,466,000 remained doubtful. It could not also be confirmed that the financial statements achieved fair presentation as provided for under Paragraph 27 of IPSAS 1 – Presentation of Financial Statements.

5.0 Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.198,175,000. However, the Authority did not provide supporting schedules and documents for audit verification. In the absence of the supporting documents, it was

not possible to confirm the accuracy and validity of the reported trade and other payables balance.

6.0 Unsupported Remuneration of Directors Expenses

The statement of financial performance reflects an amount of Kshs.26,581,000 for remuneration of Directors. However, payment vouchers for expenditure amounting to Kshs.23,581,000 were not availed for audit. Further, Board Minutes and Board Attendance Registers were also not provided for audit review.

Consequently, the authenticity, validity and accuracy of the reported remuneration of Directors expenses amounting to Kshs.26,581,000 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final revenue budget and actual on comparable basis of Kshs.1,898,318,000 and Kshs.1,566,845,000 respectively, resulting to an under-funding of Kshs.331,473,000 or 17% of the budget. Similarly, the Authority expended Kshs.1,594,015,000 against an approved budget of Kshs.1,777,942,000 resulting to an under-expenditure of Kshs.183,927,000 or 10% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that,

nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Staff Car Loan and Mortgage Scheme Fund Bank Balance

The statement of financial position reflects a short-term investments balance of Kshs.890,000,000 which, as disclosed at Note 19 (b) to the financial statements, included amounts of Kshs.20,000,000 and Kshs.120,000,000 relating to the Staff Car Loan and Staff Mortgage Scheme Fund of the Authority respectively. It is not clear why separate financial statements for the Fund were not prepared and submitted for audit as required under Section 4 of the Salaries and Remuneration Commission Circular Ref. No SRC/ADM/CIR/1/13 Vol.III (128) of 17 December, 2014.

In addition, the Authority did not maintain cashbooks or prepare monthly bank reconciliation statements for the Staff Car Loan and Mortgage Fund bank account as required under Regulation 90 and Regulation 100 of the Public Finance Management (National Government) Regulations, 2015.

Further, the bank statements for the Car Loan and Mortgage Schemes reflected a balance of Kshs.20,469,417 and Kshs.120,877,076 respectively which differed with the reported bank balances of Kshs.20,000,000 and Kshs.120,000,000 by Kshs.469,417 and Kshs.877,076 respectively. The variances were neither explained nor reconciled.

In view of the foregoing, it was not possible to confirm the validity and completeness of the balance of Kshs.890,000,000 reported for short term investments.

2.0 Receivables from Non-Exchange Transaction (Outstanding Imprests)

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.43,110,000 which represented staff imprests that had been outstanding for long. The Authority did not demonstrate efforts to recover the imprests from the defaulting officers in line with the provisions of Regulation 93(6) of the Public Finance Management (National Government) Regulations, 2015.

3.0 Non- Compliance with National Treasury Circular on Investments in Call Deposits

As disclosed at Note 19 (b) to the financial statements, the Authority held call deposits amounting to Kshs.750,000,000 at a local Commercial Bank. This is contrary to The National Treasury Circular Ref.DMD 4/02 'H' (63) of 26 March, 2018 that directed all State Corporations and SAGAs to invest surplus funds in Treasury Bills or Treasury Bonds directly through the Central Bank of Kenya.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0 Incomplete Assets Register

The Authority did not maintain a comprehensive register for its property, plant and equipment or supporting records indicating details of the assets, including description of the assets, location, serial number, date purchased, source, capital expenditure, additions, depreciations and disposals.

2.0 Lack of Secure Offsite Storage Facility

Part 9(1) of the NITA Information, Communication and Technology Policy Document states that, all backup media must be stored in a safe and secure location. An analysis of records and documentary evidence provided revealed that the Authority did not have data backups stored in a secure offsite location.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 Authority's policies and procedures may deteriorate.

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

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

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

14 July, 2021

National Industrial Training Authority
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STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018-2019	2017-2018
		Kshs '000'	Kshs '000'
Revenue from non-exchange transactions			
Training Levy	6	714,897	686,658
Transfers from other governments—gifts and services-in-kind	7	246,839	401,400
		961,736	1,088,058
Revenue from exchange transactions			
Rendering of services	8	513,261	333,108
Finance income-external investments	9	55,048	49,828
Other income	9	36,800	62,721
		605,109	445,657
Total revenue		1,566,845	1,533,715
Expenses			
Use of goods and services	10	49,829	68,940
Employee costs	11	748,768	699,220
Remuneration of directors	12	26,581	43,203
Depreciation and amortization expense	13	194,361	184,357
Provisions.	14	20,259	
Repairs and maintenance	15	18,632	24,384
Contracted Services	16	15,241	11,500
General Expenses	17	734,964	633,338
Loss On Revaluation	18	186,196	-
Total Expenses		1,994,831	1,664,942
Surplus/(deficit)for the period		(427,986)	(131,227)
		(427,986)	(131,227)

The notes set out on pages 7 to 32 form an integral part of these Financial Statements

National Industrial Training Authority
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For the year ended June 30, 2019

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2018-2019	2017-2018
		Kshs '000'	Kshs '000'
Assets			
Current Assets			
Cash and cash equivalents	19 (a)	45,698	81,538
Receivables from exchange transactions	20	149,993	44,026
Receivables from non-exchange transactions	21	43,110	33,494
Investments	22 (c)	8,400	8,400
Short term Investments	19 (a)	890,000	1,120,000
		1,137,201	1,287,458
Non-Current Assets			
Property, Plant and Equipment	23	9,725,738	8,391,544
Intangible assets	24	6,668	25,925
		9,732,406	8,417,469
Total Assets		10,869,607	9,704,927
Liabilities			
Trade and other payables	25	198,175	242,502
Provisions for the current year	14	20,259	
Provisions for previous year	14	12,823	12,823
		231,257	255,325
Net assets		10,638,350	9,449,601
Capital Reserves		90,000	90,000
Revaluation Reserve		9,854,460	8,243,800
Accumulated surplus		693,890	1,115,801
Total net assets and liabilities		10,638,350	9,449,601

The Financial Statements set out on pages Page 1 to Page 48 were signed on behalf of the Board of Directors by:

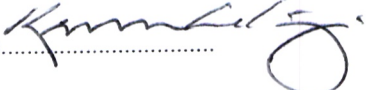
A.g. Director General
 Name: Stephen O. Ogenga

Chief Accountant
 Julius M Ndenge
 ICPAK Member Number:8325

Chairman of the Board
 Name: Dr. KamauGachigi

Date.....

Date.....

Date.....

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019

	Capital replacement development reserve/Capital Reserve	Revaluation Reserve	Accumulated surplus	Total
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
As at 30 June 2017	90,000.00	8,243,800.00	1,245,228	9,579,028
Adjustment for Prov.			1,800	1,800
Surplus/(deficit) for the period		-	(131,227)	(131,227)
As at 30 June 2018	90,000	8,243,800	1,115,801	9,449,601
As at 1 July 2018	90,000	8,243,800	1,115,801	9,449,601
Adjustments (2016-2017)			6,075	6,075
Revaluation		1,610,660		1,610,660
(Loss) for the period	-	-	(427,986)	(427,986)
As at 30 June 2019	90,000	9,854,460	693,890	10,638,350

**National Industrial Training Authority
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**STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2018-2019	2017-2018
		Kshs '000'	Kshs '000'
Cash flows from operating activities			
Receipts			
Training Levy	6	714,897	686,658
Government grants and subsidies	7	246,839	401,400
Rendering of services	8	513,261	333,108
Finance income	9	55,048	49,828
Other income ,rentals and agency fees	9	36,800	62,721
Total Receipts		1,566,845	1,533,715
Payments			
Compensation of employees	11	748,768	699,220
Goods and services	10	49,829	68,940
Other payments	12,15,16&17	795,419	712,425
Decreased /Increase in receivables from exchange Transactions	20	105,967	(14,049)
Decrease/Increase in Account Payables	25	44,327	(178,836)
Increase in receivables non exchange	21	9,616	9,723
Total Payments		1,753,927	1,297,422
Net cash flows from operating activities		(187,080)	236,293
Cash flows from investing activities			
Purchase of property, plant, equipment	23	(82,922)	(269,355)
Purchase of intangible assets	24	(1,911)	(39,209)
Net cash flows used in investing activities		(84,833)	(308,564)
Cash flows from financing activities			
Investment interest		6,075	-
Cash flows from financing activities		6,075	-
Net increase/(decrease)in cash and cash equivalents		(265,840)	(72,271)
Cash and cash equivalent as at 1 JULY	19 (b)	1,201,538	1,273,809
Cash and cash equivalents at 30 JUNE		935,698	1,201,538

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Revenue					
Fines, penalties and levies	900,000	-	900,000	714,897	(185,103)
Government grants and subsidies	459,598	(130,480.00)	329,118	246,839	(82,279)
Rendering of services	533,100	45,000.00	578,100	513,261	(64,839)
Investment Income	60,500	-	60,500	55,048	(5,452)
Other income, rentals and agency fees	30,600	-	30,600	36,800	6,200
Total income	1,983,798	(85,480.00)	1,898,318	1,566,845	(331,473)
Expenses					
Use of goods and services	67,400	(7,300)	60,100	49,829	10,271
Employee costs	716,100	10,590	726,690	748,768	-22,078
Remuneration of directors	43,340	(3,300)	40,040	26,581	13,459
Repairs and maintenance	26,775	1,725	28,500	18,632	9,868
Contracted services	26,000	4,000	30,000	15,241	14,759
General Expenses	871,680	20,932	892,612	734,964	157,648
Total Expenses	1,751,295	26,647	1,777,942	1,594,015	183,927

Budget notes

1. Fines, Penalties and Levies.

The under collection by 20.2% was as a result the employers defaulting on remittances of the Industrial Training Levy payments. Efforts are being made to enforce compliance and recover arrears with penalties and interest.

2. Government grants and subsidies

The performance variance of 54% was as a result of the National Government withdrawal of Development grant made for the Authority and the 4th Quarter Recurrent grant of 82M not received.

3. Rendering of services

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he under collection of 11.2% was as a result of under collection in Trade testing as per the budget during the year under review. Tuition fees and Accommodation there was considerable improvement due to increase of admissions from County Governments.

4. Finance income

The under collection of 9% of Finance income is as a result of the Authority liquidating part of its Investment to procure Equipment for the Industrial Training Canters during the year under review.

5. Use of goods and services

The under expenditure of 17% for good and services is as a result sound procurement plan in place thus reducing the cost for procurement for goods and services.

6. Remuneration of directors.

The under expenditure of 37% for director's remunerations is as a result of fewer Board and Board committee meeting than was budgeted for and Board activities rescheduled to be carried in the next F/Y

7. Repairs and Maintenance

The under Expenditure of 34.6% of repairs and Maintenance is as a result of management cost containment measure assets management to safe guard NITAs Assets.

8. Contracted services.

The under expenditure of 51% was as a result of asset valuation activity that was to be carried out during the period under review but due to the lengthy procurement process the activity was done in the current financial year.

9. Changes between original and final budget

The changes between original and final budget of 1.52% increase is as a result of reallocation of fund to cater for activities occasioned by circumstances that were un foreseen at the time of preparing the original budget.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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 authorities accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of National Industrial Training Authority.

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

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.

Interest income

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

Rental income

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

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly in 2018. 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.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes

Current income tax

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

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures. Deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Sales tax

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

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

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

d) Property, plant and equipment

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

e) Leases

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

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

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

term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

f) Intangible assets

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

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

g) 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. NITA 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 NITA has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

NITA assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or 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 NITA of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a 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.

h) Provisions

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

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

Contingent liabilities

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

Contingent assets

NITA does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of NITA 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.

i) Nature and purpose of reserves

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

- Capital Reserve of Ksh. 90 million relating to grants from Parent Ministry
- A Revaluation reserve of shs9,854,460 relating to revaluation of fixed assets after formation of NITA and current revaluation done in September 2018
- Revenue reserves relating to accumulated surpluses/deficit including prior year adjustments.

j) Changes in accounting policies and estimates

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

k) Employee benefits

Retirement benefit plans

NITA 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Related parties

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

m) 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.

n) Comparative figures

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

o) 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, 2018.

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. State all judgements, estimates and assumptions made:

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 NITA
- 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 14(a).

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 Training Levy

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Industrial Training Levy	714,897	686,658
Total	714,897	686,658

7 Transfer from government

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Operational Grant	246,839	401,400
Development Grant	-	-
Total	246,839	401,400

8 Rendering of services

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Tuition Fees and Accommodation	214,646	73,507
Registration of Trainers	9,742	8,298
Trade Test Fees	228,943	212,668
Conference	59,930	38,635
Total revenue from rendering of services	513,261	333,108

**National Industrial Training Authority
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 Other income

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Miscellaneous Receipts	36,800	12,789
Investment Income	55,048	49,828
Deposit Receivables	-	49,932
Total other income	91,848	112,549

10 Use of Goods and Services

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Electricity	18,406	21,566
Water	6,967	9,001
Security	18,112	18,527
Professional Services	4,384	18,036
Subscriptions	1,961	1,810
Total good and services	49,829	68,940

11 Employee costs

	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Salaries and wages	580,885	549,044
Staff Pension	57,349	45,724
Medical Expenses	60,331	60,000
Staff Development	18,259	24,225
Other Allowance	15,193	4,641
Welfare	16,752	15,586
Employee costs	748,768	699,220

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Board of directors

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Chairman's Honoraria	936	969
Board Other Expenses	11,977	10,468
Board Capacity Building	7,148	24,663
Board Sub Committee	6,520	7,103
Total director emoluments	26,581	43,203

13 Depreciation and amortization expense

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Property ,Plant and Equipment	173,193	154,721
Intangible Assets	21,168	29,636
Total Depreciation and amortization	194,361	184,357

14 Provision

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Accounts receivable DTB	-	12,823
Accounts receivable Bounced Cheques	18,759	-
Audit Fee (OAG)	1,500	-
Totals	20,259	12,823

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 Repairs and maintenance

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Maintenance of Equipment	780	1,249
Maintenance of Buildings	4,865	2,831
Maintenance of Furniture	89	295
Maintenance of Grounds	1,347	659
Maintenance of Motor Vehicle	11,041	12,927
Maintenance of Software	510	6,423
Total repairs and maintenance	18,632	24,384

16 Contracted services

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Property Valuations	15,241	11,500
Total contracted services	15,241	11,500

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 General expenses

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Advertising and Publicity	25,034	20,647
Audit fees	-	960
Bedding & Linen	1,873	1,269
Chemicals, Detergents & Industrial gases	900	560
Claims, Damages & Compensation	-	3,408
Conference Expenses	14,249	8,649
Curriculum Development	15,121	10,675
Domestic Travel	32,848	16,248
Female Sponsorship	10,880	11,664
Finance Expenses	8,040	12,802
Food & Ratio	30,394	24,521
Foreign Travel	2,150	2,405
Fuel, Oil and Lubricants	14,328	18,324
Hospitality	14,778	11,945
Industrial Attachment	28,122	32,615
Insurance	8,749	2,878
Internal Audit Expenses	8,569	4,787
Legal Fees	7,957	18,040
Library	294	286
Management Consultancy	8,074	1,782
Marketing Expenses	13,520	18,952
Office and General Supplies	18,602	18,571
Part time Lectures	24,996	12,626
Planning Expenses	6,108	5,894
Quality Assurance Expenses	9,625	12,682
Registration of Training Providers & Approvals for Training	5,974	5,707
Reimbursements for Management & Supervisory	105,248	95,703
Rent & Rates	608	600
Sector Committees	26,041	21,405
Seminars & Workshops	3,180	2,510
Specialized Materials	35,510	21,209
Student Examination	5,624	2,671

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Supplies Chain Management Expenses	6,434	5,093
Telecommunication	7,403	7,230
Trade Test Expenses	198,906	164,701
Training Levy Expenses	34,510	32,562
Uniforms & Protective Clothing	315	756
	734,964	633,338

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 Impairment Loss

	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Property ,Plant and Equipment	186,196	-
	186,196	-

19 Cash and cash equivalents

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Current account	45,052	80,926
Cash in Hand	646	612
	45,698	81,538
On Call deposits	750,000	980,000
Staff car loan/ mortgage	140,000	140,000
	890,000	1,120,000
Total cash and cash equivalents	935,698	1,201,538

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 (b) Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2018-2019	2017-2018
		Kshs '000'	Kshs '000'
a) Current account			
Kenya Commercial bank Industrial Area (Revenue)	1102588075	31,359	36,934
Kenya Commercial bank Industrial Area (Payments)	1158641931	5,952	14,940
Kenya Commercial bank Kisumu	1144138434	6,295	11,922
Kenya Commercial bank Mombasa	1144254639	29	15,315
Kenya Commercial bank Kitengela	1170854729	192	993
Standard Chartered Bank Industrial Area	104031408200	140	158
National Bank Harambee Avenue	1001000902800	1,085	664
Sub- total		45,052	80,926
b) On-Call deposits account			
Kenya Commercial bank		750,000	980,000
Sub- total		750,000	980,000
c) Staff car loan/ mortgage			
Kenya Commercial bank (Car)	1206410337	20,000	20,000
Kenya Commercial bank (Mortgage)	1206410248	120,000	120,000
Sub- total		140,000	140,000
d) Others(specify)			
Cash in hand		646	612
Sub- total		646	612
Grand total		935,698	1,201,538

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 Receivables from exchange transactions

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Current receivables		
Receivables - Conference	50,936	26,553
Receivables- Students	67,475	17,473
Receivables- DTB	12,823	-
Receivables- Bounced Cheques	18,759	-
Total current receivables	149,993	44,026

21 Receivables from non-exchange contracts

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Current receivables		
Receivables – Staff	43,110	33,494
Total current receivables	43,110	33,494

22 Investments

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
a) Investment with Financial Institutions/ Banks		
KCB On- Call Deposits	750,000	980,000
Sub- total	750,000	980,000
b) Equity Investments		
Equity in Shares	8,400	8,400
Grand total	758,400	988,400

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)
23 PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Plant & Machinery	Motor Vehicles	Computer & Accessories	Furniture	Equipment	Books	Capital Work in Progress	Totals
Cost	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'		Kshs '000'
At 1st July 2017	5,653,615	2,615,006	237,084	172,414	126,284	52,721	113,472	1,233		8,971,828
Additions	-	119,585		16,200	37,082	13,015	83,472			269,355
At 30 June 2018	5,653,615	2,734,589	237,084	188,614	163,366	65,736	196,944	1,233		9,241,181
At 1st July 2018	5,653,615	2,734,589	237,084	188,614	163,366	65,736	196,944	1,233		9,241,181
Revaluation	954,685	(125,311)	204,437	(134,870)	(127,564)	(9,737)	(186,196)	-		575,444
Additions	-	4,002			58,073	10,807	10,040			82,922
At 30 June 2019	6,608,300	2,613,280	441,521	53,744	93,875	66,806	20,788	1,233		9,899,547
Depreciation and Impairment										
At 1st July 2017	-	179,030	90,954	101,559	101,285	15,671	37,105	369		525,973
Depreciation	-	62,692	29,636	43,104	-	6,590	14,184	123		156,329
Accumulated Dep 30 June 2017	-	241,722	120,590	144,663	101,285	22,261	51,289	492		682,302
Depreciation	-	65,375	29,636	-	47,128	7,654	17,420	123		167,336
Accumulated Dep 30 June 2018	-	307,097	150,226	144,663	148,413	29,915	68,709	615		849,638
Revaluation Reserve	-	(307,097)	(150,224)	(144,662)	(148,413)	(29,915)	(68,709)	-		(849,020)
Depreciation	-	65,332	55,190	13,436	28,162	8,351	2,599	123		173,193

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Accumulated Dep 30 June 2019	-	65,332	55,190	13,436	28,162	8,351	2,599	740		173,810
Net Book Values										
At 30 June 2019	6,608,300	2,547,948	386,331	40,308	65,713	58,455	18,189	494		9,725,738
At 30 June 2018	5,653,615	2,427,492	86,859	43,951	14,953	35,821	128,235	618		8,391,544
Depreciation Rate		2.5%	12.5%	25.0%	30.0%	12.5%	12.5%	10.0%		

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(An amount of kshs 204,145,000 was not depreciated because at the closure of the financial year the assets had not been delivered but duly committed).

24 INTANGIBLE ASSETS-SOFTWARE

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Cost		
At beginning of the year	68,650	29,441
Additions	1,911	39,209
At end of the year	70,561	68,650
At end of the year	70,561	68,650
At beginning of the year	42,725	25,704
Amortization	21,168	17,021
At end of the year	63,893	42,725
NBV	6,668	25,925

25 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Trade payables	198,175	242,502
Total	198,175	242,502

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 CASH GENERATED FROM OPERATIONS

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Surplus for the year before tax	(427,986)	(131,227)
Adjusted for:		
Depreciation	194,361	184,357
Impairment Loss	186,196	
Provision for receivables	20,259	-
Working Capital adjustments		
Decreased in receivables exchange	(9,616)	14,049
Increase in receivables non exchange	(105,967)	(9,723)
Increase in Payables	(44,327)	178,837
Net cash flow from operating activities	(187,080)	236,293

27 (a) Deposits held in collapsed banks

Deposits held in collapsed banks		
	2018-2019	2017-2018
Description		
Prudential Bank Ltd	50,595	50,595
Thabiti Finance Company	26,029	26,029
Pioneer Building Society	15,000	15,000
Continental Credit Finance Ltd	8,830	8,830
Nairobi Finance Company	8,530	8,530
Allied Credit Limited	5,388	5,388
Middle Africa Finance Co. Ltd	5,345	5,345
Meridian BIAO Bank (K) Ltd	3,988	3,988
Inter Africa Credit Ltd	2,461	2,461
Country Building Society	2,000	2,000
United Trustee Finance Co. Ltd	1,300	1,300
Total Deposits held in collapsed banks	129,466	129,466
Provision for Deposits in collapsed Banks	129,466	129,466
Total Deposits held in collapsed banks	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(b) Receivables Bounced Cheques

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Dishonored Cheques	18,759	-
Total Debtors	18,759	-
Provisions for Dishonored Cheques	18,759	-
Total Dishonored Cheques	-	-

(c) Receivables Deposits in DTB

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Amounts in DTB	12,823	-
Total Debtors	12,823	-
Provisions for Deposits Receivable	12,823	-
Total deposits Receivable	-	-

28 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) Credit risk (Continued)

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	Fully Performing	Past due	Impaired
	kshs '000'	kshs '000'	kshs '000'	kshs '000'
At 30 June 2019				
Receivables from Exchange Transactions				
Conference Fees	50,936	41,433	9,503	-
Student Fees	67,475	44,184	23,291	-
Bank Balances	1,201,538	-	-	-
Total	1,319,949	85,617	32,794	-
At 30 June 2018				
Receivables from Exchange Transactions				
Conference Fees	26,553	6,528	5,999	14,026
Student Fees	17,473	13,943	3,530	-
Bank Balances	1,200,520	-	-	-
Total	1,244,546	20,471	9,529	14,026

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Description	Less than 1 Month	Between 1-3 Months	Over 5 Months	Total
	kshs '000'	kshs '000'	kshs '000'	kshs '000'
At 30 June 2019				
Trade Payables	44,562	153,613	-	198,175
Total	44,562	153,378	-	198,175
At 30 June 2018				
Trade Payables	53,264	63,856	125,382	242,502
Total	53,264	63,856	125,382	242,502

iv) Capital Risk Management

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

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Revaluation Reserve	9,854,460	8,243,800
Retained Earnings	693,890	1,115,801
Capital Reserve	90,000	90,000
Total Funds	10,638,350	9,449,601
Current liabilities	198,175	242,502
Total Current Liabilities	198,175	242,502
Net debt ratio to Equity	2%	3%

Debt ratio an alternative gearing ratio calculated as total debt divided by total assets is shown below

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Total Debt	198,175	242,502
Total Assets	10,866,606	9,704,927
Net debt ratio to Assets	2%	2%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 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 National Industrial Training Authority holding 100% of the *NITA'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) Ministry of Labour and social protection.

	2019 Kshs	2018 Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	246,839	401,400
Total	246,839	401,400
b) Key management compensation		
Directors' emoluments	963	
Compensation to the DG	5,518	
Compensation to key management	54,507	
Total	60,988	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 Contingent Liability

Contingent Liability	2018-2019	2017-2018
	Kshs 000	Kshs 000
Intangible Assets	17,800	-
Board Capacity Building	10,184	-
Total	27,984	-

(Intangibles Assets refers to the Microsoft licenses worth 4million Anti-Virus worth .6Million and ERP Navision worth 13.2 Million. Training for board members deferred to 2019/2020 at a cost of 10,184)

31 EVENTS AFTER THE REPORTING PERIOD

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

32 ULTIMATE AND HOLDING ENTITY

NITA is a State Corporation/ or a Semi- Autonomous under the Ministry of Labour and Social Protection.

33 Currency

The financial statements are presented in Kenya Shillings (Kshs). rounded to the nearest 1,000.00

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Under statement of carrying values of assets.	Valuation of assets were carried out in the year 2018/19	Julius Ndenge Chief Accountant	resolved	Done
2	Incomplete asset Register	Asset register has now been developed and updated.	Julius Ndenge Chief Accountant	Resolved	Done
3	Assets without ownership documents	The process to acquire titles for all NITA land started by the state department of lands. Survey has been carried and the process is ongoing	Fredric Mbeya Legal Officer	Process Ongoing	31 st December, 2019
4	Uncollated Training Levy	The Authority is in the process of engaging the legal department to prosecute and recover outstanding levy from employers	GalmGuyo Manager Levy	Effort being done to recover all outstanding levy collections	30 th June 2020
5	Dormant Bank Account	The Management has recommended to the Board for the closer of the dormant account	Julius Ndenge Chief Accountant	Process ongoing	30 th October, 2019.
6	Unreconciled Bank Balances	Management has finalised reconciliation of the reported unreconciled bank balances	Julius Ndenge Chief Accountant	Resolved	Done
7	Deposits held in collapsed banks	The recovery of this debts remain doubtful and the Authority has made a provision in the in its Financial Statements	Julius Ndenge Chief Accountant	The Management in the process of seeking a write off of this	31 st December, 2019

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
				doubtful debts	
8	Un-surrendered Imprest.	The Management has instituted recoveries of surrendered imprest	Julius Ndenge Chief Accountant	Process Ongoing	30 th November, 2019

A.g Director General

Date.....

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

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

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	KYEOP	5.7B	688M	12.07%	5.7B	963M	Donor Funds

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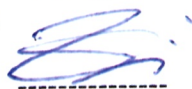
APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of Labour				
FY 17/18				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		26/09/2018	82,280	2018/2019
		24/12/2018	82,280	2018/2019
		21/02/2019	82,280	2018/2019
		Total	246,840	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	Nil	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	Nil	
d.	Donor Receipts			
	World Bank	28/09/2018	60,316,020.00	2018/2019
		28/09/2018	77,548,277.00	2018/2019
		31/10/2018	38,953,404.30	2018/2019
		18/12/2018	74,196,270.00	2018/2019
		15/01/2019	242,496,940.00	2018/2019
		11/03/2019	87,720,120.00	2018/2019
		28/05/2019	87,720,120.00	2018/2019
		Total	705,287,641.30	

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

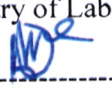
Finance Manager
NITA

Sign



Head of Accounting Unit
Ministry of Labor and social protection.

Sign



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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Labour and Social Protection	26/09/2018	Recurrent	82,280	82,280	-	-	-	-	82,280
Ministry of Labour and Social Protection	24/12/2018	Recurrent	82,280	82,280	-	-	-	-	82,280
Ministry of Labour and Social Protection	21/02/2019	Recurrent	82,280	82,280	-	-	-	-	82,280
Total			246,840	246,840					246,840

