

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

PARLIAMENT
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LIBRARY

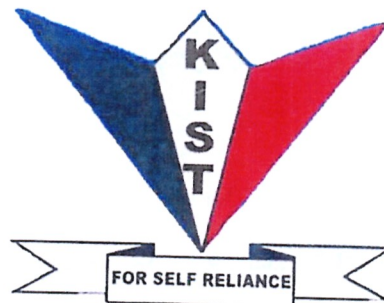
OF

THE AUDITOR-GENERAL

ON

**KIAMBU INSTITUTE OF SCIENCE AND
TECHNOLOGY**

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



KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Kiambu Institute of Science and Technology (KIST) is one of the colleges in Kenya that has produced thousands of graduates since 1973. KIST falls under the auspices of the Ministry of Education, State Department of Technical and Vocational Education and Training. It is a registered Institution under the TVET Act 2013 of the Laws of Kenya to offer Technical and Vocational Education and Training (TVET). The Board of Governors (BOG) which is appointed by Ministry of Education in Consultation with the stakeholders oversees the day-to-day running of the Institute.

(b) Principal Activities

The principal activity/mission of KIST is to provide Technical and Vocational Education and Training.

i. Vision

A centre of Excellence in Technical and Vocational Education and Training

ii. Mission

To provide and promote quality training in science and technology that is responsive to the needs of a changing society

iii. Strategic Objectives

- To provide access and equity to TVET and higher education
- To improve infrastructure
- To enhance customer satisfaction
- To ensure prudent management of resources
- To promote Research, Development and Innovations in KIST
- Uphold institutional Governance

(c) Key Management

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

- Board of Governors
- Accounting officer/ Principal
- Management

(d) Fiduciary Management

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

No.	Designation	Name
1.	Principal	Mr. Sammy K. Waititu
2.	Deputy principal Administration	Dr. Jane M. N. Gitau
3	Deputy principal Academics	Mr. Charles M. Ndirangu
4	Registrar	Ms. Phena M. Owiye
5	Dean of students	Mr. Isaac M. Nyakundi
6	Head of Finance	CPA. Mercy M. Nyakundi
7	Head of Procurement	Ms. Beth N. Mbuthia

(e) **Fiduciary Oversight Arrangements**

Academic and Human Resource Committee:

The Academic and Human Resource Committee monitor the academic performance of the Institute. The committee is mandated to handle human resource issues for both teaching and non-teaching personnel and also staff recruitment.

Technical and Finance Committee:

The Technical and Finance Committee is appointed to oversee and monitor on-going projects and report status to the Board and any recommendations for approval and implementation. The committee monitors finance performance of the Institute.

Risk, Audit and Compliance Committee:

The committee monitors the integrity of the financial statements of the Institute, reviews the Institute's internal financial controls systems and oversees the internal audit function.

Senior Management:

Senior management comprise of Principal, Deputy Principal Administration, Deputy Principal Academics, Registrar and Dean of Students. The senior management is appointed by the Principal in consultation with the Board are responsible in the overall running of the Institute.

Management:

The management report direct to the senior management.

The management comprise of Head of Departments, Deputy Head of Departments, Head of Sections and their deputies. The management is responsible in day to day running of their departments and sections.

Key Entity Information and Management (Continued)

(f) Kiambu Institute of Science and Technology Headquarters

P.O. Box 414 – 00900
Kiambu, KENYA

(g) Kiambu Institute of Science and Technology Contacts

Telephone :(254) 727807713
E-mail: principal@kist.ac.ke
Website: www.kist.ac.ke

(h) Kiambu Institute of Science and Technology Bankers

1. Cooperative Bank of Kenya Limited
Kiambu Branch
P.O. Box 1064 - 00900
Kiambu
2. KCB Bank Kenya Limited
Kiambu Branch
P.O. Box 81 – 00900
Kiambu
3. Housing Finance Corporation
Rehani house Branch – Koinange Street
P.O. Box 30088-00100
Nairobi

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

II. THE COUNCIL/BOARD OF GOVERNORS

No.	Member/ Director	Details
1. Dr. Josiah K. Kamau		DOB: 9 th November 1961 Bachelor of Pharmacy degree Private practice as a consultant Pharmacist Bachelor of Pharmacy degree Board Chairperson
2. Mr. Samuel Waweru		DOB 15 th October, 1969 MSC in Computer Based Information System Deputy Director Technical Education. Masters in Computer Science
3. Mr. Jeremy Miriti Naivasha		DOB: 30 th May 1955 Practicing Accountant BCOM, MSC Entrepreneurship CPAK, CPSK
4. Mr. Jared Ongwae		DOB: February 1976 Master of Science in clinical Microbiology Masters in Hematology and blood transfusion Chief Laboratory Technology – Kisii University Chair Academic and HR Committee

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5. Rev. Eng. Sospeter F. Mbogo		DOB: 23 rd September 1953 Reverend and Church Minister, ACK Diocese of Mt. Kenya, Kiambu, Vicar St. Pauls' Church, former Engineer KenGen Bsc. Mechanical Engineering Masters of Arts Chair Risk and Auditee Committee
6. Eng. Beatrice Kung'u		DOB: 3 rd January 1973 Civil Engineer, Private Sector, Votex Ltd Nairobi Master degree in Construction Engineering and Management Chair Technical and Finance Committee
7. Mrs. Grace Tole		DOB: 19 th June 1953, 30 years banking professional and consultant in management Bachelor of Arts (Hons), Masters in Business Admin,
8. Ms. Esther Ndirangu		DOB: 02/08/1966 29 years of experience 15 years in senior leadership B.Ed Science Masters in Educational leadership and management
9. Mr. Sammy K. Waititu		Chief Executive Officer/ Principal DOB: 6 th December 1966 BBA, Diploma in Technical Education, CPA(K) 26 years in training 9 years in top management

III. MANAGEMENT TEAM

No.	Member/ Director	Details
1. Mr. Sammy K. Waititu		Chief Executive Officer/ Principal
2. Dr. Jane Gitau		Deputy Principal Administration
3. Mr. Charles Mwangi Ndirangu		Deputy Principal Academics & Quality Assurance

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MANAGEMENT TEAM (Continued)

S/No.	Name of the Staff	Responsibility
1.	Ms. Phena Mate Owiye	Registrar
2.	Mr. Isaac M. Nyakundi	Dean of Students
3.	Dr. Virginia W. Nyagah	Guidance and Counselling Coordinator
4.	CPA. Mercy M. Nyakundi	Finance Officer
5.	CPA. Bedan M. Mwangi	Internal Auditor
6.	Ms. Jeniffer Nyambura Mugo	Performance Contract and Strategic Plan Coordinator
7.	Ms. Norah Eileen Nyakira	ISO Certification Management Representative
8.	Ms. Eunice Ndiga Ileri	HOD Hospitality Department
9.	Ms. Alice Gitika	HOD Baking Technology Department
10.	Ms. Ann Mwangeli Maweu	HOD Applied Science Department
11.	Mr. Samuel Muthui Nzilu	HOD Building and Civil Engineering Department
12.	Mr. David Baiya Mwathi	HOD Computer Studies Department
13.	Mr. Samuel Mulandi Matheka	HOD Electrical and Electronics Department
14.	Ms. Esther Nyambura Muthini	HOD Business, Entrepreneur and Social Studies Department
15.	Ms. AnnMary Nkirote Kamundi	Human Resource Officer
16.	Ms. Beth N. Mbuthia	Supply Chain Officer
17.	Ms. Christine Muketha	Industrial attachment coordinator
18.	Mr Josephat Kariuki	Career Services
19.	Ms. Virginia Njeru	Events Coordinator
20.	Mr. John Ngigi	HOD Industrial Mechatronics
21.	Mr. Dennis Bogonko	HOD Sports

IV. CHAIRMAN'S STATEMENT

The year 2021/2022 was a success despite challenges faced due to after effects of Covid-19 pandemic. The students' population stood at 6,385 with the Building Technology department having the highest number of students being 2000. This has contributed to growth in financial status of the Institute hence it was able to meet its financial obligations as they fell due and at the close of the year on 30th June 2022. The Institute managed to pay its staff on time and also managed to pay its suppliers within the agreed time period. The Institute thus was able to comply with legal requirements in filing and remitting statutory payments.

The Institute managed to report a surplus of Ksh. 153.7 Million, despite students' fees arrears being at Ksh. 76.8 Million.

The Institute commenced the construction of Library and ICT resource Centre Phase II and the construction cost at the close of the year was Ksh. 23.6 Million; phase II of the the library entails construction of the first floor finishing to usable state. The construction is financed from internal savings.

The Institute has a loan balance of Ksh. 51.86 Million whose installment is Ksh. 10.9 Million per term and is pegged on students' fees collection. The loan payment is up to date in repayment of interest and principal.

Part of the Institute land is in the name of The National Treasury on behalf of Kiambu Institute of Science and Technology and the Board of Governors was issued with a copy of the title deed for 70 acres. The rest of the land which is about 122 acres is in the custody of the Registered Trustees of KIST (Board of Trustees). The title deed for the 70 acres is in the custody of Cabinet Secretary for National Treasury. The allocation of the 70 acres to KIST is a milestone as the Institute will be able to improve the tuition facilities and implement the Centre of Excellence (CoE) in Industrial Mechatronics whose foundation stone was jointly laid by His Excellency the President of Kenya and The President of the Federal Republic of Germany on 25th February 2020 at Kiambu Institute of Science and Technology.



Chairman, Board of Governors

Date...14/04/2023.....

V. REPORT OF THE PRINCIPAL

The year 2021/2022 is our fourth year to report under International Public Sector Accounting Standards (IPSAS) Annual Financial Reporting.

The Institute has experienced major growth in terms of students' enrolment and recruitment of trainers by the public service in consultation with the Board of Governors. The staff population stood at 75 support staff and 213 trainers.

At the close of the year the students' population stood at 6,385 with the Building Technology department having the highest number of students being 2,000. This has contributed to growth in financial status and the Institute was able to meet its financial obligations as they fall due and at the close of the year on 30th June 2022. The Institute managed to pay its staff on time and also managed to pay its suppliers within the agreed time period. The Institute thus was able to comply with legal requirements in filing and remitting statutory payments.

The Institute had a loan balance of Ksh. 51.86 Million as at 30th June 2022 whose installment is at Ksh. 10.9 Million per term and is pegged on students' fees collection. The loan payment is up to date in repayment of interest and principal. The Loan facility was acquired in June 2014 and be repaid in 45 termly installments of Ksh. 10.9 Million. The loan will be fully paid in year 2024.

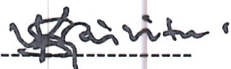
The Institute managed to make a surplus of Ksh.153.7 Million, despite students' fees arrears which stood at Ksh. 76.8 Million at the close of the financial year. The effect of Covid-19 pandemic affected fees payment by the students due to economic hard times experienced and this slowed down fees payment resulting in high fees arrears. The number of students who benefited from capitation fees was 6047 students for the third quarter disbursement.

The construction of the Tuition Block was completed and students have started using the lecture rooms in order to meet the shortage of tuition rooms as students population grow. The construction of the library and ICT resource center phase II commenced in the fourth quarter and was awarded for construction of the first floor to its completion to usable state. The construction of the library and ICT resource center phase II has been financed from internal savings.

The Institute held graduation ceremony on 22nd March 2022 and we graduated 1,406 students in artisans, certificates and diplomas. These are the students who complete 1 year Artisan Certificate, 2 years Certificate and 3 years Diploma. All the courses at the Institute are examined by Kenya National Examination Board.

The Institute was allocated 70 acres of land under 99 years lease by the Board of Trustees of Kiambu Institute of Science and Technology. The land will be utilised for the expansion of the Institute and for

the upcoming Centre of Excellence (CoE) in Industrial Mechatronics whose foundation stone was jointly laid by His Excellency the President of Kenya and The President of the Federal Republic of Germany on 25th February 2020 at Kiambu Institute of Science and Technology.



Principal

Date: 14 / 04 / 2023

VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The Institute has 7 strategic key result areas and objectives within current Strategic Plan for the FY 2019/2020- FY 2023/2024. These key result areas are as follows:

Summary of key result areas and overall strategic objectives

KRA 1: Leadership and Integrity (Governance)

Overall Strategic Objective: Enhance corporate governance at the Institute

KRA 2: Access and Equity

Overall Strategic Objective: Enhance access and equity in the Institute

KRA 3: ICT

Overall Strategic Objective: Integrate ICT in the operations of the Institute

KRA 4: Resources

Overall Strategic Objective: Optimize on the resources available at the Institute (HR and Financial)

KRA 5: Research and Innovation

Overall Strategic Objective: Promote research and innovation in the Institute

KRA 6: Collaboration and linkages

Overall Strategic Objective: Strengthen collaboration and linkages with relevant organizations

KRA 7: Management of Physical Environment

Overall Strategic Objective: Conserve and improve on the physical environment

The Institute develops its annual work plans based on the above 7 key result areas. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Institute achieved its performance targets set for the FY 2021/22 period for its 7 strategic key result areas, as indicated in the diagram below:

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Strategic Pillar		Objective	Key Performance Indicators	Activities	Achievements
Key result areas 1	Leadership and Integrity (Governance)	Enhance corporate governance at the Institute	Enhance operational efficiency	Acquire ERP system that is compatible with existing system and ensure its maintenance	ERP Upgrade in progress
				Install electronic security system for library materials	Installation in progress
				Upgrade and maintain the KIST website and incorporate staff and student portals and an online customer service platform	Website upgraded and staff and student portals incorporated
				Construct a modern gate, install and maintain a biometric access system	Biometric Access Control System Installation in progress. Construction of modern gate pending
			Ensure the procurement process adheres to statutory requirements	Develop Institute procurement plan based on departmental procurement plans	Implemented annually
				Adhere to procurement plans and departmental budget allocations	Implemented annually

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				Undertake annual stock taking	Annual stock taking was done and incorporated in the FS.
				Review and appraise supplier performance	Annual activity
				Adopt e-procurement module within the ERP system	Procurement done through ERP
			Enhance decision making in the Institute	Conduct training for management teams on leadership and governance	Senior Management Course for the management was conducted by Kenya School of Government
				Undertake annual students' leaders training and motivation trips	Carried out annually
Key result areas 2	Access and Equity	Enhance access and equity in the Institute	Renovate and improve the existing physical Infrastructure	Repair, maintain and upgrade workshops	Complete
				Paint and rebrand the Institute	Complete
				Renovate and maintain existing ablution blocks	Complete
				Repair, maintain and Improve roads and pathways by tarmacking, laying cabros and kerbs.	Complete
				Tile all the hostels	Complete

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				Repair maintain and upgrade the reception and administrative offices	Complete
				Expand the physical Infrastructure	Complete the new tuition / administration block
					Increase number of ablution blocks, hand washing and sanitization points
					Procure a least a 450KVA power generator
					Drill and operationalize a bore hole
			Enhance transport at the Institute	Establish a parking garage for the Institute's vehicles	Complete
				Purchase Principal's official vehicle	Complete
Key result areas 3	ICT	Integrate ICT in the operations of the Institute	Integrate ICT in training	Implement E-learning by introducing e-programs/courses	On going
			Enhance paperless communication	Enhance internet access through networking all offices	On going
Key result areas 4	Resources	Optimize on the resources available at the Institute	Enhance staff motivation	Conduct at least 1 capacity building session per year	On going

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		(HR and Financial)		Provide medical cover for BOG staff	Pending
				Establish a staff centre	Pending
				Enhance BOG staff remuneration	On going
			Revenue mobilization	Increase the number of courses	On going
				Establish income generating activities	Pending
			Enhance prudent management of finances	Prepare departmental and institutional budgets	On going
				Ensure adherence to departmental budgets	On going
Key result areas 5	Research and Innovation	Promote research and innovation in the Institute	Promote research and innovation in the Institute	Showcase innovations in robotics and TVET fairs	On going
Key result areas 6	Collaboration and linkages	Establish and strengthen collaboration and linkages with relevant organizations	Strengthen the existing collaboration and linkages with relevant organizations Some of the MoU signed are mentioned below for training in mechatronic course; i) Tropikal Brands Africa ii) Krones EA	Ensure implementation of the signed MoU/MoA	On going
				Ensure renewal of expiring MoU/MoA	On going
				Involve the organization in institutional activities	On going

			iii) Kevian Kenya Ltd.		
Key result areas 7	Management of Physical Environment	Conserve and improve on the physical environment	Adopting and implementing the ministerial policy on education for sustainable development (ESD)	Install solar powered lighting systems along access roads and path ways	Pending
				Utilize renewable energy in heating and lighting	Pending
			Greening KIST	Plant 3000 more trees within the Institute and surrounding community	On going
				Adopt proper waste management practices	On going
				Promote use of recyclable materials	On going
				Acquire a paper shredding machine	Complete
				Adopt green technology in upcoming projects at the Institute	On going

VII. CORPORATE GOVERNANCE STATEMENT

The Board held meetings as per the sub-committees and full board meetings in adherence to the schedule. The attendance to these meetings is at one hundred per cent with one apology on few occasions.

The Board of Governors consists of eight members who were appointed by the Cabinet Secretary and the Ministry of Education. The members comprise of; Chairman, representative of Principal Secretary, Ministry of Education and five other persons appointed on the basis of their knowledge and experience. The Principal of Kiambu Institute of Science and Technology is the Secretary to the Board.

The Board of Governors has four sub-committees, that is, Academic & HR, Technical & Finance, Risk, Audit & Compliance and ad hoc site meeting for the ongoing development project.

The Board members were inducted on the new issues of International Public Sector Accounting Standards (IPSAS) Annual Financial Reporting, TVET Act, 2013 and requirements under Public Finance Management Act.

Functions of the Board of Governors include:

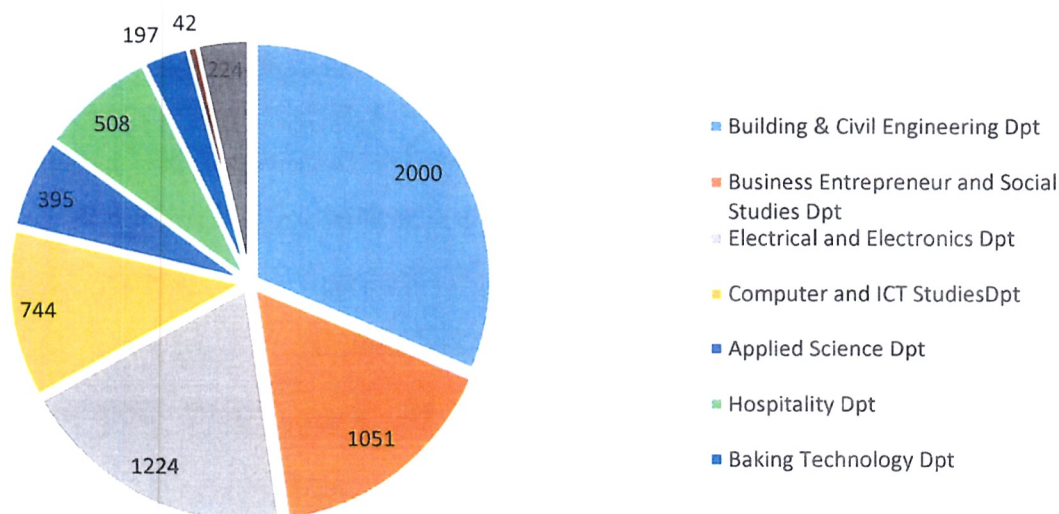
- i.** The Board Discuss and approves the budget for each financial year. The Board approves financial reports for every quarter and for each year. The Board negotiates and approves performance contracts for each year;
- ii.** The Board administer and manage property of the Institution;
- iii.** The Board develop and implement the Institute Strategic Plan;
- iv.** The Board determine the fees payable and method of payment;
- v.** Receive on behalf of the Institution, fees, grants, subscriptions, donations, bursaries;
- vi.** Recruit and appoint trainers from among qualified professionals;
- vii.** Determine suitable terms and conditions of service for support staff, trainers and remunerate staff of the Institute;
- viii.** Provide the welfare of the students and staff of the Institute;
- ix.** Prepare annual financial statements and submit to the relevant authority

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

The entity's operational and financial performance

The students' population stands at 6385 students as represented by each department;

- i. Building Technology department – 2000 students
- ii. Business Entrepreneur and Social Studies Dept. – 1051 students
- iii. Electrical and Electronics Dept. - 1224 students
- iv. Computer and ICT Studies Dept. - 744 students
- v. Applied Science Dept. - 395 students
- vi. Hospitality Dept. - 508 students
- vii. Baking Technology Dept. - 197 students
- viii. Industrial Mechatronics – 42 students
- ix. Mechanical Engineering-224 students



The Pie chart shows students distribution per department

The Institute enrolled 21 new students in Industrial Mechatronics in the September 2021. KNEC candidates sat for their examinations in December 2021

The Institute received capitation grants for the first, second and third quarters as tabulated below;

Quarter	Amount (Ksh.)	Date received
1	27,000,000	03-11-2021
2	27,000,000	03-02-2022
3	45,352,500	06-06-2022

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This has contributed to growth in financial status and the Institute is able to meet its financial obligations as they fall due. The Institute thus is able to comply with legal requirements in filing and remitting statutory payments.

The Institute within its strategy is expanding by adding more tuition facilities. The main challenge being faced is in fees collection.

Entity's compliance with statutory requirements

The Institute has complied with the statutory requirements. The Institute is fully accredited with TVETA. All statutory remittances are paid to the respective authorities and in due time.

Key projects and investment decisions the entity is planning/implementing

The Institute has constructed a tuition block which has 6 levels and was done in two phases. The phase 1 involved construction of the Structural framework: - columns, beams and slabs at a contract sum of Ksh. 93.2Million. The phase 2 being finishing works has been completed with a cost of Ksh. 166.5Million.

The Institute is constructing phase II of the library and ICT Resource Centre project.

The Institute's MIS upgrade is ongoing at a cost of Ksh.12.5Million.

The above projects are being financed by savings realized through prudent financial management of internal funds.

Major risks facing the entity

The Institute has a loan balance of Ksh. 51.9 Million whose installment is Ksh.10.9Million per term and is pegged on students' fees collection. The next installment is due on 15th September 2022.

Covid-19 risk at work place:

There is increased cost in property maintenance and upgrade as all tuition rooms, hostels and offices.

The roads have been upgraded by cabro paving and re-carpeting of the tarmac.

The increased cost followed by low fees collection may affect projects implementations.

Material arrears in statutory/financial obligations

The Institute has not defaulted in loan repayment. The Institute has no outstanding pending bills. The staff salary deductions are remitted to the respective institutions as they fall due.

The entity's financial probity governance

The Registered Board of Trustees of KIST who are in office by succession are not recognized under the TVET Act, 2013. The KIST board of Governors are appointed by the Cabinet Secretary, MOE and is responsible for the management of Kiambu Institute of Science and Technology as a Government training Institution.

MILESTONE

The Institute obtained land title deed for 70 acres from Board of Trustees. The rest of the land which is about 122 acres is in the custody of the Registered Trustees of KIST (Board of Trustees). The title deed for the 70 acres is in the custody of Cabinet Secretary for National Treasury. The allocation of the 70 acres to KIST is a milestone as the Institute will be able to improve the tuition facilities and implement the Centre of Excellence (CoE) in Industrial Mechatronics.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING STATEMENT

Kiambu Institute of Science and Technology exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a highlight of strategies and activities that promote the organisation's strategic objectives.

Environmental performance

The Institute has an Environmental Policy in place which was developed in year 2015 and is due for review.

The main objective of the policy is to provide a framework to address environmental sustainability in the Institute. It aims to:

- i. Provide a framework for an integrated approach to planning and sustainable management of the Institute's environment and its natural resources.
- ii. Promote awareness on issues related to environmental conservation amongst members of the Institute.
- iii. To strengthen the Institutional capacity on conservation and management of the resources.
- iv. Promote and enhance cooperation, collaboration, synergy, partnerships and participation in the protection, conservation and better management of the environment by all the stakeholders.

The Institute commitment to the environmental sustainability extends to its customers, staff, students and the neighbouring community. The Institute is committed to:

- i. Operate in Compliance with all relevant and applicable environmental regulations
- ii. Integrate the consideration of environmental concerns and impacts into Institutes' activities such as training, Research and Development, innovations as well as in sports and games.
- iii. Prevent pollution whenever possible and reduce waste through re-use and recycling and by purchasing and using recycled, recyclable or re-furnished products and materials where these alternatives are available, economical and suitable.
- iv. Sensitize staff and students on the Institute environmental program and empower them to contribute and participate by promoting efficient use of materials and resources including water, electricity, raw materials and other resources, particularly those that are non-renewable.
- v. Communicate the environmental commitment and efforts to customers, staff, students and neighbouring community and encourage them to support it.

- vi. Contribute to Kenya's efforts to have achieved 10% forest cover by 2030 by mainstreaming tree planting in the Institute's calendar of events.

Sustainability strategy and profile

The vision of the Institute is to be a Centre of Excellence in Technical and Vocational Education and Training and its mission is to provide and promote quality training in Science and enhance innovations through emerging technology.

To ensure sustainability of water supply and save on high water bills from water companies, the Institute drilled its own water borehole which is supplying enough water to the whole of the Institute

Employee welfare

The Institute has Career Progression Guidelines which was developed in year 2015 and Human Resource Manual which were reviewed in the year 2022.

All employees are treated equally without discrimination and the Institute management comply with the relevant laws and regulations for the management of human resource

Market place practices

The Institute engage in fair competition while marketing its training courses. The Institute compete in sports and athletics, TVET fair exhibitions and robotics contest.

The Institute suppliers are fairly treated and payments for goods and services supplied are paid within the contract terms.

Corporate Social Responsibility / Community Engagements

The Institute didn't engage in any corporate social responsibility during the financial year.

X. REPORT OF THE COUNCIL/BOARD OF GOVERNORS

The Council/Board members submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of Kiambu Institute of Science and Technology affairs

Principal activities

The principal activities of Kiambu Institute of Science and Technology is to provide Technical and Vocational Education and Training.

Results

The results of the entity for the year ended 30th June 2022 are set out on page 1 to 5

Council/Board of Governors

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

Auditors

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

By Order of the Board



.....
Secretary of the Board/Council

Nairobi

Date: 14 / 04 / 2023

XI. STATEMENT OF BOARD OF GOVERNORS/ COUNCIL'S RESPONSIBILITIES

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

The Board members are responsible for the preparation and presentation of the Kiambu Institute of Science and Technology financial statements, which give a true and fair view of the state of affairs of Kiambu Institute of Science and Technology for and as at the end of the financial year ended on June 30, 2022. This responsibility includes:

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

The Board members accept responsibility for the Kiambu Institute of Science and Technology financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the TVET Act)). The Board members are of the opinion that the Kiambu Institute of Science and Technology financial statements give a true and fair view of the state of Kiambu Institute of Science and Technology transactions during the financial year ended June 30, 2022, and of the Kiambu Institute of Science and Technology financial position as at that

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

date. The Board members further confirm the completeness of the accounting records maintained for Kiambu Institute of Science and Technology, which have been relied upon in the preparation of the Kiambu Institute of Science and Technology financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board members to indicate that Kiambu Institute of Science and Technology will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Kiambu Institute of Science and Technology financial statements were approved by the Board on 28th September 2022 and signed on its behalf by:

Name.....*MURUGA KAHU*.....

Signature.....*MURUGA*.....

Chairman of the Board of Governors

Name.....*Sammy Wairitu*.....

Signature.....*Sammy*.....

Accounting Officer/Principal

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kiambu Institute of Science and Technology set out on pages 1 to 54, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and other explanatory information in accordance with

Report of the Auditor-General on Kiambu Institute of Science and Technology for the year ended 30 June, 2022

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 Kiambu Institute of Science and Technology as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (Accrual Basis), and comply with the Public Finance Management Act, 2012 and Technical and Vocational Education and Training Act, 2013.

Basis for Qualified Opinion

1. Inaccuracy in Property, Plant and Equipment

The statement of financial position and Note 24 to the financial statements reflect a balance of Kshs.603,405,593 in respect of property, plant and equipment. As previously reported, the registered trustees of Kiambu Institute of Science and Technology who are the owners of the land on which the Institute is constructed issued a lease of ninety-nine (99) years to the Cabinet Secretary, The National Treasury on 15 October, 2019 for land equivalent to twenty-eight decimal three six (28.36) hectares. The land relates to section occupied by the Kiambu Institute of Science and Technology from where the Institute conducts its operations. However, the land has not been recognized in the financial statements of the Institute.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.603,405,593 could not be confirmed.

2. Unsupported and Inaccurate Classification of Current Liabilities

The statement of financial position reflects current liabilities balance of Kshs.145,863,584 which includes a balance of Kshs.90,353,711. As disclosed in Note 26 to the financial statements, the balance comprises of trade payables of Kshs.804,792, fees paid in advance of Kshs.86,647,428 and transfers to other institutions of Kshs.2,901,491 which have been long outstanding and may expose the Institute to litigation resulting to avoidable costs and the risk of liquidation. In addition, the students' prepayment amounting to Kshs.21,269,307 for various students ranging from Kshs.40,000 to Kshs.160,000 and related to student capitation was not supported by the student distribution listing of enrolment. These liabilities have been classified as current instead of long-term liabilities.

In the circumstances, the accuracy and completeness of current liabilities balance of Kshs.90,353,711 could not be confirmed.

3. Unexplained Variances in Cash and Cash Equivalents

The statement of financial position and Note 20 to the financial statements reflect cash and cash equivalents balance of Kshs.286,768,850 which includes on-call deposits balance of Kshs.152,866,138 and current account balance of Kshs.5,245,526. However, review of records provided for audit in relation to the two bank accounts revealed the following unexplained variances:

i. On-Call Deposits Balance

Included in the cash and cash equivalents is a balance of Kshs.152,866,138 in respect to on-call deposits which includes Kshs.73,362,833 maintained at a local bank which does not agree with the cashbook balance of Kshs.73,360,833 as at 30 June, 2022 and the bank reconciliation statement for the bank account balance of Kshs.75,148,252 resulting to inconsistency in the three sets of records.

ii. Current Account

Included in the cash and cash equivalents is a balance of Kshs.5,245,526 in respect to current account which includes a balance of Kshs.925,000 maintained at a local bank. This balance of Kshs.925,000 had items in cash book not in bank statement (un-presented cheques) totalling Kshs.58,056. The balance of Kshs.58,056 includes a stale cheque of Kshs.5,200 that dated back to November, 2021 which had not been reversed as at 30 June, 2022. In addition, the bank reconciliation statement reflects a cash balance of Kshs.1,733,907 which differs with the cash book balance of Kshs.925,100. The reconciliation statement also reflects a bank balance as at 30 June, 2022 of Kshs.1,800,947 while the certificate of bank balance provided for audit had a balance of Kshs.1,927,126 resulting to unexplained differences in the three sets of records.

In the circumstances, the accuracy and completeness of cash and cash equivalents balances of on-call deposits of Kshs.152,866,138 and current account of Kshs.5,245,526 could not be confirmed.

4. Unsupported Financial Statements Balances

4.1 Receivables from Exchange Transactions

The statement of financial position and Note 21(a) to the financial statements reflect current receivables from exchange transactions balance of Kshs.94,924,922 which includes student debtors and sundry debtors balances of Kshs.76,798,914 and Kshs.5,678,107 respectively, whose aging analysis was not provided for audit review. Further, the Institute has not provided any evidence of measures taken to ensure recoverability of the student debtors.

In addition, the statement of financial position and Note 21b to the financial statements reflect a balance of Kshs.2,733,459 in respect to long-term receivables from exchange transactions. Review of records revealed a balance of Kshs.335,527 relating to a loan advanced to Riara Farm Coffee Estate of Kshs.3,690,797. However, the loan was not recorded in the cash book.

Further, the ledger indicates that Management issued invoices totalling Kshs.4,026,324 to various entities for provision of services. However, the corresponding supporting documentation was not provided for audit verification. Also, included in the balance of Kshs.2,733,459 is electricity deposit and Board of trustees account of Kshs.404,000 and Ksh.1,993,932 respectively whose supporting documents were not provided for audit verification.

In the circumstances, the accuracy and completeness of receivables from exchange transactions totalling to Kshs.97,658,381 could not be confirmed.

4.2 Receivables from Non-Exchange Transactions

The statement of financial position and Note 22 to the financial statements reflect receivables from non-exchange transactions balance of Kshs.6,864,867 relating to Limuru, Gatundu South and Nachu Technical and Vocational Colleges' operations. Confirmation of corresponding balances from related institutions revealed that these balances are not disclosed as payables in their respective financial statements.

In the circumstances, the accuracy and completeness of the receivables balance of Kshs.6,864,867 from non-exchange transactions could not be confirmed.

4.3 Revenue from Exchange Transactions - Rendering of Services

The statement of financial performance and Note 8 to the financial statements reflect revenue from rendering of services-fees from students of Kshs.314,065,908 which includes tuition fees, part time courses of Kshs.193,823,917. Review of the ledger provided for audit revealed that the tuition fees ledger had unsupported debit entries of Kshs.7,307,620 which had an effect of reducing the revenue from fees by a similar amount. In addition, the tuition fees ledger had credit entries of Kshs.773,119 and debit entries of Kshs.2,103,770 whose reference dates were in the financial year 2019/2020, 2020/2021 while some were not dated and therefore, the authenticity of the entries could not be confirmed.

Further, African Development Bank made a payment in February, 2020 amounting to Kshs.242,460 whose listing of beneficiaries was not provided for audit. In addition, debits totalling Kshs.1,998,610 relating to National Youth Service fees of Kshs.1,621,100, KCB Savings Bank of Kshs.320,000 and Cooperative Bank of Kshs.57,510 were not supported.

In the circumstances, the accuracy, completeness and cut-off period of revenue from rendering of services of Kshs.193,823,917 could not be confirmed.

4.4 Rental Revenue from Leasing of Facilities and Equipment

The statement of financial performance and Note 10 to the financial statement reflect rental revenue from facilities and equipment amount of Kshs.19,037,807 out of which Kshs.16,952,447 relates to hire of seminar facilities. Review of records revealed that the Institute issued invoices amounting to Kshs.4,366,227 which were not supported by contracts and orders from the customers. In addition, the ledger provided for audit had unexplained debit memos amounting to Kshs.17,289,140 that reduced the rental revenue from facilities and equipment by a similar amount.

In the circumstances, accuracy and completeness of the rental revenue from hire of seminar facilities of Kshs.16,952,447 could not be confirmed.

4.5 Expenditure on Use of Goods and Services

The statement of financial performance and Note 13 to the financial statements reflect use of goods and services amounting to Kshs.159,499,223 which includes fuel and oil expenditure of Kshs.4,288,751. Review of sampled payment vouchers and other supporting documents provided in support of the expenditure totalling to Kshs.2,030,000 revealed that the payments were made to service provider for fuelling of the Institute's motor vehicles and generator. However, it was not possible to confirm whether the

supplier was lawfully and competitively selected since there were no procurement documents or contract agreement between the supplier and the Institute provided for audit review.

In the circumstances, the regularity and occurrence of the expenditure on fuel and oil of Kshs.4,288,751 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts shows that the Institute expended Kshs.282,386,207 against an approved budget of Kshs.329,738,385, resulting to under-expenditure of Kshs.47,352,178 (or 14%) of the budget.

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

2. Unresolved Prior Year Issues

In the audit report of the previous year, several matters were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or explained its failure to report on the progress made in resolving the issues as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the 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. Unauthorized Spending on Technical and Vocational Colleges' Transfers

The statement of financial performance and Note 13 to the financial statements reflects use of goods and services amount of Kshs.159,499,223. Included in this amount is Kshs.4,195,637 relating to Limuru, Gatundu South and Nachu Technical and Vocational Colleges' operations. Evidence of receipts in respect of capitation to cover this expenditure was not provided for audit verification. The amount was also not in the approved budget contrary to Regulation 54 of the Public Finance Management (National Government) Regulations, 2015 which provides that except as provided for in the Act and these Regulations, an Accounting Officer of an entity may not authorize payment to be made out of funds earmarked for specific activities for purposes other than those activities and that a public officer who makes a payment contrary to this regulation commits an offence under the Act.

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

2. Irregular Advancement of Loan

As previously reported, Management entered into an agreement on 27 March, 2014 to borrow Kshs.158,000,000 from Cooperative Bank Limited. Out of the loan, an amount Kshs.20,000,000 was given as a loan to Riara Farm Coffee Estate. The approval and the loan agreement between Riara Farm Coffee Estate and the Institute has not been provided for audit review. The principal activity of the Institute is to provide technical and vocational education and training and not credit facilities contrary to the provisions of Section 26(1) of the Technical and Vocational Education and Training (TVET) Act, 2013 which stipulates that Institutions shall be organized under the following categories—vocational training centers, which shall offer courses up to Artisan Certificate.

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

3. Irregular Staff Advances

Note 21(a) to the financial statements indicates that current receivables from exchange transactions of Kshs.94,924,922 which includes an amount of Kshs.320,000 issued as salary advance to an individual who is not an employee of the Institute contrary to Section C.6(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which states that an advance of not more than one month's salary may be granted by an Accounting Officer to an officer on permanent and pensionable or contract establishment when the officer, owing to circumstances beyond his control, is placed in a difficult financial position requiring assistance from the Government.

Further, there is no evidence of the amount having been recovered as at the time of audit in March, 2023.

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

4. Irregular Payment of Legal Expenses

The statement of financial performance and Note 13 to the financial statements reflect use of goods and services amounting to Kshs.159,499,223 out of which Kshs.894,042 relates to legal expenses. Review of records provided for audit review revealed that fee

notes totalling Kshs.894,042 were raised and paid to various law firms without proper procurement procedures being followed contrary to Section 44(1) of the Public Procurement and Asset Disposal Act, 2015 which requires the accounting officer to ensure that all procurements comply with the Act and Article 227 of the Constitution of Kenya 2010, which requires state organs to contract for goods and services through a process that is equitable, transparent and competitive. In addition, Management issued instructions to the lawyers to defend the Institution against the suit without signed contract agreements between the service providers and the Institution with itemized instructions on the services required.

Further, the change of advocates were irregular as Management did not follow the right procedures of notifying the existing law firms on the intention to terminate their services. There were no evidence of instructions given to the new advocates by the existing advocates, no indication of the clearance by the existing advocates of the new advocates and no evidence to show that the previous advocates fee notes had been paid. Management did not disclose contingent liabilities in the financial statements on the potential losses while the individual case files and current status of the ongoing cases were not provided for audit review.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Weak Internal Controls on Fuel & Oil

The statement of financial performance and Note 13 to the financial statements reflect use of good and services amounting to Kshs.159,499,223 which include expenditure on fuel and oil of Kshs.4,288,751. Review of sampled motor vehicle work tickets and fuel statements provided for audit revealed that fuel costing Kshs.485,764 was drawn but not recorded in the respective motor vehicles' work tickets.

In the circumstances, failure to record fuel consumption on work tickets may result to misappropriation of public funds.

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

Responsibilities of Management and Board of Governors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

07 July, 2023

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XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Revenue from Non-Exchange transactions			
Transfers from other National Government entities	6	99,352,500	160,357,500
Grants from Donors and Development Partners	7	3,463,000	-
Total Revenue from non-exchange transactions		102,815,500	160,357,500
Revenue from Exchange transactions			
Rendering of services- fees from students	8	314,065,908	114,854,510
Sale of goods	9	8,390,504	5,486,634
Rental revenue from facilities and equipment	10	19,037,807	-
Finance income	11	3,910,923	8,186,906
Other income	12	2,174,073	130,300
Revenue from Exchange transactions		347,579,215	128,658,350
Total Revenue		450,394,715	289,015,850
Expenses			
Use of goods and services	13	159,499,223	78,163,000
Employee costs	14	54,212,343	51,728,557
Board /Council Expenses	15	6,591,600	8,090,000
Depreciation and amortization expense	16	38,446,153	27,766,650
Repairs and maintenance	17	28,590,062	50,780,646
Contracted services	18	758,689	-
Finance costs	19	8,538,110	11,327,053
Total Expenses		296,636,180	227,855,906
Net surplus for the year		153,758,535	61,159,944

The notes set out on pages 7 to 56 form an integral part of the Annual Financial Statements.

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

.....
Mr Fredrick Kairu
Chairman of Council/Board

Date: 14/04/2023

.....
CPA. Mercy Nyakundi
Finance Officer
ICPAK No. 24992

Date: 14/04/2023

.....
Mr. Sammy K. Waititu
Principal

Date: 14/04/2023

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XIV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	20	286,768,850	161,936,393
Current portion of receivables from exchange transactions	21(a)	94,924,922	111,590,548
Receivables from non-exchange transactions	22	6,864,867	2,669,230
Inventories	23	7,518,673	2,811,714
Total Current Assets		396,077,311	279,007,884
Non-Current Assets			
Long term receivables from exchange transactions	21(b)	2,733,459	3,186,667
Property, plant, and equipment	24	603,405,593	560,535,648
Intangible assets	25	11,775,200	9,896,000
Total Non-current Assets		617,914,252	573,618,315
Total Assets		1,013,991,563	852,626,199
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	26	804,792	1,341,337
Refundable deposits from customers	27	47,549,921	53,083,838
Transfer to other Institutions	26	2,901,491	2,045,142
Deferred income	28	7,959,952	7,959,952
Payments received in advance	26	86,647,428	49,630,305
		145,863,584	114,060,574
Non-Current Liabilities			
Borrowings	30	51,867,175	76,063,356
		51,867,175	76,063,356
Total Liabilities		197,730,759	190,123,930
Capital and Reserves			
Accumulated Surplus		654,614,975	500,856,440
Capital Fund		161,645,829	161,645,829
Total Capital and Reserves		816,260,804	662,502,269
Total Liabilities and Capital & Reserves		1,013,991,563	852,626,199

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

.....
Mr Fredrick Kairu
Chairman of Council/Board

Date. 14/04/2023

.....
CPA. Mercy Nyakundi
Finance Officer
ICPAK No. 24992

Date. 14/04/2023

.....
Mr. Sammy K. Waititu
Principal

Date. 14/04/2023

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XV. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE
2022

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/ Development	Total
				Grants/Fund	
Balance b/f	-	-	439,696,497	161,645,829	601,342,326
Deferred Income transferred to capital fund			-	-	-
Fair value adjustment on quoted investments					-
Total comprehensive income			61,159,944	-	61,159,944
Prior year adjustments - To write off Development account, GOK projects, Engineering lab grants and water harvesting grants as funds were fully utilized and projects completed			-		-
Prior year adjustments - To adjust to the correct position the New TTIs balance of unutilized funds, loan balance, debtors			-		-
Capital/Development grants received during the year					-
Transfer of depreciation/amortization from capital fund to retained earnings					-
Balance c/d as at June 30, 2021	-	-	500,856,441	161,645,829	662,502,270
Balance b/f as at July 1, 2021	-	-	500,856,441	161,645,829	662,502,270
Assets estimated cost				-	-
Deferred Income transferred to capital fund			-	-	-
Total comprehensive income			153,758,535	-	153,758,535
Capital/Development grants received during the year					-
Transfer of depreciation/amortization from capital fund to retained earnings					-
Balance c/d as at June 30, 2022	-	-	654,614,976	161,645,829	816,260,805

XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022

Description	Note	2021-2022 Kshs	2020-2021 Kshs
Cash flows from operating activities			
Receipts			
Transfers from other government entities/govt. Grants	6	102,815,500	160,357,500
Rendering of services- fees from students	31	263,498,619	65,366,321
Sale of goods	9	8,390,504	5,486,634
Rental revenue from facilities and equipment	10	19,037,807	-
Finance income	11	3,910,923	8,186,906
Other income	12	2,174,073	130,300
Receivables from Exchange Transactions	31	18,390,508	4,525,397
Refundable Deposits from customers/students		-	13,059,959
Fees paid in advance		86,647,428	49,630,305
Transfer to Mentoring Institutions		856,349	-
Total Receipts		506,081,711	306,743,322
Payments			
Compensation of employees	14	54,212,343	51,728,557
Use of goods and services	31	163,401,390	78,705,933
Finance cost	19	8,538,110	11,327,053
Contracted Services	18	758,689	-
Refundable Deposits from customers/students	27	5,533,917	-
Board of governors expenses	15	6,591,600	8,090,000
Repairs and Maintenance	17	28,590,062	50,780,646
Supplier payments	26	1,341,337	623,276
Receivables from Non-exchange transactions	22	4,195,637	679,077
Transfer to Mentoring Institutions		-	2,981,397
Total Payments		273,497,775	204,915,940
Net Cash Flows from operating activities		232,223,936	101,827,382
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	24	-81,316,099	-219,252,139
Intangible Asset	25	-1,879,200	- 9,396,000
Net cash flows used in investing activities		-83,195,299	- 228,648,139
Cash flows from financing activities			
Repayment of Borrowings	30	-24,196,180	- 21,407,237
Net cash flows used in financing activities		-24,196,180	-21,407,237
Net Increase/(Decrease) in Cash and Cash equivalents		124,832,457	-148,227,994
Cash and Cash equivalents at 1 July 2021		161,936,393	310,164,386
Cash and Cash equivalents at 30 June 2022	20	286,768,850	161,936,393

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

Mr Fredrick Kairu
Chairman of Council/Board

CPA. Mercy Nyakundi
Finance Officer
ICPAK No. 24992

Mr. Sammy K. Waititu
Principal

Date: 14/04/2023

Date: 14/04/2023

Date: 14/04/2023

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XVII. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Variance	Explanation of material variances
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs		
Transfers from other Govt entities Govt grants	180,000,000	-	180,000,000	102,815,500	-77,184,500	-43%	a)
Public contributions and donations	-	-	-	-	-	0%	b)
Rendering of services	188,650,000	-	188,650,000	314,378,559	125,415,908	66%	c)
Sale of goods	12,840,000	3,500,000	9,340,000	8,496,314	949,496	-10%	d)
Finance Income	3,500,000	-	3,500,000	3,910,923	410,923	12%	e)
Total income	384,990,000	3,500,000	381,490,000	429,182,835	47,692,835		
Expenses							
Compensation of employees	59,698,000	5,000,000	64,698,000	54,212,343	10,485,657	16%	f)
Use of Goods and services & Tuition Materials	178,053,130	7,700,000	185,753,130	159,499,223	26,253,907	14%	g)
Repairs and Maintenance, road & parking	26,806,000	5,000,000	21,806,000	28,590,062	3,215,938	10%	
Finance costs	32,940,643	-	32,940,643	32,734,290	206,353	1%	
Board of Governors Expenses	7,792,800	747,812	8,540,612	6,591,600	1,949,012	23%	
Contracted Services	6,000,000	-	6,000,000	758,689	5,241,311	87%	h)
Total expenditure	311,290,573	18,447,812	329,738,385	282,386,207	47,352,178		
Surplus for the period	73,699,427	21,947,812	51,751,615	146,796,62	340,657		

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Explanation of material variance

There is a negative variance of 43% since fourth quarter capitation grants was not received and a part of quarter one and two for some students

- a)
- b) The institute did not receive any donations
- c) Revenue collection improved due to a high intake in September 2021
- d) Sale of goods reduced catering sales income went down
- e) The institute was able to put funds in short term fixed deposits and earn interest.
- g) Use of goods and services declined due to savings on some vote heads
- h) Contracted service for valuation of assets was partially carried out for furniture only.

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kiambu Institute of Science and Technology is established by and derives its authority and accountability from TVET Act 2013. The Kiambu Institute of Science and Technology is wholly owned by the Government of Kenya and is domiciled in Kenya. Kiambu Institute of Science and Technology principal activity is training.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment. 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 Institute accounting policies.

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

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

Notes to the Financial Statements (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2022.

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

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The

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Standard	Effective date and impact:
	information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	Applicable 1st January 2023 • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	Applicable 1st January 2025 The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that

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Standard	Effective date and impact:
	lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii. Early adoption of standards

Kiambu Institute of Science and Technology did not early-adopt any new or amended standards in year 2022.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

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.

4 Summary of Significant Accounting Policies (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

b) Budget information

The original budget for FY 2021/2022 was approved by the Board on 24th June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Ksh. 16,447,812 on the FY 2021/2022 budget following the Council/ Board's approval.

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

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

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

c) Taxes

Current income tax

Kiambu Institute of Science and Technology is exempt from paying taxes as a public training institution.

Sales tax/ Value Added Tax

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

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

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

Notes to the Financial Statements (Continued).

d) 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, Kiambu Institute of Science and Technology 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.

Land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on Property, plant and equipment is recognized in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Land	-
Buildings	2.5%
Motor vehicles	25%
Furniture and Fittings	12.5%
Computer	30%
Office Equipment	12.5%

A full year depreciation charge is recognised in the year of asset purchase. Depreciation charge is not recognised in the year of disposal.

The financial report for the period under review does not reflect the value of the land on which the Institute sits on as it is yet to be valued. Valuation of the Institute assets has been initiated.

The Institute obtained land title deed for 70 acres from Board of Trustees. The rest of the land which is about 122 acres is in the custody of the Registered Trustees of KIST (Board of Trustees). The title deed for the 70 acres is in the custody of Cabinet Secretary for National Treasury.

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

e) 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

f) Research and development costs

Kiambu Institute of Science and Technology expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Kiambu Institute of Science and Technology can demonstrate:

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

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

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

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. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

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

h) Inventories

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

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

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

4 Summary of Significant Accounting Policies (Continued)

Inventories (Continued)

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

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

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

i) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

The Institute does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future

events not wholly within the control of the institute 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.

4 Summary of Significant Accounting Policies (Continued)

j) Nature and purpose of reserves

The Institute creates and maintains reserves in terms of specific requirements. The Institute maintains Capital and Revenue reserves.

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

The Institute operates a defined contribution scheme, Kiambu Institute of Science and Technology Staff Retirement scheme for its employees who are on permanent employment. Defined contribution plans are post-employment benefit plans under which an Institute pays fixed contributions into a separate Institute (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.

m) Foreign currency transactions

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

n) Borrowing costs

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

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

4 Summary of Significant Accounting Policies (Continued)

o) Related parties

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

p) Service concession arrangements

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

q) 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 various commercial banks at the end of the financial year.

r) Comparative figures

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

s) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Institute 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 Institute. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions

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

Provision for Depreciation

This caters for reduction in the value of asset with the passage of time, due to wear and tear. The Institute use reducing balance method to depreciate its assets using the applicable rates of depreciation as given in note 4(d) above.

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Notes to the Financial Statements (Continued)

6. TRANSFERS FROM OTHER NATIONAL GOVERNMENT ENTITIES

Description	2021-2022	2020-2021
	Kshs	Kshs
Unconditional Grants		
Capitation Grants	99,352,500	160,357,500
Operational Grant	-	-
Other Grants	-	-
	99,352,500	160,357,500
Conditional Grants		
Other Organizational Grants	-	-
Total Government Grants and Subsidies	99,352,500	160,357,500

7. GRANTS FROM DONORS AND DEVELOPMENT PARTNERS

Description	2021-2022	2020-2021
	Kshs	Kshs
GIZ	3,463,000	-
Total Grants from Development Partners	3,463,000	-

Reconciliations of grants from donors and development partners

Description	2021-2022	2020-2021
	Kshs	Kshs
Balance unspent at beginning of year	-	-
Current year receipts	3,463,000	-
Conditions Met	2,035,651	-
Conditions Yet To Be Met - Remain Liabilities	1,637,349	-

Notes to the Financial Statements (Continued)

8. RENDERING OF SERVICES

Description	2021-2022	2020-2021
	Kshs	Kshs
Activity Fees	20,670,025	14,389,925
Industrial Attachment Fees	19,739,675	12,031,360
Library Fees	3,725	11,415
Training Materials	22,653,370	22,449,192
Registration Fees	3,487,300	1,929,000
Electricity water & conservancy	20,015,510	14,003,830
Personnel emolument	70,694,835	49,484,160
Repairs Maintenance & Improvement(R.MI)	10,449,400	7,291,360
Local Transport and Travel (LT&T)	18,585,976	12,885,000
Application Fees	1,332,005	750,215
Exam materials External exam processing	5,980,000	4,684,290
Boarding fees	15,829,680	4,119,300
Centre fees	968,180	547,000
KNEC registration passports	959,485	-
Student ID & Boarding pass	2,375,800	1,315,700
KUCCPS Registration fee	4,227,890	1,456,500
Bakery & Hospitality class sales	911,448	202,975
Development levy	145,000	73,000
Students medical	79,820	-
Equipment maintenance	101,000	52,500
Sports & Games	348,874	23,100
Charges for damages	36,103	-
Supplementary exams	35,850	-
ICT and Internet	57,000	33,000
Certificate storage & lost documents	81,140	5,917
Practicum in nutrition & dietetics	14,000	-
Generator fuel	11,400	6,800
Tuition fees, part time courses	193,623,917	87,084,071
Less Capitation	-99,352,500	-127,882,500
Total Rendering of Services	314,065,908	114,854,510

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9. SALE OF GOODS

Description	2021-2022	2020-2021
	Kshs	Kshs
Sale of Farm Produce	51,300	42,899
Cafeteria sales	8,339,204	5,443,735
Total Revenue from Sale of Goods	8,390,504	5,486,634

10. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2021-2022	2020-2021
	Kshs	Kshs
Hire of Facilities, grounds and transport	2,085,360	-
Hire seminar facilities	16,952,447	22,449,192
Total	19,037,807	22,449,192

11. FINANCE INCOME

Description	2021-2022	2020-2021
	Kshs	Kshs
Cash investments and fixed deposits	3,910,923	8,186,906
Total finance income	3,910,923	8,186,906

Finance income is revenue realised from interest earned on 3 months fixed deposits from commercial banks

12. OTHER INCOME

Description	2021-2022	2020-2021
	Kshs	Kshs
Sewer bill reimbursement	360,000	-
Rent income	597,770	29,040
Income from sale of tender	19,000	78,000
Income from disposal of assets, glass, empty container	106,050	23,260
Miscellaneous income	434,153	-
Graduation fees	657,100	-
Total other income	2,174,073	130,300

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Notes to the Financial Statements (Continued)

13. USE OF GOODS AND SERVICES

Description	2021-2022	2020-2021
	Kshs	Kshs
Teaching and learning materials	29,687,752	9,348,527
Industrial attachment costs	3,179,385	804,750
Electricity	7,247,003	4,864,069
Water	483,262	2,282,266
Security	3,908,220	1,508,200
Professional and consultancy services	839,805	960,664
Affiliation, Membership, Subscriptions fees	1,804,107	270,270
Advertising	2,327,100	1,372,394
Cleaning materials	1,345,553	1,853,925
Catering expenses	10,638,522	4,583,272
seminar food & boarding	6,447,343	863,433
Travelling and subsistence	18,973,560	8,158,367
Fuel and oil	4,288,751	1,963,050
Insurance	3,073,890	1,680,642
Legal expenses	894,042	700,000
Licenses and permits	27,000	15,450
Office Printing and stationery	4,387,776	2,805,154
KNEC exam materials	5,568,169	6,146,740
Library Books purchases	1,029,831	10,500
Staff development and training	3,050,340	596,859
Telephone, postage expenses and airtime	1,337,573	997,313
Internet bills	4,088,948	2,936,338
Graduation expenses	2,699,118	-
Office and meeting Expenses	4,879,087	1,247,194
Sewerage bills	3,532,590	3,492,335
KNDI indexing expenses	410,000	-
ISO Certification consultancy fee	309,720	-
Staff Uniforms	145,780	119,120
Bank charges	782,847	279,116
Workshops and seminars	6,337,762	3,562,110
TVET Fair & Robotics	1,743,865	141,000
Interview expenses	263,670	-
KIST GIZ Expenses	2,035,651	-
Guidance& Counselling expenses	314,800	-
Performance contracting	738,341	5,000
Farm Peri- Urban	128,770	197,655
Library Expenses	46,020	-
Student medical	1,501,904	562,142
Newspapers and periodicals	390,262	538,301
Hire charges transport	10,000	49,500
Seminars - Staff Honoraria	1,618,730	863,433
Research and development	46,000	-

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Sports and games, Drama, Music & Students Clubs	4,990,746	277,500
Awards and motivation	2,376,510	-
Team building activities	1,679,935	1,735,000
Covid-19 Response expenses	631,276	9,387,875
KUCCPS Registration	1,969,500	-
Welfare expenses	42,635	50,900
Educational trip	47,840	-
Prayer day	47,000	-
Baking Unit	782,858	729,150
Consumables	-	932,420
Dreams Program	33,103	-
Limuru TVC Operations	2,471,097	-
Gatundu TVC Operations	1,638,900	56,000
Student Council photocopier expenses	-	78,500
Nachu TVC Costs	85,640	-
ICT Integration Systems	139,334	-
Total good and services	159,499,223	78,163,000

Notes to the Financial Statements (Continued)

14. EMPLOYEE COSTS

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries and wages	49,386,634	47,195,437
Employee related costs - contributions to pensions and medical aids	707,209	752,620
Service Gratuity	70,000	-
Management Allowances	4,048,500	3,780,500
Employee Costs	54,212,343	51,728,557

15. BOARD/COUNCIL EXPENSES

Description	2021-2022	2020-2021
	Kshs	Kshs
Chairman's Monthly Honoraria	407,400	171,600
Sitting Allowances	6,184,200	7,918,400
Total	6,591,600	8,090,000

16. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, plant and equipment	38,446,153	27,631,011
Total depreciation and amortization	38,446,153	27,631,011

17. REPAIRS AND MAINTENANCE

Description	2021-2022	2020-2021
	Kshs	Kshs
Property	15,862,342	47,154,539
Equipment and machinery	541,370	1,267,488
Vehicles	646,863	780,019
Road Expansion	4,955,062	-
Computers and accessories	1,103,985	1,578,600
Parking Area	5,480,440	-
Total Repairs and Maintenance	28,590,062	50,780,646

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Notes to the Financial Statements (Continued)

18. CONTRACTED SERVICES

Description	2021-2022	2020-2021
	Kshs	Kshs
Property valuations	758,659	-
Total contracted services	758,659	-

19. FINANCE COSTS

Description	2021-2022	2020-2021
	Kshs	Kshs
Borrowings (Amortized Cost)*	8,538,110	11,327,053
Total Finance Costs	8,538,110	11,327,053

Notes to the Financial Statements (Continued)

20. CASH AND CASH EQUIVALENTS

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Account	5,245,526	3,172,071
On - Call Deposits	152,866,138	116,020,550
Fixed Deposits Account	120,000,000	34,292,215
Development Account	5,706,100	
Others (Petty Cash)	49,595	784,570
Project Funds for new TTIs	2,901,491	1,960,467
Total Cash and Cash Equivalents	286,768,850	161,936,393

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Notes to the Financial Statements (Continued)

20 (A). DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

		2021-2022	2020-2021
Financial Institution	Account number	Kshs	Kshs
a) Current Account			
Kenya Commercial Bank	1217851976	3,270,126	1,701,350
Cooperative bank	01129063992300	925,100	420,421
Housing Finance	2182423201	1,050,300	1,050,300
Sub- Total		5,245,526	3,172,071
b) On - Call Deposits			
Kenya Commercial Bank	1217852204	79,287,785	59,749,661
Cooperative bank	01100063992300	73,362,833	56,270,889
Equity Bank	0640294156799	215,520	-
Sub- Total		152,866,138	116,020,550
c) Fixed Deposits Account			
Kenya Commercial Bank	-	-	34,292,215
Cooperative bank	01132063992311	120,000,000	-
Sub- Total		120,000,000	34,292,215
d) Development Account			
Cooperative bank	01139063992300	5,706,100	5,706,520
Sub- Total		5,706,100	5,706,520
e) Others(Specify)			
Petty Cash	-	49,595	27,410
Unbanked Cheques	-	-	757,160
Sub- Total		49,595	784,570
Project funds under new TTIs			
Kist Nachu TTI	01129371379700	761,248	706,118
Kist Lari TTI	01129371609800	980,507	94,613
Kist Gatundu TTI	01139063992302	393,625	393,145
Kist Limuru TTI	01139063992301	766,111	766,591
Sub- Total		2,901,491	1,960,467
Grand Total		286,768,850	161,936,393

Notes to the Financial Statements (Continued)

21. RECEIVABLES FROM EXCHANGE TRANSACTIONS

21(a) Current Receivables from Exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Student Debtors	76,798,914	106,831,808
Sundry Debtors	5,678,107	4,741,960
Staff advances	360,000	16,780
Motor vehicle deposits	12,087,900	-
Total Current Receivables	94,924,922	111,590,548

21(b) Long- term Receivables from Exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Non-Current Receivables		
Riara Farm Coffee Estate loan c/f	335,527	788,735
Electricity deposit c/f	404,000	404,000
Board of Trustees Account	1,993,932	1,993,932
Less: Impairment Allowance	-	-
Total	2,733,459	3,186,667
Current Portion Transferred To Current Receivables	-	-
Total Non-Current Receivables	2,733,459	3,186,667
Total Receivables	97,658,381	114,777,215

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Notes to the Financial Statements (Continued)

22. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Receivables from Mentoring Institutions		
KIST Nachu operations cost		
Balance b/f	646,100	150,000
Expenses incurred during the year	85,640	1,016,640
Less Recovered during the year	-	- 520,540
	731,740	646,100
KIST Lari operation cost		
Balance b/f	439,465	625,563
Expenses incurred on behalf during the year	-	1,889,000
Less Recovered during the year	-	- 2,075,098
	439,465	439,465
KIST Gatundu operation cost		
Balance b/f	- 521,240	903,590
Expenses incurred on behalf during the year	1,638,900	5,122,670
Less Recovered during the year	-	- 6,547,500
	1,117,660	- 521,240
KIST Limuru operation cost		
Balance b/f	2,104,905	311,000
Expenses incurred on behalf during the year	2,471,097	2,813,750
Less Recovered during the year	-	- 1,019,845
	4,576,002	2,104,905
Total Current Receivables	6,864,867	2,669,230

23. INVENTORIES

Description	2021-2022	2020-2021
	Kshs	Kshs
Central stores	1,579,612	389,080
Hospitality and Bakery stores	119,675	705,609
Clinic stores	4,460,381	794,509
Housekeeping Stores	133,530	-
Baking department stores	287,539	290,288
Catering stores	937,936	632,229
Total Inventories at lower of Cost and Net Realizable Value	7,518,673	2,811,714

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Notes to the Financial Statements (Continued)

24. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Furniture and fittings	Computers	Plant and Equipment	Capital In Progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost							
At 1 July 2021	168,345,011	19,743,500	32,653,549	31,969,695	159,100,361	82,616,652	494,428,768
Additions	11,587,350	8,330,900	2,393,670	4,829,540	12,359,692	179,550,988	219,252,139
Disposals	-	-	-	-	-	-	-
Transfers/adjustments							
At June 2022	179,932,361	28,274,400	35,047,219	36,799,235	171,460,052	262,167,640	713,680,907
Additions							81,316,099
Disposals	-	-	-	-	-	-	-
Transfer/adjustments	274,972,131	-	-	-	-	274,972,131	-
At end of year - June 2022	458,776,062	28,274,400	47,106,801	52,797,623	182,537,773	25,504,348	794,997,006
Depreciation and							
At 1 July 2021	15,568,760	11,073,323	17,764,602	29,450,417	51,521,509	-	125,378,611
Depreciation	4,109,090	4,300,269	2,160,327	2,204,645	14,992,318	-	27,766,650
On Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
At 30 June 2021	19,677,850	15,373,592	19,924,929	31,655,062	66,513,827	-	153,145,261
Depreciation for the year	10,977,455	3,225,202	3,397,734	6,342,768	14,502,993	-	38,446,153
On Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-
At 30 June 2022	30,655,305	18,598,794	23,322,663	37,997,831	81,016,820	-	191,591,413
Net book values							
At 30 June 2022	428,120,757	9,675,606	23,784,138	14,799,792	101,520,953	25,504,348	603,405,593
At 30 June 2021	160,254,511	12,900,808	15,122,290	5,144,173	104,946,225	262,167,640	560,535,646

[WIP is the cost incurred in construction of the library/ICT Resource centre phase II and electrical installation shade as at 30th June 2022]

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Notes to the Financial Statements (Continued)

25. INTANGIBLE ASSETS

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At beginning of the year	9,896,000	500,000
Additions	1,879,200	9,396,000
At end of the year	11,775,200	9,896,000
Additions—internal development	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	11,775,200	9,896,000

KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)
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Notes to the Financial Statements (Continued)

26. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade payables	804,792	1,341,337
Fees paid in advance	86,647,428	49,630,305
Transfer to other institutions	2,901,491	2,045,142
Total Trade and Other Payables	90,353,711	53,016,784

27. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2021-2022	2020-2021
	Kshs	Kshs
Caution money	13,655,457	10,127,457
Student council	7,345,705	6,554,031
Examination fees	24,073,810	24,799,150
Other refundable deposits(NYS & GIZ)	2,474,949	11,603,200
Total Deposits	47,549,921	53,083,838

KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)
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Notes to the Financial Statements (Continued)

28. DEFERRED INCOME

Description	2021-2022	2020-2021
	Kshs	Kshs
Library Construction grants	7,959,952	7,959,952
Total Deferred Income	7,959,952	7,959,952

The deferred income movement is as follows:

Description	National government	International funders/ donors	Public contributions and donations	Total
	Kshs	Kshs	Kshs	Kshs
Balance brought forward	7,959,952	-	-	7,959,952
Additions during the year	-	-	-	-
Transfers to capital fund	-	-	-	-
Transfers to income statement	-	-	-	-
Other transfers	-	-	-	-
Balance carried forward	7,959,952	-	-	7,959,952

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KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)
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Notes to the Financial Statements (Continued)

29. EMPLOYEE BENEFIT OBLIGATIONS

Kiambu Institute of Science and Technology also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by Jubilee Insurance Pension Fund. Employees contribute 5% while employers contribute 7.5 % of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)
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Notes to the Financial Statements (Continued)

30. BORROWINGS

Description	2021-2022	2020-2021
	Kshs	Kshs
Balance at beginning of the year	76,063,356	97,470,593
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	24,196,180	21,407,237
Balance at end of the year	51,867,176	76,063,356

30 a) Analysis of External and Domestic Borrowings

Description	2021-2022	2020-2021
	Kshs	Kshs
External borrowings	-	-
Domestic borrowings		
Kenya shilling loan from Cooperative Bank	51,867,176	76,063,356
Total balance at end of the year	51,867,176	76,063,356

KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)
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Notes to the Financial Statements (Continued)

30 b) Breakdown of Long and Short-Term Borrowings

Description	2021-2022	2020-2021
	Kshs	Kshs
Short Term Borrowings(Current Portion)	-	-
Long Term Borrowings	51,867,176	76,063,356
Total	51,867,176	76,063,356

Loan facility is payable over forty five (45) termly instalments of Kshs. 10,911,430 which is inclusive of interest and principal repayment.

The interest rate applicable is 14% p.a.

The loan security is the fixed and floating debenture over the assets of KIST for an amount of Ksh. 158,000,000.00 equivalent to principal amount borrowed on June 2014.

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Notes to the Financial Statements (Continued)

31. RECONCILIATION OF CASH FLOW ITEMS

			2021-2022	2020-2021
			Kshs	Kshs
Rendering of services	8		314,065,908	114,854,509
Less Fees paid in advance in previous year	26		- 49,630,305	- 15,267,084
Less Sundry debtors during the year	21(a)		-936,147	- 2,656,480
Less Fees Student debtors during the year			-	- 31,564,625
Cash Inflow			263,498,619	65,366,321
Use of goods and services	13		159,499,223	78,163,000
Less Accrued Expenses as at 30th June 2022	26		-804,792	- 1,341,337
Less Inventories at the beginning of the year			-2,811,714	
Add Inventories at the close for the year	23		7,518,673	2,811,714
Cash Outflow			163,401,390	78,705,933
Receivables from Exchange Transactions	21			
Receipts from Student debtors			30,032,893	-
Riara Farm Coffee Estate loan payment			788,735	4,416,826
Advance payment for motor vehicles			-12,087,900	-
Advances paid			-360,000	
Advances recovered			16,780	108,571
Cash Inflow from Exchange Transactions			18,390,508	4,525,397

KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)
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Notes to the Financial Statements (Continued)

32. FINANCIAL RISK MANAGEMENT

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

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

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

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions	111,682,339	111,682,339	-	-
Receivables from non-exchange transactions	2,669,230	2,669,230	-	-
Bank balances	164,676,790	164,676,790	-	-
Total	279,028,359	279,028,359	-	-
At 30 June 2022				

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Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions	94,924,922	94,924,922	-	-
Receivables from non-exchange transactions	6,864,867	6,864,867	-	-
Bank balances	286,768,850	286,768,850	-	-
Total	388,558,639	388,558,639	-	-

Notes to the Financial Statements (Continued)

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

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

The Institute has significant concentration of credit risk on amounts due from student debtors

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 Institute Board, 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 Institute manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

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Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade Payables	-	1,341,337	-	1,341,337
Current Portion Of Borrowings	-	10,911,430	-	10,911,430
Provisions	-	-	-	-
Deferred Income	-	-	7,959,952	7,959,952
Employee Benefit Obligation	-	-	-	-
Total	-	12,252,767	7,959,952	
At 30 June 2022				
Trade Payables	-	804,792	-	804,792
Current Portion Of Borrowings	-	11,111,430	-	11,111,430
Provisions	-	-	-	-
Deferred Income	-	-	7,959,952	7,959,952
Employee Benefit Obligation	-	-	-	-
Total	-	11,916,222	7,959,952	19,876,174

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

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

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

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a) Foreign currency risk

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

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

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

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Notes to the Financial Statements (Continued)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

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

Notes to the Financial Statements (Continued)

a) Interest rate risk

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

Management of interest rate risk

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (Continued)

b) Interest rate risk(continued)

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point .

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45 CAPITAL RISK MANAGEMENT

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Revaluation Reserve	-	-
Retained Earnings	654,614,975	500,992,079
Capital Reserve	161,645,829	161,645,829
Total Funds	816,260,804	662,637,908
Total Borrowings	51,867,176	76,063,356
Less: Cash and Bank Balances	(286,768,850)	(164,676,790)
Net Debt/(Excess Cash and Cash Equivalents)	234,901,676	(88,613,434)
Gearing	6.35%	11.47%

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

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

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Transactions with Related Parties		
a) Sales to related parties		
Sales of goods (farm produce) to Staff	51,300	42,899
Total	51,300	42,899
b) Grants /Transfers from the Government		
Grants from National Govt	99,352,500	118,657,500
Total	99,352,500	118,657,500
c) Expenses incurred on behalf of related parties		
Payments of Salaries and Wages for Employees	50,163,843	47,948,057
Extraneous allowances for management staff	4,048,500	3,780,500
Total	54,212,343	51,728,557
d) Key Management Compensation		
Board sitting allowance	6,591,600	8,090,000
Total	6,591,600	8,090,000

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47 CAPITAL COMMITMENTS

Capital Commitments	2021-2022	2020-2021
	Kshs	Kshs
Library and ICT Resource Centre Phase II	56,000,000	-
Total	56,000,000	-

48 EVENTS AFTER THE REPORTING PERIOD

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

49 ULTIMATE AND HOLDING ENTITY

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

50 CURRENCY

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

XIX. APPENDICES

Appendix 1: Implementation Status of Auditor-General Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.	Unsupported cash and cash equivalents	The unreconciled cash and cash equivalents shall be done and supported	Resolved	30 th June 2022
3.	Delayed implementation of ERP System	The management shall ensure that the upgrading of the system is implemented as planned	Resolved	30 th September 2022

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



Sammy K. Waititu

Principal
Date 14 / 04 / 2023

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Appendix II: Projects Implemented by Kiambu Institute of Science and Technology

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)
Library and ICT Resource Centre	1	GOK				Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Library and ICT Resource Centre	200,000,000	114,864,289	80%			GOK

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APPENDIX III- INTER-ENTITY TRANSFERS

ENTITY NAME:		KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY		
Breakdown of Transfers from the State Department of Vocational and Technical Training				
	FY 2021/2022			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	KIST Capitation	03/11/2021	27,000,000	2021/2022
		03/02/2022	27,000,000	2021/2022
		06/06/2022	45,352,500	2021/2022
		Total	99,352,500	
b.	Development Grants	-	-	-
c.	Direct Payments	-	-	-
d.	Donor Receipts	-	-	-
	TOTAL		99,352,500	

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

Finance Manager

Kiambu Institute of Science and Technology

Sign  -----

Head of Accounting Unit

Ministry of education

Sign-----