REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KEROKA TECHNICAL TRAINING INSTITUTE

FOR THE YEAR ENDED 30 JUNE, 2019

KEROKA TECHNICAL TRAINING INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2019

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

KEROKA TECHNICAL TRAINING INSTITUTE
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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(a) Background information

Keroka Technical Training Institute (KETTI) was started in 1991 as a resource Centre offering short term courses to the Ministry of Labor officers serving as instructors in Youth Polytechnics. In 2008, KETTI was elevated to a Technical Training Institute under the Ministry of Education, Science and Technology offering Technical Education Programs (TEP) and other modular courses in business related courses. Since then, the curriculum has expanded to offer training in ten academic programs at Artisan, Craft and Diploma levels. Technical education activities have been recognized at KETTI since its inception as vital to the social and economic development of the nation. The institute, currently, sits on 5.6 acres of land. The first buildings to be put up were; a resource hall and one (1) hostel housing about 20 boarders. This infrastructure has since expanded to include; six workshops for each of the ten technical programs, a library block and additional lecture rooms and hostels. The Institute has a total of 87 teaching staff and 31 non-teaching staff. In the current financial year, the Institute's budget amounts to over KShs 104,070,240. The Government of Kenya, through the Ministry of Education and students' fees are the two main sources of funds for the Institute. Annual performance contracts entered into between the Government of Kenya through the Ministry of Education, KETTI's strategic plan and annual operational plans are the key drivers of the Institute's day-to-day activities.

(b) Principal Activities

The core principal activity of Keroka T.T.I is to ensure that it has achieved its prospective objectives as whole, by offering quality training: in research, technology, innovation and entrepreneurship, skills, increasing the student enrollment and facilities used upon, improving net-working systems within the institution hence creating Keroka T. T. I as Centre of excellence

KETTI's Strategic Statements and Core Mandate

The Institute has developed a five- year strategic plan, 2016 to 2021. The strategic plan was the collective effort of the Institute's stakeholders including, Management, teaching staff, non-teaching staff, and the representatives from the neighboring communities. The blue print strategically guides the Institute in its operations and realization of its set objectives. The following are the Institute's vision and mission statements.

Vision: To be the Centre of Excellence in offering quality TVET training.

Mission: To be a market leader in offering quality training in Research, Technology, Innovation and Entrepreneurship Skills necessary to realize the national development goals and enhance quality of life.

Core Values: The Institute strongly upholds four (4) core values. These are: Transparency and Accountability, Effectiveness and Efficiency, Equity and Excellence.

Strategic Objectives:
The specific strategic objectives of KETTI are to;
Increase student enrollment,
- Increase the number of teaching and non-teaching staff,
- Upgrade the skills of teaching and non-teaching staff,
- Provide appropriate physical infrastructure of the Institute,
- Improve the Institute's civil works,

Provide and upgrade training Equipment,
Integrate ICT in management and training, and
Establish adequate sources of funding for the Institute's projects.

Mandate and Core Functions
The Institute has outlined its mandate in line with the TVET Act, TVET strategy and reforms. The key mandate of the Institute is to;
Offer competence Based Technical Training.
- Prepare and guide trainees, for evaluation and certification by appropriate examining bodies.

Promote Science, Technology and Innovation in all training programs.

The core functions of the Institution include;
- Implementation of TVET curriculum and approved programs,
- Supervision, monitoring and evaluation of programs,

Strengthening linkages between the Institute and Industry,
- Diversifying income generating activities and optimizing available resources, and
- Formulating, reviewing and coordinating institutional policies.

(c) Institute Headquarters

P.O Box 440 -40202
Keroka – Kilgoris Highway
Keroka ,KENYA.

(d) Institute Contacts

Telephone: 254726588558/254731358155/254208065130
Email: technicalkeroka@yahoo.com
Website: www.kerokatechnical.ac.ke

(e) **Institute Bankers**

1. Kenya Commercial Bank (KCB)
   Keroka Branch
   P.O. Box 394 – 40202
   Keroka.

2. Co-operative Bank
   Keroka Branch
   P.O.Box 754 – 40202
   Keroka.

(f) **Independent Auditors**

Auditor General
Kenya National Audit Office
Anniversary Towers, Insitute Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya.

(g) **Principal Legal Adviser**

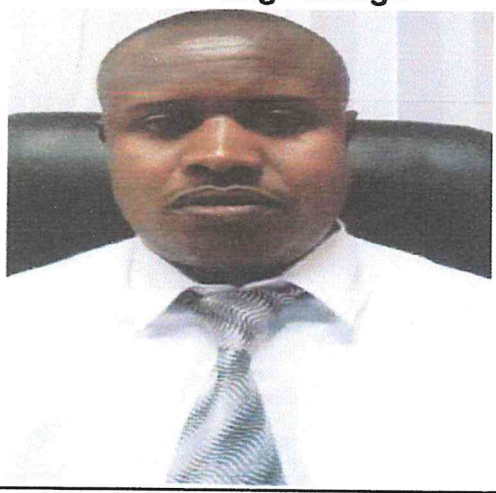
The Attorney General
State Law Office
Harambee Avenue
P.O.Box 40112 City Square 00200
Nairobi, Kenya

(h) Board of Governors

Dr.Victor N. Keraro: Dr. Keraro is the Chairman of the Board of Governors. 	**He has a rich development sector management experience, having served various international development organizations at senior management levels. The Organizations include: The World Wide Fund for Nature (WWF), Oxfam Great Britain, The International Food Policy Research Institute (IFPRI), the forum for Agricultural research in Africa (FARA) in Ghana, PwC/CIDA in Kenya. Currently, Dr. Keraro works for The World Institute Service of Canada (WUSC) as Manager of the Field Support Services Project, based in Nairobi. This project provided both Technical and logistical service to the Global Affairs Canada programs in Kenya and South Africa. Dr. Keraro brings to KETTI a lot and useful strategic, financial and institutional development experience.**

Evans Bosire: Mr. Bosire, the current Principal has been with the Institute over the last 14 years. 	**He is a well-trained Electrical Engineer with skills that have enabled him to transform the Institute from a one block institute in 2006 to a Multi-Million Technical Training Institute that KETTI is today. The Institute runs a total of 10 programs with over 98 different courses, and all credit goes to the innovative and foresighted Principal, Mr. Bosire. The Principal serves as the Chief Accounting Officer for the Institute and Secretary to the Board of Governors. His vision is to effectively and efficiently manage the Institute, both in terms of Competence Based Education and Training (CBET) as defined by TVET Act 2013 as well as the KETTI Strategic plan.** **He has effectively mentored seven institutions to its completion and operationalization namely; EkeruboGietai, Narok West TTI, Konoin TTI, Sotik TTI, Riragia TTI, Chepalungu TTI and Orogare TTI.** **Mr. Bosire is also currently involved in sports administration in the discipline of athletics where he has coached and mentored very many international athletes of repute. He sits in athletics Kenya national body as the Public Relations Officer (PRO). He is also, the chairman of athletics Kenya Kisii County.**
Philip Munge Ndolo: 	**Mr.Ndolo, has a rich experience in the Construction and Business Development Sector, experience that is critically useful to the current infrastructural development phases of the Institute. He is a very well networked citizen, experience that is greatly valued at the Institute.**

Mrs. Florence K. Obwocha: 	**An active and practicing Lawyer by profession, Florence supports the institute in all forms of its legal matters. She is serving her second term in the Board and thus brings a lot of institutional memory to the current Board membership.**
Miss Brenda Eileen Akinyi Onyango 	**Miss Onyango is a civil Engineer by profession, currently working for Kobil Kenya Ltd. The institute finds great use in her acute engineering skills, knowledge and experience that gives value to the many TVET engineering courses that the Institute is currently offering.**
Mr.Hussein Shamji:	**Mr. Shamji is a renowned Industrialist, construction and business development expert. He holds a Bsc Degree in Civil Engineering from the United Kingdom. He is one of the directors of A Jiwa Shamji Ltd, a company dealing with road, bridge and other civil constructions. The company is also engaged in housing construction and production of ballast, culverts and cabros. He brings to the board a vast experience in production and engineering management.**

Mrs.Carren Kerubo Mirieri: 	**Ms. Mirieri is a career academician, with a background in finance, human resources and institutional development; experience that the Board finds very useful for the effective management of KETTI. Ms Mirieri is currently a Lecturer at the Garissa Insitute, Garissa County as a part time lecturer.**
Mr.Benard Oriango Moegi: 	**Moegi is an ICT expert with several years of experience. He is currently the Head of ICT at AMACO Insurance. Mr. Moegi has already helped the Institute to begin its journey into a full digital environment, starting with the ongoing library information and security management systems works in the modern library at the institute.**
Mrs. Olivia Odongo: 	**A representative of the Principal Secretary State Department of Vocational and Technical Training. She is currently serving as the County Director of TVET for Nyamira, Kisii and Migori Counties. She brings to the Board the latest policy information and directives from the state department in the ministry.**

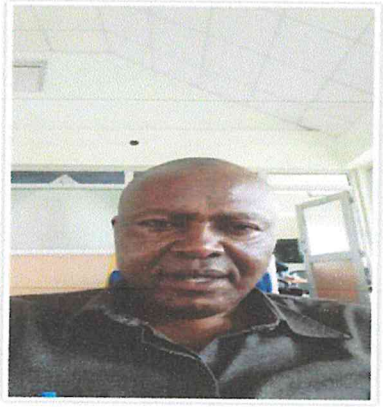
(i) Board Committees

Name of the Committee	Members
i. Resource Mobilization and Finance(RMF)	1. Mr. Philiph Ndolo---------- Chair 2. Ms. Florence Obwocha------ Member 3. Ms. CarrenKeruboMireri----- Member 4. Governors Minister for Education------- ---------- Member 5. County Director TVET------- Member 6. Mr. Evans Bosire---------- Member
ii. Technical Committee (TC)	1. Ms. Brenda E.A Onyango ---Chair 2. Mr.HusseinShemji---------- Member 3. Mr. Benard M. Moegi-------- Member 4. Mr. Evans Bosire---------- Member
iii. Audit Committee(AC)	1. Mr. Victor Keraro---------- Chair 2. Mr. Benard M. Moegi---------- Member 3. Mr. PhiliphNdolo---------- Member 4. Mr. Evans Bosire---------- Member 5. Olivia Omondi---------- Member
iv. Administration and Human Resource(AHR)	1. Ms. Carren Kerubo Mireri ---Chair 2. Ms. Florence Obwocha------ Member 3. Mr. Victor Keraro---------- Member 4. Mr. Evans Bosire---------- Member

(j) KEY MANAGEMENT

NAME OF THE STAFF	RESPONSIBILITY
Mr. Evans Bosire. 	RESPONSIBILITY. Principal/B.O.G Secretary QUALIFICATIONS. Masters in Electrical Engineering

NAME OF THE STAFF	RESPONSIBILITY
Mr. Robinson Kambi 	**RESPONSIBITY :** Deputy Principal-Administration **QUALIFICATIONS:** Masters of commerce (MCOM), Post Graduate Diploma in Education, Degree in Bachelor of commerce (B.COM.)
Mr.Joseph Kawala 	**RESPONSIBITY.** Deputy Principal-Academics. **QUALIFICATION.** Bachelor of Education.(Technology)
Mrs. Joan Nyachio 	**RESPONSIBILITY.** Registrar. **QUALIFICATION.** Bachelor of Education (Arts) Masters of Arts (English & Linguistics).

Mr. Richard Kerongo 	**RESPONSIBILITY** **Dean of Students.** **QUALIFICATION** **Certified Public Accountant,(CPA-K),Diploma in Technical Education.**
 **Mr. Yobesh Ondicho.**	**RESPONSIBILITY** **Finance officer.** **QUALIFICATIONS** **Certified Public Accountant-Part II**

CHAIRMAN'S STATEMENT

It is my pleasure to present the annual financial statements for the year ended 30 June 2019.

Keroka Technical Training Institute continues to carry out activities that will help in nurturing innovation talent, science, technology and development. In the current financial year, we aligned our policies, processes and strategies to ensure that we attain world class competitiveness.

Unlike the past few years, where we had financial challenges owing to shortfalls in the funding for recurrent and capital development expenditure, we have experienced an increase in the number of students. This has led to increase in government capitation after the scrapping of government recurrent grants. In the current financial year 2018/2019 we have achieved positive results. An indication that the recovery strategies laid down in the financial year 2017/2018 has borne fruits. The Institute has also played a role of mentoring other institutions which will be independent in the next few years.

We operate in an increasingly challenging and dynamic higher education sector. This calls for efficiency in our operations and ensuring that we deliver quality education and service to our students and other stakeholders at all times. In this regard, the Institute Board of Governors will work together to ensure that we improve our systems so that we stand a vantage point in ensuring that the Institute operates efficiently at all times so that we deliver on our mandate.

There was a positive increase financial performance of the Institute as shown in the financial statements. This is attributed to increase in number of students sponsored by CDF and County Governments, hence have improved the institute recurrent revenue that led to a positive financial performance during the year.

On behalf of the Board of governors of Keroka Technical Training Institute I would like to thank the government of Kenya, management team and the employees for their commitment and support they continue to extend to the Institute to ensure that it's a Centre of academic excellence in the region.

Thank you.

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Dr. Victor Keraro
Chairman-Board of Governors (B.O.G)

REPORT OF THE PRINCIPAL

The higher education sector has had significant and dynamic changes in the recent past. The number of public and private Technical Institutes has increased significantly. The expansion in the number of Government Technical Institutes has increased access to higher education but at the same time also increased competition amongst the Technical Institutes. The most significant event in terms of enrolment for Government Technical Institutes during the year was the massive increase in the number of students that qualified to join Institutes. This increase had a positive impact in the Institute's revenue during this financial year.

The Government's Education Sector Report for the period 2017/18 – 2019/20 recognizes inadequate funding as one of the challenges facing the higher education sector. The need to scale up expenditure in order to ensure better access, quality, equity and relevance of education and training is a key emerging issue that needs to be addressed in the light of increase in the number of students qualifying to join Institutes. However, the Government's resource envelope for education still remains constrained when measured against the overall budget making it imperative that we as Institute seriously look for alternative sources of income to supplement our budget.

Other Projects

The Institute Board of Governors are grateful that the Government agreed to help the Institute in funding the construction and completion of Library phase 111. These projects will go a long way in improving our teaching, learning and living environment for students.

In order create a conducive learning environment for provision of quality education for our students, the Institute embarked on equipping workshops and library

Academic Programmes

I am proud of our high caliber academic and administrative staff who have ensured that our services continue to be of high standards. This has contributed to the Institute improving its ranking and made Keroka Institute to be among the top ranked Institute in Kenya.

Financial Performance

The increase in the number of students qualifying to join the Institute through various sponsorship like Higher Education loans Board, Constituency Development Fund and County Governments , has improved the institute's recurrent revenue that led to a positive financial performance during the year. However, there's need

for capital development funding to enable the institute increase its infrastructure to cater for the increasing number of students.

Growth prospects

The institute envisages that we still have opportunities for growth in various academic programmes. The Government's projections are for all Institutes to enroll at least 5,000 students per year in order to meet the demands of our higher education sector. Accordingly, we will leverage on the strengths of our programmes in order to increase the number of new courses.

Appreciation

On behalf of Management, I would like to express our sincere gratitude and appreciation to the Government and the Institute for the support and advice that we have unwaveringly received during the year.

I also want to thank our staff and students, development partners, collaborating institutions and other partners and stakeholders for the help and support that we continue to receive.

.....

Mr. Evans Bosire

PRINCIPAL/ SECRETARY B.O.G

CORPORATE GOVERNANCE STATEMENT

Corporate governance comprises rules, procedures, regulations and processes through which the Institute is directed. It involves balancing the interests of the Institute in order to achieve long term strategic objectives of the Institute.

The roles and functions of the Board members are clearly defined and include giving the overall oversight of management and giving the strategic direction of the Institute. The Board members defines the Institute's strategies, objectives, values and ensures that procedures and practices are put in place to ensure effective control over strategic, financial, operational and compliance issues. The Board members develops short and long term goals of the Institute, develops strategies to achieve those goals and monitors the performance of the Institute against the set goals. The Board members also spearheads the preparation of financial statements and reports of the Institute, approves and reviews annual budgets and ensures that the Institute has adequate systems of internal controls together with appropriate monitoring of compliance activities to ensure business continuity.

The Board members provides oversight to the Institute's top management and has unrestricted access to timely and relevant information as well as advice and services of the Corporation Secretary to discharge its duties effectively.

Keroka Technical Training Institute Board members operates in compliance with the Mwongozo code that offers corporate governance framework for all state corporations. The members of Board have duly undergone training under this code.

The Board members prepares an annual almanac showing the schedule of meetings planned for each year. During the year, the Institute Board members held regular quarterly meetings, while special meetings were called when necessary.

The Board is headed by the Chairman and is composed of nine members inclusive of the Principal who is the only executive member. The constitution of the Board members takes into consideration requirements of the sector, diversity of skills, academic qualifications, gender, age and experience necessary to add value to the operations of the Institute. The Board members are appointed to various Board members Committees mandated to carry out specified functions. The Board members therefore bring their diverse experiences in deliberations during Board meetings.

The Board members committees have well defined terms of reference. The committees are intended to facilitate efficient decision making by the Board members in discharging its duties and responsibilities.

The Board members committees are as follows:

- **Resource mobilization and finance**
- **Technical Committee**
- **Audit Committee**
- **Administration and Human Resource**

The Board members' operations are guided by a board charter. The board has a conflict of interest register and at every meeting, members are required to declare any conflict of interest with regard to the matters under discussion.

While the Board members sets the direction and general guidance on policy, the day to day running of the Institute has been delegated to the Principal/ Secretary B.O.G. However, the Board members is responsible for the stewardship of the Institute and assumes responsibility for the effective control of the Institute.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Keroka Technical Training Institute, as a responsible corporate institution established to achieve public good, recognizes the link between sustainable growth and development of the institution and the need to invest in society, the local community and protection of the environment. This is important to ensure that social, economic and environmental benefits accrue to the society and other stakeholders as the Institute conducts its business. During the year the Institute contributed to various community initiatives and noble projects, despite the prevailing resource constraints.

Key Institute staff attended career days and workshops for head teachers in order to motivate and mentorship to students in high schools. These motivational talks are a permanent feature in our calendar of events every year and they ensure that the Institute maintains a strong link with students who are aspiring to join Institutes.

Environmental degradation has severe negative effects in the world. It is therefore important for constant efforts to be made to conserve the environment around us. During the year, the Institute started a project to grow trees in the Institute. This project will be continued in subsequent years in order to improve the total tree cover in the Institute.

The Institute has built and promoted the culture of reading and has opened doors to national examination sitting students to use the library during their school holidays support their efforts of attaining higher learning education. During the year, the Institute organized a Youth Workshop to sensitize the youth on opportunities available in there locality for their empowerment.

STATEMENT OF BOARD OF GOVERNORS MEMBERS' 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 that institute, which give a true and fair view of the state of affairs of the institute at the end of the financial year/period and the operating results of the institute for that year/period. The board members are also required to ensure that the institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the institute. The board members are also responsible for safeguarding the assets of the institute.

The board members are responsible for the preparation and presentation of the institute's financial statements, which give a true and fair view of the state of affairs of the institute for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the institute; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the institute; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for the institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and TVET Act. The board members are of the opinion that the institute's financial statements give a true and fair view of the state of institute's transactions during the financial year ended June 30, 2019, and of the institute's financial position as at that date. The board members further confirm the completeness of the accounting records maintained for the institute, which have been relied upon in the preparation of the institute's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The institute's financial statements were approved by the Board on 23rd September 2019 and signed on its behalf by:

BOG Chairman

Principal/BOG Secretary

REPORT OF THE BOARD OF GOVERNORS

The Board members submit their report together with the audited financial statements for the year ended 30 June 2019, which show the state of the institute's affairs.

Principal activities

The principal activities of the institute are :offer competence Based Technical Training, prepare and guide trainees, for evaluation and certification by appropriate examining bodies and promote Science, Technology and Innovation in all training programs.

Results

The financial performance of the institute for the year ended 30 June 2019 are set out on page 22 to page 39.

Board Of Governors

The members of the Board who served during the year are shown on page 5 to page 8.

Auditors

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

By Order of the Board

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Board of Governors-Secretary

Keroka

Date: 04/05/2020

MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The entity's operational and financial performance.

The entity's financial statement indicates that, the entity's performance is in a better operations in concernment with the entity's going concern.

Cash and cash equivalent obtained from the cash flow statement, explains that, cash available in liquid form is mostly generated from operating activities.

The Board of Governors are in the opinion that, the financial statements give a true and fair view state of financial affairs of an entity.

SECTION B

Entity's compliance with statutory requirements.

The entity is fully compliance with statutory requirements, in accordance with section 83[5] of Public Finance Management, and the IPSAS applicable for the preparation of the financial statements.

The Board members further accepts, responsibility for maintenance of accounting records that may be relied upon, in preparation of the financial statements as well as adequate systems of internal financial controls.

SECTION C

Key projects and investment decisions the entity is planning /implementing.

According to entity's strategic plan, it entails to;

- **Build 40 classrooms for tuition block.**
- **Mechanical engineering workshops, which are in progress.**
  - **To purchase more mechanical equipment's that will support the smooth running of the institution.**
  - **Integration of the ICT, to facilitate management, teaching and networking within the institution**
- **All project within the institution are mostly financed by the government.**

SECTION D

Major risks facing the entity.

Operational risk; the entity faces the break in or theft of key equipments.This highly influences the operational performance of the entity, this tends to trigger the entity's going concern.

Capital risk; some of the entity's projects are incomplete due to insufficient funding; hence the entity's strategic plans are not accomplished as per the entity's objectives.

Liquidity risk; the institute faces challenges in securing adequate cash needed to meet short term financial obligations.

Market risk; the entity enrolls a few number of students, due to inadequate facilities for accommodation and high cost of marketing. This hinders the enrollment capacity, of the students within the institution.

SECTION E

Material arrears in statutory and financial obligations.

The institution does not face any material default in statutory and financial obligation.

SECTION F

The entity's financial probity serious governance issues.

In accordance to audit findings; the entity did not report any major financial improbity, in relevance to accounting records kept and key areas that influences the operational and performance of an entity in its going concern.

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KEROKA TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Keroka Technical Training Institute set out on pages 22 to 39, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, the statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 Keroka Technical Training Institute as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Technical and Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Presentation and Disclosure of the Financial Statements

The financial statements presented for audit contained the following inconsistencies;

1.1 The statement of cash flows for the year under review reflected grants and other subsidies of Kshs.14,227,248. However, this amount was not captured in the statement of financial performance for the year under review.

1.2 Appendix 1 on follow up on audit recommendations did not have page numbers and did not have page headers.

In the circumstances, the financial statements for the year ended 30 June, 2019 do not comply with the reporting guidelines prescribed by the Public Sector Accounting Standards Board (PSASB).

2. Irregular Expensing of Construction Costs as General Expenses

The statement of financial performance reflects general expenses of Kshs.5,831,326 for the year ended 30 June, 2019. As disclosed in Note 13 to the financial statements, the expenditure includes an amount of Kshs.3,563,926 which was incurred on an on-going construction of the Institute`s library. The expenditure was incorrectly classified and presented as part of general expenses instead of work-in-progress under property, plant and equipment.

Consequently, the accuracy and fair presentation of general expenses of Kshs.5,831,326 for the year ended 30 June, 2109 could not be confirmed.

3. Land Ownership Documents

Disclosed in Note 22 to the financial statements under property, plant and equipment is land with a net book value of Kshs.11,780,000 as at 30 June, 2019. As reported in the previous year, the Institute still does not have a document of title to confirm ownership of the land where it is situated. Information available indicates that the Institute is located on a ten acres' piece of land that was donated by ten community members. However, a valuation report dated August, 2019 indicated that the Institute occupies un-surveyed land measuring of 4.53 acres. This anomaly was not explained satisfactorily by the Management.

Further, according to minutes of the meeting of the Board of Governors (BOG) which was held on 29 June, 2017, there was a claim for compensation by the above mentioned ten members of the community that was rejected by the County Land Management Board. No explanation was provided by Management on the status of the ten acres that was donated by the community.

Consequently, the ownership of the land as well as the accuracy and completeness of its net book value of Kshs.11,780,000 as at 30 June, 2019 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Keroka Technical Training Institute Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 of the current year. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For the matter below, a description of how the audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor General's Responsibilities for the Audit section of the report, including in relation to the matter. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matter below, provide the basis for my audit opinion on the accompanying financial statements.

Material Reduction in the Value of the Property, Plant and Equipment

During the year under review, Property, Plant and Equipment were revalued downwards by Kshs.478,313,236 as disclosed in Note 22 to the financial statements after engaging a professional valuer.

The audit addressed the issue by physically confirming the existence and assessing the conditions of the affected assets. The comprehensiveness and integrity of the revaluation process was also subjected to the audit review. My opinion is not qualified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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. Establishment of Riatirimba Campus

The statement of financial position reflects property, plant and equipment balance of Kshs.423,804,239 as at 30 June, 2019. This balance includes an amount of Kshs.21,150,000 which represents value of land and other assets including plant and machinery for Riatiriba Campus which is part of Keroka Technical Training Institute.

Physical verification done on 11 March, 2020 revealed that the campus had been converted into an independent technical training institute with its own Principal without the approval of the National Government. Further, no documentation was provided to confirm how the campus was handed over to the proposed Riatrimba Technical Training Institute and students were yet to be admitted to the new campus.

2. Mentorship Funds

During the year under review, Keroka Technical Training Institute received a total of Kshs.11,642,730 towards the construction of Chepalungu and Orogare Technical Training Institutes that are under its mentorship programme. However, it was noted that the Institute did not have a budget for the funds which were received from the parent ministry for the purpose of mentorship.

3. Orogare Technical Training Institutes

Orogare Technical Training Institute which is under the mentorship programme of the Keroka Technical Training Institute received an amount of Kshs.8,321,365 for both operations and development during the year under review. However, physical verification done in March, 2020, revealed that construction of the Institute was not fully complete, part of the roof of the new building was leaking and manholes of the septic tank were left open. This is an indication of poor workmanship.

Consequently, value for money of the expenditure of Kshs.8,321,365 which was incurred at the Institute could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Keroka Technical Training Institute 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 sustaining 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 Keroka Technical Training Institute to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

From the matters communicated with Management, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. These matters are described in my auditor's report unless law or regulation precludes public disclosures about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Nancy Gathungu,
AUDITOR-GENERAL.

Nairobi

08 October, 2021

KEROKA TECHNICAL TRAINING INSITUTE
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018/2019	2017/2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants	6	46,355,190	69,885,079
Total Revenue from non-exchange transactions		**46,355,190**	**69,885,079**
Revenue from exchange transactions			
Rendering of services- Fees from students	7	56,108,972	44,396,060
Sale of goods	8	61,205	135,565
Rental revenue from facilities and equipment	9	2,295,642	625,500
Revenue from exchange transactions		**58,465,819**	**45,157,125**
Total revenue		**104,821,009**	**115,042,204**
Expenses			
Use of goods and services	10	55,441,460	113,765,520
Employee costs	11	10,382,857	8,441,826
General expenses	13	5,831,326	43,090
Total expenses		**71,655,643**	**122,250,436**
Net Surplus for the year		**33,165,366**	**(7,208,232)**

KEROKA TECHNICAL TRAINING INSITUTE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	2018/2019 Kshs	2017/2018 Kshs
Assets			
Current assets			
Cash and cash equivalents	15	29,479,850	36,581,174
Receivables from exchange transactions	16	36,807,252	8,264,900
Receivables from non-exchange transactions	17	770,734	-
Inventories	18	7,230,836	876,610
Total Current Assets		**74,288,672**	**45,722,684**
Non-current assets			
Property, plant and equipment	22	423,804,239	897,337,475
Intangible assets	19	2,509,760	-
Total Non-current Assets		**426,313,999**	**897,337,475**
Total assets		**500,602,671**	**943,060,159**
Liabilities			
Current liabilities			
Trade and other payables from exchange trar	20	4,254,047	1,563,665
Total Current Liabilities		**4,254,047**	**1,563,665**
Total liabilities		**4,254,047**	**1,563,665**
Capital and Reserves			
Revenue Reserves		76,447,775	43,282,409
Capital/Revaluation Reserve		419,900,849	898,214,085
Capital Fund			
Total Capital and Reserves		**496,348,624**	**941,496,494**
Total Liabilities and Capital & Reserves		**500,602,671**	**943,060,159**

The Financial Statements set out on pages 22 to 39 were signed on behalf of the Board of Governors by:

Chairman of the Board

Board of Governors (B.O.G)

Date 04/05/2020

Principal (Secretary to Board of Governors)

Date 04/05/2020

KEROKA TECHNICAL TRAINING INSITUTE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019

	Revenue Reserve	Capital/Revaluation Reserve	Capital/Development Grant/Fund	Total
Balance b/f at July 1, 2017	**50,490,641**	-		**50,490,641**
Revaluation gain				-
Fair value adjustment-Non-current assets		898,214,085		**898,214,085**
Total comprehensive income	- 7,208,232			- **7,208,232**
				-
Balance c/d as at June 30, 2018	**43,282,409**	**898,214,085**	-	**941,496,494**
Balance b/f as at July 1, 2018	**43,282,409**	**898,214,085**		**941,496,494**
Revaluation loss		- 478,313,236.00		**(478,313,236)**
Total comprehensive income	33,165,366			**33,165,366**
Balance c/d as at June 30, 2019	**76,447,775**	**419,900,849**	-	**496,348,624**

KEROKA TECHNICAL TRAINING INSITUTE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018/2019 Kshs	2017/2018 Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	6	46,355,190	69,885,079
Rendering of services- Fees from students	7	56,108,972	36,756,660
Sale of goods	8	61,205	135,565
Rental revenue from facilities and equipment	9	2,295,642	-
Total Receipts		**104,821,009**	**106,777,304**
Payments			
Compensation of employees	11	10,382,857	8,288,307
Use of goods and services	10	55,441,460	48,497,160
Other payments	19	2,509,760	43,090
Grants and subsidies paid	21	14,227,248	63,858,214
General expenses	13	5,831,326	
Total Payments		**88,392,651**	**120,686,771**
Net cash flows from operating activities		**16,428,358**	**(13,909,467)**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	22	-4,780,000	
Increase/Decrease in receivables		(28,542,352)	
Increase/Decrease in payables		2,690,382	
Net cash flows used in investing activities		**- 30,631,970**	**-**
Cash flows from financing activities			
Development grant		7,102,288	
Net cash flows used in financing activities		**7,102,288**	**-**
Net increase/(decrease) in cash and cash		**(7,101,324)**	**(13,909,467)**
Cash and cash equivalents at 1 July 2018		36,581,174	50,490,641
Cash and cash equivalents at 30 June 2019	15	**29,479,850**	**36,581,174**

KEROKA TECHNICAL TRAINING INSITUTE
STATEMENT OF BUDGET VS ACTUAL
FOR THE YEAR ENDED 30 JUNE 2019

	Original budget	justments	Final budget	comparable basis	mance difference	% difference
	2018-2019	018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Transfers from other Govt entities Govt grants	43,968,954		43,968,954	46,355,190	(2,386,236)	-5%
Rendering of services- Fees from students	58,332,164		58,332,164	56,108,972	2,223,192	4%
Gains on disposal, rental income and agency fees	1,620,000		1,620,000	2,295,642	(675,642)	-42%
Total income	**104,070,240**	-	**104,070,240**	**104,821,009**	**(750,769)**	
Expenses						
Compensation of employees	15,240,935		15,240,935	10,382,857	4,858,078	32%
Use of Goods and services	78,829,305		78,829,305	61,272,786	17,556,519	22%
Grants and subsidies paid	10,000,000		10,000,000	-	10,000,000	100%
Total expenditure	**104,070,240**	-	**104,070,240**	**71,655,643**	**32,414,597**	
Surplus for the period	-	-	-	**33,165,366**	**(33,165,366)**	

i.The increase in rental income has been due to the creation of more space for students to rent in the college that is the construction of a new domitory
ii.The decrease in compensation of employees cost is due to the available establishments not been fully utilised
iii.The decrease in expenses in the use of goods and services has been due to late disbursement of capitation from the government hence less period of absorption
iv.The decrease in expenses on grants and subsidies has been due to different approach adopted inb presentation, going forward the management has agreed on the best way forward on presentation of this expenses

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

2. ADOPTION OF NEW AND REVISED STANDARDS

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

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. The Institute adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the Institute.

IPSAS 34: Separate Financial Statements	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when a polytechnic prepares separate financial statements. The Institute does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply
IPSAS 35: Consolidated Financial Statements	Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an polytechnic controls one or more entities. It requires an polytechnic that controls one or more other entities to assess control over those entities based on the following: - Its power over the other polytechnic - Its exposure or rights to variable benefits from involvement with the other polytechnic - Its ability to control the nature, timing and amount of benefits from the other polytechnic. Once control is assessed the controlling polytechnic is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35. The Institute does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.
IPSAS 36: Investments in Associates and Joint Ventures	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. The Institute does not have investments in associates or joint ventures

IPSAS 37: Joint Arrangements	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. The Institute does not have an interest in a joint arrangement and therefore the standard does not apply
IPSAS 38: Disclosure of Interests in Other Entities	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an polytechnic to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. The Institute does not have interests in other entities and therefore the standard does not apply.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Institute and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the polytechnic's activities, net of value –added tax(VAT), where applicable, and when specific criteria have been met for each of the Institute's activities as described below:

i. Sale of goods and services

The Institute recognizes revenues from sale of goods and services in the year in which the Polytechnic delivers products or services to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the polytechnic and the fair value of the asset can be measured reliably.

Transfers from other government entities

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

ii. **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.

iii. **Rental income**

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

iv. **Other income**

Other income is recognized as it accrues.

b) In-kind contributions

In-kind contributions are donations that are made to the polytechnic in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the polytechnic includes such value in the statement of comprehensive income both as revenue and as an expense and opposite amounts; otherwise, the contribution is not recorded.

c) **Investment property**

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

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

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the polytechnic 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 is not subject to depreciation .

Depreciation on property, plant and equipment was no charged in the current financial year due to valuation of the institute assets as at 30th June 2019 by an independent professional valuer – SEC & M CO. LTD The annual rates to be used going forward for depreciation are as follows:

Buildings	10%
Motor vehicles	25%
Furniture and fittings	12.5%
Computer and peripherals	30%
Office equipment	12.5%

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

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 calculated on straight-line basis 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 considered to be 5 years.

f) 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

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 Polytechnic.

g) Provisions

Provisions are recognized when the Polytechnic 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 Polytechnic 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.

h) 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.

i) 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 Polytechnic 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.

j) Nature and purpose of reserves

The Institute creates and maintains reserves in terms of specific requirements. 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 Polytechnic provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an polytechnic pays fixed contributions into a separate polytechnic (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 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.

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 Polytechnic, or vice versa. Members of key management are regarded as related parties and comprise the council members, the 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 Polytechnic 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for 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, 2019.

t) Events after the reporting period

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

u) Ultimate and Holding Institute

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

v) Currency

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

KEROKA TECHNICAL TRAINING INSITUTE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

MINISTRY OF EDUCATION		
Fiscal Year	**2018/2019**	**2017/2018**
Currency	**Kshs**	**Kshs**
6 Transfers from National Government Ministries		
Unconditional grants		
Operational grant	-	24,000,000
Other grants	-	1,800,000
Government capitation	28,636,550	-
Conditional grants		
Library grant	6,075,910	3,500,000
Mentorship development funds	11,642,730	40,585,079
Total government grants and subsidies	**46,355,190**	**69,885,079**
7 Rendering of Services		
Personal Emoluments	11,261,956	3,850,080
Tuition fees	27,278,322	10,362,940
Activity fees	2,894,240	1,817,850
Examination fees	-	47,400
Local transport & Travel	2,542,733	1,919,700
Electricity, water and conservancy	2,990,340	1,932,500
Repair maintanance and improvement	1,450,006	1,836,500
Indurstrial attachment & medical insurance	2,311,235	649,700
Helb loan	-	68,600
Boarding equipment stores	3,561,740	10,068,320
Others	1,818,400	11,842,470
Total Rendering of Services	**56,108,972**	**44,396,060**
8 Sale of goods		
Production Unit	61,205	135,565
Total Sale of goods	**61,205**	**135,565**
9 Rental Revenue from Facilities and Equipment		
Accomodation/Housekeping	2,295,642	625,500
Total rentals	**2,295,642**	**625,500**
10 Use of Goods and Services		
Tuition fees	24,509,558	4,725,799
Activity fees	2,847,468	2,037,201
Examination fees	6,458,910	-
Local transport and travel	2,695,217	2,319,546
Electricity & water consumption	763,996	1,053,558
Repair and maintanance	7,830,460	7,779,618
Insustrial attachment and insurance	322,798	139,899
Damage cost	394,150	-
Boarding expenses	8,634,503	7,635,659
Mentoring expenses	271,400	63,858,214
Accomodation/house keeping	634,200	1,628,098
Others	-	22,587,928
Gratuity	78,800	
Total goods and services	**55,441,460**	**113,765,520**
11 Employee Costs		
Personal emoluments	10,382,857	8,441,826
Total employee costs	**10,382,857**	**8,441,826**
12 Depreciation and Amortization Expense		
Property, plant and equipment		
Intangible assets		
Investment property carried at cost		
Total depreciation and armotization	-	-

13 General Expenses	Fiscal Year	2018/2019	2017/2018
	Currency	Kshs	Kshs
Remuneration of the board		1,767,400	-
Narok TTI		500,000	-
Production unit		-	43,090
Library grants		3,563,926	-
Total general expenses		**5,831,326**	**43,090**

14 Impairment Loss		
Property, plant and equipment		
Total Impairment Loss	-	-

15 Cash and Cash Equivalents		
Cash in hand	5,600	155,314
KETT Operations (Savings account Co-op bank)	1,091,375	940,765
KETT Operations (Current accou	14,686,802	21,600,605
Library a/c (Current account kcb bank)	6,455,352	5,729,888
Narok West (Current account kcb bank)	423	423
Orogare TTI a/c (Current account kcb bank)	2,020,160	3,201,968
Chepalungu TTI (Current account kcb bank)	4,853,429	4,504,909
Bus a/c (Current account kcb bank)	11,490	11,490
Gratuity a/c (Savings account kcb bank)	355,207	435,800
Others-Riragia TTI.	12	12
Total cash and cash equivalents	**29,479,850**	**36,581,174**

KEROKA TECHNICAL TRAINING INSITUTE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	Fiscal Year	2018/2019	2017/2018
	Currency	Kshs	Kshs
16	**Receivables from Exchange Transactions**		
	Current receivables		
	Student debtors	16,553,767	8,264,900
	NYS student debtors	20,253,485	
	Total current receivables	**36,807,252**	**8,264,900**
	Non-current receivables		
	Refundable deposits		
	Advance payments		
	Total non-current receivables	-	-
	Total receivables	**36,807,252**	**8,264,900**
17	**Receivables from Non-exchange transactions**		
	Current receivables		
	Transfers from other govt. entities		
	Examination fee from students	770,734	-
	Undisbursed donor funds		
	Other debtors (non-exchange transactions)		
	Less: impairment allowance		
	Total current receivables	**770,734**	-
18	**Inventories**		
	Training and exam materials	5,233,200	465,640
	Expendables	373,640	-
	Repair and maintenance	713,180	-
	Cleaning materials	98,320	410,970
	Catering stores	812,496	-
	Total inventories	**7,230,836**	**876,610**
19	**Intangible Assets Software**		
	Cost		
	At beginning of the year		
	Additions	2,509,760	
	Cost end of the year	**2,509,760**	-
	Amortization and impairment		
	At beginning of the year		
	Amortization		
	Amortization at end of the year	-	-
	Less :Impairment loss		
	At end of the year	-	-
	NBV	**2,509,760**	-
20	**Trade and other Payables from Exchange Transactions**		
	Trade payables	2,596,862	1,473,646
	Fees-Overpayment	1,520,004	-
	Other payables	137,181	90,019
	Total trade and other payables	**4,254,047**	**1,563,665**
21	**Grants and subdies paid**		
	Chepalungu TTI	3,558,675.00	
	Orogare TTI	10,668,573.00	
		14,227,248	

23 Contingent Assets

During the financial year 2018/2019 the institution expected to receive kshs. 22,680,000 being government capitation, however as at the closure of the financial year the amount had not been received and there was no communication relating to outstanding balance.

KEROKA TECHNICAL TRAINING INSITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

22 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Land	Motor vehicles	Furniture and fittings	Computers	Other Assets nt and machinery	Capital ork in progress	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1July 2017								
Additions								-
Disposals								-
Transfers/adjustments	329,722,000	10,000,000	6,900,000	3,161,800	3,280,000	530,183,675	14,090,000	897,337,475
At 30th June 2018	**329,722,000**	**10,000,000**	**6,900,000**	**3,161,800**	**3,280,000**	**530,183,675**	**14,090,000**	**897,337,475**
As at 1st July 2018	329,722,000	10,000,000	6,900,000	3,161,800	3,280,000	530,183,675	14,090,000	897,337,475
Additions			4,780,000.00					4,780,000.00
Disposals								-
Transfer/adjustments	- 148,938,380	1,780,000	359,700	942,540	511,700	(336,669,970)	3,701,174	(478,313,236)
At 30th June 2019	**180,783,620**	**11,780,000**	**12,039,700**	**4,104,340**	**3,791,700**	**193,513,705**	**17,791,174**	**423,804,239**
Depreciation and impairment								-
At 1July 2018								-
Depreciation								-
Impairment								-
At 30 June 2018	-		-	-	-	-	-	-
Depreciation								-
Disposals								-
Impairment								-
Transfer/adjustment								-
At 30th June 2018	-		-	-	-	-	-	-
Net book values								-
At 30th June 2019	**180,783,620**	**11,780,000**	**12,039,700**	**4,104,340**	**3,791,700**	**193,513,705**	**17,791,174**	**423,804,239**
At 30th June 2018	**329,722,000**	**10,000,000**	**6,900,000**	**3,161,800**	**3,280,000**	**530,183,675**	**14,090,000**	**897,337,475**

Work -In -Progress entails construction of mentored institutions that were on-going during the financial year.

The assets of the Insitute were revalued by SEC & M CO. LIMITED a professional valuer on 19th June 2019.All the market value as per the valuer have been factored

The assets have not been subjected to depreciation in the current financial year in which the financial statements were prepared.

The revaluation loss of kshs.478,313,236 was due to valuation of assets of the institute being the first time since its inception and it was a matter raised during financial audit of 2017/2018 which was being implimented. The values of assets used in preparation of the previous year financial statements were arrived at through personal judgement of a committee formed internally by the principal.

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe : *(Put a date when you expect the issue to be resolved)*
Unconfirmed opening balances and comparative figures	The management did not submit financial statements for 2015/2016 and 2016/2017 financial years to the auditor general for audit ,consequently, the validity, completeness and accuracy of the opening balances of assets, liabilities, reserves and accumulated surplus in 2017/2018 financial year and the comparative figures reflected under year 2016/2017 in the financial statements for the year ended 30thJune 2018 could not be ascertained	The financial statements will be prepared and forwarded to the office of the auditor General for their action	The principal	Unresolved	3 month
Property, plant and equipment	A review of records relating to property, plant and equipment balance of Ksh.897,337,475 as at 30 june 2018 reflected in the financial statements revealed the following anomalies:- i. No independent valuation report for the property plant and equipment to confirm the	The management in in agreement on the same and since we have not done proper valuation, the board is looking forward to procure the services of the qualified valuer who is to assist the institution to do the exercise. About, the title deed, the process is ongoing to ensure the institution	The Principal	Resolved	3months

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe : *(Put a date when you expect the issue to be resolved)*
	accuracy of the reported costs. ii. Non-current assets register was not maintained by the institute during the year under review to show computations for depreciation, additions, disposals and the details of location of each class of assets;and iii. No document of title to confirm ownership of the land where the institute is situated. Information available indicates that the institute is located on a ten acres' piece of land that was donated by ten community members. According to minutes of the community that was rejected by the county land management Board. In the circumstances, the accuracy and completeness of the property, plant and equipment of balances Kshs. 897,337,475 could not be ascertained.	acquire its title deed.			
Students fees collection	Keroka Technical Training Institute collection fee totalling Kshs.45,021,560 from the students during the year. The number of	The management has been preparing the bank reconciliation statements only that they were incorporated it in the	The finance officer	resolved	1 month

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe : *(Put a date when you expect the issue to be resolved)*
	students as at 30 june 2018 was 2,628 out of which 368 students were from National Youth Service doing artisan,certificate and diploma courses. Examination of the students' fees collection documents revealed the following anomalies: i. No periodic reconciliation of fees collections as per receipts issued against banking's. Therefore, confirmation of the actual banking's against the bank pay-in-slips which the students presented to the institution was not done during the year review; ii. Monthly income summaries were not prepared and reviewed by different level of authorities to confirm consistency and accuracy; and iii. Debtors control account was not prepared to monitor fees arrears to enable timely and prompt follow up for collections. Consequently, the accuracy and completeness of the students fees totalling Kshs. 45,021,560	cash books but we have prepared them accordingly and now they are attached as schedules. For the cashbook for account 01139363277200 there was a mix up with other cashbooks. This has been corrected and we can provide the cashbook for the account.			

<table>
<tr><th>Reference No. on the external audit Report</th><th>Issue / Observations from Auditor</th><th>Management comments</th><th>Focal Point person to resolve the issue (Name and designation)</th><th>Status: (Resolved / Not Resolved)</th><th>Timeframe : (Put a date when you expect the issue to be resolved)</th></tr>
<tr><td></td><td>collected during the year ended 30 june 2018 could not be confirmed.</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Government Grants</td><td>During the financial year under review, Keroka Technical Training Institute was allocated Kshs. 69,885,079 under government grants out of which an amount Kshs. 62,860,210 was in respect of construction of the following and a library:
<table>
<tr><th></th><th>Institution</th><th>Amount</th></tr>
<tr><td>1.</td><td>Chepalungu Technical Training Institute</td><td>20,576,965</td></tr>
<tr><td>2.</td><td>Orogare Technical Training Institute</td><td>13,732,102</td></tr>
<tr><td>3.</td><td>Riragia Technical Training Institute</td><td>19,756,845</td></tr>
<tr><td>4.</td><td>Library Construction</td><td>4,722,728</td></tr>
<tr><td>5.</td><td>Konoin Technical Training Institute</td><td>2,576,020</td></tr>
<tr><td>6.</td><td>Narok West Technical Training Institute</td><td>1,495,550</td></tr>
<tr><td></td><td>Total</td><td>62,860,210</td></tr>
</table>
The following anomalies have been noted:
i. The grants were not contained in the institute's approved budget for 2017/2018;</td><td>As per the findings of the audit curried out we do agree with delay in project implementation and this has been influenced by several factors, among them, is due to delayed disbursement of funds from the ministry together with the CDF(funds) from relevant constituencies where applicable. Non inclusion of grants on approved budget is due to mentorship programme by the ministry winch the institution does not have prior knowledge to enhance proper planning</td><td>The principal</td><td>resolved</td><td>3months</td></tr>
</table>

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe : *(Put a date when you expect the issue to be resolved)*
	of Kshs. 69,885,079 could not be confirmed.				
Harmonization of Staff Salaries	During the year under review, Keroka Technical Training Institute spent a total of Kshs. 8,441,826 on employee costs. An analysis of the payroll revealed that there isdisparity in basic salary with corresponding house allowances paid to employees. Further, most employees are not clearly graded in their respective job groups/salary bands and there is no clearstaff establishments for various departments leading to some key areas like human resource and internal audit being without respective personnel.	As per the audit carried out, we do agree on the same .The management has begun the process of harmonizing salaries for its employees as per qualifications and filling up the identified key Institute positions.	The principal	resolved	1month
Lack of the internal audit function	The institute does not have an internal audit function to monitor the effectiveness of the internal control systems, risk management and governance systems on routine basis and make recommendations for improvements to the principal and audit committee.		The principal	resolved	2 months

The principal, Signature..... Date 04/05/2020