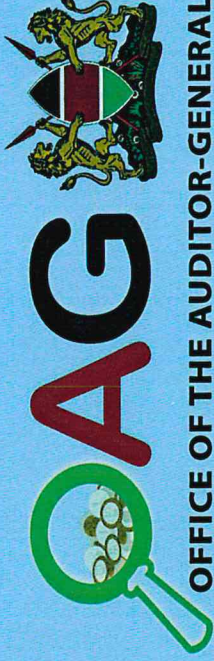


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

THE NATIONAL ASSEMBLY PAPERS LAID		DAY Thurs
REPORT 24 FEB 2021		
TABLED BY:	LOM	
CHECKED OFF:	Mairah Wanyiliu	

THE AUDITOR-GENERAL

ON

MURAGA TECHNICAL TRAINING INSTITUTE

FOR THE YEAR ENDED

30 JUNE, 2020





MURAGA TECHNICAL TRAINING INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30th JUNE 2020

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

**MURAGA TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Muraga Technical Training Institute is located at Weru location maara subcounty in Tharaka nithi County. The construction of Muraga TTI started in 2014. It was a joint effort of the Ministry of education and the C.D.F. of Maara Constituency. The Government contributed Ksh. 40 million whereas the C.D.F. of Maara constituency ksh. 10 million respectively. The institute was mentored by Nkabune Technical Training Institute in Meru County. It was completed in early 2017 and was officially opened on 4th September, 2017.

The Institute opened its doors to trainees in September and started offering artisan, craft and diploma courses. In the year 2018, the government equipped the institute office furniture &, equipment, Staff Furniture, and students lecture chairs.

At cabinet level, the Institute is represented by the Cabinet Secretary for education, who is responsible for the general policy and strategic direction of the Institute

Principal Activities

The Principal activity for Muraga Technical Training Institute is to train competent and innovative manpower in TVET to meet the changing needs of the industry and for self- sustainability under TVETA Act 2013.

Vision:

A centre of excellence in technical and vocational education and training

Mission:

To train competent and innovative manpower in TVET to meet the changing needs of the industry and for self-sustainability.

(b) Key Management

Muraga TTI day-to-day management is under the following key organs:

- Board of governors
- Accounting Officer/ Principal
- Top management
- Heads of Department

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	Mrs. Laticia Mutirira
2.	Deputy principal	Mrs. Purity G. Ndigah
3.	Ag. Registrar	Mr James Lincon Nthiga
4.	Ag. Dean of student	Mr. Stephen murithi
5.	Accountant	Ms Doreen Kerubo
6.	Procurement officer	Isaac Mukumbu

MURAGA TECHNICAL TRAINING
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(d) Fiduciary Oversight Arrangements

No	Board Committee	Board committee activities
1	Finance Budget & Development	Board committee approvals Budgeting approvals Review of the financial statement Review of the budgets
2	Executive committee	Advice on expenditures Conducting of interviews Validation & approval of policies Setting of scheme of service & career progression Implementation of the Performance contracting Implementation & review of the strategic plan

(e) Muraga T T I Headquarter

Muraga Technical Training Institute

Chuka – meru road
P.O. Box 614, 60400
CHUKA, KENYA

(f) Muraga T T I Contacts

Muraga Technical Training Institute

Telephone: (254) 799519946
E-mail: muragatechinst@gmail.com

(g) Muraga T T I Bankers

Muraga Technical Training Institute

- (i) Equity Bank
Account No: 0140262856816
Chuka Branch

- (ii) Kenya Commercial Bank

Account No: 1212819675
Chuka Branch

(h) Independent Auditors

Auditor General

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





(i) Principal Legal Adviser

The Attorney General





State Law Office
Haranbee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

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2. THE BOARD OF GOVERNORS

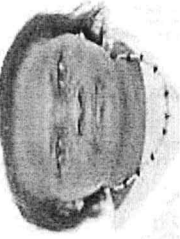




Name	Description
<p>1.  Name :Mr. Hanson Mugo Profession : IT consultant Academic :masters in corporate management</p>	<p>Date of birth: 28/05/1969. Qualification: masters in corporate management Bachelor degree in computer science. Work Experience: 25 Years Position in BoG: Chairman BoG (Executive Committee)</p>
<p>2.  Name :Mrs Laticia Mutiiria Profession : Trainer Academic : bachelor of education, home economics option</p>	<p>Date of birth: 28th Nov 1963 Qualification: Bachelor Of Education, Home Economics Option Work Experience: Principal Muraga TTI 27 Years Experience Position in BoG :BoG Secretary</p>
<p>3.  Name : Ms. Brenda Awour Profession : Accountant Academic : Masters Degree In Business Administration, Finance Option</p>	<p>Date of birth: 5th May 1973 Qualification: masters degree in business administration, finance option Work Experience: Regional Administrator At Community Development Trust Fund, Kenya(CDTF) 22 years Experience Position in BoG :Member (Finance Committee)</p>
<p>4.  Name : Ms. Kellen Mbabu</p>	<p>Date of birth: 1963 Qualification: bachelor of education and diploma in theological education by extension. counselling Work Experience: Retired Secondary School Teacher. 29 Years Position in BoG :Member (Executive committee)</p>

**MURAGA TECHNICAL TRAINING
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<p>Profession : Counsellor Academic : Masters Degree in Counseling Psychology</p>		
<p> Name : Ms. Florence Musyoka Profession : Water Engineer Academic : Bachelor's Degree in Environmental Engineering and Resource Management</p>	<p>Date of birth: 15th February 1962 Qualification: Water Engineer Work Experience: Water Engineer at Gategi Irrigation Scheme. 26 years work experience Position in BoG :Member</p>	
<p> Name : David Mutua Kitheka Profession : Agriculture Academic : Master of Science in Agriculture Resource Management</p>	<p>Date of birth: 1982 Qualification: Master of Science in Agriculture Resource Management Work Experience: Livelihood Technical Specialist/ Coordinator at ADRA Kenya. 10 years Experience Position in BoG :Member</p>	
<p> Name : Mr. Alex Barasa Profession : IT consultant Academic : BSC Computer Science, Software Engineering</p>	<p>Date of birth: 15/01/1962. Qualification: BSC Computer Science, Software Engineering Work Experience: He is the current CEO ABNO Softwares International Limited 17 Years Experience Position in BoG :Member</p>	
<p> Name : Mr. Solomon Kithinji Profession : Teacher Academic : Bachelor of Education</p>	<p>Date of birth: 09/09/ 1961 Qualification: Bachelor of Education Work Experience: Retired Principal Gatunga boys. 20 Years experience Position in BoG :Member (Executive Committee)</p>	

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3. KEY MANAGEMENT

Name	Responsibility
<p>1.  Name : Mrs Laticia Mutiiria Profession : Trainers Academic : bachelor of education, home economics option</p>	<p>The principal and the accounting officer</p>
<p>2.  Name : Mrs Purity Ndigah Profession : Trainers Academic : Masters in Entrepreneurship</p>	<p>Deputy Principal Muruga Technical Training Institute.</p>
<p>3.  Lincoln Nthiga Born: 1984 BeD science</p>	<p>Ag Registrar</p>
<p>4.  Stephen muriithi Born : 1981 Higher diploma electrical & electronic c</p>	<p>Ag. Dean</p>
<p>5.  Doreen Kaburo</p>	<p>Finance Officer</p>

**MURAGA TECHNICAL TRAINING
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4. CHAIRMAN'S STATEMENT

During the financial year, the Board engaged for the 1st time in the Government Performance contract. The board was serving in its last term which would end within the financial year.

The board continued engaging qualified staff also need arose and continued implementing the strategic plan where possible. The challenge of financial constraint was still experienced especially when there was need to construct tuition rooms to cope with additional courses. Staff establishment was done and approved with amendments.

The board arranged for the launch of the institute which was president over by the Deputy president of the republic of Kenya.

However, within the same year when the board had arranged to do an exit report, corona struck and no more full board meetings were possible.



Hanson Mugo
BOG CHAIRMAN

Date: 09 March 2021

**MURAGA TECHNICAL TRAINING
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5. REPORT OF THE PRINCIPAL

The institute admitted 119 students within the financial year. The institute received the 1st and 2nd batch of the public service trainers which relieved the institute the financial burden of spending so much money on BOG trainers.

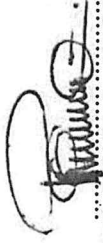
Financial support was received from the government through operational grants and capitation. Students continued to get support from the HELB loans. The institute continued expanding courses to allow for growth.

During the year the institute engaged for the 1st time the procurement officer and also engaged new finance officer and secretary through recruitment process.

KNEC Examination were done for the first time within the Centre. The institute continued to implement the performance contract for the first time which was the 16th cycle of the government performance contract.

Purity G. Ndigah M.

.....
Name



.....
Sign

MURAGA TECHNICAL TRAINING
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6. REVIEW OF MURAGA TTI PERFORMANCE FOR 2019/2020 FINANCIAL YEAR.

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

MURAGA TTI has 5 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019-2022/2023. These strategic pillars are as follows:

- Pillar 1: Grow the education &TVET programmes
- Pillar 2: promote equity &quality education and training
- Pillar 3: strengthen organisation development and capability
- Pillar 4: establish contemporary learning services and facilities
- Pillar 5: pursue stake holders' partnerships and collaborations

Muraga develops its annual work plans based on the above 5 pillars. 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 2019/2020 period for its 5 strategic pillars, as indicated in the diagram below:

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Strategic Pillar no	Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	Grow the education &TVET programmes	Growing the education &TVET programmes	Improved service delivery	Benchmarking of the institute services against our competitor	Benchmarked with neighbouring sister institution on food & beverages workshops setting
Pillar 1:	Grow the education &TVET programmes	Growing the education &TVET programmes	Modern ICT capability adopted in management & training	Invest in ICT capability to support service delivery	Started online classes with the candidates who were scheduled to sit for exams in November 2020. Established partnership with Weru Tea Factory on modern tea farm management
Pillar 2:	Promote equity &quality education and training	Promoting equity &quality education and training	Number of trainers in courses mainly dominated by the opposite gender	Advocate for the participation of both gender in the TVET programmes	High enrolment in food & beverage courses by men
Pillar 2:	Promote equity &quality education and training	Promoting equity &quality education and training	Number of trainers who participated in the capacity building workshops	Integrated training plan that focuses on enhancing trainers excellence	The institute sent finance officer to Mombasa during the training organised by HELB on HELB loan/bursary managements
Pillar 3:	strengthen	Strengthening organisation	Number of new financial	Enhance financial	Institute has been

MURAGA TECHNICAL TRAINING
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	organisation development and capability	development and capability	streams established by the institute	sustainability of the institute	selling agriculture produce from the farm
			Performance appraisal tool developed for the non teaching staffs	Celebrate staffs success formally through a reward & recognition programmes	Staffs are being rewarded according their performance
Pillar 4:	establish contemporary learning services and facilities	Establishing contemporary learning services and facilities	Suggest boxes Customers complains & compliment registers	Establishing a client relationship management by Maintaining customer visitors and customers feedback systems	Suggesting management systems in place Customer complains & compliment tools in place
Pillar 5:	pursue stake holders partnerships and collaborations	Pursuing stake holders partnerships and collaborations	Number of the MOUs the institute has signed with local industries Number of meeting in year Number of business opportunities	Strengthen external networks with the industries Implement expanded community engagement plans to add value to the community	Signed MOU with Weru Tea Factory Held quarterly meetings with the community on the available business opportunities the community can engage with institute

MURAGA TECHNICAL TRAINING INSTITUTE
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7. CORPORATE GOVERNANCE STATEMENT

During the year under review, the board held 8 meetings, as scheduled with full board meeting ones per quarter and finance & budget committee also meeting ones per quarter. Board members were also involved during the short listing and recruitment of the PSC staffs. All the meetings had quorum and no member missed two consecutive meetings.

The term of the current board is ended on 29th May, 2020 and the names of the appointed Board candidates were forwarded to the ministry for

As outlined from the TVET Act 2013, section 28(1) the roles, functions, and performance of the board during the year is as follows;

(a) Overseeing the conduct of education and training in the institution in accordance with the provisions of this Act and any other written law;

The Board has been able to monitor the manner in which the institute is managed or directed through the regular quarterly meetings - 100%.

(b) Promoting and maintaining standards, quality and relevance in education and training in the institutions in accordance with this Act and any other written law;

Through the management, the board have acquired right syllabuses and mounted market driven courses and made sure real training takes place through supervision – 100%

(c) Administering and managing the property of the institutions;

The board have been able to provide security and regular maintenance of its property and equipment – 100%

(d) Developing and implementing the institutions' strategic plan;

The board developed and launched a strategic plan which is currently being implemented - 100%

(e) Preparing annual estimates of revenue and expenditure for the institution and incurring expenditure on behalf of the institutions;

The board have prepared annual budget but execution has not been fully done due to non-remittance of development funds already budgeted.

(f) Receiving, on behalf of the institution, fees, grants, subscriptions, donations, bequests or other moneys and to make disbursement to the institution or other bodies or persons;

This has been achieved – 100%, the institute has a functional finance department to collect and receipt all the monies received.

(g) Determining the fees payable and prescribing conditions under which fees may be remitted in part or in whole in accordance with the guidelines developed under the provisions of this Act;

The board performed this function – 100, though the government come up with a standard fees structure for all the TVET Institutions.

(h) Mobilizing resources for the institutions;

(i) The institute have been able to collect fees from parents.

(ii) Sourced for more funding from NG-CDF and

(iii) Written proposals to organizations and government departments requesting for funding.

(h) Developing and reviewing programs for training and to make representations thereon to the TVET Authority;

The board have approved new courses as guided by the ministry of education.

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(i) **Regulating the admission and inclusion of students from the institutions, subject to a qualifications framework and the provisions of this Act;**
This was achieved 100%- all the students who applied were admitted.

(k) **Approving collaboration or association with other institutions and industries in and outside Kenya subject to prior approval by the Board:**

- i) The institute is a member of KATTI and CAPA
- ii) The institute receive students from KUCCPS
- iii) Principals visit industries annually to get the views of the stakeholders.

(j) **Recruiting and appointing trainers from among qualified professionals and practicing trades persons in relevant sectors of industry;**

All the recruitments so far carried out by following recruitment procedures.

(m) **Determining suitable terms and conditions of service for support staff, trainers and instructors and remunerating the staff of the institutions, in consultation with the Authority;**

- (a) Our wages are within the set standards of the county but
- (b) we need to develop a scheme of service

(n) **Making regulations governing organization, conduct and discipline of the staff and students;**
this has been achieved -100%. We have developed and implemented rules and regulations

(o) **Preparing comprehensive annual reports on all areas of their mandate, including education and training services and submit the same to the Board;**

(p) **Providing for the welfare of the students and staff of the institutions;**

The board have improved the institute learning environment by;

- Acquired more equipment for training
- Acquired more student's desks

(q) **Encouraging, nurturing and promoting democratic culture, dialogue and tolerance in the institutions; The board have;**

- Established G&C department
- Students have their elected leadership
- The management hold regular meeting with the students and staff

(r) **Discharging all other functions conferred upon it by this Act or any other written law**

The board has promptly acted upon all the communications received from within and outside the institute.
The board was well remunerated as they received their full allowances during all the meetings

The institute has board committee whose role is as below

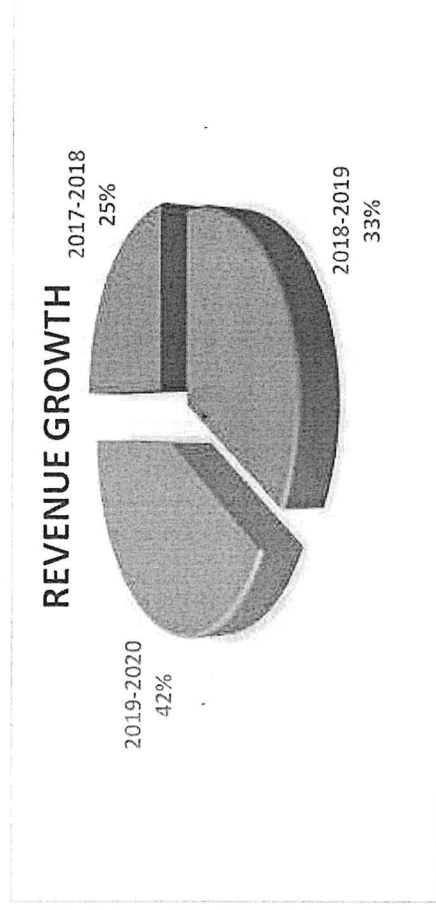
No	Board Committee	Board committee activities
1	Finance Budget & Development	Budgeting approvals Review of the financial statement Review of the budgets
2	Executive committee	Advice on expenditures Conducting of interviews Validation & approval of policies Setting of scheme of service & career progression Implementation of the Performance contracting Implementation & review of the strategic plan

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8. MANAGEMENT DISCUSSION AND ANALYSIS

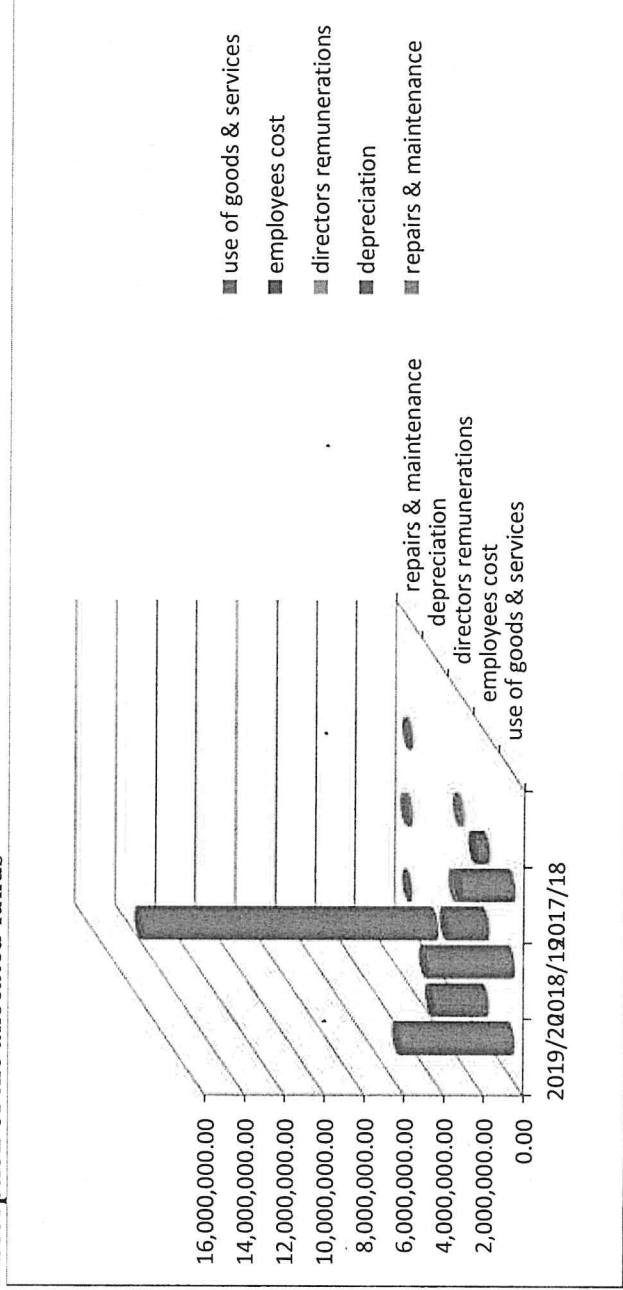
Resources mobilisation

The Institutes revenue has grown since inception from Kshs.5,809,809 to Kshs.7,670,242 to Kshs.9,420,550



This has been attributed to the increased population growth, aggressive mobilization of revenue collections from AIA and diversifying of the institute revenue streams.

Absorption of the allocated funds



The institute expenditures have increased relatively as the student's population raises. This has been attributed to

- The additional training infrastructures that the institute has mounted to match growing needs from trainees.
- Additional number of trainers which has lead to increased employees cost.
- Other operational cost has been on increase due economic global inflation and unstable market for major consumable items.

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9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Muraga Technical Training Institute exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on five pillars: Below is a brief highlight of our achievements

1. Sustainability strategy and profile -

Muraga Technical Training Institute is a learning organisation under the Directorate of Technical Vocational Education and Training. In her commitment to produce skilled manpower that fits in the job market, the Institution has continued to comply with the Ministry of Education guidelines and policies. The Institution has identified the potential of the community as key in realizing the growth of the Institution. The Institution has therefore engaged the community through continuous sensitization on the TVET courses and the support given by the government through capitation and application of HELB loans. Further the Institution has reached out to the stakeholders and the political leaders for support in all aspects in the running of the Institution through attending church meetings, community meeting, and upholding support for fees payment through the CDF programmes and bursaries from all levels.

The Institution has continued to engage with the Industry to allow linkage for trainees to the industry for industrial attachment and also employment. This has enabled contributions for industry expectation through direct feedback from the Industry.

Benchmarking with other learning Institution and partnering with them remains vital for progressive growth. Attending to relevant trainings and workshops has been key in staff development.

2. Environmental performance

Muraga Technical Training Institute is committed to reducing its impact on the environment. We strive to improve our environmental performance over time and to initiate additional activities that will further reduce our impacts on the environment. Our commitment is to:

- (a) Comply with all applicable environmental regulations.
- (b) Prevent pollution whenever possible.
- (c) Train all of our staff on our environmental program and empower them to contribute and participate,
- (d) Communicate our environmental commitment and efforts to our customers, staff and our community.
So far we have planted over 120 trees.

3. Employee welfare

The Institute has been following the procedure of hiring employees into the Institution. The Board identifies the vacancies by analysis of key responsibilities and duties that ought to be done and the staff are not available or adequate. The Board then advertises for the positions and invites qualified candidates to apply. On applications, shortlisting of qualified persons is done basing it on the advert, Gender, Ethnicity and experience. Qualified persons are contacted to attend interviews through mail and telephone calls. The panel engages all interviewees and allocated marks as per the score sheet. The panel then discuss the scores and average for the best candidate to be approved. Once staff are engaged, they are taken through an orientation where the responsibilities are outlined, discussed and the objectives of the organisation are laid out. Staff are developed through support given by the BOG

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to attend relevant workshops and seminars especially the ones organised through the ministry. The Institute is in the process of developing the policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA). Appraisal of staff is done continuously.

4. Market place practices-

Muraga TTI does responsible marketing by marketing the Institution and encouraging potential trainees to join the Institution. On courses that the Institute does not offer, she recommends other Institutions to the applicants for consideration. The Institute has not been involved in politics in any way but has welcomed political leaders who have identified in support of the Institution whenever opportunity arises.

The Institute honours contracts by keeping to the commitment to the end where there is no breach. The Institutes commits to clear all her supplier's debts and keep engaging the debtors even when finances are not available to ensure re-assurance on the commitment.

The Institute gives true information on all advertisements and publicity done. This has provided confidence on the services offered by the Institution without.

All services offered by the Institutes are for the best benefit of the Clients who are our consumers. Offer of services is objectively done to the best interest of the client. The trainees who are the highest number of our clients receive quality training and pass their examinations. This will ensure the remain competitive in the job market.

5. Community Engagements-

The Institute Engaged in Muthambi got Talent challenge by giving sponsorship of Ksh.10,000 within the financial year. This was a challenge to identify and grow and talents of young people to help them earn a living. In the event, the Institute advertised for courses offered and support given by the government.

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10. REPORT OF THE BOARD OF GOVERNORS

The Board members submit their report together with the reviewed audited financial statements for the year ended June 30, 2020 which show the state of the *institute's* affairs.

Principal activities

The principal activities of the institute are to train competent and innovative manpower in TVET to meet the changing needs of the industry and for self- sustainability.

Results

The results of the institute for the year ended June 30, 2020 are set out on page 1 to 5

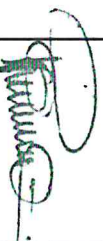
BOARD OF GOVERNORS

The members of the Board who served during the year are shown on page v & vi. During the year, the institute Board expired and the process for appointing new board is ongoing.

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 to carry out the audit of the *institute* for the year ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015
Public Audit Act, 2015

By Order of the Board



Secretary Board of Governors

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11. STATEMENT OF BOARD OF GOVERNORS' 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 Muraga T.T.I, which give a true and fair view of the state of affairs of the Muraga T T I at the end of the financial year and the operating results of the Muraga T T I for that financial year. The board members are also required to ensure that the Muraga T T I keep proper accounting records which disclose with reasonable accuracy the financial position of Muraga T.T.I. The board members are also responsible for safeguarding the assets of Muraga Technical Training Institute. The board members are responsible for the preparation and presentation of Muraga T.T.I financial statements, which give a true and fair view of the state of affairs of the Muraga T T I for and as at the end of the financial year ended on June 30, 2020.

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 Muraga T T I;
- (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 Muraga T.T.I;
- (v) Selecting and applying appropriate accounting policies and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for Muraga T.T.I 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 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 Muraga T.T.I. The board members are of the opinion that the Muraga T T I's financial statements give a true and fair view of the state of Muraga T.T.I transactions during the financial year ended June 30, 2020, and of Muraga T.T.I 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 Muraga T.T.I 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 Muraga Technical Training Institute financial statements were approved by the Chairman of Board on 30/9/2020 and signed on its behalf by:


Chairperson of the Board


Principal

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FOR THE YEAR ENDED 30 JUNE 2020

12. REPORT OF THE INDEPENDENT AUDITORS ON THE MURAGA TECHNICAL
TRAINING INSTITUTE



REPORT OF THE AUDITOR-GENERAL ON MURAGA TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Muraga Technical Training Institute set out on pages 1 to 23, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Muraga Technical Training Institute as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Technical and Vocational Education and Training Act, 2013.

Basis for Adverse Opinion

1.0 Unsupported Revenue from Rendering of Service

As disclosed in Note 8 to the financial statements, the statement of financial performance reflects Kshs.7,752,357 in respect to rendering of services. However, the supporting ledger provided reflects a balance of Kshs.8,349,254 resulting to an unexplained variance of Kshs.596,897. Further, supporting documents including revenue summary provided for audit review did not include the names of students, date and amount payable, admission numbers and course taken contrary to Regulation 100 of the Public Finance Management (National Government) Regulations, 2015 which stipulates that accounting officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts

and payments and shall maintain such other books and registers as may be necessary.

In the circumstances, the accuracy and validity of Kshs.7,752,357 in respect to rendering of services reflected in the statement of financial position for the year ended 30 June, 2020 could not be ascertained.

2.0 Unsupported Cash and Cash Equivalents

As disclosed in Note 16 to the financial statements, the statement of financial position reflects Cash and Cash Equivalent totaling to Kshs.Kshs.870,796 Included in this balance is an amount of Kshs.854,084 relating to cash held in a bank. However, a review of cashbook provided revealed a balance of Kshs.817,275 in respect to the same account resulting to an unexplained variance amounting to Kshs.36,809

In addition, Note 16 (a) to the financial statements reflects a balance of Kshs.9,552 in respect to cash held in another bank. However, the cash book, the certificate of bank balance and bank reconciliation statements were not provided.

The balance also includes cash in hand of Kshs.7,160. However, board of survey report was not provided for audit review. Further, petty cash book reflected a balance of Kshs.31,229 as at 30 June, 2020. However, the same was not included in the cash and cash equivalents balance.

A review of the cashbook revealed cash withdrawals totaling to Kshs.3,888,750 on various dates. Management explained that the balance was temporary imprest for office use. However, imprest warrants, imprest register and related supporting documents were not provided.

In the circumstances, the accuracy and completeness of the Kshs.870,796 in respect to cash and cash equivalents reflected in the statement of financial position as at 30 June, 2020 could not be ascertained.

3.0 Unsupported Receivables from Exchange Transactions

As disclosed in Note 17 to the financial statements, the statement of financial position reflects Kshs.2,836,281 in respect to receivable from exchange transactions relating to student debtors. However, supporting documents including ledgers, names of student, amount and date paid, course taken and ageing analysis were not provided.

In the circumstances, the accuracy of the receivables from exchange transactions totaling to Kshs.2,836,281 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

4.0 Misstated Property, Plant and Equipment

As disclosed in Note 18 to the financial statements, the statement of financial position reflects Property, Plant and Equipment's of Kshs. 148,874,236. However, the following unsatisfactory matters were observed.

- (i) Review of Assets Register provided revealed that critical information such as location of the assets, description, respective cost and serial numbers were missing. Physical verification of the assets revealed that the assets were not tagged for ease of identification and movement contrary Regulation 139(1)(2) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that accounting officer of a national government entity shall take full responsibility and ensure that proper control systems exist for assets.
- (ii) Further, review of documents provided revealed that the Institute occupies 9.81 hectares' of land donated by Muraga Secondary School. However, the Institute did not provide ownership documents.
- (iii) Further, the balance includes an amount of Kshs.19,400,000 and Kshs.49,905,672 in respect to land and buildings respectively. However, supporting documents including contract agreements, certificates of work done, assets valuation report and documents showing how the value of land and buildings were arrived at were not provided.

In the circumstances, the ownership, existence and accuracy of Property, Plant and Equipment's balance of Kshs.148,874,236 reflected in the statement of financial position as at 30 June, 2019 could not be ascertained.

5.0 Capital Fund

As disclosed in Note 21 to the financial statements, the statement of financial position reflects Capital Fund balance of Kshs.176,179,263. However, as reported in the previous year, documents showing sources and amount of cash and non-cash capital funds given to the Institute were not provided.

In the circumstances, the accuracy and validity of Capital Fund balance of Kshs.176,179,263 reflected in the statement of financial position as at 30 June, 2020 could not be ascertained.

6.0 Inaccuracy in Trade and Other Payables from Exchange Transactions

As disclosed in Note 19 to the financial statements, the statement of financial position reflects a balance of Kshs.2,483,051. However, the balance excludes audit fees estimated at Kshs.709,361 which is payable to the Auditor General in accordance with Section 41(1)(c) of the Public Audit Act, 2015 which stipulates that the funds of the Office of the Auditor-General shall consist of audit fees charged at the rates prescribed by the Auditor-General. Further, the same has not been included as a payable in the financial statements.

In the circumstances, the accuracy and validity of trade and other payables from exchange transactions of Kshs.2,483,051 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

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

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

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects final receipts budget and actual on comparable basis of Kshs.17,559,400 and Kshs.9,482,550 respectively resulting to an underfunding of Kshs.8,076,850 or 48.9% of the budget.

Similarly, the statement reflects an expenditure budget of Kshs. 14,687,440 and actual expenditure of Kshs.8,798,675 resulting to a net under expenditure of Kshs.5,888,765.

Further, expenditure totaling to Kshs.1,043,954 was incurred without evidence of respective budgetary provisions contrary to Section 43 (b) of the Public Finance Management (National Government) Regulations, 2015 which requires accounting officers to ensure public funds are applied for purposes for only which they were intended and appropriated by National Assembly.

Based on the analysis, the underfunding and underexpenditure may have negatively affected the planned activities.

The statement also reflects budgeted income of Kshs. 17,559,400 and an expenditure budget of Kshs. 14,687,440 resulting to unbalanced budget by Kshs.2,871,960. This is contrary to Section 33 (c) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that budgeted revenue and expenditure appropriations shall be balanced. Further, documents to confirm that the budget was submitted to and approved by the Cabinet Secretary in the Ministry of Education were not provided for audit review contrary to Section 22(1) and (2) of the second schedule

to the Technical and Vocational Education and Training Act, 2013 which stipulates that a Board of Governors of a public institution shall prepare annual estimates of revenue and expenditure for the institution under its charge, in such form and at such times as the Cabinet Secretary may prescribe and the board of governors may incur expenditure for the purpose of the institution in accordance with estimates approved by the Cabinet Secretary, and any approved expenditure under any head of the estimates may not be exceeded without the prior written approval of the Cabinet Secretary.

In the circumstances, the budget was prepared and implemented contrary to the law.

2.0 Accumulated Deficit

The statement of financial performance for the year ended 30 June, 2020 reflects a deficit of Kshs.12,030,863. As a result, the accumulated deficit increased from Kshs.14,050,138 disclosed in 2018/2019 to an accumulated deficit of Kshs.26,081,001.

Unless the loss-making trend is addressed, the Institute is likely to face financial challenges in the near future.

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 discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Noncompliance with Public Sector Accounting Standards Board Requirements

Review of the financial statements provided for audit revealed the following anomalies which are contrary to Public Sector Accounting Standards Board (PSASB) reporting template issued in June, 2020;

- i). Corporate governance statement at page xii does not contain information on the number of Board meetings held and the attendance to those meetings by members, succession plan, existence of a board charter, process of appointment and removal of council members, induction and training, board and member

performance, conflict of interest, board remuneration, ethics and conduct as well as governance audit.

ii). Appendix III at page 22 in respect to transfers from the National Government is not signed by the Head of Accounting unit at the Ministry of Education.

iii). The Institute of Certified Public Accountants of Kenya membership number of the finance officer was not indicated in the statement of financial position.

In the circumstances, the Institute's financial statements are not in conformity with PSASB prescribed format issued in June, 2020.

2.0 Lack of an Approved Salary Structure and Staff Establishment

As disclosed in Note 12 to the financial statements, the statement of financial performance reflects a balance of Kshs.2,752,754 in respect to employee costs. However, as reported in the previous year, approved salary structure and staff establishment were not provided. This is contrary to Section C 2(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which stipulates that public service salary structure will be based on the grading levels spelt out in the various career progression guidelines.

In the circumstances, the validity of the Kshs.2,752,754 expenditure for the year under review could not be ascertained.
The Management is in breach of the law.

3.0 Unremitted Statutory Deductions

As disclosed in Note 12 to the financial statements, the statement of financial performance reflects an amount of Kshs.2,752,754 in respect to employee costs which includes Kshs.145,860 or 6% of employees basic salary in respect to National Social Security Fund (NSSF) being employer's contribution to NSSF for the Employees. However, review of records revealed that the employer only remitted an amount of Kshs.101,940 out of the Kshs.145,860 resulting to an amount of Kshs.43,920 in respect to unremitted NSSF deductions contrary to Section 20(1)(a) of the National Social Security Fund Act, 2013, which stipulates that an employer shall pay to the pension fund in respect of each employee in his or her employment the employer's contribution at six per centum of the employee's monthly pensionable earnings.

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

4.0 Remuneration and Appointment of Directors

As disclosed in Note 13 to the financial statements, the statement of financial performance reflects Remuneration of Directors amounting to Kshs.441,200. Included in this balance is an amount of Kshs.120,000 incurred without sufficient supporting

documents. Further, evidence of approval to spend by the relevant Cabinet Secretary was not provided contrary to Section 17 of the second schedule to the Technical and Vocational Education and Training Act, 2013 which stipulates that members of a board of governors shall be paid in respect to their services such remuneration or allowances as the board of governors shall, with the approval of the Cabinet Secretary determine.

Further, review of the appointment letters revealed that seven (7) Directors were appointed on 29 May, 2017 for a three-year term ending 29 May, 2020. However, as at 30 June, 2020, the Board was still in office and no evidence of reappointments was provided. In addition, the said Board did not include a representative of the County Government. This is contrary to Section 2(c) of second schedule to the Technical and Vocational Education and Training Act, 2013 which stipulates that membership of the board of governors shall comprise a representative of the county government of the county within which the institution is located.

In the circumstances, the validity of the Board expenses totaling to Kshs.441,200 for the year ended 30 June, 2020 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, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1.0 Lack of Internal Audit

As reported in the previous year, the Institute did not have an internal audit section to carry out internal audit functions contrary to Section 73(1) (a) of the Public Finance Management Act, 2012 which stipulates that every national government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

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

2.0 Lack of Audit Committee

As reported in the previous year, during the year under review, the Institute did not have an audit committee contrary to Section 73 (5) of the Public Finance Management Act, 2012 which states that every national government entity shall establish an internal auditing committee whose composition and functions are to be prescribed by the regulations.

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

3.0 Lack of Risk Management Policy

As reported in the previous year, a review of the Institute's Internal controls system revealed that the Institute did not have approved risk management policy. Further, the management did not provide for audit review evidence on whether the Institute has identified, documented, assessed risks and developed controls to respond to the risk identified contrary to Section 165 of the Public Finance Management (National Government) Regulations, 2015, which stipulates that the accounting officer shall ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism and system of risk management and internal control that builds robust business operations.

In the circumstances, it was not possible to confirm the effectiveness of controls.

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

Responsibilities of Management and the 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, 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 Institute's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Institute or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, 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 financial reporting process, reviewing the effectiveness of how the Institute 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 with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 Muraga Technical Training 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 the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the 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.

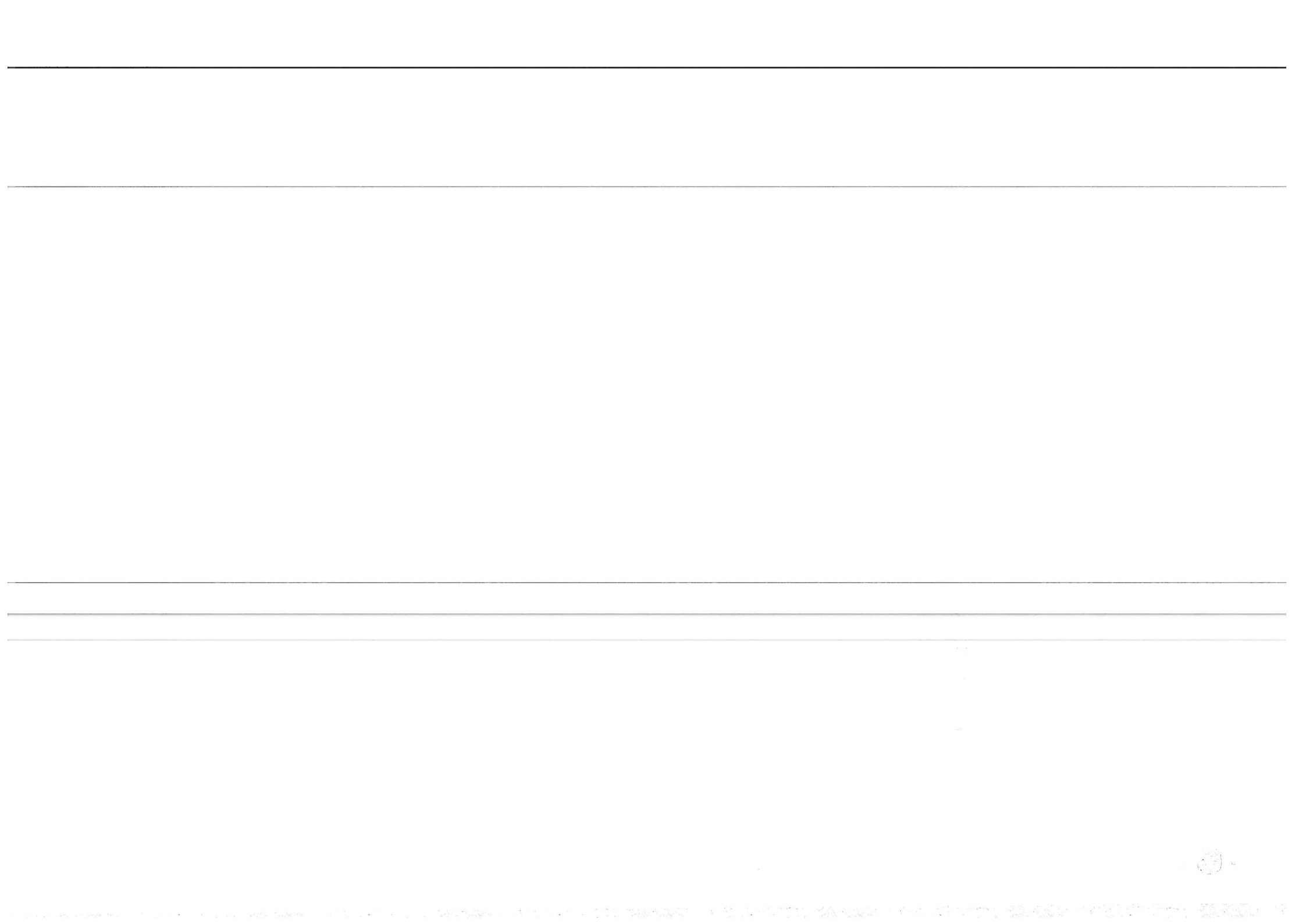
I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

04 February, 2022



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13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019-2020 Kshs	2018-2019 Kshs
Revenue from non-exchange transactions			
Transfers from the National Government	6	1,000,000	2,000,000
Public contributions and donations	7	500,000	0
Capitation		0	930,000
		1,500,000	2,930,000
Revenue from exchange transactions			
Rendering of services- Fees from students	8	7,752,357	4,508,264
Sale of goods farm	9	223,193	223,278
Other income	10	7,000	8,700
		7,982,550	4,740,242
Revenue from exchange transactions			
Total revenue		9,482,550	7,670,242
Expenses			
Use of goods and services	11	5,559,254	5,335,181
Employee costs	12	2,752,754	2,390,770
Remuneration of directors	13	441,200	330,000
Depreciation and amortization expense	14	12,714,738	14,433,637
Repairs and maintenance	15	45,467	165,067
		21,513,413	22,654,655
Total expenses		(12,030,863)	(14,984,413)
Net Surplus/(deficit) for the year			


The notes set out on pages 6 to 19 form an integral part of the Annual Financial Statements.

MURAGA TECHNICAL TRAINING INSTITUTE
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14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

	Notes	2019-2020 Kshs	2018-2019 Kshs
Assets			
Current assets			
Cash and cash equivalents	16	870,796	699,322
Receivables from exchange transactions	17	2,836,281	826,290
TOTAL Current assets		3,707,077	1,525,612
Non-current assets			
Property, plant and equipment	18	148,874,236	161,588,974
TOTAL Non-current assets		148,874,236	161,588,974
Total assets		152,581,313	163,114,586
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	19	2,483,051	972,261
Refundable deposits from customers		0	13,200
Total liabilities		2,483,051	985,461
Net assets		150,098,262	162,129,125
Financed by			
Reserves			
Accumulated surplus/Deficit		(26,081,001)	(14,050,138)
Capital Fund	21	176,179,263	176,179,263
Total net assets and liabilities		150,098,262	162,129,125


The Financial Statements set out on pages 1 to 5 were signed on behalf of the Institute Board of Governors by:


 Chairman of Board of Governors

Date 09/03/2021


 Finance Officer
 ICPAK No

Date 09/03/2021


 Principal

Date: 09/03/2021

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15. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2020

Total	Capital/	Retained earnings	Fair value adjustment reserve	Revaluation reserve	At July 1, 2018
	Development Grants/Fund				
					Revaluation gain
-	-	-	-	-	Fair value adjustment on quoted investments
(14,984,413)	-	(14,984,413)	-	-	Total comprehensive income
102,935,419	102,935,419	-	-	-	Capital/Development grants received during the year
-	-	-	-	-	Transfer of depreciation/amortisation from capital fund to retained earnings
<u>162,129,125</u>	<u>176,179,263</u>	<u>(14,050,138)</u>	<u>=</u>	<u>=</u>	At June 30, 2019
					At July 1, 2019
-	-	-	-	-	Revaluation gain
-	-	-	-	-	Fair value adjustment on quoted investments
-	-	-	-	-	Total comprehensive income
(12,030,863)	-	(12,030,863)	-	-	Capital/Development grants received during the year
-	-	-	-	-	Transfer of depreciation/amortisation from capital fund to retained earnings
<u>150,098,262</u>	<u>176,179,263</u>	<u>(26,081,001)</u>	<u>=</u>	<u>=</u>	At June 30, 2020

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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

Cash flows from operating activities	Notes	2019-2020	2018-2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government	6	1,000,000	2,000,000
Public contributions and donations	7	500,000	
Capitation		0	930,000
Transfer from other government Institute		0	0
Grants from donors		0	0
Rendering of services- Fees from students	8	7,752,357	4,508,264
Sale of goods farm	9	223,193	223,278
Other income	10	7,000	8,700
Total revenue		9,482,550	7,670,242
Expenses			
Use of goods and services	11	5,559,254	5,335,181
Employee costs	12	2,752,754	2,390,770
Remuneration of directors	13	441,200	330,000
Repairs and maintenance	15	45,467	165,067
Total expenses		8,798,675	8,221,018
Net Surplus for the year		683,875	(550,776)
cash flows from operating activities			
(add) refundable deposits from customers	20	(13,200)	1,400
(add) increase in payables	19	1,510,790	356,661
(less) increase in the receivables	17	(2,009,991)	(667,940)
Net cash flows from operating activities		(512,401)	(309,879)
Cash flows from investing activities			
(less) Purchase of Property Plant and Equipment			(832,858)
Net cash flows from investing activities		0	(832,858)
Net increase in cash and cash equivalents		171,474	(1,693,513)
Cash and cash equivalents at 1 July 2019	14	699,322	2,392,835
Cash and cash equivalents at 30 JUNE 2020	14	870,796	699,322

MURAGA TECHNICAL TRAINING INSTITUTE
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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
Revenue	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Transfers from the National Government	2,000,000		2,000,000	1,000,000	1,000,000
Public contributions and donations	0		0	500,000	-500,000
Rendering of services- Fees from students	15,233,400		15,233,400	7,752,357	7,481,043
Sale of goods farm	326,000		326,000	223,193	102,807
Other income	0		0	7,000	-7,000
Total revenue	17,559,400	0	17,559,400	9,482,550	8,076,850
Expenses					
Use of goods and services	12,177,440		12,177,440	5,559,254	6,618,186
Employee costs	1,800,000		1,800,000	2,752,754	-952,754
Remuneration of directors	350,000		350,000	441,200	-91,200
Repairs and maintenance	360,000		360,000	45,467	314,533
Totals	14,687,440	0	14,687,440	8,798,675	5,888,765
Surplus for the period	2,871,960	0	2,871,960	683,875	2,188,085

Notes to the budget and the actual performance difference
i) Kshs.12,714,738 for depreciation is not included in statement of budget and actual amount since it does not involved cash payments.

MURAGA TECHNICAL TRAINING INSTITUTE
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18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Muraga Muraga T T I is established by and derives its authority and accountability from TVET Act. The Muraga T T I is wholly owned by the Government of Kenya and is domiciled in Kenya. The Muraga T T I's 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, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *Institute's* 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 TVET Act, (and International Public Sector Accounting Standards (IPSAS)). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

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

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ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: 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 Muraga Technical Training Institute's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Muraga Technical Training Institute's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Muraga Technical Training Institute provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Muraga Technical Training Institute; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Muraga Technical Training Institute's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> • Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. • Amendments to IPSAS 30, regarding illustrative examples

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Standard	Effective date and impact:	
	<ul style="list-style-type: none"> • on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. • Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed 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	<p>Applicable: 1st January 2021:</p> <ol style="list-style-type: none"> 1. Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks 2. IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved 3. IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. 4. IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard. 	

The Muraga T T I did not early – adopt any new or amended standards in year 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) Revenue from exchange transactions
Rendering of services

The Muraga T T I recognize 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 end of academic year or end of course

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 Muraga T T I.

b) Budget information

The original budget for FY 2019/2020 was approved by the Board on *24th May 2019*. 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 Muraga T T I upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Muraga T T I recorded additional appropriations of *N/A* on the FY 2019/2020 budget following the Board's approval.

The Muraga T T I'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.

c) 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 Muraga T T I recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

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d) Related parties

The Muraga T T I regards a related party as a person or an Muraga T T I with the ability to exert control individually or jointly, or to exercise significant influence over the Muraga T T I, or vice versa. Members of key management are regarded as related parties and comprise the board of governors, the CEO/principal and top management

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. For the purposes of these financial statements, cash and cash equivalents only include cash on hand and cash at bank as at the end of the financial year.

f) Comparative figures

Comparative figures for the previous financial year have been amended

g) 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, 2020.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Muraga T T I'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 Muraga T T I 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 Muraga T T I. 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:

- (a) The condition of the asset based on fair market value of the
- (b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- (c) The nature of the processes in which the asset is deployed
- (d) Availability of funding to replace the asset
- (e) Changes in the market in relation to the asset

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6. TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2019-2020 KShs	2018-2019 KShs
Unconditional grants		
Operational grant	1,000,000	2,000,000
Capitation	0	930,000
Total government grants and subsidies	1,000,000	2,930,000

6b) TRANSFERS FROM MINISTRIES OF EDUCATION

MOE	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2019-2020 KShs
Ministry of Education	1,000,000				1,000,000
Total	1,000,000				1,000,000

7. PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2019-2020 KShs	2018-2019 KShs
Public donations	500,000	0
Total donations	500,000	0

8. RENDERING OF SERVICES

	2019-2020 KShs	2018-2019 KShs
Activity	126,585	267,567
Tuition	1,908,163	729,011
Electricity Water Conservancy	519,750	339,750
Repair Maintenance & Improvement	508,500	337,050
P Emoluments	1,235,500	679,500
Local Travel & Transport	845,965	226,500
Administration Cost	693,244	386,139
Internet	138,600	102,000
Examinations	334,800	331,407
Student's Council	69,300	44,400
Students Id	61,800	45,250
Practical Material	851,600	541,633
Registration	61,800	43,000
Uniform	117,000	197,167

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Application Fees	37,200	20,700
Gratuity	69,300	46,200
Insurance	173,250	111,900
Attachment	-	50,000
Development	-	5,400
Medical	-	3,690
Total revenue from rendering service	7,752,357	4,508,264

9. SALE OF GOODS

Description	2019-2020	2018-2019
	KShs	KShs
Sale of farm produce	223,193	223,278
Total revenue from the sale of goods	223,193	223,278
Sale of the farm produces		

10. OTHER INCOME

Description	2019-2020	2018-2019
	KShs	KShs
Computer packages	7,000	8,700
Sale of tender documents	0	
Total other income	7,000	8,700

11. USE OF GOODS AND SERVICES

Description	2019-2020	2018-2019
	KShs	KShs
Security Services	278,400	282,267
Capacity Building	104,240	573,130
Activity	4,200	56,155
Tuition Expenditure	565,646	237,207
Electricity	196,173	54,801
Farm	105,324	131,586
Local transport & travel	680,220	1,927,510
Practical Material	610,229	944,885
Students identity cards	1,950	5,760
Administration Cost	1,518,472	777,576
Internet	11,000	13,160
Examinations	752,610	5,811
Student's Council	17,440	26,920
Advertisement	121,300	100,300
Industrial Attachment	14,300	4,553
Uniform	77,070	100,000
Deputy president Visitation	500,680	-
Subscription	-	90,000
Bank charges	-	3,560
Total good and services	5,559,254	5,335,181

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12. EMPLOYEE COSTS

	2019-2020	2018-2019
	KShs	KShs
Salaries and wages	2,502,847	2,052,278
National Social Security Fund	145,860	236,462
National Hospital Security Fund	91,200	102,030
Pay As you Earn	12,847	0
Employee costs	2,752,754	2,390,770

13. REMUNERATION OF DIRECTORS

Description	2019-2020	2018-2019
	KShs	KShs
Directors emoluments	340,200	330,000
Other allowances	101,000	0
Total director emoluments	441,200	330,000

14. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018-2019
	KShs	KShs
Property, plant and equipment	12,714,738	14,433,637
Total depreciation and amortization	12,714,738	14,433,637

15. REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	KShs	KShs
Cleaning	12,000	44,112
Furniture	28,267	1,500
Water Repair	1,000	4,500
Building	4,200	49,955
Computer		65,000
Total repairs and maintenance	45,467	165,067

16. CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	KShs	KShs
Current account	863,636	699,322
Cash at hand	7,160	0
Total cash and cash equivalents	870,796	699,322

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

		2019-2020	2018-2019
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1212819675	854,084	689,770
Equity Bank	0140262836816	9,552	9,552
Sub- total		863,636	699,322
Others(specify)			
cash in hand		7,160	
Sub- total		7,160	0
Grand total		870,796	699,322

17. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
Current receivables		
Student debtors	2,836,281	826,290
Total receivables	2,836,281	826,290

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18 PROPERTY, PLANTS AND EQUIPMENT

	At 30 th June 2018	19,400,000	53,843,844	-	-	589,668	90,000	-	153,190	-	102,207,419	356,586	73,600,430
Land	Buildings	2.50%	53,843,844	-	-	589,668	90,000	-	153,190	-	102,207,419	356,586	832,858
Cost/Capitalized	Disposals	Transfer/adjustments	At 30 th June 2019	19,400,000	53,843,844	728,000	90,000	-	102,207,419	102,935,419	-	-	102,935,419
Disposals	Transfer/adjustments	At 30 th June 2019	19,400,000	53,843,844	728,000	589,668	90,000	-	153,190	102,207,419	356,586	177,368,707	
Cost/Capitalized	Additions	-	-	-	0	-	-	-	-	-	-	-	-
Disposals	Transfer/adjustments	At 30 th June 2018	1,346,096	1,312,444	218,400	73,709	7,200	45,957	12,775,927	-	-	14,433,637	
Disposals	Transfer/adjustment	At 30 th June 2019	2,658,540	218,400	73,709	7,200	45,957	12,775,927	-	-	-	15,779,733	
Depreciation	Disposals	At 30 th June 2019	1,279,633	152,880	64,495	6,624	32,170	11,178,936	-	-	-	12,714,738	
Depreciation	Disposals	At 30 th June 2020	3,938,172	371,280	138,203	13,824	78,127	23,954,864	-	-	-	28,494,471	
Transfer/adjustment	Impairment	At 30 th June 2020	49,905,672	356,720	451,465	76,176	75,063	78,252,555	89,431,492	356,586	148,874,236		
Net book values	At 30 th June 2020	At 30 th June 2019	51,185,304	509,600	515,960	82,800	107,233	89,431,492	356,586	161,588,974			

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19. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
Trade payables	683,910	478,462
Fees paid in advance	1,799,141	493,799
Total trade and other payables	2,483,051	972,261

20. REFUNDABLE DEPOSITS FROM STUDENTS

Description	2019-2020	2018-2019
	KShs	KShs
Caution money	0	13,200
Total deposits	0	13,200

21. CAPITAL FUND

Description	2019-2020	2018-2019
	KShs	KShs
Land	19,400,000	19,400,000
Buildings	53,843,844	53,843,844
Plant and Equipment	102,207,419	102,207,419
computers	728,000	728,000
Total	176,179,263	176,179,263

22. FINANCIAL RISK MANAGEMENT

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

The Muraga T T I's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Muraga T T I 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.

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

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allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Muraga T T I's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June ,2020				
Receivables from exchange transactions	2,836,281	2,836,281	0	0
Bank balances	870,796	870,796	0	0
Total	3,707,077	3,707,077	0	0

(i) Credit risk

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 institute has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Muraga T T I's directors, who have built an appropriate liquidity risk management framework for the management of the Muraga T T I's short, medium and long-term funding and liquidity management requirements. The Muraga T T I manage 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.

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
	At 30 June 2020			
Trade payables		683,910		683,910
Prepaid fees		1,799,141		1,799,141
Total		2,483,051		2,483,051

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iii) Capital Risk Management

The objective of the Muraga T T I's capital risk management is to safeguard the Board's ability to continue as a going concern. The Muraga T T I capital structure comprises of the following funds:

	2019-2020	2018-2019
	KShs	KShs
Revaluation reserve		
Retained earnings	(26,081,001)	(14,050,138)
Capital reserve	176,179,263	176,179,263
Total funds	150,098,262	162,129,125
Total borrowings		
Less: cash and bank balances	870,796	2,392,835
Net debt/(excess cash and cash equivalents)		
Gearing	0.6%	1.5%

23. RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the Muraga T T I 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 Muraga T T I, holding 100% of the Muraga T T I's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Muraga T T I, both domestic and external. Other related parties include:

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

	2019/2020	2018/2019
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	1,500,000	2,930,000
Transfer from Nkabune		
Total	1,500,000	2,930,000
Key management compensation		
b) Directors' emoluments	441,200	330,000
Total	441,200	330,000

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24. Events after The Reporting Period

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

25. Ultimate and Holding Entity

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

26 Currency

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


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19. APPENDICES

APPENDIX I: 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)
		No audit has been done before			


Principal

Date 09 March 2021

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APPENDIX II: PROJECTS IMPLEMENTED BY THE INSTITUTE

Projects

Projects implemented by the Institute.

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)
Institute gate	MTTI/1	Nkabune TTI	2018/2019	356,586	No	Yes
				356,586		

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1 Institute gate	356,586	356,586	75%	0	356,586	Nkabune TTI AIA
	356,586	356,586		0	356,586	

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APPENDIX III: INTER-ENTITY TRANSFERS

INSTITUTE NAME:		MURAGA TECHNICAL TRAINING INSTITUTE		
Break down of Transfers from the State Department of TECHNICAL				
FY 2019/2020				
a.	Recurrent Grants			
	<u>Bank Statement</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to</u>	
	<u>Date</u>		<u>which the amounts</u>	
	27/4/2020	1,000,000	relate	2019/2020
	Total	1,000,000		
b.	Donor Receipts			
	<u>Bank Statement</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to</u>	
	<u>Date</u>		<u>which the amounts</u>	
	23/11/2019	500,000	relate	2019/2020
	Total	1,500,000		

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

Finance Officer

Head of Accounting Unit
Ministry of Education

Sign



Sign

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor	Date received	Transferring the funds		Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Total Transfers during the Year
		as per bank statement	27/4/2020							
Ministry of Education	27/4/2020	1,000,000	1,000,000	Recurrent	1,000,000					1,000,000
Deputy President	23/11/2019	500,000	500,000	Recurrent	500,000					500,000
Total					1,500,000	1,500,000				1,500,000

