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*Enhancing Accountability*

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**REPORT 24 FEB 2021**

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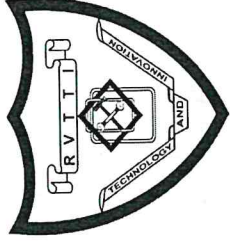
**RIFT VALLEY TECHNICAL TRAINING  
INSTITUTE**

**FOR THE YEAR ENDED  
30 JUNE, 2020**





OFFICE OF THE AUDITOR GENERAL  
ELDORET HUB  
**31 MAY 2021**  
**RECEIVED**  
P. O. Box 2774 - 30100, ELDORET



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**RIFT VALLEY TECHNICAL TRAINING INSTITUTE (TVET)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 JUNE 2020**

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

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## **KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

Rift Valley Technical Training Institute is a Technical and Vocational Education and Training (TVET) Institute located in the County of Uasin Gishu in Kenya along Eldoret-Kaptagat road; it is 3 kilometers to the East of Eldoret town which is the administrative and commercial centre of Uasin Gishu County, in the Western part of Kenya. It was started in 1962 as a technical and trade school and over the years evolved from a Technical trade school to a Technical Secondary school, to a Technical High School (1979) and finally became a Technical Training Institute in 1986 offering Artisan, Craft, and Diploma courses.

It became an EAC Centre of Excellence in TVET in 2013, and a UNESCO-UNEVOC network member in 2016. It is ISO 9001:2015 certified as of June 2017.

The Institute is managed by a 9 member board of governors (BOG) appointed by the Cabinet Secretary for Education in accordance with the TVET Act of 2013. The day to day running of the Institute is done by the Principal (Secretary to the BOG) assisted by a management team comprising two Deputy Principals, Administration and Academics, Registrar, Dean of Students and Finance officer (top management) and academic and no-academic heads of department (middle level management). These are supported by deputies, section heads and various implementation committees. In total there are 280 members of staff.

As a leading TVET institution, the Institute has 8 admitting departments and a number of other support departments that facilitate the smooth delivery of TVET training and research, the key mandate and products of the Institute. Since 2016, the Institute has held annual graduations at which more than 700 qualified graduates are released into the world of work. Since 2012 the Institute has held annual International research conferences where research findings in TVET are presented and suitable ones published in an Institute owned peer refereed international journal. The first publication was the KJ-TVET – done up to the 3<sup>rd</sup> volume. The current publication is the Africa Journal of TVET (Afri-TVET) which is currently in its 3<sup>rd</sup> Volume as at 2018. Since 2016, the institute has run annual innovation awards open to all TVET students in East Africa.

The Institute is Registered and licensed by TVETA with a training capacity of 5200 students. It has over 60 tuition rooms 5 computer labs and over 20 workshops and laboratories for various trades. A spacious library (940 m<sup>2</sup> floor space) with more than 10,000 books, journals and other literature complete with an E-section with 40 computers provides a rich reference resource for training and research.

### **(b) Principal Activities**

The principal activities of the Rift Valley Technical Training Institute are:

- (a) To offer Quality Technical, and Vocational Education and Training
- (b) Introduce, review and alter programs so as to provide and promote lifelong education and training
- (c) Contribute to industrial and technological development in Kenya through Competence Based Education and Training (CBET)
- (d) Promote and participate in technological innovation and in the discovery, transmission and enhancement of knowledge for economic social, cultural, scientific and technological development
- (e) Advance knowledge and its practical application by research and the dissemination of outcomes of research by various means and the commercial exploitation of research results

## Vision

To be an international centre of excellence in  
Technical Training and Research.

## Mission

To train competent and innovative manpower in technical and vocational disciplines to meet  
the changing needs of industry and society.

## Core Values

The guiding values to which the institution has committed itself pivot around the tenets of  
good governance and include:

- Responsiveness
- Versatility
- Teamwork
- Transparency
- Integrity

### (c) Key Management

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

- Board of governors
- Key Management

### (d) Fiduciary Management

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

No.	Designation	Name
1.	Principal	Dr. Edwin Tarno, PhD, HSC, FEnv
2.	Deputy Principal Administration	Florah Mossop
3.	Deputy Principal Academics	James Chege
4.	Registrar	John Kikwai
5	Dean of students	Idd Faraj
6	Head of Finance	James K. Kimaiyo
7	Head of Procurement	Charles Koech

**Fiduciary Oversight Arrangements**

**BOARD OF GOVERNORS COMMITTEE**

<b>S/No</b>	<b>Name of committee</b>	<b>Members</b>
1.	Finance Legal and Planning	<ol style="list-style-type: none"><li>1. Cicily Muriuki</li><li>2. Sylvester Kigen</li><li>3. Laban Kimutai</li><li>4. James K. Kimaiyo</li></ol>
2.	Human Resource Training & Research	<ol style="list-style-type: none"><li>1. Anne Wanyonyi</li><li>2. Owate Wambayi</li><li>3. Barnabas Kimaiyo</li><li>4. Micheal Rugut</li></ol>
3	Audit Risk & Governance	<ol style="list-style-type: none"><li>1. Isaack K. Keror</li><li>2. Eng. Barnabas Kimaiyo</li><li>3. Sylvester Kigen</li><li>4. Owate N. Wambayi</li><li>5. Julius K. Katui</li></ol>

*Rift Valley Technical Training Institute (RVTTI)*

*Annual report for the year ended 30 June 2020*

**KEY ENTITY INFORMATION AND MANAGEMENT (Continued)**

**(f) Rift Valley Technical Training institute**

P.O. Box 244 - 30100  
Kaptagat Road opposite KCC  
Eldoret, Kenya

**(g) Entity Contacts**

Telephone: (254)704244244  
E-mail: [info@rvti.ac.ke](mailto:info@rvti.ac.ke)  
Website: [www.rvti.ac.ke](http://www.rvti.ac.ke)

**(h) Entity Bankers**

1. Kenya Commercial Bank  
Eldoret West Bank  
P. O Box 5197 - 30100  
ELDORRET
2. Absa Bank  
P.O. Box 22 - 30100  
ELDORRET
3. Standard Chartered Bank  
Eldoret Branch  
P. O Box 30003 - 00100  
ELDORRET
4. SBM Bank  
Eldoret Branch  
P.O BOX 34886 – 00100  
ELDORRET

**5. Independent Auditors**

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




**6. Principal Legal Adviser**

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



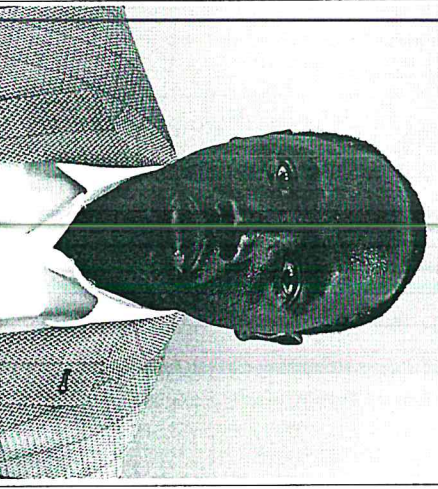

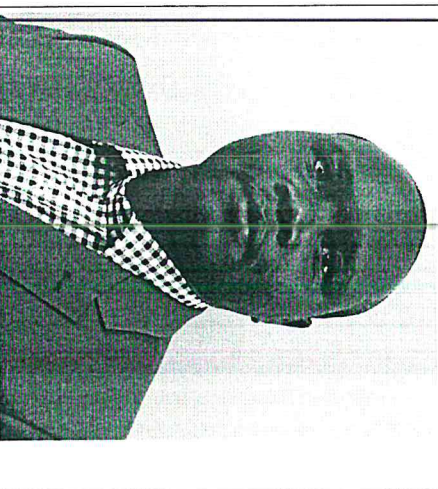
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**THE BOARD OF GOVERNORS**


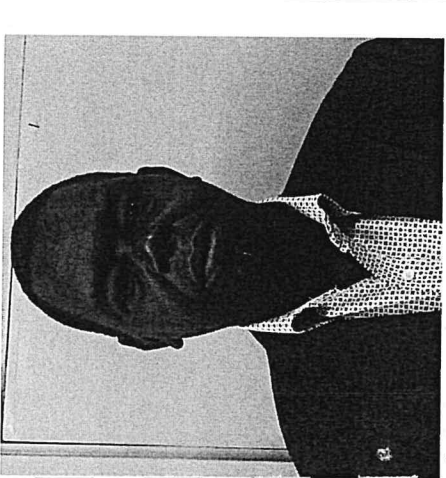
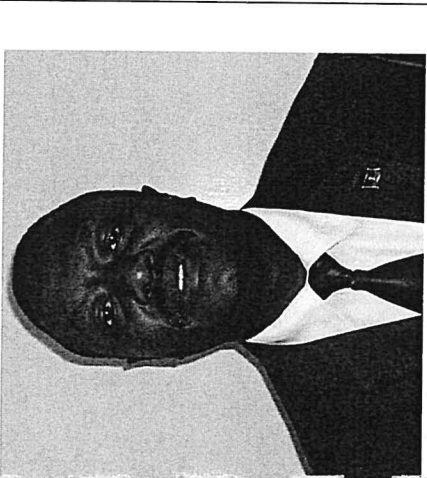
<p><b>CHAIRMAN BOARD OF GOVERNORS</b></p>  <p><b>DR KENNEDY KOECH</b> BDS, MDS (OMFS), FAO –CMF (Munich)</p>	<p>Consultant oral and maxillofacial surgeon. Honorary lecturer, University of Nairobi Kenyatta National Hospital Member International Association of Oral and Maxillofacial Surgeons Member of AO (international association for the study of internal fixation of fractures) – CMF chapter. Part time private practice in oral and maxillofacial surgery.</p>
<p><b>2.MEMBER BOARD OF GOVERNORS OWATE NORMAN WAMBAYI BSC. (HONS); MSC. OGW</b></p> 	<p>Master of Science in Occupational Safety and Health,- University of Aston in Birmingham, U.K. Senior research fellow at Masinde Muliro University of Science and Technology and principal consultant at MICAS limited. Experienced consultant in environment, health and safety (audits, risk assessments and fire safety), and in technical and vocational education and training (policy, strategy and program implementation).</p>
<p><b>3.MEMBER BOARD OF GOVERNORS LABAN KIMUTAI</b> Masters in Hotel and Hospitality Management – Moi University Member’s photo and name</p> 	<p>Masters in Hotel and Hospitality Management – Moi University; Bachelor’s Degree in hotel and hospitality management; Doctor of Philosophy in Hotel and Hospitality Management on-going at Moi University. Previously worked at Eldoret club as the club secretary/manager, Sirikwa Hotel and Kenya Utalii hotel. Has extensive experience in management and supervision.</p> <p>Member’s brief</p>

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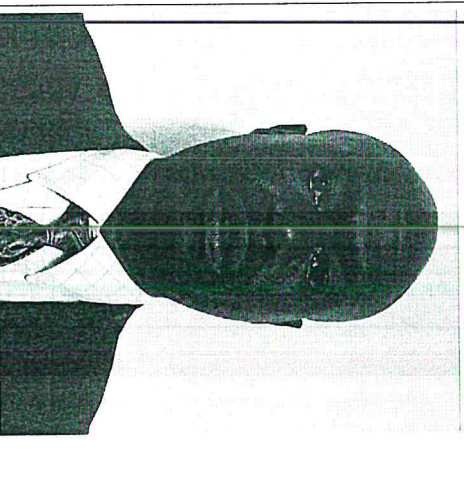
<p><b>4.MEMBER</b></p>  <p><b>GOVERNORS</b> <b>SYLVESTER KIGEN</b> BACHELOR OF COMMERCE</p>	<p><b>BOARD</b></p>	<p><b>OF</b></p>	<p>Bachelor of Commerce from Rani Durgavati University, Jabalpur, India. Also holds a diploma in marketing management. Currently working as director High Plateau Limited dealing with property management and land brokerage. Previously worked for Coca-Cola company, Eldoret in various positions and finally as the area sales manager. Has vast experience in coaching, mentoring, training and development of sales teams.</p>
<p><b>5.MEMBER</b></p>  <p><b>GOVERNORS</b></p>	<p><b>BOARD</b></p>	<p><b>OF</b></p>	<p>B.ED (Arts) Kenya University HND – NHR Institute of Human Resources MA HRM Cardeen University Currently working for Afrigue Consult Limited as consultant on management, operations and human resource management. Also a trainer in leadership skills, change management and soft skills. Previously worked at General Motors East Africa as a team leader in the human resource department.</p>
<p><b>6.MEMBER</b></p>  <p><b>GOVERNORS</b> <b>ENG. KIMAIYO K. BARNABAS</b> MA(CONSTRUCTION MANAGEMENT)</p>	<p><b>BOARD</b></p>	<p><b>OF</b></p>	<p>BSC Civil Engineering (Hons), MA (Construction Management) Currently working for Lee Construction Company Limited as a technical manager. Has over 15 years' experience in construction industry in such areas as road construction, dams, irrigation projects, water supply and green energy sector.</p>

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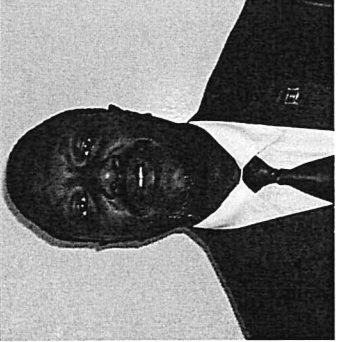


<p><b>7.MEMBER OF BOARD OF</b></p>	 <p><b>GOVERNORS CICILY MUTITU MURIUKI BACHELOR OF LAW (LLB)</b></p>	<p>Bachelor of Law (LLB) Currently working as lawyer with S. Ndung'u Company Advocates-Commissioner for Oaths and Notaries Public. Also trained in international computer driving license and international telephone operations. Previously worked for Kenya Post and Telecommunications Corporation, Telkom Kenya, Ronroy supplies as a supply chain manager and Sixty Supermarkets and convenience stores as operations manager.</p>
<p><b>8.MEMBER OF BOARD OF</b></p>	 <p><b>GOVERNORS MICHAEL KIBIWOT RUGUT</b></p>	<p>County Director TVET – North Rift Region, Ministry of Education Science and Technology. In charge of TVET affairs in six counties namely; Uasin Gishu, Trans Nzoia, West Pokot, Elgeiyo Marakwet, Turkana and Samburu. Previously worked with the ministry of public works as a senior lecturer of mechanical engineering at KIHBT. Also worked at the National Youth Service as a mechanical engineer from 1992 to 2002.</p>
<p><b>9.CHIEF PRINCIPAL/SECRETARY TO THE BOARD OF GOVERNORS</b></p>	 <p><b>DR. EDWIN M. TARNO, PhD, HSC, FEnv. PhD – Organizational Development and Transformation (ODT)</b></p>	<p>PhD – Organizational Development and Transformation (ODT) from CEBU Doctors University, Philippines; MBA, entrepreneurship and marketing; HDIP, entrepreneurship development, Dip Technical Education. Currently the Chief Principal Rift Valley Technical Training Institute. Previously Principal Kaiboi Technical Training Institute from 2004 to 2008. Trustee Kenya Association of Technical Training Institutes (KATTI) Board member, Kenya Universities and Colleges Central Placement Services (KUCCPS). Trustee, Commonwealth Association of Polytechnics in Africa (CAPA)</p>

*Rift Valley Technical Training Institute (RVTTI)*

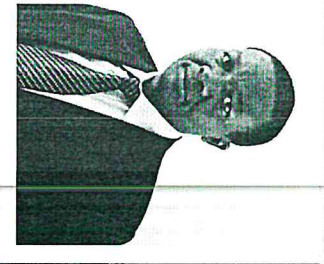
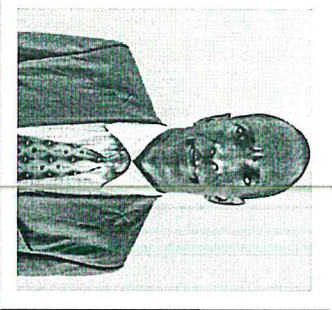

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10. MEMBER	BOARD	OF
		
<b>GOVERNORS</b> <b>ISAAC KIPRUTO KEROR</b> M.PHIL. Development Studies		<p>PHD on-going in Environmental Economics at University of Eldoret, M.Phil in Development studies, B.Ed: Economics and Geography (hons). Currently working as a lecturer in School of Human Resource Management, University of Eldoret and the School's representative of Quality Assurance. Also working as coordinator School of human resource town campus. Previously worked as acting associate Dean, School of Social Science, Mt. Kenya University, Eldoret campus, HOD Economics and development studies, Mt. Kenya University Eldoret Campus, part time lecturing at University of East Africa, Baraton, Chepkoiel University college and Moi University. Is experienced and update on the contemporary issues in Education, development, environment and related issues.</p>

III. MANAGEMENT TEAM

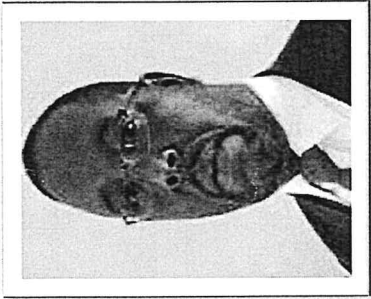
 <p><b>Chief Principal/Secretary To The Board Of Governors</b> <b>DR. EDWIN M. TARNO, PhD, HSC, FEnv.</b> PhD – Organizational Development and Transformation (ODT) Deputy Principal Administration</p>	<p>Running of day to day activities of the institution both academic and non-academic. Management of institute assets.</p>
 <p><b>Florah Mossop</b> B.ed Writing and Office Management Kampala International University</p>	<p>In charge of administration and Finance</p>
<p><b>DEPUTY PRINCIPAL ACADEMICS</b></p>  <p><b>James Chege</b> MBM (Moi Univ. ), BBM (Moi Uni.), Dip. Technical Edn (KTTC)</p>	<p>In Charge of all Academic activities including teaching staff</p>
<p><b>REGISTRAR</b></p>	<ul style="list-style-type: none"> <li>• Admissions</li> <li>• Marketing and Recruitment</li> <li>• Records - Academic</li> </ul>

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 <p>John Kikwai M.Ed (Mechanical &amp; Automotive Engineering – Moi University) B.Ed (Technology Education – Moi University)</p>	<p>- Examination - Graduation</p>
<p>Dean of students</p>  <p>B.Ed (Technology Education – Moi University Idd Faraj</p>	<p>In Charge of Students Affairs</p>
<p>Head of Finance</p>  <p>James K. Kimaiyo B.BM Accounting option Moi University, CPA K, Ongoing MBA UOE</p>	<p>In charge of institute financial/non-financial matters.</p>

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Head of Procurement



Charles Koech  
MCom. (Gwaliar University- India),  
BCom (Gwaliar University- India), Dip.  
Supply Chain Mgt, CPSP-K - Ongoing

In charge of all supplies and procurement processes

*Rift Valley Technical Training Institute (RVTTI)*

*Annual report for the year ended 30 June 2020*

**IV. CHAIRMAN'S STATEMENT**

I have the pleasure to present an overview of the Rift Valley Technical Training Institute performance for the year ended 30 June 2020. Notwithstanding the many challenges facing the institute's operating environment, especially the presence and continuous entry of the new funded Technical and Vocational Colleges by the National Government in every constituency, Rift Valley Technical Training Institute remains as a leader in the TVET Sector and continues through continuous improvements in implementation and focus on its mission and Objectives.

**Governance**

We have focused to position the Rift Valley technical Training Institute as a Centre of Excellence on TVET training research and innovation and policy formulation to promote highly and advanced technical trained manpower in the various fields as part of the institute's contribution towards the achievement of Vision 2030.

**Financial Policies**

During the year ended 30 June 2020, the Rift Valley Technical Training Institute was mainly funded through the Government capitation (25.86%) and own generated revenue (74.14 %) for its recurrent expenditure.

I wish to finally thank the government of Kenya, Board of Governance, Management and staff for their dedication and participation over the year in striving to make Rift Valley Technical Training Institute a World class institute for the advancement of humanity.



**Eng. Prof. David K. Some**

Chairman, Board of Governors  
Rift Valley Technical Training Institute



**V. REPORT OF THE CHIEF PRINCIPAL**


As a technical institute, the institution is well placed to provide adequate and relevant knowledge to its graduates that will enable them contribute towards the attainment of our country's vision 2030 strategic objectives and supporting the drive in realizing the objectives of the national government " Big Four Agenda".

In furtherance of our mandate therefore, we have committed ourselves to consistently and regularly review, improve and consolidate our academic programmes in several ways that will ensure their competitiveness in terms of quality and relevance in varied job markets/industries. With the guidance of the governing executive board, we worked hard in setting up structures and policies aimed at guiding the institution in the right strategic direction. We have been able to attain and comply with the ISO 9001-2015 certifications. Under my leadership and the overall direction of the Institute governing board, we were also able to be on the forefront in ensuring that the financial resources were utilised efficiently and effectively for the optimum output. Despite the numerous challenges brought about by the economic constraints, the rift valley technical institute nevertheless continued to discharge its mandate of teaching, research and outreach.

The sources of funding to the institute during the financial period ended 30 June 2020 was internally generated revenue (fees from students) of Kshs.254,225,820 and from the operational grants of Kshs.88,695,000 totalling to Kshs.342,920,820 The recurrent expenditure amounted to Kshs.336,879,208. Therefore, the institute closed the financial year 2019/2020 with a surplus of Kshs.6,041,612. The surplus is attributed to the prudent spending measures and controls put in place.

The Institute being one of the national centres of excellence, the institution desires to enhance its visibility, performance and competitiveness in the tertiary education sector in the face of stiff competition. To do so, however the technical institute requires a lot of support from the national government and other stakeholders in this crucial transitional stage to international centre of excellence in TVET in east and central Africa in terms of funding, material support and other contributions. We shall continue to appeal to such support for several years to come.

On behalf of the Rift valley technical training institute governing board and entire management, I take this opportunity to thank the national government for its unequivocal support during this financial year under review. I also appreciate the financial, material support from our collaborations, partners and friends during the period ended 30 June 2020. It is because of this co-operation with the national government through the ministry of education, other stake holders and more importantly guidance of the governing board steered by the able chairman of the board as well as the mutual co-operation of the management team, all staff and our students that we ended the financial year within an environment of team work, peace and stability. I wish to register my gratitude to all. I look forward to their continued support in new financial year 2020/2021 and the subsequent periods ahead.



**Mr Isaac Bwamkok**  
Chief Principal/Secretary BoG



**VI. REVIEW OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020**

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.

The institute has 11 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019-2022/2023. These strategic pillars are as follows:

Pillar 1: Curriculum implementation and development

Pillar 2: Facilities & infrastructure

Pillar 3: Human resource

Pillar 4: Enrolment and tracer studies

Pillar 5: Resource mobilization

Pillar 6: Linkages, partnerships and networking

Pillar 7: Governance

Pillar 8: Student welfare

Pillar 9: Research, innovation and development

Pillar 10: ICT integration

Pillar 11: Education and sustainable development

The institute develops its annual work plans based on the above 11 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 11 strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar 1: Curriculum implementation and development	To increase and diversify number of courses offered in RVTTI	Number of courses offered Number of accredited and licensed courses	Acquire approved course syllabi Obtain accreditation and licensing from legal and regulatory bodies Promote flexible and blended learning Introduce virtual learning	
Pillar 2: Facilities & infrastructure	To upgrade the institute facilities and infrastructure	Number of renovations and expanded facilities maintenance reports	Renovate existing facilities Improve the existing pathways	
Pillar 3: Human resource	To recruit and upgrade and maintain qualified staff	Number of qualified staff recruited Reviewed terms and conditions of service Number of staff appraised	Conduct competitive recruitment of non-teaching staff Review terms and conditions of service Appraise staff annually	
Pillar 4: Enrolment and tracer studies	To optimise student enrolment	Carrying capacity report Evidence of marketing enrolment statistics	Monitor the optimum capacity per course Carry out continuous marketing to maintain visibility	

**Rift Valley Technical Training Institute (RVTTI)**

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
		Number of online courses	Increase the enrolment by 500 students annually to achieve student population of 7500 by 2023 Commence online courses and progressively enrol 300 students per year to have a student population of 1500 on online training by the end of the SP period	
Pillar 5: Resource mobilization	To identify and secure and manage financial resources efficiently and effectively	Audit reports Accounts statement Progress reports	Lobby National and county governments for additional funds Expansion of income generating activities Lobby for funding from international Donors partners and industry	
Pillar 6: Linkages, partnerships and networking	To strengthening and enlarge linkages with strategic partners nationally and internationally	Number of established linkages	Establish partnerships with industrial organizations to explore ways of putting into use technologies or innovations that have been developed Establish linkages with research institutes to conduct joint research in various fields Liaising with industry to provide attachment and internships for students	
Pillar 7: Governance	To maintain and continually improve principles of good governance	Adaptative structure adopted and personnel deployed Job descriptions and Job evaluations established	Review organizational structure to make it responsive to the emerging trends Develop job descriptions and job specifications Make appointments of staff on merit Conduct job evaluations Sensitize staff on issues of administration	
Pillar 8: Student welfare	To enhance the students training experience	Number of playing fields Number of indoor sports facilities New bus purchased	Upgrading of the playing fields Increase number of indoor sport facilities Purchase of a third 62 seater bus	

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 9: Research, innovation and development	To enhance research over the planned period	Funding agreements Number of funding agencies identified Number of research awards	Liaise with NACOSTI for research Identify potential external funding agencies	
Pillar 10: ICT integration	To integrate ICT in management and teaching-learning	Audit reports of Number of computers Range of application software Number and quality of CTTV Camera points	Conduct a systems audit of existing ICT infrastructure Acquisition and installation of requisite hardware Acquisition development of application and supportive software Expand and improve on existing CCTV network Expand internet bandwidth based on usage and demand Expand wi-fi coverage to the entire institute compound	
Pillar 11: Education and sustainable development	Managing the campus to strengthen operational sustainability mechanisms	Reports on sustainability practices Number of green spaces created and maintained	Identify spaces or activities that contribute to deterioration /unsustainable use Determine ways to transform spaces into green spaces or activities into green practices Develop sustainability plan for newly created green spaces and practices Deploy materials and services that help maintain these green spaces and practices Develop a monitoring and assessment scheme to measure improvements	

*Rift Valley Technical Training Institute (RVTTI)*  
*Annual report for the year ended 30 June 2020*

**VII. MANAGEMENT DISCUSSION AND ANALYSIS**

**Operational and Financial Performance**

Rift Valley Technical Training Institute realized total revenue of ksh.342,920,820.00 composed of revenue from non-exchange transactions of Kshs.88,695,000 and revenue from exchange transactions Kshs.254,225,820. Expenditure for the same period stood at Kshs.336,879,208. Therefore the institute managed to close the period with a surplus of Kshs.6,041,612.

RVTTI promotes and facilitates Quality education in technical training in Kenya this mandate has continued to be delivered in the year. RVTTI is in a strong cash flow position capable of meeting its obligations as they fall due.

**Compliance with statutory requirements**

RVTTI is in compliance with all statutory obligations including but not limited to: remittances of PAYE, NHIF, NSSF, VAT, HELB and Withholding tax within the stipulated deadlines.

**Key projects being implemented**

The Virtual Learning center is the major project being implemented at RVTTI  
The project is funded By Gok and RVTTI.

**Financial probity and serious governance issues**

There are no issues of financial improbity reported by any board committee or by external auditors. There are no governance issues and no undisclosed conflicts of interest at the Board or top management of the Institute.

## **VIII. CORPORATE GOVERNANCE STATEMENT**

RVTTI Board is committed to the values and principles of good corporate governance. Good corporate governance requires that the Board of Governors must govern the Corporation with integrity and enterprise in a manner which entrenches and enhances the mandate it has under Tvet Act to operate

The Board of Governors are given appropriate information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day to day business to the Principal and Top management. The Board nonetheless retains oversight responsibility for establishing and maintaining the control of financial, operational and compliance issues. The Board of Management of RVTTI regard corporate governance as vital to the successes of the Institute and are unreservedly committed to ensuring that good corporate governance is practiced so that RVTTI remains a sustainable and viable institution for providing Quality education services

### **Composition of the Board**

The current board consists of 9 directors drawn from the professional bodies, resident communities and Representative from the County Government of Uasin Gishu. Their nominations are ratified during the Annual Board meeting for a three year term renewable once. The Chairman of the Board is appointed during the Board first meeting after the annual meeting. New members joining the board are inducted on Institute's operations and also trained adequately to enable them execute their mandate effectively.

### **Board Diversity**

The Board is constituted by members who have a good mix of skills, experience and competencies in various fields such as ICT, Finance, Human Resource, Business, and Engineering. The Institute Quality technical 's mandate is to provide quality technical Education. The Institute has three (2) female board members out of nine (9) and therefore meets the constitutional threshold of being gender balance.

### **Roles and Responsibilities of Board of Governors**

The roles and responsibilities of members are outlined in the Institute's Board Charter

### **Board attendance**

Best practice requires that every Board member attends a minimum of 75% of all Board meetings. The full Board of Directors meets at least four times a year as per the guidelines Board Charter. Special Board meetings are held to deliberate on emerging issues. The decisions of the Board are collective.

### **Conflict of interest and declaration of interest**

The Board have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the RVTTI. All transactions with all parties, directors or their related parties are carried out at arm's length. Board members are obligated to disclose to the Board any real or potential conflict of interest, which may come to their attention whether direct or indirect.

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**Board Charter**

RVTTI has a Board Charter. It outlines powers and responsibilities of the Board and its members, appointment, remuneration, terms of the Board members, conduct of meetings, Committee ‘terms of reference, conflict of interest among others.

The Rift Valley Technical Training Institute is committed to good corporate governance, which promotes the long-term interests of the Government of Kenya and any other stakeholder, strengthens Board of Governors and management accountability and helps build public trust in the institute.

The Board of Governors is appointed by the Government of Kenya through the Cabinet Secretary, Ministry of Education, science and technology to oversee their interest in the long-term health and the overall success of the business and its financial strength in order to discharge its mandate in training. The Board of Governors serves as the ultimate decision making body of the institute, except for those matters reserved to or shared with the Government of Kenya. The Board of Governors selects and oversees the members of senior management, who are charged by the Board of Governors with conducting the business of the institute in line with the Technical, Vocational, Education & Training Act of 2013 and the constitution of the Republic of Kenya.

The Board of Governors has established Corporate Governance Guidelines which provide a framework for the effective governance of the institute. The guidelines address matters such as the Governing board Vision and mission, overall strategy, members’ responsibilities, Board of Governors committee structure, recommendation of the Principal, Over-sighting the performance and evaluation of management. The Board of Governors regularly reviews developments in corporate governance and updates the Corporate Governance Guidelines and other governance materials as it deems necessary and appropriate.

The institute’s corporate governance materials, including the Corporate Governance Guidelines, the institute’s legal order, the terms and reference for each Board of Governors committee, the institute’s Codes of Business Conduct, information about how to report concerns about the institute and the institute’s public policy engagement and technological contributions policy, can be accessed by visiting the institute’s website: [www.rvti.ac.ke](http://www.rvti.ac.ke).



**IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

The Rift Valley Technical Training Institute strategy for social responsibility includes a commitment to pursue change across the following priority areas:

- **Research with impact**

Our research is making a positive difference to society, addressing the major challenges of the 21st century.

- **Socially responsible graduates**

Our graduates are learning to exercise ethical, social and environmental responsibility.

- **Engaging our communities**

Our events and activities are harnessing our knowledge, resources and visitor attractions for the benefit of our communities.

- **Responsible processes**

Our processes are balancing efficiency with opportunities to create social and environmental benefit.

- **Environmental sustainability**

Our research, teaching and activities are guided by our commitment to environmental sustainability.

We also have a number of Technological areas for our research, teaching, community engagement and processes, allowing us to focus and measure our efforts in making a difference to society.

*Rift Valley Technical Training Institute (RVTTI)*  
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**X. REPORT OF THE BOARD OF GOVERNORS**

The Board of Governors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Rift Valley Technical Training Institute's affairs.

**Principal activities**

The principal activities of the Rift Valley Technical Training Institute are:

- (f) To offer Quality Technical, and Vocational Education and Training
- (g) Introduce, review and alter programs so as to provide and promote lifelong education and training
- (h) Contribute to industrial and technological development in Kenya through Competence Based Education and Training (CBET)
- (i) Promote and participate in technological innovation and in the discovery, transmission and enhancement of knowledge for economic social, cultural, scientific and technological development
- (j) Advance knowledge and its practical application by research and the dissemination of outcomes of research by various means and the commercial exploitation of research results

**Results**

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


**Board of Governors**

The members of the board of governors who served during the year are shown on page vi-ix in accordance with the appointments made then by the Cabinet Secretary, Ministry of Education, Science & Technology.

**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 of Governors



Principal/BoG Secretary

Date:.....

**XI. STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITIES**

Public Finance Management Act 2012 Section 81(1), requires the Board of Governors to prepare financial statement in respect of the Institute, which gives 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 of Governors is responsible for the preparation and presentation of the Institutes 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 year (period) ended on 30 June, 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 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 misstatement, whether due to error or fraud.
- (iv) Safeguarding the assets of the Institute
- (v) Selecting and applying appropriate accounting policies.
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Board of Governors 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 the TVET Act. The council 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, 2020, and of the institute’s financial position as at that date. The Board of governors 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 Institute to indicate that the Institute will not remain as going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements.**

The Institutes financial statements were approved by the Board of Governors on 28 September, 2020 and signed on its behalf by:



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Eng Prof. David K. Some  
Chairman, Board of Governors



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Mr. Isaac Bwambok  
Chief Principal/Secretary BoG

*Rift Valley Technical Training Institute (RVTTI)*

*Annual report for the year ended 30 June 2020*

**XII. REPORT OF THE AUDITOR-GENERAL ON THE RIFT VALLEY TECHNICAL INSTITUTE TRAINING**



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

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Rift Valley Technical Training Institute set out on pages 1 to 40, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, 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 the Rift Valley 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 comply with the Technical and Vocational Education and Training Act, 2013.

#### Basis for Qualified Opinion

##### 1.0 Unsupported Property Plant and Equipment

As disclosed in Note 16 to the financial statements, the statement of financial position reflects property, plant and equipment of Kshs.1,784,269,955 as at 30 June, 2020. However, included in the property plant and equipment balance is work in progress amounting to Kshs.31,713,331 whose contract documents and interim certificates for work in progress were not provided. No explanation was provided for failure to complete the work in progress which has remained the same as the previous year (2018-2019).

In addition, the property plant and equipment balance includes additions of Kshs.29,511,581. Included in additions is a balance of Kshs.10,457,850 in respect of procured motor vehicles. However, motor vehicle procurement documents were not provided.

In the circumstances, the accuracy and validity of the property, plant and equipment balance of Kshs.1,784,269,955 as at 30 June, 2020 could not be confirmed.

## **2.0 Unreconciled Cash and Cash Equivalents**

As disclosed in Note 12 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs.58,919,550 as at 30 June, 2020 which is at variance with reconciled cash book balance of Kshs.51,026,635 resulting to unexplained or unreconciled variance of Kshs.7,892,915.

Further, stale cheques amounting to Kshs.651,968 had not been reversed and cheques amounting to Kshs.5,621,009 were unrepresented.

Consequently, the accuracy and completeness of cash and cash equivalents of Kshs.58,919,550 as at 30 June, 2020 could not be confirmed.

## **3.0 Misstated Employee Costs**

As disclosed in Note 7 to the financial statements, the statement of financial performance reflects employee costs of Kshs.56,581,099 for the year ended 30 June, 2020. A review of the supporting schedule reflected expenses of Kshs.7,473,999 not related to employee costs.

Consequently, the accuracy and completeness of employee costs of Kshs.56,581,099 as at 30 June, 2020 could not be confirmed.

## **4.0 Unsupported Receivables from Exchange Transactions**

As disclosed in Note 13 to the financial statements, the statement of financial position reflects receivables from exchange transactions amounting to Kshs.114,462,848 as at 30 June, 2020. The comparative balance reflects an amount of Kshs.38,917,889 therefore indicating an increase of Kshs.75,544,939 or 64% in the year under review. Further, the receivables include examination debtors of Kshs.45,678,818 which were not supported. In addition, the management did not provide a debtor's policy and aging analysis.

In the circumstances, the accuracy and completeness of receivables from exchange transactions of Kshs.114,462,848 as at 30 June, 2020 could not be confirmed.

## **5.0 Trade and Other Payables from Exchange Transactions**

As disclosed in Note 17 to the financial statements, the statement of financial position reflects trade and other payables from exchange transactions of Kshs.11,911,051 as at 30 June,2020. However, the list of creditors provided supported payables totaling to Kshs.18,143,399 resulting to unexplained variance of Kshs.6,232,348. Further, procurement records to support the creditors bills of Kshs.11,911,734 were not provided.

In the circumstances, the validity, accuracy, and completeness of trade and other payables balance of Kshs.11,911,051 as at 30 June, 2020 could not be confirmed.

#### **6.0 Refundable Customer Deposits**

As disclosed in Note 18 to the financial statements, the statement of financial position reflects refundable deposits from customers of Kshs.12,181,030 as at 30 June, 2020. However, customer deposits amounting to Kshs.7,880,616 were not supported by detailed schedules. Further, the Management did not maintain a separate bank account for the customers deposits.

In the circumstances, the accuracy, completeness and existence of the customers deposits of Kshs.12,181,030 as at 30 June, 2020 could not be confirmed.

#### **7.0 Inventories**

As disclosed in Note 15 to the financial statements, the statement of financial position reflects inventories balance of Kshs.800,500 as at 30 June, 2020. The institutions summary of accounting policies number i) on inventories indicates that inventories are measured at lower of cost and net realizable value. However, the costs and the net realizable values have not been provided.

In addition, a stock take report as at 30 June, 2020 was not provided.

Consequently, the accuracy and completeness of inventories balance of Kshs.800,500 as at 30 June, 2020 could not be confirmed.

#### **8.0 Rental Revenue from Facilities and Equipment**

As disclosed in Note 4 to the financial statements, the statement of financial performance reflects rental revenue from facilities and equipment balance of Kshs.938,481 as at 30 June, 2020. However, lease agreements were not provided.

Consequently, the validity and occurrence of rental revenue of Kshs.938,481 as at 30 June, 2020 could not be confirmed.

#### **9.0 Teachers Allowances Charged to Training Expenses**

As disclosed in Note 6 to the financial statements, the statement of financial performance for the year ended 30 June, 2020 reflects Kshs.192,244,549 in respect of Use of Goods and Services. Included in this balance is an amount of Kshs.43,471,328 relating to training expenses. Included in the training expenses are allowances paid to teachers amounting to Kshs.14,418,786 which should form part of personnel emoluments. Further, the payments were not supported and not budgeted.

Consequently, the validity of Teachers' allowances amounting to Kshs.14,418,786 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Rift Valley 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. Except for the matter(s) described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

#### **Other Matter**

#### **Lack of Approved Budget**

The statement of comparison of budget and actual amounts for year ended 2020 reflects income of Kshs.342,920,820 and total payments of Kshs.336,879,208 for the year ended 30 June 2019. However, the management did not provide the approved budget contrary to paragraph 22 of the Second schedule of the Technical and Vocational Education and Training Act 2013 which stipulates that Board of Governors may incur expenditure for the purpose of the institution in accordance with the estimates approved by the Cabinet Secretary, and any approved expenditure under any head of the estimates may not be exceeded without the prior approval of the Cabinet Secretary.

The Management of the Institute is in breach of the law and the validity of the payments amounting to Kshs. 336,879,208 as at 30 June, 2020 could not be confirmed.

#### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources/ Qualified Opinion section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

#### **Basis for Conclusion**

#### **Staff Establishment**

A review of the staff establishment provided indicated that the institute has an approved staff establishment that excluded positions currently held by 131 staff deployed by Public



Service Commission. As a result, the staff establishment do not show the optimal staffing levels of the institute.

In the absence of approved staff establishment, the institution may not be able to determine the optimum size of personnel establishment to discharge services to the stakeholders of the institute.

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**

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

### **Basis for Conclusion**

#### **1.0 Risk Management Policy**

The Rift Valley Technical Training Institute lacks a risk management policy, risk management strategies and a system of risk management to enable them develop appropriate risk strategies in order to improve on effective and efficient management of public resources. This is in contravention of the requirement of the Treasury Circular No. 3/2009 of 23 February, 2009 which provides for a broad policy framework for developing and implementing customized risk management strategies in public institutions. Further, the circular required all heads of Public Institutions to develop and implement a Risk Management Framework as a fundamental step towards establishing an accountable and innovative public service. The circular requires that all Public Institutions develop an institutional Risk Management Policy Framework (IRMPF). The circular also requires accounting officers to put in place structures and systems to manage their identified risks, considering their legal obligations, policy decisions, business objectives and public sector expectations.

Failure to develop a risk management policy exposes the Institute and in the event of a risk, there may not be strategies to counter that risk.

#### **2.0 Lack of IT Policy**

A review of (ICT) Internal Control Environment during the year revealed that the Institute did not have an IT strategic plan and steering committee which could provide guidance

to IT-related decision-making processes, with IT task prioritized and implemented using the plan as a framework. The Institute did not produce the minutes of the strategic committee meetings. In addition, the management has no back-up data stored in an off-site location and therefore in case of any interruptions the Institute might not recover vital data. This may affect the business-continuity and recovery plan. No reasons or explanation has been provided for failure to have an IT Strategic plan and back-up data in an off-site location.

In the absence of a back-up in an off-site location, there is the risk of the operations coming to a complete shut down in the event of a disaster.

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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Rift Valley Technical Training Institute ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the National Government either intends 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.

Those charged with governance are responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation

to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

10 February, 2022

**Rift Valley Technical Training Institute (RVTTI)**  
**Financial Statement for the year ended 30 June 2020**

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

	Notes	2019-2020 Kshs	2018-2019 Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the National Government – grants/ gifts in kind	1	88,695,000	147,570,000
Grants from donors and development partners		-	-
Transfers from other levels of government		-	-
Public contributions and donations		-	-
		<b>88,695,000</b>	<b>147,570,000</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Fees from students	2	247,897,425	233,375,161
Sale of goods	3	-	429,607
Rental revenue from facilities and equipment	4	938,481	646,843
Finance income - external investments		-	-
Other income	5	5,389,914	626,816
		<b>254,225,820</b>	<b>235,078,427</b>
<b>Revenue from exchange transactions</b>		<b>254,225,820</b>	<b>235,078,427</b>
<b>Total revenue</b>		<b>342,920,820</b>	<b>382,648,427</b>
<b>Expenses</b>			
Use of goods and services	6	192,244,549	200,143,103
Employee costs	7	56,581,099	39,471,147
Remuneration of directors	8	2,873,800	1,706,000
Depreciation and amortization expense	9	47,634,214	35,641,904
Repairs and maintenance	10	29,937,167	23,608,325
Contracted services	11	7,608,379	-
Grants and subsidies		-	-
Finance costs		-	-
		<b>336,879,208</b>	<b>300,507,479</b>
<b>Total expenses</b>		<b>336,879,208</b>	<b>300,507,479</b>
<b>Other gains/(losses)</b>			
Gain on sale of assets		-	0
Unrealized gain on fair value of investments		-	0
Impairment loss		-	0
		-	0
<b>Total other gains/(losses)</b>		-	0
<b>Net Surplus for the year</b>		<b>6,041,612</b>	<b>82,077,948</b>
Attributable to:			
Surplus/(deficit) attributable to minority interest			
Surplus attributable to owners of the controlling entity			

The notes set out on pages 20 to 40 form an integral part of the Annual Financial Statements.



*Rift Valley Technical Training Institute (RVTTI)*  
*Financial Statement for the year ended 30 June 2020*

**XIV. STATEMENT OF FINANCIAL POSITION AS AT JUNE 2020**

	Notes	2019-2020 Kshs	2018-2019 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	58,919,550	90,747,058
Current portion of receivables from exchange transactions	13	114,462,848	38,917,889
Receivables from non-exchange transactions	14	29,565,000	73,785,000
Inventories	15	800,500	2,100,000
Investments		-	-
<b>Non-current assets</b>		<b>203,747,898</b>	<b>205,549,947</b>
Property, plant and equipment	16	1,784,269,955	1,753,433,096
Intangible assets		-	-
Investment property		-	-
Long term receivables from exchange transactions		-	-
<b>Total Non-current Assets</b>		<b>1,784,269,955</b>	<b>1,753,433,096</b>
<b>Total assets</b>		<b>1,988,017,853</b>	<b>1,958,983,043</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17	11,911,051	18,142,734
Refundable deposits from customers	18	12,181,030	4,350,414
Provisions		-	-
Finance lease obligation		-	-
Current portion of borrowings		-	-
Deferred income	19	24,452,883	-
Employee benefit obligation		-	-
Payments received in advance	20	-	3,058,618
<b>Total Current Liabilities</b>		<b>48,544,964</b>	<b>25,551,766</b>
<b>Non-current liabilities</b>			
Non-current employee benefit obligation		-	-
Non-current provisions		-	-
Borrowings		-	-
<b>Total Non-current Liabilities</b>			
<b>Total liabilities</b>		<b>48,544,964</b>	<b>25,551,766</b>
<b>Capital and Reserves</b>			
Reserves		56,497,876	56,497,876
Accumulated surplus		131,221,263	125,179,651
Capital Fund		1,751,753,750	1,751,753,750
<b>Total Capital and Reserves</b>		<b>1,939,472,889</b>	<b>1,933,431,277</b>
<b>Total Liabilities and Capital &amp; Reserves</b>		<b>1,988,017,853</b>	<b>1,958,983,043</b>

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: 20/5/2021



Finance Officer, 14818

ICPAK No  
Date: 20/5/2021



Principal

Date: 20/5/2021





*Rift Valley Technical Training Institute (RVTTI)*  
*Financial Statement for the year ended 30 June 2020*

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

	Reserve	Accumulated surplus	Capital Fund	Capital/ Development Grants/Fund	Total
Balance B/f as at 1 July 2018	-	43,101,703	1,751,753,750		1,794,855,453
Revaluation Gain	56,497,876	-			56,497,876
Fair value adjustments on Quoted investments	-	-	-	-	-
Surplus for the year	-	82,077,948	-	-	82,077,948
Capital/Development Grants	-	-	-	-	-
Transfer of depreciation/amortization from capital fund to retained earnings					-
<b>Balance c/d as at 30 June 2019</b>	<b>56,497,876</b>	<b>125,179,651</b>	<b>1,751,753,750</b>	<b>-</b>	<b>1,933,431,277</b>
<b>Balance B/d as at 1 July 2019</b>	<b>56,497,876</b>	<b>125,179,651</b>	<b>1,751,753,750</b>	<b>-</b>	<b>1,933,431,277</b>
Revaluation gain					
Fair value adjustment on quoted investments					
Capital/Development grants received during the year					
Transfer of depreciation/amortisation from capital fund to retained earnings					
<b>Surplus for the year</b>	<b>-</b>	<b>6,041,612</b>	<b>-</b>	<b>-</b>	<b>6,041,612</b>
<b>Balance C/d as at June 30, 2020</b>	<b>56,497,876</b>	<b>131,221,263</b>	<b>1,751,753,750</b>	<b>-</b>	<b>1,939,472,889</b>



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

	Note	2019-2020 Kshs	2018-2019 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other Government entities/Govt. grants	1	88,695,000	147,570,000
Public contributions and donations			
Rendering of services- Fees from students	2	247,897,425	233,375,161
Sale of goods	3	-	429,607
Rental revenue from facilities and equipment	4	938,481	646,843
Other income, rentals and agency fees	5	5,389,914	626,816
<b>Total Receipts</b>		<b>342,920,820</b>	<b>382,648,427</b>
<b>Payments</b>			
Compensation of employees			
Use of goods and services	6	192,244,549	
Employee cost	7	56,581,099	39,471,147
Remuneration of directors	8	2,873,800	1,706,000
Repair and maintenance	10	29,937,167	23,608,325
Contracted services	11	7,608,379	-
General expenses		-	200,143,103
<b>Total Payments</b>		<b>289,244,994</b>	<b>264,928,575</b>
<b>Net cash flows from operating activities</b>		<b>53,675,826</b>	<b>117,719,852</b>
<b>Cash flows from investing activities</b>			
Increase in receivable from exchange transactions	13	(28,548,061.)	(22,269,382)
Increase in receivable from non-exchange transactions	14	22,655,000	(73,785,000)
Increase in inventories	15	(1,299,500)	(2,100,000)
Purchase of property	16	(10,457,850)	
Purchase of Furniture	16	(2,340,400)	
Increase in trade and other payables	17	(6,231,683)	6,983,211
Decrease in Refundable deposits	18	4,374,176	(545,040)
<b>Net cash flows used in investing activities</b>		<b>(21,848,318)</b>	<b>(69,446,829)</b>
<b>Cash flows from financing activities</b>			
Increase in deposits		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>31,827,508</b>	<b>48,273,023</b>
Cash and cash equivalents at 1 JULY 2019		90,747,058	48,238,885
<b>Cash and cash equivalents at 30 JUNE 2020</b>	12	<b>58,919,550</b>	<b>42,508,173</b>
<b>Cash and cash equivalents as per the Balance sheet</b>		<b>58,919,550</b>	<b>90,747,058</b>

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XVII. 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
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Transfers from other Govt entities Govt grants	159,000,000	-	159,000,000	88,695,000	70,305,000
Public contributions and donations	-	-	-	-	-
Rendering of services- Fees from students	156,236,000	-	156,236,000	247,897,425	91,661,425
Income generating units	12,000,000	-	12,000,000	5,389,914	- 6,610,086
Rental Income	948,000	-	948,000	938,481	-9,519
Total Income	328,184,000	-	328,184,000	342,920,820	155,346,820
Expenses					
Compensation of employees	61,056,000	-	61,056,000	56,581,099	4,474,901
Use of Goods and services	229,934,344	-	229,934,344	191,917,599	- 38,016,745
Rent paid	240,000	-	240,000	326,950	- 86,950
Remuneration of directors	2,953,656	-	2,953,656	2,873,800	79,856
Repairs and Maintenance	26,000,000	-	26,000,000	29,937,167	- 3,937,167
Contracted Services	8,000,000	-	8,000,000	7,608,379	391,621
Provision For depreciation				47,634,214	
Total expenditure	328,184,000	-	328,184,000	336,879,208	-33,548,938
Surplus for the period				6,041,612	188,895,758

Notes

1. Transfers from other government units underperformance resulted from non-disbursement of capitation by the ministry.
2. Rendering of services- Fees from students budget was exceeded as a result of increased enrolment.
3. Under utilization in expenses resulted from effects of covid-19 which led to closure of the institution in the final quarter of the financial year

**XVIII. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. 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 (IPSSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in a Note

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

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

**2. 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
<b>IPSSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> 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.

**3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)**

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

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS</p>	<p><b>Applicable: 1st January 2022:</b> a) Amendments to IPSAS 5, to update the guidance related to</p>

*Rift Valley Technical Training Institute (RVTTI)*  
*Summary of Significant Accounting Policies for the year ended 30 June 2020*

Standard	Effective date and impact:
<p>resulting from IPSAS 41, Financial Instruments</p>	<p>the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other Improvements to IPSAS</p>	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>a) 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</p> <p>b) 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</p> <p>c) 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.</p> <p>d) 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.</p>

iii. **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020.



**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

**Rendering of services**

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

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

**Sale of goods**

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

**Interest income**

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

**Dividends**

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**a) Revenue recognition (Continued)**

**ii) Revenue from exchange transactions (continued)**

**Rental income**

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

**b) Budget information**

The original budget for FY 2019/2020 was approved by the Board. There were no revisions to the budget during the year. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

**c) Taxes**

***Current income tax***

The entity is exempt from paying taxes as per schedule of the Act.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Taxes (continued)**

*Sales tax/ Value Added Tax*

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

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

**d) Investment property**

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

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

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

Transfers are made to or from investment property only when there is a change in use.

**e) Property, plant and equipment**

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**f) Leases**

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

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

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

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

**g) Intangible assets**

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

**h) Research and development costs**

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

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

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

*Held-to-maturity*

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

*Impairment of financial assets*

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

#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### i) Financial instruments (Continued)

###### *Financial assets (Continued)*

###### *Impairment of financial assets (Continued)*

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

###### *Financial liabilities*

###### *Initial recognition and measurement*

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

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

###### *Loans and borrowing*

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

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

##### i) Inventories

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

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

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Inventories (Continued)**

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

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

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

**j) Provisions**

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

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

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

***Contingent liabilities***

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

***Contingent assets***

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

*Rift Valley Technical Training Institute (RVTTI)*  
*Summary of Significant Accounting Policies for the year ended 30 June 2020*

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- k) Nature and purpose of reserves**  
The Entity creates and maintains reserves in terms of specific requirements.
- l) Changes in accounting policies and estimates**  
The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.
- m) Employee benefits**  
**Retirement benefit plans**  
The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.  
Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.
- n) Foreign currency transactions**  
Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.
- o) Borrowing costs**  
Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.  
Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.



**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**p) Related parties**

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

**q) Service concession arrangements**

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

**r) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**s) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. The PSASB issued a template for financial reporting. To conform with the changes, the following were reclassified;

<b>Item</b>	<b>Previously classified under</b>	<b>Current classification</b>	<b>Amount</b>
Administration fee	General expense	Use of Goods and services	5,392,091
Conferences and delegations	General expense	Use of Goods and services	5,178,815
Consulting fees	General expense	Use of Goods and services	48,000
Electricity	General expense	Use of Goods and services	8,689,546
Local transport and travel	General expense	Use of Goods and services	20,673,470
Hire charges	General expense	Use of Goods and services	17,405,609
Rent expenses	General expense	Use of Goods and services	54,976
Seminars and conferences	General expense	Use of Goods and services	1,803,998
Examinations	General expense	Use of Goods and services	40,236,510
Training expenses	General expense	Use of Goods and services	99,074,651

*Rift Valley Technical Training Institute (RVTTI)*  
*Summary of Significant Accounting Policies for the year ended 30 June 2020*

Item	Previously classified under	Current classification	Amount
Other			1,585,437
			200,143,103

**t) 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 Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

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

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

*Rift Valley Technical Training Institute (RVTTI)*

*Notes to the Financial Statements for the year ended 30 June 2020*

**XIX. NOTES TO THE FINANCIAL STATEMENTS**

**1. TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

Description	2019-2020 KSHs	2018-2019 KSHs
<b>Unconditional grants</b>		
Operational grant	88,695,000	147,570,000
Other grants		
<b>Conditional grants</b>		
Library grant		
Hostels grant		
Administration block grant		
Laboratory grant		
Learning facilities grant		
Other organizational grants		
<b>Total government grants and subsidies</b>	<b>88,695,000</b>	<b>147,570,000.00</b>

**2. RENDERING OF SERVICES**

Description	2019-2020 KSHs	2018-2019 KSHs
Repairs maintenance and improvement	1,121,009	229,931,272
Tuition fees	170,322,339	1,976,857
Personal emoluments	24,573,942	
Accommodation	2,731,431	
Local transport and travel	3,201,562	1,467,032
Activity fees	4,294,027	
Training materials	37,601,578	
Electricity water and conservancy	4,051,537	
<b>Total revenue rendering of services</b>	<b>247,897,425</b>	<b>233,375,161</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. SALE OF GOODS**

Description	2019-2020 KShs	2018-2019 KShs
<b>Sale of goods</b>		
Sale of books		
Sale of publications		
Sale of farm produce		429,607
Other( include in line with your organisation)		
<b>Total revenue from the sale of goods</b>		<b>429,607</b>

**4. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT**

Description	2019-2020 KShs	2018-2019 KShs
Straight-lined operating lease receipts		
Contingent rentals	938,481	646,843
<b>Total rentals</b>	<b>938,481</b>	<b>646,843</b>

**5. OTHER INCOME**

Description	2019-2020 KShs	2018-2019 KShs
Seminars and workshops	1,269,153	
Driving school	2,173,966	
Auto garage	1,946,795	
Consultancy fee		626,816
<b>Total other income</b>	<b>5,389,914</b>	<b>626,816</b>

**6. USE OF GOODS AND SERVICES**

Description	2019-2020 KShs	2018-2019 KShs
Electricity	7,216,564	8,689,546
Medical	1,101,581	
Attachment and insurance	2,530,636	
Driving school and insurance	8,775,380	
Administration fees	6,506,918	5,392,091
Audit fees		
Conferences and delegations	2,227,903	5,178,815
Consulting fees	-	48,000
Local travel and transport	21,598,453	20,673,470
Activity and sports	2,201,995	
Graduation	3,748,480	

*Rift Valley Technical Training Institute (RVTTI)*  
*Notes to the Financial Statements for the year ended 30 June 2020*

Description	2019-2020 KShs	2018-2019 KShs
Professional services		
Postage		
Insurance	2,530,636	
Hire charges	-	17,405,609
Rent expenses	326,950	54,976
Seminars & conferences	-	1,803,998
Boarding	29,260,975	
Examinations	60,746,750	40,236,510
Training Expenses	43,471,328	99,074,651
Other	-	1,585,437
<b>Total good and services</b>	<b>192,244,549</b>	<b>200,143,103</b>

**7. EMPLOYEE COSTS**

	2019-2020 KShs	2018-2019 KShs
Salaries and wages	56,182,981	36,457,710
Employee related costs - contributions to pensions and medical aids	398,118	3,013,437
Travel, motor car, accommodation, subsistence and other allowances		
Housing benefits and allowances		
Overtime payments		
Performance and other bonuses		
Social contributions		
<b>Total Employee costs</b>	<b>56,581,099</b>	<b>3,013,437</b>

**8. REMUNERATION OF DIRECTORS**

Description	2019-2020 KShs	2018-2019 KShs
Board of management	2,873,800	1,706,000
Directors emoluments		
Other allowances		
<b>Total director emoluments</b>	<b>2,873,800</b>	<b>1,706,000</b>

**9. DEPRECIATION AND AMORTIZATION EXPENSE**

Description	2019-2020 KShs	2018-2019 KShs
Property, plant and equipment	47,634,214	35,641,904
Intangible assets		
Investment property carried at cost		
<b>Total depreciation and amortization</b>	<b>47,634,214</b>	<b>35,641,904</b>

**10 REPAIRS AND MAINTENANCE**

Description	2019-2020 KShs	2018-2019 KShs
Property	29,937,167	23,608,325
Investment property – earning rentals		
Equipment and machinery		
Vehicles		
Furniture and fittings		
Computers and accessories		
Other		
<b>Total repairs and maintenance</b>	<b>29,937,167</b>	<b>23,608,325</b>

*Rift Valley Technical Training Institute (RVTTI)*

*Notes to the Financial Statements for the year ended 30 June 2020*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11. CONTRACTED SERVICES**

Description	2019-2020 KShs	2018-2019 KShs
Other contracted services (security & cleaning)	7,608,379	
<b>Total contracted services</b>	<b>7,608,379</b>	

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12. (a) CASH AND CASH EQUIVALENTS**

Description	2019-2020 KShs	2018-2019 KShs
Current account	45,620,910	76,070,580
Savings	6,105,723	9,740,918
On - call deposits		
Fixed deposits account	7,192,917	5,000,000
Staff car loan/ mortgage		
Others(specify)		
<b>Total cash and cash equivalents</b>	<b>58,919,550</b>	<b>90,747,058</b>

**(b). DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS**

Financial Institution	Account Name	Account number	2019-2020 KShs	2018-2019 KShs
<b>a) Current account</b>				
KCB	Main	1175590193	2,626,086	9,019,468
KCB	Auto Garage	1210872684	903,316	4,992,564
Chase Bank	Auto Garage	016208466903	381,035	381,035
Chase Bank	Farm	016208466902	7,090	71,600
ABSA Bank	Main	0031258030	28,811,225	48,308,253
ABSA Bank	Production Unit	0031258049	9,730,466	5,543,129
ABSA Bank	Development	0031019605	3,161,692	7,754,531
<b>Sub-Total</b>			<b>45,620,910</b>	<b>76,070,580</b>
<b>b) Savings</b>				
ABSA Bank	Savings	0034017824	6,105,723	9,740,918
<b>Sub total</b>			<b>6,105,723</b>	<b>9,740,918</b>
<b>Fixed deposits account</b>				
Standard Chartered Bank	Fixed deposit	01520165512	7,192,917	5,000,000
<b>Sub Total</b>			<b>7,192,917</b>	<b>5,000,000</b>
<b>Grand-total</b>			<b>58,919,550</b>	<b>90,747,058</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Description	2019-2020 KShs	2018-2019 KShs
<b>Current receivables</b>		
Student debtors	67,199,015	38,897,507
Rent debtors	266,935	
Student union	539,895	
Examination	45,678,818	
Advance payment	778,185	20,382
Less: impairment allowance		
<b>Total current receivables</b>	<b>114,462,848</b>	<b>38,917,889</b>

Description	2019-2020 KShs	2018-2019 KShs
<b>Non-current receivables</b>		
Refundable deposits		
Advance payments		
Public organizations		
Less: impairment allowance		
<b>Total</b>		
Current portion transferred to current receivables		
<b>Total non-current receivables</b>		
<b>Total receivables</b>		

**14. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Description	2019-2020 KShs	2018-2019 KShs
<b>Current receivables</b>		
Transfers from other govt. entities	29,565,000	73,785,000
Undisbursed donor funds		
Other debtors (non-exchange transactions)		
Less: impairment allowance		
<b>Total current receivables</b>	<b>29,565,000</b>	<b>73,785,000</b>

**15. INVENTORIES**

Description	2019-2020 KShs	2018-2019 KShs
Consumable stores	150,000	215,000
Maintenance stores	80,000	300,000
Health Unit stores	50,000	180,000
Electrical stores	200,000	400,000
Cleaning materials stores	25,000	1,005,000
Catering stores	295,500	
<b>Total inventories at the lower of cost and net</b>	<b>800,500</b>	<b>2,100,000</b>

*Rift Valley Technical Training Institute (RVTTI)  
Notes to the Financial Statements for the year ended 30 June 2020*

realizable value				
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*Rift Valley Technical Training Institute (RVTTI)*  
*Appendices to the Financial Statements for the year ended 30 June 2020*  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**16. PROPERTY, PLANT AND EQUIPMENT**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computer	Other Assets (library books)	Plant and equipment	Capital Work in progress	Total
Depreciation rate	0.50%	40%	10%	30%	5%	5%	0	
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2019	1,510,845,367	34,796,375	63,732,125	31,186,375	13,866,062	168,608,188	15,000,000	1,838,034,492
Additions	-	10,457,850	2,340,400	-	-	-	16,713,331	29,511,581
Transfer/adjustments	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
As at 30 June 2020	1,510,845,367	45,254,225	66,072,525	31,186,375	13,866,062	168,608,188	31,713,331	1,867,546,073
<b>Depreciation and impairment</b>								
At 1 July 2019	7,309,429	3,479,638	6,373,213	9,355,913	693,303	8,430,409	-	35,641,905
Depreciation	20,627,017	3,479,638	6,607,253	7,796,594	693,303	8,430,409	-	47,634,214
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30 June 2020	27,936,446	6,959,276	12,980,466	17,152,507	1,386,606	16,860,818	-	83,276,119
<b>Net Book Value</b>								
As at 30 June 2020	1,482,908,921	38,294,949	53,092,059	14,033,868	12,479,456	151,747,370	31,713,331	1,784,269,954
As at 30 June 2019	1,454,576,446	31,316,738	57,358,913	21,830,463	13,172,759	160,177,779	15,000,000	1,753,433,096

**Note:**Capital work in progress relates to virtual learning centre which is under construction

*Rift Valley Technical Training Institute (RVTTI)*  
*Appendices to the Financial Statements for the year ended 30 June 2020*  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**17. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Description	2019-2020 KSh	2018-2019 KSh
Trade payables	11,911,051.00	18,142,734.00
Fees paid in advance		
Employee advances		
Third-party payments		
Other payables		
<b>Total trade and other payables</b>	<b>11,911,051.00</b>	<b>18,142,734.00</b>

*Rift Valley Technical Training Institute (RVTTI)*  
*Appendices to the Financial Statements for the year ended 30 June 2020*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**18. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS**

Description	2019-2020 KShs	2018-2019 KShs
Consumer deposits	7,880,616.00	
Caution money	4,300,414.00	4,350,414.00
Other refundable deposits		
<b>Total deposits</b>	<b>12,181,030.00</b>	<b>4,350,414.00</b>

**19. DEFERRED INCOME**

Description	2019-2020 KShs	2018-2019 KShs
Deferred Income	24,452,883.00	
<b>Total deferred income</b>	<b>24,452,883.00</b>	

*Rift Valley Technical Training Institute (RVTTI)*  
*Appendices to the Financial Statements for the year ended 30 June 2020*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**20. PAYMENTS RECEIVED IN ADVANCE**

	2019-2020	2018-2019
Students fees	3,058,618.00	3,058,618.00
		3,058,618.00

**21. CASH GENERATED FROM OPERATIONS**

	2019-2020	2018-2019
	KShs	KShs
<b>Adjusted for:</b>		
Transfers From other Government entities/Gov grants	88,695,000	147,570,000
Rendering of Service-Fees from students	247,897,425	233,375,161
Sale of Goods		429,607
Rental revenue from facilities and equipment	938,481	646,843
Other Income, rentals and agency fees	5,389,914	626,816
	342,920,820	382,648,427
<b>Working Capital adjustments</b>		
Use of Goods and services	(192,244,549)	0
Employee cost	(5,6581,099)	(39,471,147)
Remuneration of Directors	(2,873,800)	(1,706,000)
<b>Repairs and Maintenance</b>	(29,937,167)	(23,608,325)
Contracted services	(7,608,379)	0
		0
		0
		0
<b>Net cash flow from operating activities</b>	<b>53,676,826</b>	<b>117,719,852</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**22. FINANCIAL RISK MANAGEMENT**

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

The entity's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and

**Rift Valley Technical Training Institute (RVTTI)**  
**Appendices to the Financial Statements for the year ended 30 June 2020**

deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

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

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

At 30 June 2019	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
Receivables from exchange transactions	38,917,889	0	0	0
Receivables from non-exchange transactions	73,785,000	0	0	0
Bank balances	90,747,058	0	0	0
<b>Total</b>	<b>203,449,947</b>	<b>0</b>	<b>0</b>	<b>0</b>
At 30 June 2020				
Receivables from exchange transactions	114,462,848	0	0	0
Receivables from non-exchange transactions	29,565,000	0	0	0
Bank balances	58,919,550	0	0	0
<b>Total</b>	<b>202,947,398</b>	<b>0</b>	<b>0</b>	<b>0</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**23. FINANCIAL RISK MANAGEMENT (Continued)**

**(i) Credit risk (continued)**

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

The entity has significant concentration of credit risk on amounts due from

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

**(ii) Liquidity risk management**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**24. FINANCIAL RISK MANAGEMENT (Continued)**

**(iii) Market risk**

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

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

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

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

**a) Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	KSh	Other Currencies	Total
	KShs	KShs	KShs
<b>At 30 June 2020</b>			
Financial assets (investments, cash, debtors)	173,382,398	0	0
Liabilities	0	0	0
Trade and other payables	11,911,051	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0



**Rift Valley Technical Training Institute (RVTTI)**  
**Appendices to the Financial Statements for the year ended 30 June 2020**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**25. FINANCIAL RISK MANAGEMENT (Continued)**

- (iii) Market risk (Continued)
  - a) Foreign currency risk

**Foreign currency sensitivity analysis**

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

	Change in currency rate Kshs	Effect on Profit before tax Kshs	Effect on equity Kshs
<b>2020</b>			
Euro	10%	0	0
USD	10%	0	0
<b>2020</b>			
Euro	10%	0	0
USD	10%	0	0

- b) Interest rate risk

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

*Management of interest rate risk*

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**26. FINANCIAL RISK MANAGEMENT (Continued)**

- (iii) Market risk (Continued)  
 b) Interest rate risk(continued)

*Sensitivity analysis*

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs (2016: KShs ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs (2012 – KShs)

iv) **Capital Risk Management**

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

	2019-2020 K Shs	2018-2020 KShs
Revaluation reserve	56,497,876	56,497,876
Retained earnings	131,221,263	125,179,651
Capital reserve	1,751,753,750	1,751,753,750
<b>Total funds</b>	<b>1,988,017,853</b>	<b>1,958,898,043</b>
Total borrowings		
Less: cash and bank balances	(58,919,550)	(90,747,058)
Net debt/(excess cash and cash equivalents)	1,929,098,303	1,868,150,985
<b>Gearing</b>	<b>97%</b>	<b>93%</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

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

	2019-2020 Kshs	2018-2019 Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of goods to	0	0
Sales of services	0	0
<b>Total</b>	0	0
<b>b) Grants from the Government</b>		
Grants from National Govt	88,695,000	0
Grants from County Government	0	0
Donations in kind	0	0
<b>Total</b>	88,695,000	0
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees	0	0
Payments for goods and services for	0	0
<b>Total</b>	0	0
<b>d) Key management compensation</b>		
Board of Governors Remuneration	2,873,800	1,706,000
Compensation to the Principal	0	0
Compensation to key management	0	0
<b>Total</b>	0	0

*Rift Valley Technical Training Institute (RVTTI)*  
*Appendices to the Financial Statements for the year ended 30 June 2020*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**28. SEGMENT INFORMATION**

Segmentation not applicable at the moment.

**29. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent liabilities	2019-2020 Kshs	2018-2019 Kshs
Court case against the company	0	0
Bank guarantees in favour of subsidiary	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

*(Give details)*

**30. CAPITAL COMMITMENTS**

Capital commitments	2019-2020 Kshs	2018-2019 Kshs
Authorised for	0	0
Authorised and contracted for	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**31. EVENTS AFTER THE REPORTING PERIOD**

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

**32. ULTIMATE AND HOLDING ENTITY**

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

**33. Currency**

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

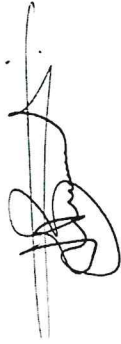
**Rift Valley Technical Training Institute (RVTTI)**  
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**APPENDICES**

**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)	Status:	Timeframe: (Put a date when you expect the issue to be resolved)

The previous Audit report has not been received and therefore the issues could not be captured.



.....  
 Principal  
 Secretary of the Board  
 Date.....2015/2021.....

*Rift Valley Technical Training Institute (RVTTI)*  
*Appendices to the Financial Statements for the year ended 30 June 2020*

**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidate d in these financial statements (Yes/No)

**Status of Projects completion**

1	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

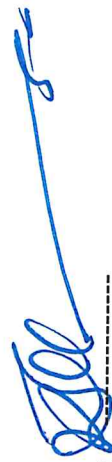
*Rift Valley Technical Training Institute (RVTTI)  
 Appendices to the Financial Statements for the year ended 30 June 2020*

**APPENDIX III: INTER-ENTITY TRANSFERS**

<b>ENTITY NAME:</b>			
<b>Break down of Transfers from the State Department of Vocational and Technical Training</b>			
<b>FY 2019/2020</b>			
a.	Recurrent Grants	Amount (KShs)	Indicate the FY to which the amounts relate
	Bank Statement Date		
	18/10/2019	34,110,000	2019/2020
	10/06/2020	25,020,000	2019/2020
	03/07/2020	29,565,000	2019/2020
	<b>Total</b>	<b>88,695,000</b>	
b.	Development Grants	Amount (KShs)	Indicate the FY to which the amounts relate
	Bank Statement Date		
		0	
		0	
		0	
	<b>Total</b>	<b>0</b>	
c.	Direct Payments	Amount (KShs)	Indicate the FY to which the amounts relate
	Bank Statement Date		
		0	
		0	
		0	
	<b>Total</b>	<b>0</b>	
d.	Donor Receipts	Amount (KShs)	Indicate the FY to which the amounts relate
	Bank Statement Date		
		0	
		0	
		0	
	<b>Total</b>	<b>0</b>	

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

Finance Officer



Sign-----

Head of Accounting Unit



Sign-----

**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Education	18/10/2019	Recurrent	34,110,000	34,110,000	0	0	0	0	0
Ministry of Education	10/06/2020	Recurrent	25,020,000	25,020,000	0	0	0	0	0
Ministry of Education	03/07/2020	Recurrent	29,565,000	29,565,000	0	0	29,565,000	0	0
USAID	0	Donor Fund	0	0	0	0	0	0	0
Ministry of Education	0	Direct Payment	0	0	0	0	0	0	0
			0	0	0	0	0	0	0
<b>Total</b>			<b>88,695,000</b>	<b>88,695,000</b>	<b>0</b>	<b>0</b>	<b>29,565,000</b>	<b>0</b>	<b>0</b>