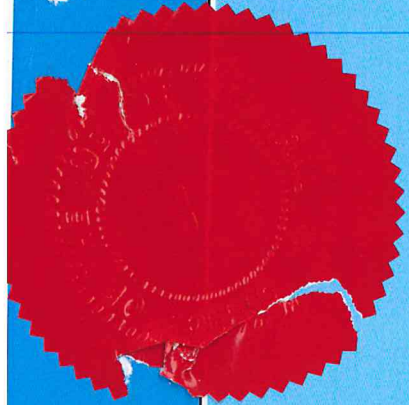


REPUBLIC OF KENYA



*Enhancing Accountability*



THE NATIONAL ASSEMBLY  
P/...

REPORT DATE: 03 MAR 2022

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DAY: Three

REPORT

OF

**THE AUDITOR-GENERAL**

**ON**

**KEROKA TECHNICAL TRAINING INSTITUTE**

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









**International Public Sector Accounting Standards (IPSAS)**

## **KEROKA TECHNICAL TRAINING INSTITUTE**

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**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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## **1. KEY INSTITUTE INFORMATION AND MANAGEMENT**

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

Keroka Technical Training Institute (KETTI) was incorporated/ established under the TVET Act in the year 2013. The institute is domiciled in Kenya. It is under the Ministry of Education. It was started in 1991 as a resource Centre offering short term courses to the Ministry of Labor officers serving as instructors in Youth Polytechnics. In 2008, KETTI was elevated to a Technical Training Institute under the Ministry of Education, Science and Technology offering Technical Education Programs (TEP) and other modular courses in business related courses. Since then, the curriculum has expanded to offer training in ten academic programs at Artisan, Craft and Diploma levels. Technical education activities have been recognized at KETTI since its inception as vital to the social and economic development of the nation. The institute, currently, sits on 5.6 acres of land. The first buildings to be put up were; a resource hall and one (1) hostel housing about 20 boarders. This infrastructure has since expanded to include; six workshops for each of the ten technical programs, a library block and additional lecture rooms and hostels. The Institute has a total of 46 teaching staff and 37 non-teaching staff. In the current financial year, the Institute's budget amounts to over KShs 126,045,627. The Government of Kenya, through the Ministry of Education and students' fees are the two main sources of funds for the Institute. Annual performance contracts entered into between the Government of Kenya through the Ministry of Education, KETTI's strategic plan and annual operational plans are the key drivers of the Institute's day-to-day activities.

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

The principal activity/mission/ mandate of the *institute* is to offer quality training: in research, technology, innovation and entrepreneurship, skills, increasing the student enrollment and facilities used upon, improving net-working systems within the institution.

#### **KETTI's Strategic Statements and Core Mandate**

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

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

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

#### **Core Values:**

The Institute strongly upholds four (4) core values.

- i. Transparency and Accountability
- ii. Effectiveness and Efficiency
- iii. Equity
- iv. Excellence.





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**Strategic Objectives:**

The specific strategic objectives of KETTI are to;

- i. Increase student enrolment,
- ii. Increase the number of teaching and non-teaching staff, Upgrade the skills of teaching and non-teaching staff,
- iii. Provide appropriate physical infrastructure of the Institute, Improve the Institute's civil works,
- iv. Provide and upgrade training Equipment,
- v. Integrate ICT in management and training, and
- vi. Establish adequate sources of funding for the Institute's projects.

**(c) Key Management**

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

- Board of Governors;
- Principal/Secretary to the Board
- Management

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Principal	Mr.Evans Bosire
2.	Deputy Principal-Administration	Mr.Joseph Kawala
3.	Deputy Principal-Academics	Mr.Kennedy Ombongi
4.	Registrar	Mrs.Joan Nyachio
5.	Dean	Richard Kerongo
6.	Head of Finance	Mr.Yobesh Ondicho
7.	Head of Procurement	Polycarp Oriechi
8.	Accountant	CPA Joseph Magati

**(e) Fiduciary Oversight Arrangements**

**Audit, Finance & General Purposes committee activities**

The Committee shall exercise all the powers of BOG in financial matters except in relation to the items which are reserved to BOG in these Standing Orders, on which the Committee shall advise BOG. Terms of Reference The role of the Committee shall be to monitor the financial status of the Institute on behalf of BOG. In addition to advising BOG on those matters referred to above, the Committee's responsibilities shall include:

- a) To monitor and facilitate the implementation of the Institute s strategy with regard to financial matters.
- b) To receive reports from the Principal and the Finance Officer.
- c) To monitor implementation of the strategy for the Institute.
- d) To receive reports of the extent and condition of the Institute estate including the efficiency of space utilization, the consumption of energy and the adequacy of property insurance arrangements.





**KEROKA TECHNICAL TRAINING INSTITUTE**  
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**FOR THE YEAR ENDED 30 JUNE 2020**

- e) To consider the adequacy of the Institute estate and proposals for its maintenance and development, including opportunities to dispose of and acquire new properties.
- f) To determine the fees and charges made for Institute services and facilities.
- g) To supervise the financial administration of the Institute and make recommendations to BOG where appropriate.
- h) To supervise the arrangements for safeguarding the Institute's assets.
- i) To ensure the proper financial evaluation and control of projects.
- j) To supervise the arrangements for investing the Institute's funds, including monitoring the performance of investments.
- k) To make recommendations to BOG on the financing of projects.

**Senior Management Activities**

The main purpose of the Senior Management Team is to:

- i. Ensure that KETTI's BOG is able to take strategic decisions relating to KETTI's activities.
- ii. Provide leadership in communicating KETTI's mission, values, plans and achievements effectively and consistently to BOG Members, staff, Government, the voluntary and community sector, the general public and other stakeholders;
- iii. Be accountable for the development and implementation of KETTI's strategic, corporate and business plans in line with the mission and values.
- iv. Take a strategic overview of performance in all areas of KETTI's activities.
- v. Makes recommendations to the BOG on the implementation and achievement of the BOG's Strategic Framework;
- vi. Agrees KETTI's Corporate Plan, and monitor delivery through appropriate key management and performance information reporting to the Board of Governors as appropriate.
- vii. In the light of income projections and forecasts, considers the annual grants and operational expenditure and monitors such expenditure;
- viii. Develops, agrees, monitors and reviews strategies relevant to the effective and efficient operation of KETTI, making recommendations as appropriate to the Board of Governors and/or its relevant Committees;
- ix. Determines strategic issues arising from the introduction of new policies or process, including actively managing risk across the organization and regularly reviewing the corporate risk register;
- x. Oversees and monitors KETTI's joint work with the other stakeholders
- xi. Considers the impact of external factors and developments, including specific political initiatives and the response to key consultation documents and where appropriate make recommendations to the BOG and/or its relevant Committees.

Leads all senior managers in motivating and developing KETTI staff to deliver the highest standards of performance and customer service

**Government oversight activities**

The Government of Kenya's oversight role includes provision of Grants for both Capitation and Development as well as provision of the regulatory framework. The audit of the Institutional activities is undertaken by the Office of the Auditor General.



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

**(f) Institute Headquarters**

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

**(g) Institute Contacts**

Telephone: 254726588558/254731358155/254208065130  
Email: [technicalkeroka@yahoo.com](mailto:technicalkeroka@yahoo.com)  
Website: [www.kerokatechnical.ac.ke](http://www.kerokatechnical.ac.ke)

**(h) Institute Bankers**

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

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

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**





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



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**KEROKA TECHNICAL TRAINING INSTITUTE  
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**2. BOARD OF GOVERNORS (B.O.G)**

<p>1. Dr. Victor Keraro</p>	 <p><b>CHAIRMAN OF BOARD OF GOVERNORS</b></p>	<p><b>Date of birth.</b> 1962. <b>Qualifications.</b> Ph.D (Strategic Management),MBA,CPA-K <b>Work experience.</b>Over 25 Years</p>
<p>2. Evans Bosire- Member and Secretary to B.O.G</p>		<p><b>Date of birth.</b>1967 <b>Qualifications.</b> Masters in Electrical Engineering <b>Work Experience:</b> Over 20 Years</p>
<p>3. Philip Ndolo</p>	<p><b>MEMBER</b></p> 	<p><b>Date of birth.</b> 1955 <b>Qualifications.</b> Bachelor of Commerce <b>Work Experience.:</b> Over 30 Years</p>
<p>4. Florence K.Obwocha- Member and Chair Audit Committee</p>		<p><b>Date of birth.</b>1976 <b>Qualifications.</b> Bachelor of Lawss-LLB <b>Work Experience.:</b>Over 15 Years</p>






**KEROKA TECHNICAL TRAINING INSTITUTE  
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		<b>Date of birth.1982</b>
5. Miss Brenda Eileen Akinyi Onyango	<b>MEMBER</b>	<b>Qualifications.</b> Masters in Civil Engineering. <b>Work Experience:</b> Over 10 Years
6. Mr.Hussein Shamji	 <b>MEMBER</b>	<b>Date of birth. 1975.</b> <b>Qualifications.</b> Bsc Degree in Civil Engineering from the United Kingdom <b>Work Experience:</b> Over 15 years
7. Mrs.Carren Kerubo Mirieri-Member	 <b>MEMBER</b>	<b>Date of birth. 1975.</b> <b>Qualifications Bachelor of Business Management (HR)</b> <b>Work Experience.</b> Over 10 years of experience
8. Mr.Benard Oriango Moegi	 <b>MEMBER</b>	<b>Date of birth. 1975.</b> <b>Qualifications Bachelor of Information Communication Technology (ICT)</b> <b>Work Experience:</b> Over 12 years of experience



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<p>9. Mr. Tom Olang'o</p>	 <p><b>MEMBER AND COUNTY DIRECTOR TVET</b></p>	<ul style="list-style-type: none"> <li>• <b>Date of birth</b> :1970</li> <li>• <b>Qualifications:</b> Master of Education in Curriculum Studies from Nairobi University</li> </ul> <p><b>Work experience</b> : Over 30 years</p>
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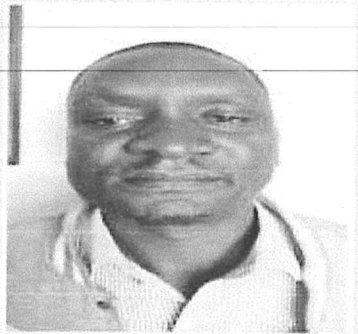
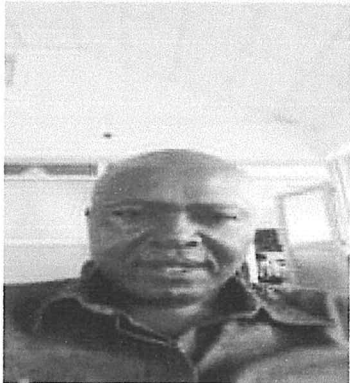

**3. MANAGEMENT TEAM**

<p>1. Mr. Evans Bosire</p>		<p><u>RESPONSIBILITY</u> Principal /Secretary to BOG</p> <p><b>Qualifications:</b> Masters in Electrical Engineering</p>
<p>2. Mr. Joseph Kawala</p>		<p><u>RESPONSIBILITY:</u> Deputy Principal-Administration</p> <p><u>QUALIFICATION.</u> Bachelor of Education.(Technology)</p>
<p>3. Mr. Kennedy Ombongi</p>		<p><u>RESPONSIBILITY.</u> Deputy Principal-Academics.</p> <p><u>QUALIFICATION.</u> Post graduate Diploma in Education. Bachelor of Commerce</p>
<p>4. Mrs. Joan Nyachio</p>		<p><u>RESPONSIBILITY.</u> Registrar.</p> <p><u>QUALIFICATION.</u> Bachelor of Education (Arts) Masters of Arts (English &amp; Linguistics).</p>





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<p>5. Mr. Richard Kerongo</p>		<p>Dean</p> <p><u>QUALIFICATION</u> Certified Public Accountant, Diploma in Technical Education</p>
<p>6. Mr. Yobesh Ondicho</p>		<p>RESPONSIBILITY</p> <p>Finance officer.</p> <p>QUALIFICATIONS</p> <p>Certified Public Accountant-Part II</p>
<p>7. CPA Joseph Magati</p>		<p>RESPONSIBILITY</p> <p>ACCOUNTANT</p> <p>QUALIFICATIONS</p> <p>CPA-K,ICPAK MEMBER</p>



#### **4. CHAIRMAN'S STATEMENT**

It is my pleasure to present the annual financial statements for the year ended 30 June 2020.

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

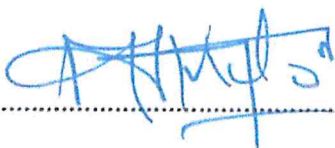
Unlike the past few years, where we had financial challenges owing to shortfalls in the funding for recurrent and capital development expenditure, we have experienced an increase in the number of students. This has led to increase in government capitation after the scrapping of government recurrent grants. In the current financial year 2019/2020 we have achieved positive results. An indication that the recovery strategies laid down in the financial year 2018/2019 have borne fruits. The Institute has also played a role of mentoring other institutions which have been independent in this financial year.

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

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

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

Thank you.



Dr. Victor Keraro

Chairman-Board of Governors (B.O.G)





## **5. REPORT OF THE PRINCIPAL**

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

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

Other Projects:

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

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

Academic Programs;

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

Financial Performance;

The increase in the number of students qualifying to join the Institute through various sponsorship like Higher Education Loans Board, Constituency Development Fund and County Government's has improved the institute's recurrent revenue that led to a positive financial performance during the year. However, there's need for capital development funding to enable the institute increase its infrastructure to cater for the increasing number of students.

Growth prospects;

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

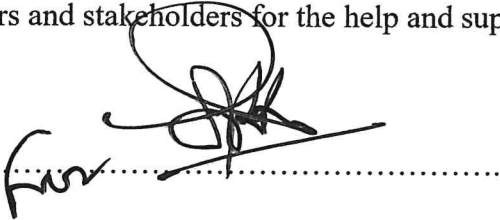


**KEROKA TECHNICAL TRAINING INSTITUTE  
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Appreciation.

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

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

A handwritten signature in black ink, appearing to read 'Evans Bosire', is written over a horizontal dotted line. The signature is stylized and includes a large circular flourish above the main text.

Mr. Evans Bosire

PRINCIPAL/ SECRETARY B.O.G



**6. REVIEW OF KEROKA TECHNICAL TRAINING INSTITUTE'S PERFORMANCE FOR  
FY 2019/2020**

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 institute's performance against predetermined objectives.

*KETTI* has 4 strategic pillars and objectives within its Strategic Plan for the FY 2015/2016- 2020/2021.

These strategic pillars are as follows:

Pillar 1: Learning and Training

Pillar 2: Research and innovation

Pillar 3: Student welfare

Pillar 4: Corporate Social Responsibility

*KETTI* develops its annual work plans based on the above 4 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *KETTI* achieved its performance targets set for the FY 2019/2020 period for its 4 strategic pillars.





## **7. CORPORATE GOVERNANCE STATEMENT**

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

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

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

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

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

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

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



## **8. MANAGEMENT DISCUSSION AND ANALYSIS**

### **SECTION A**

The entity's operational and financial performance.

The entity's financial statement indicates that; the entity's performance is in a better state in line with the entity's going concern.

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

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

### **SECTION B**

Entity's compliance with statutory requirements.

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

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

### **SECTION C**

Key projects and investment decisions the entity has initiated and planning /implemented.

During the financial year 2019/2020 the entity initiated and implemented the following projects;

Projects Initiated/Planning    Projects On-going    Projects Implemented

-Construction of 40 storey classrooms block. -Construction of phase I and II of the Electrical and Automotive engineering workshops. -Purchased a motor vehicle for the Institution.

-Construction of Underground water tank. -Drilling a borehole -Acquired a stand-by generator (250KVA sound proof).

-Repair and maintenance of Tuition Block (Terrazzo, Finish Plundering, Ceiling and Repainting - Integrated ICT, in the management, teaching and networking within the institution.

-Equipping the existing workshops with modern equipments. in the institution.

-Construction of Cabros for walk ways

-Equipping the Library.            CCTV installation in college

### **SECTION D**

Major risks facing the entity.

Operational risk;

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

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**KEROKA TECHNICAL TRAINING INSTITUTE  
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**Capital risk;**

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

**Liquidity risk;**

The institute faces challenges in securing adequate cash needed to meet short term financial obligations.

**Market risk;**

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

**SECTION E**

**Material arrears in statutory and financial obligations.**

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

**SECTION F**

The entity's financial probity serious governance issues.

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



## **9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Keroka Technical Training Institute exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on XXX pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

### **1. Sustainability strategy and profile**

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

### **2. Environmental performance**

Environmental degradation has severe negative effects in the world. It is therefore important for constant efforts to be made to conserve the environment around us. During the year, the Institute started a project to grow trees in the Institute. This project will be continued in subsequent years in order to improve the total tree cover in the Institute. Due to the Impact of Covid-19 the institute has put in place water points for future use.

### **3. Employee welfare**

The Institute has developed a Human resource policy to help in the recruitment of its staff. The policy is also gender sensitive as it has contributed to the third gender rule as per government directives. Employees hold capacity trainings every year to motivate them. This has improved the morale the employees in the place of work and thus improved service delivery. The Institute is in the process of putting in place a safety policy in order to be compliance with Occupational Safety and Health Act of 2007, (OSHA).

There is a reward and appraisal system in place for all the employees of Keroka Technical Training institute.

### **4. Community Engagements-**

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



**KEROKA TECHNICAL TRAINING INSTITUTE  
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FOR THE YEAR ENDED 30 JUNE 2020**

**10. REPORT OF THE COUNCIL/BOARD OF GOVERNORS**

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

**Principal activities**

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

**Results**

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

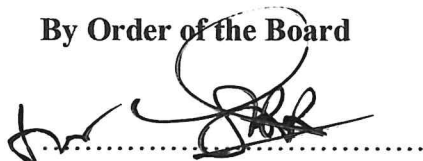
**BOARD OF GOVERNORS**

The members of the Board who served during the year are shown on page vi-viii.

**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**



Board of Governors-Secretary

**Keroka Technical training Institute**

Date:.....24/3/2021





**11. STATEMENT OF BOARD OF GOVERNORS/ COUNCIL MEMBERS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and (*Technical and Vocational Education and Training Act, 2013*) require the board members to prepare financial statements in respect of that *institute*, which give a true and fair view of the state of affairs of the *institute* at the end of the financial year/period and the operating results of the *institute* for that year. The board members are also required to ensure that the *institute* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *institute*. The board members are also responsible for safeguarding the assets of the *institute*.


The board members are responsible for the preparation and presentation of the *institute's* financial statements, which give a true and fair view of the state of affairs of the *institute* for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *institute*; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *institute*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for the *institute's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*the TVET Act*). The board members are of the opinion that the *institute's* financial statements give a true and fair view of the state of *institute's* transactions during the financial year ended June 30, 2020, and of the *institute's* financial position as at that date. The board members further confirm the completeness of the accounting records maintained for the *institute*, which have been relied upon in the preparation of the *institute's* financial statements as well as the adequacy of the systems of internal financial control.

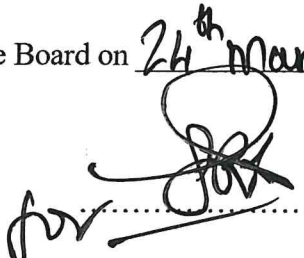
Nothing has come to the attention of the board members to indicate that the *institute* will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The *institute's* financial statements were approved by the Board on 24<sup>th</sup> March, 2021 and signed on its behalf by:

  
.....

Chairman of the Board

  
.....

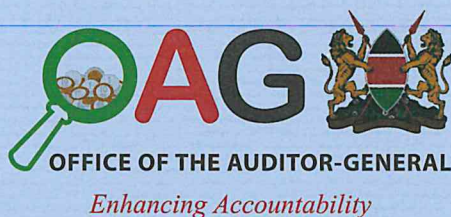
Accounting officer/Principal





# REPUBLIC OF KENYA

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

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

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Adverse Opinion**

I have audited the accompanying financial statements of Keroka Technical Training Institute set out on pages 1 to 41, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, the statement of changes in net assets, statement of cash flows and statement comparison of budget actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significant of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Keroka 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 the Public Sector Accounting Standards (Accrual Basis) and do not comply with the Technical and Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012.

#### **Basis for Adverse Opinion**

##### **1. Unconfirmed Cash and Cash Equivalents**

Note 15 to the financial statements reflects cash and cash equivalents balance of Kshs.111,891,006. However, Management did not provide cash books for bank accounts that the Institute operated during the year under review.

Consequently, the accuracy, validity and completeness of cash and cash equivalents balance of Kshs.111,891,006 as at 30 June, 2020 could not be confirmed.

##### **2. Inaccurate Presentation of Property, Plant and Equipment and Lack of Land Ownership Documents**

As disclosed in Note 20 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.434,518,256. The following inaccuracies were noted:-



- i. The accumulated depreciation was omitted in calculating the net book value as at 30 June, 2020,
- ii. Land and buildings have a cost of Kshs.207,252,229 and netbook value balance of Kshs.192,563,620 resulting to unexplained variance amounting to Kshs.14,688,609,
- iii. Other assets (boreholes) have netbook value of Kshs.4,117,050 as at 30 June, 2019 and a nil balance under the current year. However, there was no disposal or reclassification done during the period,
- iv. Capital work in progress have netbook value of Kshs.23,267,806 as at 30 June, 2019 and a balance of Kshs.17,791,174 under the current year resulting to unexplained variance amounting to Kshs.5,476,632. There were no reclassification or capitalization done during the period,
- v. As disclosed in Note 20 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.434,518,256 which includes land and building balance of Kshs.192,563,230. Included is land with an amount of Kshs.11,780,000. As reported in the previous year, the Institute does not have title deed to confirm ownership of the land where it is situated. Information available indicates that the Institute is located on a ten acres' piece of land that was donated by ten community members. However, a valuation report dated August, 2020 indicate that the Institute occupies un-surveyed land measuring 4.53 acres.

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

Consequently, the accuracy, completeness and ownership of the property, plant and equipment balance of Kshs.434,518,256 could not be ascertained.

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

### **Key Audit Matters**

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

## **Other Matter**

### **Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.166,245,626 and Kshs.134,980,771 respectively resulting to an under-funding of Kshs.31,264,855 or 19% of the budget. Similarly, the Institute expended Kshs.102,307,141 against an approved budget of Kshs.166,245,628 resulting to an under-expenditure of Kshs.63,938,487 or 38% of the budget.

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

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

#### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significant of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report. I confirm that that public resources have not been applied lawfully and in an effective way.

#### **Basis for Conclusion**

##### **1. Lack of Age Analysis on Receivables from Exchange Transactions**

Notes 16 to financial statement reflects receivables from exchange transactions amounting to Kshs.11,329,992 in respect of student's debtors. However, the Institution does not have an effective fee collection policy in place to ensure outstanding fees are remitted by students in a timely manner contrary to Public Finance Management (National Government) Regulation, 2015 Section 64(1)(a). In addition, the ageing analysis of these outstanding receivables was not availed for audit review.

Consequently, Management is in breach of the law

##### **2. Lack of Training Needs Assessment**

As disclosed in Note 9 to the financial statements, the statement of financial performance reflects use of goods and services amounting to Kshs.38,273,725 which includes Kshs.616,550 paid in respect to industrial attachment and training expenses. However, there was no training needs assessment report availed for audit as per the provisions of part VI Section H.3(1) of Human Resource Policies and Procedures Manual for the Public Service 2016 .

Consequently, the Institute is in breach of the law.

##### **3. Staff Ethnic Composition**

As disclosed in Note 10 to the financial statements, the statement of financial performance reflects an amount of Kshs.21,123,341 in respect of employee cost out of which an amount of Kshs.17,616,775 relates to salaries and wages to staff. Examination of

employee records revealed that out of 85 employees, 66, translating to 78% were from one dominant community, contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment shall have more than one third of its staff from the same ethnic community.

Consequently, the Institute is in breach of the law.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1. Inactive Audit Committee**

Examination of the Internal Audit Department revealed that the audit committee of the Institute was largely dormant and did not execute its mandate as enshrined in the Public Finance Management Regulations, 2015. Further, there was no evidence that the audit committee has been meeting to deliberate on these reports since no board meeting minutes were availed for audit. In addition, there was no established Internal Audit Charter put in place to guide the operations of the audit committee for the period under review.

In the circumstances, it has not been possible to ascertain that the internal control processes of the Institute have been operating effectively.

#### **2. Lack of Key Positions in Administration**

Examination of the Institute's staff establishment structure revealed that there was a under staffing in key critical positions in disregard of circular reference number MOE/VTT/ADM/CONF/2/5/27 of 19 June, 2020 from the parent Ministry of Education which called for recruitment of competent members of staff. Some of the critical staff positions which are vacant are Finance Officer, Accountant Internal Auditor, Supply Chain Management and Human Resource Officer.

Consequently, the Institute is in breach of the directive from the parent ministry which in turn compromises the effectiveness of the internal controls and governance structures.



### **3. Institute's Strategic Plan**

The Management developed a strategic plan for a period of five (5) years from July, 2016 to June, 2021 which was revised in August, 2016. The plan highlights the key issues, goals, objectives and strategies that will assist the institution in the development and management of its resources. Review of the strategic plan however did not give a breakdown on a yearly basis of the programmes that were to be implemented so as to achieve the end goal of attaining the desired objective.

During the audit, it was noted that a number of desired programmes namely construction of men and female hostels and erection and completion ICT Complex that were to be implemented had not been done five (5) months to the expiry of the 5-year.

Consequently, the effectiveness of the Institute's internal controls and governance structures were compromised in the absence of full implementation of the strategic plan

### **4. Lack of Information Technology (ICT) Policy**

Audit of the Information Technology (IT) environment and its controls revealed that there is no Information Communication Technology (ICT) Policy in place to govern IT environment. In the absence of a clear Information Communication Technology (ICT) policy data recovery mechanisms, data confidentiality and integrity cannot be guaranteed in case of an attack on the ICT environment.

Consequently, the Institute's Management is in breach of the best practices on maintenance of an effective ICT Policy to guide the operations of its ICT environment

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

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

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

In preparing the financial statements, Management is responsible for assessing the ability of the Institute to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Institute or 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 entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

11 February, 2022

**KEROKA TECHNICAL TRAINING INSTITUTE**  
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**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2019-2020	2018-2019
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the National Government	6 a	59,211,150	46,355,190
Transfers from the Ministries, departments and agencies	6 b	28,306,900	-
		<b>87,518,050</b>	<b>46,355,190</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Fees from students	7	45,682,161	52,547,232
Sale of goods	8	1,780,560	5,918,589
		<b>47,462,721</b>	<b>58,465,821</b>
<b>Total revenue</b>		<b>134,980,771</b>	<b>104,821,009</b>
<b>Expenses</b>			
Use of goods and services	9	38,273,725	55,441,460
Employee costs	10	21,123,341	10,382,857
Remuneration of board of governors	11	2,100,000	1,767,400
Depreciation and amortization expense	12	36,002,461	-
Contracted services	13	1,701,120	-
Grants and subsidies	14	3,106,494	4,063,926
<b>Total expenses</b>		<b>102,307,141</b>	<b>71,655,643</b>
<b>Net Surplus for the year</b>		<b>32,673,630</b>	<b>33,165,366</b>

The notes set out on pages 1 to 36 form an integral part of the Annual Financial Statements.







**KEROKA TECHNICAL TRAINING INSTITUTE**  
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**FOR THE YEAR ENDED 30 JUNE 2020**

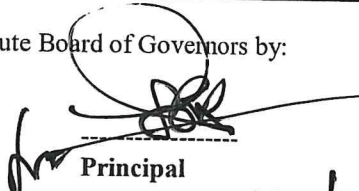
**14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Notes	2019-2020	2018-2019
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	111,891,006	29,479,850
Current portion of receivables from exchange transactions	16	11,329,992	36,807,252
Receivables from non-exchange transactions	17	23,700,000	770,734
Inventories	18	895,371	7,230,836
Related party	19	2,887	-
		<b>147,819,256</b>	<b>74,288,672</b>
<b>Non-current assets</b>			
Property, plant and equipment	20	434,518,256	423,804,239
Intangible assets	21	5,935,488	2,509,760
		440,453,744	426,313,999
<b>Total assets</b>		<b>588,273,000</b>	<b>500,602,671</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	22	59,250,746	4,254,047
		<b>59,250,746</b>	<b>4,254,047</b>
<b>Net assets</b>			
Reserves		419,900,849	419,900,849
Accumulated surplus		109,121,405	76,447,775
		529,022,254	496,348,624
<b>Total net assets and liabilities</b>		<b>588,273,000</b>	<b>500,602,671</b>

The Financial Statements set out on pages 1 to 36 were signed on behalf of the Institute Board of Governors by:

  
 .....  
 Chairman of Board of Governors  
 Date: 24<sup>th</sup> March 2021

  
 .....  
 Finance Officer  
 ICPAK No: 26297  
 Date 24/3/2021

  
 .....  
 Principal  
 Date: 24/3/2021





**KEROKA TECHNICAL TRAINING INSTITUTE**  
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**15. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2020**

	<b>Revaluation reserve</b>	<b>Revenue reserves/retained earnings</b>	<b>Total</b>
<b>At July 1, 2018</b>	898,214,085	43,282,409	941,496,494
Revaluation loss	(478,313,236)	-	(478,313,236)
Total comprehensive income	-	33,165,366	33,165,366
<b>At June 30, 2019</b>	<b>419,900,849</b>	<b>76,447,775</b>	<b>496,348,624</b>
<b>At July 1, 2019</b>	<b>419,900,849</b>	<b>76,447,775</b>	<b>496,348,624</b>
Revaluation loss	-	-	-
Total comprehensive income	-	32,673,630	32,673,630
<b>At June 30, 2020</b>	<b>419,900,849</b>	<b>109,121,405</b>	<b>529,022,254</b>

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

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

		<b>2019-2020</b>	<b>2018-2019</b>
	<b>Note</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other Government entities/Govt. grants	6	87,518,050	46,355,190
Rendering of services- Fees from students	7	45,682,161	52,547,232
Sale of goods	8	1,780,560	5,918,589
<b>Total Receipts</b>		<b>134,980,771</b>	<b>104,821,009</b>
<b>Payments</b>			
Use of goods and services	9	38,273,725	55,441,460
Compensation of employees	10	21,123,341	10,382,857
Other payments	11,12,13	3,801,119	5,651,639
Grants and subsidies paid	14	3,106,494	16,237,007
<b>Total Payments</b>		<b>66,304,679</b>	<b>87,712,963</b>
<b>Net cash flows from operating activities</b>	23	<b>68,676,092</b>	<b>17,108,046</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	20,21	(50,142,207)	4,780,000
Decrease in non-current receivables		63,877,271	(28,542,352)
<b>Net cash flows used in investing activities</b>		<b>13,735,064</b>	<b>(23,762,352)</b>
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>82,411,156</b>	<b>(6,654,306)</b>
Cash and cash equivalents at 1 JULY	15	29,479,850	36,134,156
<b>Cash and cash equivalents at 30 JUNE</b>	15	<b>111,891,006</b>	<b>29,479,850</b>



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**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020**

STATEMENT OF BUDGET AND ACTUAL COMPARISON	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Variance
	FY 2019/20			FY 2019/20	
	Shs	Shs	Shs	Shs	Shs
Revenue					
Government capitation	46,810,268	-	46,810,268	51,645,000	(4,834,732)
Government development grants	5,000,000	-	5,000,000	7,566,150	(2,566,150)
Rendering of services	74,235,360	40,200,000	114,435,360	75,769,621	38,665,739
Total income	126,045,628	40,200,000	166,245,628	134,980,771	31,264,857
Expenses					
Goods and Services	35,520,380		35,520,380	37,805,566	(2,285,186)
Employee costs	33,580,248		33,580,248	21,123,341	12,456,907
Grants and subsidies	5,000,000		5,000,000	3,106,494	1,893,506
General expenses	51,945,000	40,200,000	92,145,000	40,271,740	51,873,260
Total expenses	126,045,628	40,200,000	166,245,628	102,307,141	
Surplus for the year	-	-	-	32,673,630	31,264,857

**Budget notes:**

- a) Movement is due to increase in numbers of students enrolled through KUPPCS in the financial year 2019/2020 and hence increase in government capitation Income as shown in the financial statements.
- b) Movement is due to a increase in additional development grants provided by the Ministry of Kshs 3,566,150 in the financial year 2019/2020.
- c) The decrease is due to the Impact of Covid-19 in the fourth Quarter of the financial year. This lead to decrease in fees collections.
- d) The decrease is due to reduce no of staffs that were to be recruited in the college during the financial year.
- e) Movement is due to non-recruitment of new staff due to reduction of operations caused by the Impact of Covid-19 during the financial year.
- f) Movement is due to reduction of the expenses of the Mentored Institutions as they became Independent.
- g) Movement is due to reduction of expenses related to development and the impact of Covid-19 on the operations.



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**18. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

**Keroka Technical Training Institute** is established by and derives its authority and accountability from TVET Act. The institute is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activity is to offer quality training: in research, technology, innovation and entrepreneurship, skills, increasing the student enrollment and facilities used upon, improving net-working systems within the institution hence creating Keroka T. T. I as Centre of excellence.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *institute's* accounting policies.

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

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

**3. ADOPTION OF NEW AND REVISED STANDARDS**

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

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 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. <i>The standard does not apply to the Institute as at 30 June 2020.</i>

THE UNIVERSITY OF CHICAGO LIBRARY



NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 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 institute's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <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 institute's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>The standard does not apply to the Institute as at 30 June 2020.</i></p>
<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 institute provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the institute;</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 institute's financial performance, financial position and cash flows.</li> </ol> <p><i>The standard does not apply to the Institute as at 30 June 2020.</i></p>



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<b>Standard</b>	<b>Effective date and impact:</b>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1st January 2022:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> <li>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.</li> </ul>
Other Improvements to IPSAS	<p><b>Applicable: 1st January 2021:</b></p> <ul style="list-style-type: none"> <li>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</li> <li>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</li> <li>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.</li> <li>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.</li> </ul>

**iii. Early adoption of standards**

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



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

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

**Sale of goods**

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

**Interest income**

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

**Dividends**

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



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**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 on 26<sup>th</sup> June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the institute upon receiving the respective approvals in order to conclude the final budget. Accordingly, the institute recorded additional appropriations of *Kshs 40,200,000* on the FY 2019/2020 budget following the Board's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 17 of these financial statements.

**c) Taxes**

***Current income tax***

Keroka Technical Training Institute is exempt from paying taxes as per schedule of the Income Tax Act.





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

**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 a period of ~~xxx~~ years.

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 institute 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.



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

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

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

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



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

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

**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 Institute 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 Institute 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 Institute assesses at each reporting date whether there is objective evidence that a financial asset or an institute of financial assets is impaired. A financial asset or a institute 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 institute 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 institute 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 Institute 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

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

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

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



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

**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 Institute.

**j) Provisions**

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

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

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

***Contingent liabilities***

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

***Contingent assets***

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



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

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

**k) Nature and purpose of reserves**

The Institute creates and maintains reserves in terms of specific requirements. It creates a capital reserve/revaluation reserve for revaluation of assets and also the revenue reserve for the surpluses and deficits for the performance of the Institute.

**l) Changes in accounting policies and estimates**

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

**m) Employee benefits**

**Retirement benefit plans**

The Institute provides retirement benefits for its employees and directors. Defined contribution plans are post employment benefit plans under which an institute pays fixed contributions into a separate institute (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**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.





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

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

**p) Related parties**

The Institute regards a related party as a person or an institute with the ability to exert control individually or jointly, or to exercise significant influence over the Institute, or vice versa. Members of key management are regarded as related parties and comprise the principal/secretary to the Board of Governors, Procurement officer and Finance officer.

**q) Service concession arrangements**

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

**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.

**t) Subsequent events**

The recent turn of events arising from COVID-19 pandemic has had a significant negative impact on the operations of the institution for the year ended 30 June 2020.



## **5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

### **Estimates and assumptions**

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

### **Useful lives and residual values**

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

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

### **Provisions**

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

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.

*There were no provisions made in the financial statements for the year ended 30 June 2020.*



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

**6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

Description	2019-2020	2018-2019
	KShs	KShs
<b>Unconditional grants</b>		
Operational grant (Government capitation)	54,645,000	28,636,550
Other grants (Mentorship grants)	1,219,683	17,718,640
	<b>55,864,683</b>	<b>46,355,190</b>
<b>Conditional grants</b>		
Library grant	3,346,467	-
<b>Total government grants and subsidies</b>	<b>59,211,150</b>	<b>46,355,190</b>

**6 b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES**

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2019-2020 KShs
Ministry Youth and Gender affairs	28,306,900	-	-	28,306,900	28,306,900
<b>Total</b>	<b>28,306,900</b>	<b>-</b>	<b>-</b>	<b>28,306,900</b>	<b>28,306,900</b>

**7 RENDERING OF SERVICES**

Description	2019-2020	2018-2019
	KShs	KShs
Tuition fees	826,320	27,278,322
Activity fees	5,767,025	2,894,240
Personal Emoluments	19,831,680	11,261,956
Electricity, Water and conservancy	5,612,090	2,990,340
Local transport and travel	5,138,678	2,542,733
Repair, maintenance and improvements	2,831,868	1,450,006
Industrial attachment and insurance	5,164,500	2,311,235
Others (Boarding, Equipment and stores/accomodation)	510,000	1,818,400
<b>Total revenue from the rendering of services</b>	<b>45,682,161</b>	<b>52,547,232</b>

(This relates to the provision of services by the Institute during the financial year. It has been prepared as per the fees structure.)





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**8 SALE OF GOODS**

Description	2019-2020	2018-2019
	KShs	KShs
<b>Sale of goods</b>		
Other( Catering income)	163,655	3,561,740
Sale of tenders	253,000	-
Meal cards	300	
Other Income	1,363,605	2,356,847
<b>Total revenue from the sale of goods</b>	<b>1,780,560</b>	<b>5,918,587</b>

(This relates to the income from other services not categorized under rendering of services during the financial year 2019/2020)

**9 USE OF GOODS AND SERVICES**

Description	2019-2020	2018-2019
	KShs	KShs
Tuition expenses	14,222,508	24,509,558
Activity fees	1,486,050	2,847,468
Examination fees	-	6,458,910
Local transport and travel	2,171,970	2,695,217
Electricity and water consumption	1,205,480	763,996
Repair and maintenance	3,329,996	7,830,460
Industrial attachment and training	616,550	322,798
Security costs	1,298,800	-
Damage costs	-	394,150
Boarding expenses	4,695,437	8,634,503
Mentoring expenses	2,489,402	271,400
Accommodation/house keeping	1,416,270	634,200
Gratuity	-	78,800
Motor vehicle insurance	504,889	-
Research and Innovation expenses	468,159	-
Other operating expenses	4,368,214	-
<b>Total good and services</b>	<b>38,273,725</b>	<b>55,441,460</b>

**10 EMPLOYEE COSTS**

Salaries and wages	17,616,775	10,382,857
Employee related costs - contributions to pensions and medical aids	1,433,326	-
Social contributions	2,073,240	-
<b>Employee costs</b>	<b>21,123,341</b>	<b>10,382,857</b>



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**11 REMUNERATION OF BOARD OF GOVERNORS**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Board emoluments	2,100,000	1,767,400
<b>Total director emoluments</b>	<b>2,100,000</b>	<b>1,767,400</b>

**12 DEPRECIATION AND AMORTIZATION EXPENSE**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Property, plant and equipment	34,518,589	-
Intangible assets	1,483,872	-
<b>Total depreciation and amortization</b>	<b>36,002,461</b>	<b>-</b>

**13 CONTRACTED SERVICES**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Consultancy services	501,120	-
Assets valuation	1,200,000	-
<b>Total contracted services</b>	<b>1,701,120</b>	<b>-</b>

**14 GRANTS AND SUBSIDIES**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Library Complex	3,106,494	3,563,926
Narok TTI	-	500,000
<b>Total grants and subsidies</b>	<b>3,106,494</b>	<b>4,063,926</b>



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15 CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	KShs	KShs
Current accounts	111,891,006	29,479,850
<b>Total cash and cash equivalents</b>	<b>111,891,006</b>	<b>29,479,850</b>

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

Financial institution	Account number	2019-2020	2018-2019
		KShs	KShs
<b>a) Current account</b>			
Cash in hand	-	-	5,600
Kenya Commercial bank KETTI-Operational	1106814134	99,410,710	14,686,802
Co-operative Savings A/C	011393632277200	1,299,865	1,091,375
Library A/C	1130738140	3,346,467	6,455,352
Chepalungu T T I A/C	1176511963	4,850,416	4,853,429
Bus A/C	111419020	11,490	11,490
Gratuity A/C	1114190462	354,142	355,207
Orogare TTI A/C	1180147944	2,617,904	2,020,160
Narok West A/C	1160626472	-	423
Others-Riragia T T I A/C	-	12	12
<b>Sub- total</b>		<b>111,891,006</b>	<b>29,479,850</b>
<b>Grand total</b>		<b>111,891,006</b>	<b>29,479,850</b>

16 RECEIVABLES FROM EXCHANGE TRANSACTIONS 16(a)

Description	2019-2020	2018-2019
	KShs	KShs
<b>Current receivables</b>		
Student debtors	11,329,992	36,807,252
<b>Total current receivables</b>	<b>11,329,992</b>	<b>36,807,252</b>





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**17 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
<b>Current receivables</b>		
Transfers from other govt. entities	23,700,000	770,734
<b>Total current receivables</b>	<b>23,700,000</b>	<b>770,734</b>

These relates to the anticipated debtors from the Ministry of Education for KUCCPS students relating to the financial year 2019/2020.

**18 INVENTORIES**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Training exam materials	341,755	5,233,200
Expendables	178,610	373,640
Repair and maqintenance	247,040	713,180
Boarding materials	68,766	98,320
Catering stores	59,200	812,496
<b>Total inventories at the lower of cost and net realizable value</b>	<b>895,371</b>	<b>7,230,836</b>

**19 RELATED PARTY**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
<b>a) Related Party balances-Mentorship Grants</b>		
<b>Financial institution</b>		
Received Amount (Chepalungu TTI)	1,502,887	-
Expenditure	(1,500,000)	-
<b>Total</b>	<b>2,887</b>	<b>-</b>





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**20 PROPERTY, PLANT AND EQUIPMENT**

	Land and Buildings Shs	Motor vehicles Shs	Furniture and fittings Shs	Computers Shs	Other Assets (Borehole) Shs	Plant and Equipment Shs	Capital Work in progress Shs	Total Shs
At 1 July 2018	192,563,620	12,039,700	4,104,340	3,791,700	-	193,513,705	17,791,174	423,804,239
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30 <sup>th</sup> June 2019	192,563,620	12,039,700	4,104,340	3,791,700	-	193,513,705	17,791,174	423,804,239
Additions	14,688,609	8,489,000	122,500	4,537,052	4,117,050	7,801,764	5,476,632	45,232,607
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30 <sup>th</sup> June 20	207,252,230	20,528,700	4,226,840	8,328,752	-	201,315,469	23,267,806	469,036,846
Depreciation and impairment								
At 1 July 2018	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
At 30 June 2019	-	-	-	-	-	-	-	-
Depreciation	-	6,327,175	528,355	2,498,626	-	25,164,434	-	34,518,589
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
At 30 <sup>th</sup> June 2020	-	6,327,175	528,355	2,498,626	-	25,164,434	-	34,518,589
Net book values								
At 30 <sup>th</sup> June 2019	192,563,230	14,201,525	4,104,340	3,791,700	-	193,513,705	17,791,174	428,584,239
At 30 <sup>th</sup> June 2020	207,252,230	16,819,700	3,698,485	5,830,126	4,117,050	176,151,035	23,267,806	434,518,256
<i>Work In Progress Relates to activities that were on going during the financial year but were not yet complete as at the close of FY 2019/2020.</i>								



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**21 INTANGIBLE ASSETS-SOFTWARE**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
<b>Cost</b>		
<b>At beginning of the year</b>	2,509,760	2,509,760
Additions	4,909,600	-
<b>At end of the year</b>	7,419,360	-
Additions-internal development	-	-
<b>At end of the year</b>	7,419,360	-
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	-	-
Amortization	1,483,872	-
<b>At end of the year</b>	1,483,872	-
<b>NBV</b>	<b>5,935,488</b>	<b>2,509,760</b>

**22 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Trade payables	24,427,682	2,596,862
Fees paid in advance	34,736,764	1,657,185
Other payables	86,300	-
<b>Total trade and other payables</b>	<b>59,250,746</b>	<b>4,254,047</b>





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**23 CASH GENERATED FROM OPERATIONS**

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
<b>Adjusted for:</b>		
Depreciation	36,002,461	-
<b>Working Capital adjustments</b>		
Increase in inventory	6,335,465	(2,624,307)
Increase in receivables	2,547,994	(32,314,096)
Increase in payables	54,996,699	2,690,382
<b>Net cash flow from operating activities</b>	<b>99,882,619</b>	<b>(32,248,021)</b>

**24 FINANCIAL RISK MANAGEMENT**

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

**(i) Credit risk**

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the 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 institute's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:





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	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2019</b>				
Receivables from exchange transactions	36,807,252	36,807,252	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	29,479,850	29,479,850	-	-
<b>Total</b>	<b>66,287,102</b>	<b>66,287,102</b>	-	-
<b>At 30 June 2020</b>				
Receivables from exchange transactions	35,029,992	35,029,992	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	111,891,006	111,891,006	-	-
<b>Total</b>	<b>146,920,998</b>	<b>146,920,998</b>	-	-

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

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

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

The institute has no significant concentration of credit risk on amounts due from student debtors.

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

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the institute's directors, who have built an appropriate liquidity risk management framework for the management of the institute's short, medium and long-term funding and liquidity management requirements. The institute manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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



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	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2019</b>				
Trade payables	-	4,254,047	-	4,254,047
<b>Total</b>	-	<b>4,254,047</b>	-	<b>4,254,047</b>
<b>At 30 June 2020</b>				
Trade payables	-	59,250,746	-	59,250,746
<b>Total</b>	-	<b>59,250,746</b>	-	<b>59,250,746</b>

**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 institute 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 institute'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 institute's exposure to market risks or the manner in which it manages and measures the risk.

**a) Foreign currency risk**

The institute does not have 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.





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

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2020</b>			
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities	-	-	-
Trade and other payables	59,250,746	-	<b>59,250,746</b>
Borrowings	-	-	-

**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	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
<b>2019</b>			
Euro	-	-	-
USD	-	-	-
<b>2020</b>			
Euro	-	-	-
USD	-	-	-

b) Interest rate risk

Interest rate risk is the risk that the institute'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.



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**46 FINANCIAL RISK MANAGEMENT (Continued)**

(iii) Market risk (Continued)

b) Interest rate risk(continued)

*Sensitivity analysis*

The institute 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 000 (2016: KShs 000 ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 000 (2012 – KShs 000)

**iv) Capital Risk Management**

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

	20xx-20xx	20xx-20xx
	Kshs	Kshs
Revaluation reserve	000	000
Retained earnings	000	000
Capital reserve	000	000
<b>Total funds</b>	<b>000</b>	<b>000</b>
Total borrowings	000	000
Less: cash and bank balances	(000)	(000)
Net debt/(excess cash and cash equivalents)	000	000
<b>Gearing</b>	<b>00%</b>	<b>00%</b>





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**25 RELATED PARTY BALANCES**

**Nature of related party relationships**

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

**Government of Kenya**

The Government of Kenya is the principal shareholder of the *institute*, holding 100% of the *institute's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the institute, 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	2018-2019
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of goods to xxx	-	-
Sales of services xxx	-	-
<b>Total</b>	-	-
<b>b) Grants from the Government</b>	-	-
Grants from National Govt	59,211,150	46,355,190
<b>Total</b>	<b>59,211,150</b>	<b>46,355,190</b>
<b>c) Expenses incurred on behalf of related party</b>	-	-
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
<b>Total</b>	-	-
<b>d) Key management compensation</b>	-	-
Board of Governors' emoluments	-	-
Compensation to the CEO	-	-
Compensation to key management	-	-
<b>Total</b>	<b>59,211,150</b>	<b>46,355,190</b>



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**26 CAPITAL COMMITMENTS**

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

**27 EVENTS AFTER THE REPORTING PERIOD**

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

**28 ULTIMATE AND HOLDING INSTITUTE**

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

**29 Currency**

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



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	in respect of revaluation of land and building and other assets and machinery respectively. Further, the capital fund reflected revaluation loss of kshs 474,409,846 in the statement of changes in net asset which differs with the total adjustment of kshs 483,828,350 in the schedule of property, plant and equipment leading to unexplained and unsupported difference of kshs 9,418,504.	The observation was noted and amendments made as per the financial statements.			
Depreciation	Note 22 under property, plant and equipment reflected nil depreciation contrary to IPSAS 17 and as per note 1 (d) of the financial statement. Further, the treatment of the impairment loss as a result of revaluating assets downwards was not done as per the international Accounting Standards (IAS) 16 paragraph 40.	Depreciation was not charged in the financial statement as noted however this was due to valuation of assets as at 30 <sup>th</sup> June 2019 and the figures reported were not of depreciation since it was the first time the institute had valued its assets. Going forward depreciation will be calculated and disclosed as per IPSAS 17. The revaluation loss was disclosed as a note in note 22 of the financial statement and this was because it was not an actual loss since the previous property, plant and equipment figure was arrived at by personal judgement by a committee formed by the principal hence it was not a comparative figure to be used for comparison purposes.	The finance officer	resolved	1 month





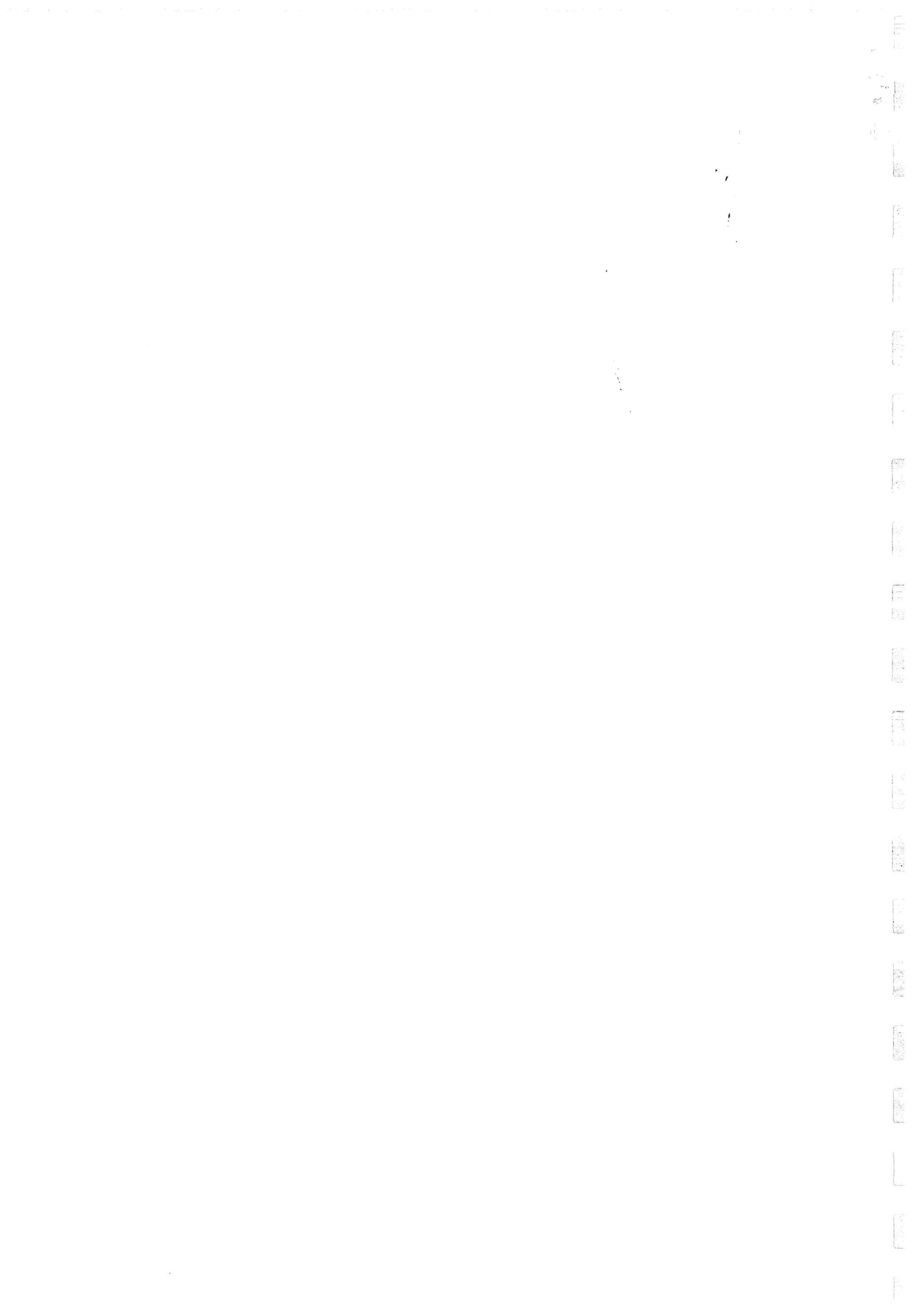
**KEROKA TECHNICAL TRAINING INSTITUTE  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Ownership Documents	As reported in previous year 2017/2018, the institute has no document of title to confirm ownership of the land where the institute is situated. Information available indicates that the institute is located on a ten acres' piece of land that was donated by the ten community members. According to minutes of the meeting of the Board of Governors (BOG) held on Thursday 29 June 2017 there was a claim for compensation by these ten members of the community that was rejected by the county land management Board . Further, the valuation report dated August 2019 revealed that the institute occupy unsurveyed land measuring of 4.53 acres. No explanation was provided by management on the status of the ten(10) acres donated by the community. Consequently, the accuracy, validity and disclosure of the property, plant and equipment of kshs 428,584,239 as at 30 June, 2019 could not be ascertained.	It's true that the title deed of the institute land has not been received but the process is ongoing and its at the final stage since survey and gazetment has been done.	The principal	resolved	3months

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Misclassification of General Expenses	Included in the general expenses balance of kshs. 7,194,435 is an amount of kshs, 3,563,926 in respect of the construction of the institute library. However the expenditure, was wrongly classified as a general expense instead of work-in-progress since the library is under property, plant and equipment and the construction is ongoing. Consequently, the accuracy and completeness of general expenses totalling Kshs. 7,194,435 for the year ended 30 June 2019 could not be confirmed.	The observation has been noted and going forward the correct disclosure will be adhered to.	The Finance officer	resolved	1 month
Orogare Technical Training Institute	Orogare Technical Training Institute received Kshs. 8,321,365 for operation and development during the year under review. Physical verification in march 2020, revealed the construction of the institution is almost complete though there was part of the roof leaking, and manholes of the septic tank were left open which endangers the lives of both human and animal which is an indication of poor workmanship.	Communication was done to the contractor on 18 <sup>th</sup> march 2020 concerning the defects and the same have been rectified as per the report from public works.	The principal	resolved	2 months


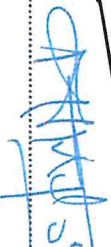




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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Consequently, the value of money could not be confirmed.  During the year under review, the institute received a total of Kshs. 11,642,730 towards construction of Chepalungu and Orogare Technical Training Institutes that are under mentorship programme. However, it was noted that the institute did not budget for the funds received from the parent ministry.  In the foregoing circumstances it was not possible to ascertain how the mentorship funds were to be used in the absence of approved provisions.	Going forward mentorship funds will be factored in the institute's annual budget.	The finance officer	resolved	1 month
Mentorship Funds					

Principal

  
 .....  
  
 .....

Chairman of the Board

Date..... 29/2/2021



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

**Projects**

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

**Status of Projects completion**

*(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)*

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





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**FOR THE YEAR ENDED 30 JUNE 2020**  
**APPENDIX III: INTER-INSTITUTE TRANSFERS**

	<b>INSTITUTE NAME:</b>			
	<b>Break down of Transfers from the State Department of Education</b>			
	<b>FY 2019/2020</b>			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			00	
			00	
			00	
		<b>Total</b>	<b>00</b>	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			00	
			00	
			00	
		<b>Total</b>	<b>00</b>	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			00	
			00	
			00	
		<b>Total</b>	<b>00</b>	



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d. Donor Receipts	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		00	
		00	
		00	
	<b>Total</b>	<b>00</b>	

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

Finance Manager  
Keroka Technical Institute

Sign  -----

Head of Accounting Unit  
Ministry Of Education

Sign-----



**KEROKA TECHNICAL TRAINING INSTITUTE  
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**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		0	Recurrent	0	0	0	0	0	0	0	0
Ministry of Education		0	Development	0	0	0	0	0	0	0	0
USAID		0	Donor Fund	0	0	0	0	0	0	0	0
Ministry of Education		0	Direct Payment	0	0	0	0	0	0	0	0
<b>Total</b>				0	0	0	0	0	0	0	0

