

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY	
REPORT	
DATE:	22 FEB 2023
TABLED BY:	HON. DWEN BAYA, MP DEPUTY LEADER OF MAJORITY
OF:	CHRISTINE NDIRITU

THE AUDITOR-GENERAL

ON

**SANG'ALO INSTITUTE OF SCIENCE
AND TECHNOLOGY**

**FOR THE YEAR ENDED
30 JUNE, 2021**



**SANG'ALO INSTITUTE OF SCIENCE AND
TECHNOLOGY**

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ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30TH JUNE 2021**

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Sang'alo Institute of Science and Technology (SIST) is one of the public Institutes of Technology in Kenya. The word Sang'alo originated from the name of a local hill, whose image has been incorporated in the design of the Institute's logo. The name "Sang'alo" is derived from the Bukusu local language of the word "Sangala" meaning to have happiness. SIST is situated in Bungoma County, Bungoma South Sub-County, seven kilometres south East of Bungoma town on the Bungoma-Nambacha-Kakamega road.

The history of SIST dates back to 1924 when the late Paramount chief of Bukusu, MzeeSudiNamachanja, donated 610 acres of land to Dr. Cameron, a Scottish veterinarian to establish a centre for vaccination and treatment of livestock. In 1927, the farm developed into a livestock improvement centre for upgrading indigenous cattle to enhance milk and meat production. By virtue of its geographical location, this centre became a sub-station to a veterinary station in Maseno.

On the 10th of July 1976 the land was handed over to the then Bungoma County Board in the presence of Hon. Jeremiah Nyaga, the then Minister for Agriculture. Shortly after, on the 1st of April 1977, the Board gave the land to a Board of Trustees (BOT) who held the land in trust. The trustees were given the responsibility of establishing an Harambee Institute of Science and Technology. This task was achieved almost immediately and, in September 1977, the Institute admitted its first intake of twenty trainees to study general agriculture at certificate level.

Sang'alo Institute of Science and Technology became a public Institution in 1993. Its governance was put under the management of a Board of Governors appointed by the Minister for Education Science and Technology. This facilitated the posting of trainers by the Teacher's Service Commission (TSC).

The employment of staff at SIST is under the Public Service Commission and the Board of Governors. This is as per the Education Act (cap 211). The present staff establishment comprises of 80 TSC trainers, 45 BOG trainers and 45 BOG permanent non-training staff.

The Institutes major physical infrastructure is on the main campus, which lies on 555 acres of land, Registration No. East Bukusu/West Sang'alo/ 990. Found here are the administration block, classrooms, laboratories, trainees hostels, library, kitchen, staff houses and other facilities.

The Institute currently offers CBET, Artisan, Certificate, Diploma and Higher National Diploma courses at its main and Bungoma town Campuses respectively. There are 50 course programmes, with another 22 in the offing. The programmes are mainly examined by the KNEC, NITA and KASNEB. They have provisions for multi-entry and multi-exit for persons with different qualifications and needs. The programmes are full-time as well as part-time.

The trainee fraternity therefore comprise of direct school leavers and those already working in the formal and informal sector. SIST is both a technical training and vocational Institute. The present student population is at 3318. The distribution of male and female is 1762 and 1556, respectively.

(b) Principal Activities

The principal activity of Sang'alo Institute is to provide training to artisans, craftswomen and men, technicians, technologists, businesswomen and men at artisan, craft and diploma certificate levels.

The mandate of Sang'alo Institute is as below;

- Implement the prescribed curriculum for technical training at artisan, technician and technologist level
- Promote, coordinate and popularize research at the institute
- Spearhead the application of research results in technological programmes at the institute
- Monitor and evaluate technical education programmes at the institute
- Promote standards and quality assurance at the ministry
- Implement the MOE policy on TVET

PHILOSOPHY:

Technology and Innovation as a driving force for change in the real world of work.

VISION:

To be a Centre of excellence in Agriculture, Capacity Building, Research, Science and Technology.

MISSION:

To provide skills and quality training in Agriculture, Applied Research, Science and Technology for enhanced sustainable community and national development.

MOTTO:

Technology our Lifeline

CORE VALUES

- Integrity
- Equality and Diversity
- Team spirit
- Environmental Sustainability
- Innovation
- Professionalism

(c) Key Management

Sang'alo Institute's day-to-day management is under the following key organs:

- The Board of Governors
- The Principal
- The Board of Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	Description	Name
1.	Principal	Mrs. Loice Kutoh
2.	Deputy Principal Administration & Finance (A&F)	Mr. Peter Simiyu
3.	Deputy Principal Academics	Mr. Dennis Ongoto
4.	Registrar Academics	Mr. Samuel Mbeta
5.	Dean of Students	Mr. Franklin Kollokho
6.	Head of Finance	Mr. Simon Makhanu
7.	Head of Procurement	Mr. Arnold Soita
8.	Security Officer	Mr. Luke Wanjala
9.	Farm Manager (Ag.)	Mr. Arthur Aduvaga

(e) Fiduciary Oversight Arrangements

Audit and Risk and Compliance Committee Activities

The Institute Board of Governors has established a committee of the board which provides oversight on the institute financial and other management matters. The Institute is also planning to establish an internal audit department that shall report to the Board Committee.

Parliamentary Committee Activities




The principal of Sang'alo Institute of Science & Technology is accountable to the National Assembly for the Institute's financial management. The Constitution of Kenya, 2010; 135(3) subject to clause 4, requires that the accounts of all governments and state Organs be audited by the Auditor General. Upon audit, the Annual Reports and Financial Statements are usually submitted to the National Assembly to ascertain whether the finances of the Institute were prudently managed.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)





- (f) **Entity Headquarters**
P.O. Box 158-50200
Bungoma, KENYA
- (g) **Entity Contacts**

Telephone: (254) 735175295
E-mail: sangaloist@yahoo.com
Website: www.sangaloist.ac.ke
- (h) **Entity Bankers**
1. Kenya Commercial Bank
Bungoma Branch
P.O. Box 152-50200
Bungoma, Kenya
 2. Absa Bank of Kenya
Bungoma Branch
P.O Box -50200
Bungoma, Kenya
 3. Equity Bank of Kenya
Bungoma Branch
P.O Box 2450-50200
Bungoma Kenya
 4. Family Bank of Kenya
Bungoma Branch
P.O Box 1068-50200
Bungoma Kenya
- (i) **Independent Auditors**
Auditor General
Office of Auditor General
Anniversary Towers, Institute Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya
- (j) **Principal Legal Adviser**
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

II. THE COUNCIL/BOARD OF GOVERNORS

	<p>Name: Prof. Edwin Ataro D.O.B: 27th January, 1965 Key Qualifications: PhD – Electrical Engineering & Computer Science, Registered Engineer – EBK B6348 Work Experience: Executive Dean, Faculty of Engineering, Associate Professor in Electrical Engineering – TU-K, ICT Director, HoD Electrical Engineering – Moi University-Eldoret, Prof. Ataro is the Chairman of the Board of Governors.</p>
	<p>Name: Martha Ndukuyu D.O.B: 23rd December 1976 Key Qualifications: Bachelor of Arts in Sociology and Kiswahili Master of Arts in Diplomacy and Studies Work Experience: Hansard Officer- The National Assembly - Parliament of Kenya, Development Finance Officer - Faulu Kenya Mrs.Ndukuyu is a of the Education, Human Resource and Training Committee of the Board.</p>
	<p>Name: Dr. John Oluoch D.O.B: 21.04.1974 Key Qualifications: PhD in Communication Studies, Masters in Communication Studies, Bachelor of Education – Arts Work experience: Senior Lecturer – Communication & Public Relations, Director – PSSP (Rongo University), Dean – School of Information, Communication & Media Studies (Rongo University) Dr. Oluoch is the Chairman of the Education, Human Resource and Training Committee of the Board</p>

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

	<p>Name: Mrs.LilianMulaku D.O.B: 22.10.1984 Key Qualifications: Bachelor of Technology in Electrical & Communication Engineering Work experience: In-Charge Customer Service – KPLC (Mavoko County), Assistant Engineer(Large Power section), International Energy Technik(Technical Engineer) KPLC.</p>
	<p>Name: Godwin wasike D.O.B: 16.02.1979 Key Qualifications: A Bachelor of Science Degree Course in Civil Engineering Professional Engineer, Engineers Board of Kenya (EBK) Reg. No. A2446. Work experience: VAST EXPERIENCE INSTRUCTURAL WORKS/BUILDINGS</p>
	<p>Name: Dr. Cecilia Wanjala D.O.B: 29/ 11 /1967 Key Qualifications: MBA – Strategic Planning, Bachelors Degree in Pharmacy, Monitoring & Evaluation Course. Work experience: Commercial Manager – KEMRI, Demand Analysis Officer and Customer Service – KEMSA, Retail Pharmacist – Bungoma, Branch Manager – Laborex Kenya Limited, Superintendent Pharmacist – Yatta Pharmacy</p>
	<p>Name: Mrs.RispahIgobwa D.O.B: <u>17/1/1981</u> Key Qualifications: MBA – Banking & Finance, Double major degree in Accounting and Business Administration Work experience: Financial Service Provider – Freelance Content Marketing & Copywriting, Manager – Business Development & Investor Relations, Internal Auditor (K-Rep Bank Ltd & Fusion Capital Ltd)</p>



Name: Mr.CliffeMulundaKhaoya

D.O.B: 1/1/1961

Key Qualifications: Bachelor of Arts, Economics and Government. Bachelor of Philosophy in Economics.

Work experience: Regional Manager – Industrial & Commercial Development Corporation (ICDC).
Planning Officer – Ministry of Planning and National Development

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

III. MANAGEMENT TEAM

No.	Designation	Name
1	Principal	Mrs. Loice Kutoh
2	D/Principal (A,R& E)	Mr. Dennis Ongoto
3	D/Principal (A & F)	Mr. Peter Simiyu
4	Registrar Academics	Mr. Samuel Mbeta
5	Dean of Students	Mr.Kollikho Frank
6	Procurement Officer	Mr.Arnold Soita
7	Finance Officer	Mr. Simon Makhanu
8	Ag. Farm Manager	Mr. Arthur Aduvaga
9	Security Officer	Mr. Luke Wanjala

CHAIRMAN'S STATEMENT

On behalf of the Sang'alo Institute of Science and Technology Board of Governors, I am pleased to present this *Annual Report and Financial Statements for the 2020/2021 financial year*. I am proud of the achievements that the harmony and cooperation within and between various teams at SIST has produced – especially the Board of Governors and the SIST Management team led by the Principal. We remain committed to all stakeholders in delivering our set objectives and goals as enshrined in the institution vision and mission as well as outlined in the 2018-2023 Strategic Plan.

Financial Performance

It is evident that in the financial year ending 30th of June 2021, the Institute recorded a better financial performance compared to the previous years. This can be attributed to the Government capitation program, NYS sponsorship program, increase in student enrolment and above all prudent financial management.

Challenges

It is the great desire of the SIST fraternity as well as the local community to see the institution grow to serve a much larger number of the youth. It is in our dreams and plans to have the institution approved as a national polytechnic that offers highest quality education and training to a much wider audience. We are however currently severely constrained by inadequate physical infrastructure (classrooms, workshops, equipment, etc.) as well sufficient PSC trainers. We would very much appreciate the intervention of the Government – both national and local, in assisting us to address these issues even as we strive to fix the challenges to the best of our ability.

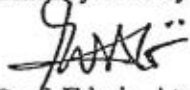
Success in Mentoring Wanga TVC

SIST was tasked with mentoring Wanga TVC in the year 2016. This involved setting up the physical infrastructure and putting in place the needed personnel to kick-start training at the institution. This was successfully executed with the aid of government funding. The handing over of the project was done early this year. On behalf of the Board of Governors and Management of SIST, I extend my gratitude to the Mumias East NG-CDF for their cooperation and contribution in this endeavour.

Gratitude

Last but not least, I extend my sincere gratitude to Sang'alo Institute of Science & Technology Board of Governors, our Principal and the entire Management team, staff members, students and all stakeholders for their commitment and support to the Institute. We greatly appreciate the role played by the Government of Kenya in the sustenance and growth of the institution. I am optimistic that SIST is set for a very prosperous future.

Thank you for your support.



Prof. Edwin Ataro,

Chairman B.O.G.

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

IX. STATEMENT OF BOARD OF GOVERNORS/ MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and TVET Act, 2013 require the board members to prepare financial statements in respect of that Institution which give a true and fair view of the state of affairs of Sang'alo Institute of Science and Technology at the end of the financial year/period and the operating results of the Institution for that year/period. The board members are also required to ensure that Sang'alo Institute of Science and Technology keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institution. The board members are also responsible for safeguarding the assets of Sang'alo Institute of Science and Technology.

The board members are responsible for the preparation and presentation of Sang'alo Institute of Science and Technology financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year (period) ended on June 30, 2021. 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 entity; (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 Institution; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for Sang'alo Institute of Science and Technology financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the TVET Act, 2013

The board members are of the opinion that Sang'alo Institute of Science and Technology financial statements give a true and fair view of the state of the Institution's transactions during the financial year ended June 30th, 2021, and of the Institution's financial position as at that date. The board members further confirm the completeness of the accounting records maintained for the Institution, which have been relied upon in the preparation of the Institution'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 Sang'alo Institute of Science & Technology will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

Sang'alo Institute of Science & Technology's financial statements were approved by the Board on 3rd September, 2021 and signed on its behalf by:

Name: Prof. Edwin Ataro

Signature.....

Chairperson of the Board

Name: Loice Kuton

Signature.....

Accounting Officer/Principal



V. REPORT OF THE PRINCIPAL

Dear stakeholders, firstly I would like to state that 2020/2021 FY has been a year of relative success, challenging but fruitful.

The Sang'alo Institute of Science & Technology 2018 - 2023 Strategic Plan places the Institute at the apex of the factors crucial for learning and teaching in the 21st Century. During the financial year 2020/2021, we increased internet bandwidth, continued with IT systems automation, and improved IT network & equipment; this has seen the Institute have facilities with more stable internet connectivity to cater for both the staff and students.

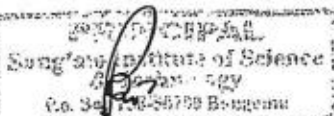
The major challenge we are facing as an Institution is limited infrastructure. The ministry has set a target for every TVET Institution to have at least 5,000 students by the year 2022. Due to this limitation, it may be difficult for us to achieve this target. We therefore appeal to the government to intervene so that we may put up lecture halls and a workshop as had earlier requested.

Mentoring Institution

Sang'alo Institute of Science & Technology has mentored Wanga Technical and Vocational College since the year 2016. It is now complete and handed over. This is a government funded project. On behalf of the entire Board of Governors, I extend my gratitude to the Mumias East CDF for their input in this particular project.

While the achievements of the years past have put us in a position of strength, our effort in the coming days will be doubled so that we can meet our long term objective of being a globally recognized centre of excellence in Agriculture. We shall have to be innovative to stay afloat. To this end, we shall endeavour to become more visible by using generally accepted parameters of measure to place ourselves. For one, ISO certification will help us earn our place as a certified super brand. Our strategic plan is the key direction that remains our guiding blueprint and our emphasis based on the pillars therein. Our collective effort will make us and our actions will help actualize this dream of the Institute serving society and the world. I wish to convey my gratitude to all staff, both academic and administrative and the students who together, are lending form to our collective dream. Together we shall triumph.

Thank you



for
Mrs. Loice Kutoh,
Principal

VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

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

Institute has 2 strategic pillars /issues/ themes and objectives within current Strategic Plan for the FY 2020-21. These strategic pillars are as follows:

- 1: Equitable access to quality education and training opportunities
- 2: Strengthening institutional governance

sang'alo institute develops its annual work plans based on the above *strategic pillar 1 & 2*. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *institute* achieved its performance targets set for the FY 2020/21 period for its strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Equitable access to quality education and training opportunities	To enhance equitable access to education and training opportunities	Increase students population	Progressively increase students enrolment in the training program	Training students with disabilities and diversification
Strengthening research innovation, collaboration and linkages for industrial growth	To promote research, innovation, collaboration and linkages of industrial growth	Participating in research and innovation TVET Fair activities	Organising innovation week for technological exchange and transfer	Robotic innovation went up national level

ii. CORPORATE GOVERNANCE STATEMENT

Sang'alo Institute of Science & Technology is governed by the Board of Governors. The Board provides strategic direction, exercises control and remains accountable through effective leadership, enterprise, integrity and good judgment. It is diverse in its composition, independent but flexible, pragmatic, objective and focused on balanced and sustainable performance of the Institute.

The membership of the Board includes:

1. 6 independent Members appointed by the Cabinet Secretary in charge of Education
2. One (1) member representing the Governor
3. One (1) Member representing the Sponsor

Appointment of Board Members

- i. Every appointment is by name and by notice in the Kenya Gazette but ceases if the Board member:
 - a) Serves the appointing authority with a written notice of resignation; or
 - b) Is absent, without the permission of the Chairperson, in the three consecutive meetings; or
 - c) Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
 - d) Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or
 - e) Conducts himself in a manner deemed by the appointing authority to be inconsistent with membership of the Board.
- ii. Any removal of a Board member under (i) above, shall be through formal revocation.

Ethics and Conduct

The Board adheres to the Code of Conduct and Ethics for State Corporations (SCs) which focuses on ethical conduct and integrity at the workplace. It defines the Board's commitment to the highest standards of behaviour so as to contribute to the achievement of the national development goals. The Code sets out expectations for individual behaviour necessary to meet these standards and includes requirements and guidance to help carry out their roles with integrity and in compliance with the law. By exemplifying the ethical behaviours and corporate values described in the Code, the Board is expected to uphold Article 10 of the Constitution of Kenya, 2010 on National Values and Principles of Governance and Chapter 6 on Leadership and Integrity.

Conflict of Interest Policy & Disclosures

A conflict of interest may arise where a Board member or close family member such as a spouse, child, parent or sibling has private interests that could improperly influence the performance of the Board member's official duties and responsibilities. Conflict may also arise where a Board member uses their office for personal gain.

Board members are required to avoid conflict of interest and deal at arms-length in any matter that relates to the organization. However, a Board member who identifies an area of conflict shall be required to disclose any actual or potential conflict of interest to the Board. In so reporting, the Board member is required to provide all relevant information, including information which relates to their immediate family members by blood or marriage which is related to the area of conflict. When declared, the Board member shall abstain from decisions where the conflict exists.

The Secretary keeps a record of conflicts of interest declared, for accountability purposes, and as a rule of good practice on appointment and on regular intervals or at any time when circumstances change, all members shall in good faith disclose to the Board for recording, any other business or interest likely to create a potential conflict of interest

Board Remuneration

Board members are remunerated for their services in accordance with State Corporations Act provisions and/or guidance from the State Corporations Advisory Committee. In line with best practice, the remuneration includes Honoraria for the Chair of Board and allowances for all members on attendance of Board meetings.

Board Induction

When new Board members are appointed, the Institute organizes for induction in order to familiarize themselves with their responsibilities as Members of Board, general principles of corporate governance and Board practices. The induction programme provides the Board members with an orientation of the organization, strategic plans, financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics.

Board Responsibilities

The Board of Management, during the inauguration on 19th September 2020, was sensitized on their roles and responsibilities according to the TVET Act which were:

- a) Overseeing the conduct of education and of Science in the Institute in accordance with the provisions of TVET Act 2013 and any other written law.
- b) Promoting and maintaining standards, quality and relevance in education and of Science in the Institute in accordance with the TVET Act 2013 and any other written law.
- c) Administering and managing the property of the Institute
- d) Developing and implementing the Institute's Strategic Plan – *SIST Strategic Plan 2018 - 2023 was developed by the Board of Governors.*
- e) Preparing annual estimates of revenue and expenditure for the Institute and incurring expenditure on behalf of the Institute
- f) Receiving, on behalf of the Institute, fees, grants, subscriptions, donations, bequests or other moneys and to make disbursement to the institution or other bodies or persons.
- g) Determining the fees payable and prescribing conditions under which fees may be remitted in part or in whole in accordance with the guidelines developed under the provisions of TVET Act 2013
- h) Mobilizing resources for the Institute
- j) Regulating the admission and exclusion of students from the Institute, subject to a

qualification framework and the provisions of TVET Act 2013

k) Approving collaboration or association with other institutions and industries in and outside Kenya subject to prior approval by the Ministry.

l) Recruiting and appointing trainers from among qualified professionals and practicing trades persons in relevant sectors of industry

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

n) Making regulations governing organization, conduct and discipline of the staff and students

o) Preparing comprehensive annual reports on all areas of their mandate, including education and of Science services and submit the same to the Board.

p) Providing for the welfare of the students and staff of the Institute

q) Encouraging, nurturing and promoting democratic culture, dialogue and tolerance in the Institute

r) Discharging all other functions conferred upon it by TVET Act 2013 or any other written law.

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

The Institute operational and Financial Performance

Generally, the Institute operated at a net deficit of .Ksh.(11,949,465) during the financial year. This was majorly due to the factors below among others;

- Improved prudence in financial management
- Accurate trainees data capture hence improved capitation

This is an indication that the Institute is growing well and the going concern is guaranteed.

Compliance with Statutory Requirements

By the end of the year, the Sang'alo had paid all its statutory requirements in terms of NSSF, NHIF, PAYE and all withholding taxes from contractors payable to KRA. The Institute has been withholding taxes on all payment made to contractors and remitting them to KRA. The Institute is operating under legal frameworks necessary under public sector requirement such as;

- The Constitution of Kenya, 2010
- TVET Act, 2013
- PFM Act, 2012
- Procurement and Assets Disposal Act, 2015
- IPSAS standards.
- All other relevant laws in its operation (regular circulars from treasury and ministry of education)

Major risks the Institute is facing;

Operational Risks

The Institute faces competition for resources including; students, staff and financial resources.

The Institute's financial assets are trade receivables as well as cash and short term deposits which arise directly from its operations. The Institute has financial liabilities comprising trade and other payables which are all current. The management has ensured timely payment to suppliers, contractors and other service providers, hence no historic debt.

The Institute has exposure to the following risks:

- i) Liquidity risks
- ii) Credit risks

The Board has overall responsibility for the establishment and oversight of the Institute's risk management framework.

Liquidity Risk

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations as they fall due. The Institute's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institute's reputation.

Credit Risk

Credit risk is the risk of financial loss to the Institute if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the organization's receivables from customers. The Institute receives fees from students as well as capitation from the government which minimizes the credit risk exposure.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SECTION A

The entity's operational and financial performance

Recurrent Grants

Sang'alo Institute started the financial year 2020/2021 on a sound note since the Government of Kenya has been able to remit Capitation.

Tuition Fees Collection

The Institute has been able to realise a deficit of KShs. (11,949,465) within the year under review.

Financial Performance

In the Year under review the incomes were KShs. 152,194,690 while expenditure were KShs 164,144,155. This resulted to a surplus of KShs.11,949,465.

Production Units

Apart from training which is the key mandate of the Institute, SIST engages in Production Units namely:

- a) Farm
- b) Catering
- c) Bakery
- d) In-service Programme
- e) Town Campus

SECTION B

Entity's compliance with statutory requirements

In the year under review SIST complied with all the statutory obligations.

SECTION C

Key projects and investment decisions the entity is planning/implementing

The Institute has the following project:

Completion of Food & Beverage Complex workshop (Work in Progress)

The project is expected to promote practical learning and research in the Institute. This project is financed by Government of Kenya.

SECTION D

Major risks facing the entity

The Institute financial assets are trade receivables and cash and short term deposits which arise directly from its operations. The Institute has financial liabilities comprising trade and other payables.

The Institute has exposure to the following risks:

- i) Market risks
- ii) Liquidity risks
- iii) Credit risks

The board has overall responsibility for the establishment and oversight of the Institute's risk management framework. The board through their regular meetings addresses risks associated with internal operations.

Market risk management

Interest rate risk

The Institute had interest bearing borrowing that was financed by cash generated from its operations. This borrowing facilitated the acquisition of the College van. There was no risk encountered during the Year under review.

Liquidity risk

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations as and when they fall due. The Institute's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institute's reputation. Typically the Institute ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political violence.

Credit risk

Credit risk is the risk of financial loss to the Institute if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the organization's receivables from customers. The Management ensures that student debtors clear their fees arrears before their documents(Certificates) are released..

SECTION E

Material arrears in statutory/financial obligations

Sang'alo Institute of Science & technology did not have any material arrears in statutory/financial obligations in the Year under review.

SECTION F

The entity's financial probity and serious governance issues

The Institute did not have any major financial improbity reported.

I. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

sang'alo 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, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a highlight of strategies and activities that promote the organisation's strategic objectives.

Sustainability strategy and profile

The institute have tree planting day which helps in environmental sustainability to curb climate changes .

Environmental performance

The institute have embarked on agro –forestation policies in order to help in maintaining forest and at the same time creating food security

Employee welfare

The institute is developing human resource policy and manual to give guidance on hiring staff

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

I. REPORT OF THE BOARD OF GOVERNORS

The Board members submit their report together with the financial statements for the year ended June 30th, 2021 which show the state of Sang'alo Institute of Science and Technology's affairs.

Principal activities

The principal activities of the Sang'alo Institute of Science and Technology continues to be provision of skills to artisans, craftswomen and men, technicians, technologists, businesswomen and men at artisan, craft, certificate and diploma levels.

Results

The results of the entity for the year ended June 30th,2021 are set out on page 1-27

Auditors

The Auditor General is responsible for the statutory audit of Sang'alo Institute of Science and Technology in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 were nominated by the Auditor General to carry out the audit of the Institution for the year ended June 30th, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Loice Kutoh

B.O.G Secretary

Bungoma

STATEMENT OF BOARD OF GOVERNORS/ MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and TVET Act, 2013 require the board members to prepare financial statements in respect of that Institution which give a true and fair view of the state of affairs of Sang'alo Institute of Science and Technology at the end of the financial year/period and the operating results of the Institution for that year/period. The board members are also required to ensure that Sang'alo Institute of Science and Technology keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institution. The board members are also responsible for safeguarding the assets of Sang'alo Institute of Science and Technology.

The board members are responsible for the preparation and presentation of Sang'alo Institute of Science and Technology financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year (period) ended on June 30, 2021. 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 entity; (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 Institution; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for Sang'alo Institute of Science and Technology financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the TVET Act, 2013

The board members are of the opinion that Sang'alo Institute of Science and Technology financial statements give a true and fair view of the state of the Institution's transactions during the financial year ended June 30th, 2021, and of the Institution's financial position as at that date. The board members further confirm the completeness of the accounting records maintained for the Institution, which have been relied upon in the preparation of the Institution'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 Sang'alo Institute of Science & Technology will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

Sang'alo Institute of Science & Technology's financial statements were approved by the Board on 3rd September, 2021 and signed on its behalf by:

Name: Prof. Edwin Ataro

Edwin Ataro
Signature.....

Chairperson of the Board

Name: Loice Kutoh

Loice Kutoh
Signature.....
Sang'alo Institute of Science & Technology
P.O. Box 100000 Kampala

Accounting Officer/Principal

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Sang'alo Institute of Science and Technology set out on pages 1 to 31, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget

and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Sang'alo Institute of Science and Technology as at 30 June, 2021, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Technical and Vocational Education Training Act, 2013.

Basis for Qualified Opinion

1. General Expenses

The statement of financial performance reflects general expenses totalling Kshs.79,715,933, as further disclosed in Note 17 to the financial statements. The following anomalies were noted in respect to the expenditure:

1.1 Unsupported Allowances

The general expenses balance includes local travel and transport totalling Kshs.7,185,330 which in turn include Kshs.227,910 paid as allowances to various staff of the Institute reportedly for successful delivery of various programs of the Institute. The payment was based on a percentage of examination office income for the year 2020 (January-December) which according to the Institute is an income generating activity. However, there were no policy guidelines or any Circular from the Board or Management authorizing payment of the allowances to the staff.

In the circumstances, the propriety of the expenditure on allowances totalling Kshs.227,910 could not be confirmed.

1.2 Unsupported Miscellaneous Expenses

Expenditure records further indicated that payments totalling to Kshs.9,733,645 were made for farm expenses, motor vehicle maintenance, medical expenses and security services and charged to the general expenses account in the year under review. However, the respective procurement documents such as contracts, requisitions, advertisements, tenders or quotations, evaluation reports and minutes, delivery notes, stores records and vouchers were not provided for audit review.

In the circumstances, it was not possible to confirm the propriety of the expenditure totalling Kshs.9,733,645, and whether the Institute obtained value for money from the spending.

2. Unreconciled Cash and Cash Equivalents

The statement of financial position reflects a cash and cash equivalents totalling Kshs.81,101,407 whereas the corresponding Note 19 to the financial statements reflects Kshs.81,786,109 resulting to an unexplained variance of Kshs.684,702.

As a result, the accuracy of the cash and cash equivalents balance could not be confirmed.

3. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment with a net book value totalling Kshs.877,508,695 while Note 23 to the financial statements, and to which the balance is referenced, reflects a net book of Kshs.887,508,695 resulting to an unexplained or reconciled variance of Kshs.10,000,000.

In the circumstances, it was not possible to confirm the net book value of property, plant and equipment.

4. Inaccuracies in Revaluation Reserve

The statement of changes in equity reflects an adjustment on revaluation reserves for the year totalling Kshs.3,153,066, and which was not supported with documentary evidence.

In the circumstance, it was not possible to establish the accuracy and completeness of the adjustment on the revaluation reserve.

5. Inaccuracies in Cash Flow Statements

The statement of cash flows and Note 1 to the financial statements reflects increase in receivables totalling Kshs.3,337,411. However, addition of the items included in the balance yielded Kshs.4,919,929 resulting in an unexplained variance of Kshs.1,585,518.

In addition, the statement reflects cash outflows from purchase of property, plant, equipment and intangible assets totalling Kshs.12,710,597 which, however, exclude additions to intangible assets totalling Kshs.4,971,540 made in the year under review. No explanation was provided for the omission.

In view of the discrepancy, the completeness and accuracy of the statement of cash flows could not be confirmed.

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

Key Audit Matters

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

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects an approved revenue budget of Kshs.323,855,050 and actual receipts of Kshs.152,194,690 resulting in a revenue shortfall of Kshs.171,660,360 or 53% of the budget.

Similarly, expenditure incurred by the Institute in the year under review totalled Kshs.134,241,021 against the final approved budget of Kshs.323,855,050 resulting in under-expenditure of Kshs.189,614,029 or 59% of the budget.

The shortfall of revenue and under-expenditure constrained the implementation of planned activities and may have hampered the attainment of the mandate of the Institute.

2.0 Prior Year Issues

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, although the Management has indicated that some issues have been responded to, other issues have remained unresolved

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Lack of Ethnic Diversity in Staffing

Review of staffing records indicated that the Institute had forty-four (44) members of staff out of whom forty-three (43) or 98% were from one ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which prohibits any public institution from having more than one-third of its staff from the same ethnic community.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Internal Audit Charter

Review of internal control indicated that the Institute did not have an Internal Audit Charter that defined the purpose, authority and responsibilities of the internal audit function as required under Regulation 170 of the Public Finance Management Regulation, 2015 which requires that Internal audit planning shall be carried out on the basis of risk assessment and shall be set out in a three-year strategic plan, on the basis of which an annual internal audit unit plan shall be developed.

In the absence of the Charter, the Internal Audit function may not be effective

2. Lack of Risk Management Policy

As similarly reported in previous years, the Institute did not have a Risk Management Policy and a risk register as required by Regulation 165(a) and (b) of the Public Finance Management (National Government) Regulation, 2015 which requires that National Government entity should develop (a) a risk management strategies, which include fraud prevention mechanism; and (b) a system of risk management and internal control that builds robust business operations.

In the circumstance, the Management lacked objective means to identify measure and mitigate risks faced by the Institute.

3. Audit, Risk and Compliance Committee (ARC)

A review of appointment letters, minutes of meetings and personal files of the members of the Audit Risk and Compliance Committee indicated that the Committee did not have a charter and work plan for the year under review.

In addition, the none of the members of the audit Committee possessed qualifications and expertise in audit, financial management or accounting, with experience and knowledge in risk management, and membership of a professional body in good standing required of the Committee .

In the circumstances, the Committee may not have sufficient capacity to discharge its function as effectively.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to 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 sustain its services.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 September, 2022

ALLO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2021

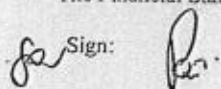
	Notes	2020/2021	2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
Transfers from the National Government—grants/ gifts in kind	6	96,810,000	90,000,000
Public contributions and donations	7	0	0
Total Revenue from non-exchange transactions		96,810,000	90,000,000
Revenue from exchange transactions			
Rendering of services- Fees from students	8	44,552,628	50,661,857
Sale of goods	9	5,225,107	595,060
Rental revenue from facilities and equipment	10	1,544,400	1,333,510
Other income	11	4,062,555	14,344,730
Revenue from exchange transactions		55,384,690	66,935,157
Total revenue		152,194,690	156,935,157
Expenses			
Use of goods and services	12	2,403,698	1,974,651
Employee costs	13	34,348,824	13,721,271
Remuneration of directors	14	5,069,812	3,601,680
Depreciation and amortization expense	15	29,903,134	17,205,898
Repairs and maintenance	16	12,702,754	10,729,345
General expenses	17	79,715,933	97,670,679
Finance costs	18	0	0
Total expenses		164,144,155	144,903,524
Other gains/(losses)			
Net Surplus/Deficit for the year		(11,949,465)	12,031,633

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

V. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2021

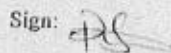
	Notes	2020/2021	2019/2020
Assets			
Current assets			
Cash and cash equivalents	19	81,101,407	62,447,703
Receivables from exchange transactions	20	47,600,257	28,385,071
Receivables from non-exchange transactions	21	0	15,295,000
Inventories	22	544,150	343,650
Total Current Assets		129,245,814	106,471,424
Non-current assets			
Property, plant and equipment	23	877,508,695	902,165,727
Intangible assets	24	6,628,655	2,900,000
Total Non-current Assets		884,137,350	905,065,727
Total assets		1,013,383,164	1,011,537,151
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	25	50,983,548	12,500,000
Payments received in advance	28	22,600,256	44,135,260
Total Current Liabilities		73,583,804	56,635,260
Non-current liabilities			
Non-current provisions	29	0	0
Borrowings	30	0	0
Total Non-current liabilities		0	0
Total liabilities		73,583,804	56,635,260
Capital and Reserves			
Reserves		930,768,984	933,922,050
Accumulated surplus		3,991,788	15,941,253
Capital Fund		5,038,588	5,038,588
Total Capital and Reserves		939,799,360	954,901,891
Total Liabilities and Capital & Reserves		1,013,383,164	1,011,537,151

The Financial Statements set out here were signed on behalf of the Institute Board of Governors by:

Sign: 

Chairman of Board of Governors

Date: 28/7/2022

Sign: 

Finance Officer
ICPAK No 24379

Date: 28/7/2022

Sign: 

Principal

Date: 28/7/2022

STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2021

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital Development grants/fund	Total
Balance b/f as at July 1, 2018	933,922,050	0	0	0	942,870,258
Revaluation gain					
Fair value adjustment on quoted investments					0
Total comprehensive income			3,909,620		3,909,620
Capital/Development grants received during the year				5,038,588	5,038,588
Balance c/d as at June 30, 2019	933,922,050	0	3,909,620	5,038,588	942,870,258
Balance b/f at July 1, 2019	933,922,050	0	3,909,620	5,038,588	942,870,258
Revaluation gain					0
Fair value adjustment on quoted investments					0
Total comprehensive income			12,031,633		12,031,633
Capital/Development grants received during the year					0
Balance c/d as at June 30, 2020	933,922,050	0	15,941,253	5,038,588	954,901,891
Balance b/f at July 1, 2020	933,922,050	0	15,941,253	5,038,588	954,901,891
Revaluation gain					0
Fair value adjustment on quoted investments					0
Total comprehensive income	(3,153,066)				(15,102,531)
Capital/Development grants received during the year			(11,949,465)		0
Transfer of depreciation/amortization from capital fund to retained earnings					0
Balance c/d as at June 30, 2021	930,768,984	0	3,991,788	5,038,588	939,799,360

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021 KShs.	2019/2020 KShs.
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	6	96,810,000	49,920,000
Public contributions and donations	7	0	0
Rendering of services- Fees from students	8	44,552,628	50,661,857
Sale of goods	9	5,225,107	595,060
Rental revenue from facilities and equipment	10	1,544,400	1,333,510
Other income, rental and agency fees	11	4,062,555	14,344,730
Total Receipts		152,194,690	116,855,157
Payments			
Compensation of employees	13	34,348,824	13,721,271
Use of goods and services	12	2,403,698	1,974,651
Remuneration to Directors	14	5,069,812	3,601,680
Finance cost	18	0	0
General Expenses	17	79,715,933	26,124,169
Repairs and maintenance	16	12,702,754	10,729,345
Total Payments		134,241,021	56,151,116
Net cash flow from operating activities		17,953,669	60,704,041
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(12,710,597)	-7,685,080
Proceeds from sale of property, plant and Equipment			
Decrease in receivables		(3,337,411)	
Increase /decrease in payables		16,948,544	
Increase in inventories			
Net cash flows used in investing activities		(200,500)	-7,685,080
Cash flows from financing activities		18,653,704	
Proceeds from borrowings			
Repayment of borrowings		0	0
Increase in deposits			
Net cashflows used in financing activities		0	0
Net increase/(decrease)in cash and cash equivalents		18,653,704	53,018,961
Cash and cash equivalents at 1 July 2020		62,447,703	9,428,742
Cash and cash equivalents at 30 June 2021	28	81,101,407	62,447,703

VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		Utilization difference	
	2020-2021	KShs	2020-2021	KShs	2020-2021	KShs	2020-2021	KShs	2020-2021	KShs		
Revenue												
Transfers from other Govt entities Govt grants	135,000,000				135,000,000		96,810,000	38,190,000	72%			
Rendering of services- Fees from students	127,131,050				127,131,050		44,552,628	82,578,422	35%			
Sale of goods	41,864,000				41,864,000		5,225,107	36,638,893	12%			
Rental Income	4,500,000				4,500,000		1,544,400	2,955,600	34%			
Consultancy Income	0				0		4,062,555	11,297,445	0%			
Other incomes	15,360,000				15,360,000		152,194,690	171,660,360	47%			
Total income	323,855,050				323,855,050							
Expenses												
Compensation of employees	58,650,000				58,650,000		34,348,824	24,301,176	59%			
Use of Goods and services	16,350,000				16,350,000		2,403,698	13,946,302	15%			
Repairs & Maintenance	10,654,750				10,654,750		12,702,754	(2,048,004)	(119%)			
Remuneration of directors	3,000,000				3,000,000		5,069,812	(2,069,812)	169%			
General expenses	235,200,300				235,200,300		79,715,933	155,484,367	34%			
Total expenditure	323,855,050				323,855,050		0	(17,953,669)				
Surplus for the period	0				0		0	(17,953,669)				

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

EXPLANATORY NOTES ON MATERIAL VARIANCE

1. The institute did not attain 100% Capitation , fees from students and boarding as budgeted because the student enrolment turnout was low due to covid 19 pandemic
- 2 .Compensation of employees, use of goods and services and general expenses were equally low due to the fact that the students were not in section from July 2020 to Dec 2020 due to covid 19 pandemic
- 3.Repair and maintenance and remuneration of directors increased because more repairs were done to adhere to covid 19 prevention measures also board meetings increase due to more meetings held during the same period.
- 4.Depreciation is a non –cash item and therefore not the statement of comparison of budget and actual amounts

RECONCILIATION BETWEEN FINANCIAL PERFORMANCE AND STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

Financial performance balance	(11,949,465)
Add back depreciation and amortisation	29,903,134
Statement of comparison of budget and actual amount balance	17,953,669

IX. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Sang'alo Institute of Science and Technology derives its authority and accountability from the Kenya constitution and TVET Act 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is training.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Sang'alo Institute of Science and Technology accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the notes.

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

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.

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30th June 2021.

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Standard	Effective date and impact
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> •Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; •Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and •Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021.

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Dividends

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2020/2021 was approved by the Council or Board on 6th February 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Sang'alo Institute on the FY 2020/2021 budget following the Council/ Board's approval.

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

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

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

c) Taxes

Current income tax

The entity is exempt from paying taxes

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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 entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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 Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

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

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

g) Intangible assets

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

h) Research and development costs

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

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

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

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

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

i) Inventories

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

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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 Entity.

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements which relates to revenue and capital reserve.

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

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

o) Borrowing costs

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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 NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. (a) TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2020-2021	2019-2020
	KShs	KShs
Operational grant	96,810,000	90,000,000
Other grants	-	
Total Government grants and subsidies	96,810,000	90,000,000

7. PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2020-2021	2019-2020
	KShs	KShs
Public donations	0	0
Donations from local leadership	0	0
Donations from religious institutions	0	0
Donations from alumni	0	0
Other donations	0	0
Total donations and sponsorships	0	0

8. RENDERING OF SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Tuition fees	11,604,763	28,978,500
Activity fees	5,947,180	2,417,475
Examination fee	0	4,193,943
RMI	3,875,400	3,322,474
LTT Fees	3,911,450	-
Medical fees	2,386,520	941,570
Personal Emoluments	10,322,295	7,970,904
EWC income	6,025,460	2,290,980
Registration fees	409,560	256,661
Motor Vehicle	70,000	
Total Rendering of Services	44,552,628	50,661,857

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 NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. SALE OF GOODS

Description	2020-2021	2019-2020
	KShs	KShs
Catering income	1,458,679	224,500
Sale of farm produce	3,766,428	370,560
Total Sale of goods	5,225,107	595,060

10. HIRE OF FACILITIES AND EQUIPMENT

Description	2020-2021	2019-2020
	KShs	KShs
Boarding Fees	1,544,400	1,333,510
Total rentals	1,544,400	1,333,510

11. OTHER INCOME

Description	2020-2021	2019-2020
	KShs	KShs
Adb/Nys Stationery Fee		0
Agriculture Practical Fees	0	2,000
Applied Science Practical Fees	0	1,500
Bce Practical Fees	0	2,950
Benovelent Fund Income	0	8,550
Bakery	0	39,440
Caution Money Fees	0	796,600
Library fee	13,055	0
Contingencies Fees	8,000	429,040
Attachment	1,814,000	635,420
Development Fund Income	0	1,294,540
Electrical Practicals Fee	0	1,920
F&B Practical Fees	31,450	19,400
Student Fines	12,250	0
Graduation Fee	22,500	2,000
Student Council Fees	638,600	206,810
Student Insurance Fees	990,200	282,060
Students Id	532,500	400,500
Differed Income(Depreciation on Buildings)	0	10,222,000
Total other income	4,062,555	14,344,730

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SANGALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

12. USE OF GOODS AND SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Electricity, Water & conservancy	2,403,698	1,974,651
Total good and services	2,403,698	1,974,651

13. EMPLOYEE COSTS

Description	2020-2021	2019-2020
	KShs	KShs
Salaries and wages	34,348,824	13,721,271
Total Employee costs	34,348,824	13,721,271

14. REMUNERATION OF DIRECTORS

Description	2020-2021	2019-2020
	KShs	KShs
Chairman's Honoraria	-	420,800
Directors emoluments	5,069,812	3,180,880
Other allowances		
Total director emoluments	5,069,812	3,601,680

15. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	27,210,249	15,755,898
Intangible assets	2,692,885	1,450,000
Total depreciation and amortization	29,903,134	17,205,898

16. REPAIRS AND MAINTENANCE

Description	2020-2021	2019-2020
	KShs	KShs
RMI	12,702,754	10,729,345
Total Repairs and Maintenance	12,702,754	10,729,345

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. GENERAL EXPENSES

Description	2020-2021	2019-2020
	KShs	KShs
Activity Expense	154,950	3,324,430
Administration Expenses	1,553,380	3,813,430
Advertisement Expense	427,500	1,159,308
Attachment Expense	2,698,900	5,518,200
Bakery Expense	37,300	223,620
Benevolent Expense	47,400	312,400
Bes Expense	4,166,953	2,154,832
Capa Registration Expense	100,000	200,000
Capacity Building Expense	11,200	4,005,457
Caution Money Expense	46,200	25,800
Computer insurance expenses	0.00	1,000
Contingencies Expense	461,907	570,601
Creditors	0	11,261,264
Centre fee expenses	227,910	
Development Expense	0	13,981,774
F&B Practical Expense	0	639,692
Farm Expense	4,686,936	3,489,394
Furniture Expense	0	68,850
Graduation Expenses	0	4,100
Security Expenses	4,276,000	0
ICT Expense & Commuter Exp	2,960,221	3,143,151
In Service Expense	0	2,500
Insurance Cover Expenses	878,978	0
ISO Expense	0	20,200
KATTI Registration Expense	156,000	10,000
Kitchen Expense	0	28,750
Library Expense	0	500
LT&T Expense	7,185,330	9,567,260
M.I.S Expense	0	1,002,745
Meals	0	295,070
Medical Expense	1,472,537	113,465
Motor Vehicle Maintenance	1,863,358	1,747,050
Performance Contract Expense	677,008	2,025,769
Procurement Expense	0	38,140
PTA/Seminars Expense	364,115	873,360
Research And TIVET Fair Exp.	321,900	517,200
Registration Expenses	132,140	
Student Council Expense	1,489,340	804,010
Town Campus Expense	873,192	1,393,695
Tution/Ses Expense	42,445,278	23,954,062
Welfare Expense	0	1,065,100

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Support Staff Expenses	0	315,500
Total general expenses	79,715,933	97,670,679

18. FINANCE COSTS

Description	2020-2021	2019-2020
	KShs	KShs
Borrowings (amortized cost)*	-	-
Finance leases(amortized cost)		
Total finance costs	-	-

19. CASH AND CASH EQUIVALENTS

Description	2020-2021	2019-2020
	KShs	KShs
Current account	81,786,109	62,422,770
Others(Cash in Hand)	-	24,933
Total cash and cash equivalents	81,786,109	62,447,703

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

Financial institution	Account number	2020-2021	2019-2020
		KShs	KShs
Current account			
Kenya Commercial bank(Main)	1102026212	5,149,341	21,904,539
Kenya Commercial bank(Exam)	1125986816	5,300,447	4,481,764
Kenya Commercial bank (MOHEST)	1111084513	64,035,654	22,079,616
Kenya Commercial bank (Farm)	1225047668	3,564,244	594,860
Barclays Bank (Town Campus)	2034181236	742,425	2,868,267
Kenya Commercial bank (Payments)	1173149635	100,889	107,339
Equity Bank (HELB)	0480275065202	1,100,187	9,877,569
Family Bank (PTA)	077000015182	1,108,220	508,816
Sub- total		81,101,407	62,422,770
Others(specify)			
Cash in hand		0	24,933
Sub- total		0	24,933
Grand total		81,101,407	62,447,703

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. RECEIVABLES FROM EXCHANGE TRANSACTIONS

20(a) Current Receivables from Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Student debtors	47,506,457	28,160,071
Rent debtors		
Staff debtors	93,800	225,000
Other exchange debtors		
Less: impairment allowance		
Total current receivables	47,600,257	28,385,071
Non-current receivables		
Refundable deposits		
Less: impairment allowance		
Total non-current receivables	47,600,257	-
Total receivables		28,385,071

21. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Transfers from other govt. entities		
Undisbursed donor funds	-	15,295,000
Total current receivables	-	15,295,000

22. INVENTORIES

Description	2020-2021	2019-2020
	KShs	KShs
Building Equipment & Consumable stores	420,150	320,150
Health Unit stores	13,500	13,000
Catering stores	110,500	10,500
Total Inventories	544,150	346,650

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SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Motor Vehicle	Furniture and fixtures	Computer	Library Books	Plant and equipment	Capital Work in Progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2020	334,000,000	511,100,000	16,784,000	7,640,275	10,735,310	3,722,050	50,259,000	17,738,588	951,979,223
Additions		7,869,020	4,384,000	77,577	380,000				12,710,597
Disposals									0
Transfer/adjustments									0
At 30 th June 2021	334,000,000	518,969,020	21,168,000	7,717,852	11,115,310	3,722,050	50,259,000	17,738,588	964,689,820
Depreciation and impairment	0	20,444,000	7,296,000	1,910,069	6,142,232	1,488,820	12,532,375	0	49,813,496
At 1 July 2020		10,379,380	5,292,000	964,732	3,704,733	744,410	6,282,375	0	27,210,249
Depreciation									0
Disposals									0
Impairment									0
Transfer/adjustments									0
At 30 th June 2021	0	30,823,380	12,588,000	2,874,800	9,846,965	2,233,230	18,814,750	0	887,508,695
Net book values	334,000,000	488,145,640	8,580,000	4,843,052	1,268,345	1,488,820	31,444,250	17,738,588	902,165,727
At 30 th June 2021	334,000,000	490,656,000	9,488,000	5,730,206	4,593,078	2,233,230	37,726,625	17,738,588	902,165,727
At 30 th June 2020	334,000,000	490,656,000	9,488,000	5,730,206	4,593,078	2,233,230	37,726,625	17,738,588	902,165,727

SANG'LO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. INTANGIBLE ASSETS-SOFTWARE

Description	2020-2021	2019-2020
	KShs	KShs
Cost		
At beginning of the year	5,800,000	5,800,000
Additions	4,971,540	
Cost end of the year	10,771,540	5,800,000
Amortization and impairment		
At beginning of the year	1,450,000	1,450,000
Amortization	2,692,885	1,450,000
Amortization at end of the year	4,142,885	2,900,000
Less :Impairment loss		
At end of the year	-	-
NBV	6,628,655	2,900,000

25. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	KShs	KShs
Trade payables	5,395,572	12,500,000
Capitation	14,143,336	-
Caution money	1,064,940	
Staff Gratuity	8,731,570	
Helb loans	5,992,200	
Examination fee	15,655,930	
Total trade and other payables	50,983,548	12,500,000

26. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2020-2021	2019-2020
	KShs	KShs
Consumer deposits		
Other refundable deposits		
Total deposit	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. CURRENT PROVISIONS

Description	Leave provision	Bonus provision	Gratuity Provision	Other provision	Total
	KShs	KShs	KShs	KShs	KShs
Balance at the beginning of the year	0	0	0	0	0
Additional Provisions	0	0	0	0	0
Provision utilised	(0)	(0)	(0)	(0)	(0)
Change due to discount and time value for money	(0)	(0)	(0)	(0)	(0)
Transfers from non -current provisions	0	0	0	0	0
Total provisions	0	0	0	0	0

28. PAYMENT RECIEVED INADVANCE

Description	2020-2021	2019-2020
	KShs	KShs
Student Fees	22,600,256	44,135,260
Others		
	22,600,256	44,135,260

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APPENDIX I: INTER-ENTITY TRANSFERS

ENTITY NAME: SANG'ALO INSTITUTE OF SCIENCE & TECHNOLOGY			
Break down of Transfers from the State Department of Vocational and Technical Training			
FY 2020/2021			
Capitation Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	06.11.2020	27,315,000	2020/2021
	22.02.2021	25,245,000	2020/2021
	30.03.2021	23,677,500	2020/2021
	30.06.2021	20,572,500	2020/2021
	Total	96,810,000	

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

Finance Officer
Sang'alo Institute of Science & Technology

Head of Accounting Unit
Ministry of Education

Sign -----

Sign-----

SANG'ALO INSTITUTE OF SCIENCE AND TECHNOLOGY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

APPENDIX II: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

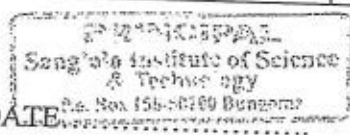
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Status (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
2019-2020-1-01-1062-02(2)	lack of collective bargaining agreement	to be negotiated	resolved	done in June 2022
2019-2020-1-01-1062-02(2)	non-disclosure of biological asset	the institute to seek service of professional valuers	not resolved	the valuation in progress
2019-2020-1-01-1062-02(2)	implementation of Abno unisol (ERP)	to be operationalizes	resolved	done in December 2020

SIGN



DATE



DR.ROSEBELLA CHUKWU PHD
CHIEF PRINCIPAL

