REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT OF THE AUDITOR-GENERAL

ON

MITUNGUU TECHNICAL TRAINING INSTITUTE

FOR THE YEAR ENDED 30 JUNE, 2018

REPUBLIC OF KENYA

MITUNGUU TECHNICAL TRAINING INSTITUTE

Mitunguu Technical Training Institute

Competency in Skills Training

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE 2018

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

Mitunguu technical training institute was incorporated/ established under the TVET Act on 2014 and opened its doors in 2015. The entity is domiciled in Kenya, Mitunguu,Meru. The institute is under the Ministry of Education.

Vision

To be a national centre of excellence in Technical and Vocational Education and Training (TVET).

Mission

To develop professional skills and technical competences, produce proficient and versatile professional managers by providing quality management courses.

(b) Principal Activities

The core business of Mitunguu Technical Training Institute is to offer technical and Vocational education and training (TVET) at the institute level.

(c) Key Management

Mitunguu Technical Training Institute's day-to-day management is under the following key organs:

- Board of governors
- Accounting officer/ Principal
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	**-Caroline K Muguna**
2.	D/principal	**-Julius Kirera**
3.	Procurement Officer	**-Elosy Kagwiria**
4.	Account Officer	**James Mugambi**
5.	Registrar	**Penina Muriungi**
6.	Dean of students	**Joseph Koruru**

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(e) Fiduciary Oversight Arrangement

The core business of Mitunguu Technical Training Institute is to offer technical and Vocational education and training (TVET) at the institute level.

(f) Headquarters

Mitunguu Technical Training Institute
Along Tunyai-Nkubu Mati Road
P.O. Box 64-60204
Mitunguu
Meru, KENYA

(g) Entity Contacts

Telephone :(254) 701 233 591
E-mail: Mitunguutechnical@gmail.com
Website: www.mitunguutechnical.ac.ke

(h) Bankers

1. Co-operative Bank of Kenya
   Nkubu branch
   P.O. Box 740-60202
   Nkubu, Kenya

2. Kenya Commercial Bank
   Nkubu branch
   P.O Box 178-60200
   Meru, Kenya

(i) Independent Auditors

Auditor General
Office of the auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 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 BOARD OF GOVERNORS

PASSPORT	DATE BIRTH	QUALIFICATIONS	EXPERIENCE
Mr.James K Mugambi, HSC.  BOG Chairman	1962	MBA	Several years in administration in public sector
.Mrs.Caroline K R Muguna  Principal	1970	M.ED	Several years in academic and administration
Mr.Jenaro G Ithinji  BOG Member	1969	M.Ed	Several years in academic and administration in private and public sector.
Sabina Gatumi  BOG Member	1969	MBA	Several years in public sector
James K Kaburia  BOG Member	1987	B.A(ARCH)	Many years in private sector

Dr.David G Mwathi  BOG Member	1978	PHD	Several years in academic in public sector
Mr.Alex Murimi Munyua  BOG Member	1966	BA	Several years in academic and administration in private and public sector.
Frankline Mugendi  BOG Member	1968	MBA (conflict Security & Development	May 2015 - January 2019 Mitunguu TTI BOG Member November 2012 – Date - KK Security
Mr. Moses Wanjala  BOG Member		BED	Several years in private and public sector

III. MANAGEMENT TEAM FOR THE YEAR ENDED 30 JUNE 2018

PASSPORT	DATE OF BIRTH	QUALIFICATIONS	EXPERIENCE
Caroline K Muguna  Principal	1970	M.ed	-Feb 2015 to Date: Mitunguu TTI: Principal -May 2013 -Feb 2015: Meru TTI: Dean of Students -Feb 2005-April 2013: Meru TTI :Head of Department -Sept 2000-Feb 2005: Kiirua TTI : Trainer
Julius Kirera  Deputy Principal	1961	BED-Arts	2016 to Date: Mitunguu TTTI- Deputy Principal 2014 to 2015: Murugi Day Secondary School -Deputy Principal 1990 -2013: Katheri High School -Head of Department
Mrs. Penninah Ngina Muriungi  Registrar	1973	M.SC-applied mathematics	1998-2005 Muthetheni Girls – Teacher 2005-2014 – Kathathatu Sec School – Teacher 2014-2016 – Uruku girls Sec School – Deputy Principal 2016 to date- Mitunguu TTI- Registrar
Mrs.Polline Mawira  Guidance &Counselling	1979	BED-Arts	2005-2008 Excel girls high school – Principal 2009-2015 Kionyo Day school – Head of Department 2016-date Mitunguu TTI – Guidance & counseling
Mr.Joseph Miriti  Dean of Students	1970		1997-2010 Nkuene Boys – Deputy Principal 2011-2012 Ntharene Day - Teacher 2013- 2-15 Kaubau day – Deputy Principal 2016 to date Mitunguu TTI – Dean of Students
Gilbert Kithinji	1960	BED-Sciences	1988-1995 gabatulla Sec School – Teacher 1995-1999- Abothuguchi boys –Deputy Principal

 Industrial Liaison officer			200-2001-Gikurune Boys –deputy Principal 2002-2003 Kithatu Boys –Head of Department 2004-2016- Kathera Boys –Head of Department 2016 to date Mitunguu TTI – Industrial Liaison Officer
James Mugambi  Accounts Officer	1987	CPA-PART II	Jan 2015-Dec 2016-Mitunguu Irrigation co-operative Society-Assistant Accountant Jan 2016 to date- Mitunguu TTI- Finance Officer
Elosy Kagwiria  Procurement	1994	BSC-Procurement and Contract Management	Sept 2017- Dec 2019 Mitunguu TTI : Procurement officer Sept-Dec 2015 Mt Kenya University: attachee procurement department

IV.CHAIRMAN'S STATEMENT

Mitunguu Technical Training Institute is situated in Meru County, 32 kilometers from Meru town and 17 kilometers from Nkubu town in the Eastern region of Kenya and approximately 235 kilometers Northeast of Nairobi. Meru County borders five other counties namely; Isiolo to the North, Nyeri to the South West, Tharaka-Nithi to the South East and Laikipia to the West. Meru County is made up of nine constituencies; Igembe South, Igembe Central, Igembe North, Tigania West, Tigania East, North Imenti, Buuri, Central Imenti and South Imenti where the Institute is situated

Mitunguu Technical Training Institute is a newly constructed facility established and registered by Technical and Vocational Education and Training Authority (TVETA) under the TVET Act No. 29 of 2013. The institute sits on a 50 acre piece of land. Its construction was funded by the Government of Kenya between the years 2011 and 2015 with the core mandate of providing Education and Training to the large number of young people who graduate annually from secondary and primary school system. This is in the realization that producing a properly and effectively trained, disciplined and patriotic human resource can make a positive contribution to the development of the nation in line with Kenya Vision 2030.

The Institute was designed to be constructed in phases and the following blocks have been constructed; Electrical & Electronics block ICT block and an amphitheatre. The first phase of the Institute was designed to offer courses mainly in Electrical & Electronic Engineering and Information & Communication Technology (ICT). The Institute opened its doors in May 2015 and admitted eight (8) trainees in Electrical Installation. It had one (1) TSC teacher (Principal), two (2) BOG teachers and two (2) non-teaching staff.

The major successes and strengths of the institute include:-

- The Institute enjoys political good will in promoting technical vocational and training (TVET),
- Good catchment area for the trainees from Tharaka Nithi, Mbeere and Embu areas.
- accessible road network: the instituted along the Mati Road connecting to Embu County and Nkubu Town in Meru County
- adequate land the institute is on 50 acres of land piece no. 2863
- good and modern physical structures,
- supply of clean water; there is a borehole and water supply from the neighbouring water supply company
- Electricity supply: the institute is connected to the National Grid on three phase supply

- Increasing demand for technical education where the institute has been able to grow the population from 8 trainees to 842
- Enactment of TVET Act, 2013
- Funding support from the government that enabled the institute construct a masonry workshop, fence the underground tank, construct outside toilets and administration block left wing up to first floor
- Establishment of the state department of TVET

The Institute has its challenges bearing in mind that it started in May 2015 with little or no resources some of which include the following:

- ✓ Lack of boarding facilities to take care of the trainees who do not come from the surroundings. The community also have not developed facilities that can be hired for accommodation
- ✓ Lack of recreational facilities like the playing ground for athletics, pitches for various disciplines like football, handball, hockey, netball, rugby among others. Indoor games are also crucial and they include table tennis, darts, and pool tables among others.
- ✓ Low automation level, the connectivity of the institute to the internet is very low and the government fibre optical cable is not available
- ✓ Low enrolment. The institute has capacity to admit upto 1500 trainees but the enrolment is below average. There is need for a lot of marketing and publicity which requires resources yet the institute do not have
- ✓ Inadequate learning and training resources. The government provide basic resources to start the institute in electrical & electronics and information Communication Technology departments however, the departments requires very many consumable resources on daily basis which are not available.
- ✓ Inadequate financial resources: the catchment area is very remote, that is Tharaka and Mbeere, and hence payment of tuition fee is a challenge which makes running of the institution very difficult.
- ✓ Floods during the rainy seasons
- ✓ Changing technology which makes the facilities provided by the government need replacement frequently
- ✓ Competition from other institutions offering similar courses in shorter durations
- ✓ HIV/AIDS
- ✓ Drug and substance abuse

- ✓ Changing economic times
- ✓ Inadequate staff both trainers and support staff. Employment of the staff is the responsibility of the government of which this has not been done.
- ✓ Change in government policy
- ✓ Political interference
- ✓ Security especially terrorism which cannot be predicted

The way forward for the Mitunguu Technical Training Institute is allocate more funds on marketing and publicity so as increase gross enrolment, enhance collaboration partnerships with the local community and other agencies, integrate ICT in education and training, improve the human resource capacity through enhancing competencies and team building.

The institute will also strife to improve physical facilities and infrastructure, institute's safety and security through developing security policy, asset management by developing and updating asset inventory and train staff and trainees on first aid, firefighting skills and disaster management skills.

The vision for Mitunguu Technical Training Institute is to be a national centre of excellence in Technical & Vocational Education and Training.

Mr.Jenaro Guantai Ithinji
Chairman

V.REPORT OF THE PRINCIPAL

Location and Establishment.

Mitnguu Technical Training Institute is situated in Meru County, 32 kilometers from Meru town and 17 kilometers from Nkubu town in the Eastern region of Kenya and approximately 235 kilometers Northeast of Nairobi. Meru County borders five other counties namely; Isiolo to the North, Nyeri to the South West, Tharaka-Nithi to the South East and Laikipia to the West. Meru County is made up of nine constituencies; Igembe South, Igembe Central, Igembe North, Tigania West, Tigania East, North Imenti, Buuri, Central Imenti and South Imenti where the Institute is situated

Mitunguu Technical Training Institute is a newly constructed facility established and registered by Technical and Vocational Education and Training Authority (TVETA) under the TVET Act No. 29 of 2013. The institute sits on a 50 acre piece of land. Its construction was funded by the Government of Kenya between the years 2011 and 2015 with the core mandate of providing Education and Training to the large number of young people who graduate annually from secondary and primary school system

This is in the realization that producing a properly and effectively trained, disciplined and patriotic human resource can make a positive contribution to the development of the nation in line with Kenya Vision 2030.

The Institute was designed to be constructed in phases and the following blocks have been constructed; Electrical & Electronics block ICT block and an amphitheatre. The first phase of the Institute was designed to offer courses mainly in Electrical & Electronic Engineering and Information & Communication Technology. The Institute opened its doors in May 2015 and admitted eight (8) trainees in Electrical Installation. It had one (1) TSC teacher (Principal), two (2) BOG teachers and two (2) non-teaching staff.

The major successes and strengths of the institute include:-

STRENGTHS

- The Institute enjoys national political good will in promoting technical vocational and training (TVET),
- Good catchment area for the trainees from Tharaka Nithi, Mbeere and Embu areas.
- Accessible road network: the instituted along the Mati Road connecting to Embu County and Nkubu Town in Meru County
- Adequate land the institute is on 50 acres of land piece no. 2863

- Good and modern physical structures ;Electrical & Electronics block ICT block and an Amphitheatre
- Supply of clean water; there is a borehole in the institute that supply clean
- Enactment of TVET Act, 2013
- Establishment of the state department of TVET

SUCCESSES

- Electricity supply: the institute is connected to the National Grid on three phase supply
- Supply of clean water; the institute has been connected to clean water supply from the neighbouring water supply company
- Increase in gross enrolment; the institute has been able to grow the population from 8 trainees enrolled in the year 2015 to a gross enrolment of 565 by the end of the FY 2017/2018.
- Funding support from the government that enabled the institute construct a masonry workshop, fence the underground tank, construct outside toilets and administration block left wing up to first floor

CHALLEGES

The Institute has its challenges bearing in mind that it started in May 2015 with little or no resources some of which include the following:

- ✓ Lack of boarding facilities to take care of the trainees who do not come from the surroundings. The community also have not developed facilities that can be hired for accommodation
- ✓ Lack of recreational facilities like the playing ground for athletics, pitches for various disciplines like football, handball, hockey, netball, rugby among others. Indoor games are also crucial and they include table tennis, darts, pool tables among others.
- ✓ Low automation level, the connectivity of the institute to the internet is very low and the government fibre optical cable is not available

Mrs. Caroline K R Muguna

Principal

VI. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The Operational and Financial Performance of Mitunguu Technical Institute

Mitunguu Institute mandate is Education and Training. It was established to train in Electrical & Electronics Engineering, and Information Communication & Technology. The Institute has been able to address the industry demands by introducing new courses like Building & Construction Technology, Cosmetology, Business Management Courses, Agriculture Engineering and Competence Based Education & Training. The enrolment has gradually increased over the years from six male trainees in 2015 to over 700 trainees net enrolment. The Institute has also been able to admit 147 trainees from the NYS under the sponsorship of the government. Despite delays in remitting funds by the government, the Institute has been able to mitigate the financial constraints through preparation of supplementary budget during the year. Some of the challenges that the Institute is experiencing is lack of boarding facilities, inadequate learning & training resources, low automation, lack of recreational facilities, low enrolment, lack of transport facilities, inadequate financial resources among others. The Institute enjoys political goodwill, accessible road network, increasing demand for technical education, establishment of the state department of TVET, economically endowed region, adequate land for expansion among others

SECTION B

Compliance with Statutory Requirements

Mitunguu Technical Training Institute has complied with the statutory requirements like payment of the KRA Returns- PAYE & WITH-HOLDING TAX, NSSF, NHIF and NITA. The institute has not been involved in any court case since it started in 2015 to-date. The community is very supportive and there has not been any claim of any Institute property.

SECTION C

Key Projects and Investments Decisions the Entity is Planning /Implementing

The Institute is buying an Institute bus to address the challenge of transport and procuring textbooks to enhance training for the trainees from the savings. Construction of administration block is ongoing that is financed by the Government of Kenya. Installing of drip irrigation project to provide food and practical for the agriculture trainees

SECTION D

Major Risks facing the Institute

The Institute has risks like flooding due to high water table and long dry spell during the dry seasons. Others include failure to honour pledges by the politicians, competitions from the neighbouring Institutions offering similar courses hence low enrolment, terrorist attack, drug & substance abuse, inadequate staffing by the Ministry of Education, changing technology, HIV/AIDS, changing government policy, political interference, changing economic times, information security, legal and statutory regulations among others.

SECTION E

Material Arrears in Statutory /Financial Obligations

The institute has no arrears in statutory or financial obligations and this is demonstrated by financial statements.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Corporate Social Responsibility CSR is a self-regulating business model that helps organization to be socially accountable to its self, stakeholders and the public. By practicing CSR organization can be conscious of the kind of impact they are having on all aspects of society including economic, social and environmental.

The following are some of the CSR activities carried out by Mitunguu Technical Training Institute during the FY 2017/2018

1. Employment of community people as workers in the institute
2. Christian movement and young Christian society movement have organized crusades with local churches, secondary schools and primary schools around the area
3. The Institute held several cultural days whereby the community has come to watch their children talents this has brought harmonious co-existence.

On conservation of environment

1. The Institute environmental club as planted 524 exotic and indigenous trees within the compound
2. Drainage around the institute has been improved
3. Litter bins have been set up around
4. Compost pits have been dug at strategic points within the compound

To develop and improve sports the management as:-

1. Sponsored National Athletics championships at Rift valley Institute of Science and Technology from 10^{th} to 14^{th} April 2018 organized by KATTI
2. Sponsored National Ball Games Championship at Thika Technical Training Institute Nairobi region
3. Regional and National Ball Games at Nyandarua Institute from 13^{th} to 16^{th} June 2017
4. National ball games championship held at Friends College Kaimosi 30^{th} July to 1^{st} August 2018.

On promotion of education

1. Institute admit students from all parts of the country
2. The Institute ensured that learning facilitates are adequate.
3. The Institute ensured that there is enough trainers/lecturers by employing more BoG trainers
4. Encouraging trainees to apply for loans from Higher Education Loan Board
5. Education excursion/trips have been held
6. Motivational speakers were invited in the Institute.

On health care the institute did the following

1. Ensured that there is regular visits by the nurse 2 times a week
2. Ensured enforcement of acquirement of NHIF for its workers
3. Provision of First Aid kits.

VIII.REPORT OF THE COUNCIL/BOARD OF GOVERNORS

The Council/Board members submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the entity's affairs.

Results

The results of the entity for the year ended June 30 are set out on page ....

COUNCIL/BOARD OF GOVERNORS

The members of the Board /Council who served during the year are shown on page xxx.

Auditors

The Auditor General is responsible for the statutory audit of the Mitunguu Technical Training institute in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or Certified Public Accountants nominated by the Auditor General to carry out the audit of the Mitunguu Technical Training Institute for the year/period ended June 30, 2018 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

Corporate Secretary
Nairobi
Date:...27/2/2020...........

IX. STATEMENT OF BOARD OF GOVERNORS/ COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, and section 29 of schedule 2 of the Technical and Vocational Education and Training Act,2013 - (entities should quote the applicable legislation under which they are regulated)*) require the council members to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* for that year/period. The council members are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The council members are also responsible for safeguarding the assets of the *entity*.

The council members are responsible for the preparation and presentation of the *Mitunguu technical training institute's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2018. 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 *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The council members accept responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*the State Corporations Act, and the TVET Act*) – *entities should quote applicable legislation as indicated under)*. The council members are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2018, and of the *entity's* financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *Mitunguu Technical Training Institute* financial statements were approved by the Board on 27/09/2018 and signed on its behalf by:

Council Member	Council Member	Council Member

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

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

REPORT OF THE AUDITOR-GENERAL ON MITUNGUU TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2018

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Mitunguu Technical Training Institute set out on pages 1 to 42, which comprise the statement of financial position as at 30 June, 2018, and the statement of financial performance, statement of cash flows, statement of changes in net assets 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1.0 Non-Submission of Financial Statements

The Chairman's and Principal's reports at Pages Vii and X of the financial statements respectively indicate that the Institute started its operations in May 2015 when it admitted eight (8) trainees in electrical installation. However, contrary to Section 68 (2) (k) of the Public Finance Management Act, 2012 and Section 47(1) of the Public Audit Act, 2015, the Institute's Board of Governors did not submit financial statements for audit by the Auditor-General for the ensuing two (2) financial years namely 2015/2016 and 2016/2017.

In the circumstance, the accuracy, validity and completeness of the opening balances for the financial statements for the year under review could not be confirmed.

2.0 Accuracy of Financial Statements

2.1 Cash and Cash Equivalents

Note 22 to the financial statements reflects Kshs.12,199,105 in respect to cash and cash equivalents balance held in one bank account. The cash survey certificate as at

30 June, 2018 reflects Kshs.49,177 in respect to cash in hand. However, bank reconciliation statement for the account (A/C No.1169208630) reflects a cash withdrawal of Kshs.72,000 which was, however, not recorded in the expenditure cash books and therefore, the cash in hand as at 30 June, 2018 was understated by this amount.

In addition, the bank reconciliation statement for the account reflects a sum of Kshs.12,702 denoted as an arithmetic error in the cash book. However, no records were submitted for audit to explain the error and as a result, its occurrence and validity could not confirmed.

In view of these issues, the accuracy of the cash and cash equivalents balance totalling Kshs.12,199,105 as at 30 June, 2018 could not be confirmed.

2.2 Statement of Cash Flows

2.2.1 Incorrect Inclusion of Changes in Receivables

The statement of cash flows reflects Kshs.2,721,158 in respect to changes in receivables under cash flows from investing activities for the year under review. However, International Public Sector Accounting Standards (IPSAS) 2 (28) provides that, under the direct cash flow method, the changes in receivables do not form part of cash flows from investing activities.

In the circumstance, the presentation and accuracy of the statement of cash flows for the year ended 30 June, 2018 does not conform to IPSAS.

3.0 Accuracy of Revenue from Non-Exchange Transactions

The statement of financial performance for the year under review reflects revenue from non-exchange transactions totalling Kshs.16,237,800 which includes transfers totalling Kshs.16,000,000 in respect to operations (Kshs.13,500,000) and development of an administration block (Kshs.2,500,000) received from the Ministry of Education.

However, the development grant totalling Kshs.2,500,000 should have been reflected in the statement of changes in net assets and not in the statement of financial performance.

The Institute's total revenue and net surplus for the year under review reflected in the statement of financial performance are, therefore, overstated by Kshs.2,500,000.

4.0 Presentation of Financial Statements

4.1 Report of the Council

Contrary to the Public Sector Accounting Standards Board (PSASB), the report of the Council / Board of Governors at Page XV of the financial statements does not indicate the pages where the financial results are set and the year they relate to.

4.2 Non-Inclusion of Institute of Certified Public Accountants of Kenya (ICPAK) Membership

The financial statements for the year ended 30 June, 2018 submitted for audit review do not disclose the Institute of Certified Public Accountants of Kenya (ICPAK) membership number of the Head of Finance Department, contrary to the reporting requirements set by the Public Sector Accounting Standards Board (PSASB).

In the circumstances, the presentation of the financial statements for the year ended 30 June, 2018 is not in line with PSASB guidelines.

5.0 Undisclosed and Unconfirmed Property, Plant and Equipment

Note 27 to the financial statements reflects Kshs.19,918,744 in respect to property, plant and equipment (PPE). The Chairman's and Principal's reports accompanying the financial statements indicate that the Institute sits on a 50-acre piece of land. However, the value of the land is not included in the financial statements for the year under review and further, the respective ownership documents were not presented for audit review.

In addition, available information indicated that the Institute was allocated a plot of land measuring 20.20 hectares by the defunct Meru County Council in 2011. However, ownership documents for the land were not provided for audit review and further, the value of the land was not disclosed and included in the property, plant and equipment (PPE) balance totalling Kshs.19,918,744 reflected in Note 27 to financial statements. In addition, no records were presented to confirm that the Institute had applied for registration of the land.

In the circumstances, it has not been possible to confirm the valuation and custody of the property, plant and equipment owned by the Institute as at 30 June, 2018.

6.0 Unsupported Local Travel and Transport Expenditure

Note 10 to the financial statements reflects Kshs.3,623,297 in respect to use of goods and services. The balance includes Kshs.1,488,200 in respect to local transport and travel which further includes Kshs.380,980 spent on night out allowances during the year ended 30 June, 2018. However, records such as work tickets, invitation letters, the designations and job groups of the payees and the attendance registers and back to office reports were not provided for audit review.

In the circumstance, the propriety and value for money on the expenditure totalling Kshs.380,980 for the year ended 30 June, 2018 could not be confirmed.

7.0 Unsupported Procurement of Learning Materials

Note 17 to the financial statements reflects Kshs.11,555,739 in respect to general expenses. The balance includes Kshs.386,340 spent on procuring various learning items during the year ended 30 June, 2018. However, the respective procurement records, including the evaluation criteria used to appoint the suppliers, were not submitted for audit review.

In the circumstances, the propriety and value for money for the Kshs.386,340 expenditure incurred on procurement of learning materials could not be confirmed.

8.0 Budget and Budgetary Control

8.1 Unbalanced Budget

The statement of comparison of budget and actual amounts reflects a budgeted revenue of Kshs.32,259,768 and an expenditure budget of Kshs.70,849,898 resulting in a deficit of Kshs.38,590,130 contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 which provides that the budget for each public entity should balance.

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

8.2 Revenue Analysis

The statement of comparison of budget and actual amounts for the year ended 30 June, 2018 reflects an approved revenue budget totalling Kshs.32,259,768 and actual receipts totalling Kshs.30,750,172 resulting to a net budget shortfall of Kshs.1,509,596. The shortfall is comprised of an under-collection of Kshs.3,962,268 on one (1) item and over-collection of Kshs.2,452,672 on three (3) items.

Further examination of the statement of comparison of budget and actual amounts reflected budgeted payments totalling Kshs.70,849,898 and actual payments of Kshs.41,294,687 resulting to total under-expenditure of Kshs.29,555,211 incurred in five (5) components.

Overall, the Mitunguu Technical Training Institute underspent on its budget by Kshs.29,555,211 or 42% of the total budget allocations.

In view of the failure by the Institute to meet its overall expenditure target, some of the programmes and activities planned for the year were not implemented and therefore the Institute's goals for the year may not have been met.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

1.0 Late Submission of Financial Statements

The Mitunguu Technical Training Institute submitted its financial statements for the year ended 30 June, 2018 to the Office of the Auditor-General on 14 November, 2019, almost fifteen (15) months after the 30 September, 2018 statutory due date for their submission prescribed in Section 47(1) of Public Audit Act, 2015.

In the circumstances, the Institute's Management is in breach of the law.

2.0 Untagged Fixed Assets

Note 27 to the financial statements reflects Kshs.19,918,744 in respect to property, plant and equipment as at 30 June, 2018 comprised of buildings, and furniture and fittings valued at Kshs.19,080,092 and Kshs.838,652 respectively.

However, plant and equipment items were not tagged for identification and tracking as required by Regulation 139(1)(b) of the Public Finance Management (National Government) Regulations, 2015.

In the circumstances, the Institute is in breach of the law and the security of the assets may be inadequate.

2.1 Irregular Procurement of Stores Items

Examination of expenditure records indicated that Kshs.319,755 was spent on purchase of various stores items. However, records showing that the items were taken on charge in stores ledgers and issued to user departments were not provided for audit.

In addition, delivery notes, inspection and acceptance reports, and professional opinions by head of procurement on the procurement process were provided for audit review. Further, high worth items costing Kshs.319,755 in aggregate were procured though the low-value procurement method without Requests for Quotations contrary to Legal Notice 106 of 18 June, 2013, First Schedule, for Class C procuring entities. The Schedule provides that the maximum allowable expenditure under the method is Kshs.5,000 per procurement item.

In the circumstances, it has not been possible to confirm the propriety and value for money on Kshs.319,755 expenditure incurred on the items.

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

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7 (1) (a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion and the Basis for Conclusion of Internal Controls, Risk Management and Overall Governance sections of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

1.0 Lack of Internal Audit Department and Audit Committee

The Technical Institute had not established an Internal Audit Unit as at 30 June, 2018 as required by Section 73(1)(a) of the Public Finance Management Act, 2012. As a result, the roles assigned to the Unit by Section 73(3) of the Act were not executed. These included risk assessment, establishment of a risk register and assessment of internal controls.

Similarly, the Institute had not established an Audit Committee as at 30 June, 2018 as required by Section 73(5) of Public Finance Management Act, 2012.

In the circumstance, the Board of Governors and Management have contravened the law and overall governance, internal control and risk management in the Institute is inadequate.

2.0 Deficiencies in Information, Communication and Technology (ICT) Environment

The Institute does not have an approved Information, Communication and Technology (ICT) policy, contrary to Regulation 110(1) of the Public Finance Management (National Government) Regulations, 2015. As a result, investment and use of ICT is not guided by an objective policy that would enable the Institute attain optimal benefits from the investments it has made in the technology.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the 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 the Management is aware of intention to dissolve the Institute or to cease its operations.

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of Mitunguu Technical Institute Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

27 August, 2021

XI.STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2017/2018	
		Kshs	
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	1	16,000,000	
Transfers from Meru County	3	237,800	
Total Revenue from non-exchange transactions		**16,237,800**	
Revenue from exchange transactions			
Rendering of services- Fees from students	5	14,442,372	
Other income	9	70,000	
Revenue from exchange transactions		**14,512,372**	
Total revenue		**30,750,172**	
Expenses			
Use of goods and services	10	3,623,297	
Employee costs	11	4,319,220	
Depreciation and Amortization	13	783,041	
Remuneration of directors	12	673,000	
Repairs and maintenance	14	1,554,196	
General expenses	17	11,555,739	
Audit Fee	17b	528,740	
Total expenses		**23,037,233**	
Net Surplus for the year		**7,712,939**	

XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2017/2018	
		Kshs	
Assets			
Current assets			
Cash and cash equivalents	22	12,199,105	
Receivables from exchange transactions	23	2,869,055	
Receivables from non-exchange transactions	24	5,756,340	
Total Current Assets		**20,824,500**	
Non-current assets			
Property, plant and equipment	27	19,918,744	
Intangible assets	28	406,000	
Total Non-current Assets		**20,324,744**	
Total assets		**41,149,244**	
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	30	1,344,240	
Refundable deposits from customers and sundry creditors	31	205,110	
Total Current Liabilities		**1,549,350**	
Total liabilities		**1,549,350**	
Capital and Reserves			
Retained Earning		11,704,769	
Capital Fund		27,895,125	
Total Capital and Reserves		**39,599,894**	
Total Liabilities and Capital & Reserves		**41,149,244**	

Chairman of Board of Governors	Accounts Officer	Principal
Date 27/2/2020	Date 27/2/2020	Date 27/2/2020

XIII.STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2018

	Retained earnings	Capital/ Development Grants/Fund	Total
Balance b/f at July 1, 2016			-
Revaluation gain			-
Fair value adjustment on quoted investments			-
Total comprehensive income	3,991,830	25,395,125	**29,386,955**
Capitalized fund and Development grants received during the year	-		-
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	-
Balance c/d as at June 30, 2017	**3,991,830**	**25,395,125**	**29,386,955**
Balance b/f as at July 1, 2017	**3,991,830**	**25,395,125**	**29,386,955**
Revaluation gain			-
Fair value adjustment on quoted investments			-
Surplus/(Deficit)	7,712,939		**7,712,939**
Capital/Development grants received during the year		2,500,000	**2,500,000**
Transfer of depreciation/amortization from capital fund to retained earnings			
Balance c/d as at June 30, 2018	**11,704,769**	**27,895,125**	**39,599,894**

XIV.STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

		2017-2018	2016-2017
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	1	13,500,000	-
Transfers from Meru County	3	237,800	
Rendering of services- Fees from students	5	14,442,372	-
Other income, rentals and agency fees	9	70,000	-
Total Receipts		**28,250,172**	-
Payments			
Use of Goods and services	10	3,623,297	
Repairs and Maintenance	14	1,554,196	
Compensation of employees	11	4,319,220	-
Remuneration of Directors	12	673,000	
General expenses	17	11,555,739	-
Total Payments		**21,725,452**	-
Net cash flows from operating activities		**6,524,720**	-
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	27	- 3,839,325	
Intangible Assets Software	28	- 580,000	
Change in Receivables		2,721,158	
Net cash flows used in investing activities		- **1,698,167**	
Cash flows from financing activities			
Government Development Grant		2,500,000	
Net cash flows from financing activities		**2,500,000**	
Net increase/(decrease) in cash and cash equivalents		**10,722,887**	
Cash and cash equivalents at 1 July 2017	22	1,476,218	
Cash and cash equivalents at 30 June 2018		**12,199,105**	

XV.STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers from other Govt entities Govt grants	19,962,268		19,962,268	16,000,000	3,962,268
Transfers from Meru County	-	-	-	237,800	- 237,800
Rendering of services- Fees from students	12,297,500	-	12,297,500	14,442,372	- 2,144,872
Other Income	-	-	-	70,000	-70,000
Total income	**32,259,768**	-	**32,259,768**	**30,750,172**	**1,509,596**
Expenses					
Employee costs	6,024,800	-	6,024,800	4,319,220	1,705,580
Use of goods and services	4,285,320	-	4,285,320	3,623,297	662,023
Project	25,821,768		25,821,768	19,569,235	6,252,533
Remuneration of directors	673,000	-	673,000	673,000	-
General expenses	31,492,242	-	31,492,242	11,555,739	19,936,503
Repairs & Maintenance	2,552,768	-	2,552,768	1,554,196	998,572
Total expenditure	**70,849,898**	-	**70,849,898**	**41,294,687**	**29,555,211**
Surplus for the period	**- 38,590,130**	-	**- 38,590,130**	- **10,544,515**	- **28,045,615**

XVI.NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Mitunguu technical training institute is established by and derives its authority and accountability from TVET Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. Mitunguu technical training institute's principal activity is to offer technical and Vocational education and training (TVET) at the institute level.

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 *Mitunguu technical training institute* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Mitunguu Technical Training Institute.

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

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

ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2022:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • 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	**Applicable: 1st January 2022** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting

Standard	Effective date and impact:
	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: (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.

iii. **Early adoption of standards** The Mitunguu technical training institute did not early – adopt any new or amended standards in year 2018.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

S 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 2017/2018 was approved by the Board on *xxxx*. 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 *xxxx* on the FY 2017/2018 budget following the 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.

c) Taxes

Current income taxs

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

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 ***0*** 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.

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.

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:

- The debtors or an 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

i) Inventories

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.

k) Nature and purpose of reserves

The Mitunguu Technical Training Institute creates and maintains reserves in terms of specific requirements.

Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

The Mitunguu Technical Training institute 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.

m) 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.

n) Borrowing costs

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

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

o) Related parties

The Mitunguu Technical Training Institute 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.

p) Service concession arrangements

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

q) Cash and cash equivalents

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

r) Comparative figures

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

s) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

4 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.

NOTES TO THE FINANCIAL STATEMENT CONTINUED.

1 TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Description	2017-2018	
	Kshs.	
Unconditional grants		
Operational grant	13,500,000	
Other grants	-	
Conditional grants	-	
Library grant	-	
Hostels grant	-	
Administration block grant	2,500,000	
Laboratory grant	-	
Learning facilities	-	
Other organizational grants	-	
Total Government grants and subsidies	**16,000,000**	

1b TRANSFERS FROM MINISTRIES, DEPARTMENT AND AGENCIES

Name of the sending the grant	Amount recognized to statement of comprehensive income	Amount defered under deferred income	Amount recognised in capital fund	Total grant income during the year	
	Kshs	Kshs	Kshs	Kshs	
State department of vocational and technical training of Education	16,000,000	-		16,000,000	
Total	**16,000,000**	-		**16,000,000**	

2 GRANTS FROM DONORS AND DEVELOPMENT PARTNERS

Description	2017-2018	
	Kshs	
JICA-Research grant	-	
World bank grants	-	
Other grants	-	
Total from development partners	-	

Reconciliations of grants from donors and development partners

Description	2017-2018	
	Kshs	
Balance unspent at beginning of year	-	
current year receipt	-	
Condition met - transferred to revenue	-	
Condition to be met-remain liabilities	-	

3 TRANSFERS FROM OTHER LEVELS OF GOVERNMENT

Description	2017-2018	
	ksh	
Transfer from Meru county	237,800	
Transfer from university	-	
Transfer from university	-	
Total transfers	**237,800**	

It was students' bursary

4. PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2017-2018	
	Kshs	
Public donations	-	
Donations from local leadership	-	
Donation from regious institutions	-	
Donations from alumni	-	
Other donations	-	
Total donations and sponsorships	-	

5 RENDERING OF SERVICES

Description	2017-2018	
	Kshs	
Tuition fees	12,113,122	
Activity fee	1,077,190	
Examination fee	1,200,000	
Facilities and materials	-	
Registration fees	52,060	
Total revenue from the rendering of services	**14,442,372**	

6.SALE OF GOODS

Description	2017-2018	
	Kshs	
Sale of goods	-	
Sale of books	-	
Sale of publications	-	
Sale of farm produce	-	
Other	-	
Total from sale of goods	-	

7. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2017-2018	
	Kshs	
Straight-lined operating lease receipts	-	
Contingent rentals	-	
Total rentals	-	

8.FINANCE INCOME

Description	2017-2018	
	Kshs	
Cash investments and fixed deposits	-	
Interest income from treasury bills	-	
Interest income from treasury bonds	-	
Interest from outstanding debtors	-	
Total finance income	-	

9. OTHER INCOME

Description	2017-2018	
	Kshs	
Insurance recoveries	-	
Income from sale of tender	-	
Income from production unit	70,000	
Skills development levy	-	
Income from disposal of assets	-	
Total other income	**70,000**	

10 USE OF GOODS AND SERVICES

Description	2017-2018	
	Kshs	
Electricity	1,573,116	
Water	-	
Security	561,981	
local transport and travel	1,488,200	
Subscription	-	
Total goods and services	**3,623,297**	

11.EMPLOYEE COSTS

Description	2017-2018	
	Kshs	
Salaries and wages	4,319,220	
Employee related cost-contributions to to pensions and medical aids		
Housing benefits and allowances		
Overtime payments		
Social contributions		
Employee cost	**4,319,220**	

12.REMUNERATION OF DIRECTORS

Description	2017-2018	
	Kshs	
Chairman's honoraria	-	
Directors emoluments	673,000	
Other allowances	-	
Total directors emoluments	**673,000**	

13.DEPRECIATION AND AMORTIZATION EXPENSE

Description	2017-2018	
	Kshs	
Property, plant and equipment	609,041	
Intangible assets	174,000	
Investment property carried at cost		
Total depreciation and amortization	**783,041**	

14. REPAIRS AND MAINTENANCE

Description	2017-2018 Kshs	
Property	1,554,196	
Investment property-earning rentals		
Equipment and machinery		
Vehicles		
Furniture and fittings		
Computers and accessories		
Total repairs and maintenance	**1,554,196**	

15. CONTRACTED SERVICES

Description		2017-2018 Kshs	
Actuarial valuations		-	
Investment Valuations		-	
Properties valuations		-	
Total contracted services		-	

16. GRANTS AND SUBSIDIES

Description	2017-2018 Kshs	
Community development	-	
Education initiatives and programs	-	
Social development	-	
Community trust	-	
Corporate bodies	-	
Total grants and subsidies	-	

17. GENERAL EXPENSES

Description	2017-2018	
	Kshs	
Advertising	1,590,408	
Admin costs	940,325	
Staff retreat	177,420	
Conference and delegations	-	
Activity costs	120,615	
School equipment and stores	946,172	
Kitchen expenses	1,587,630	
Learning Materials	1,703,154.80	
NYS Students Upkeep	325,080	
Farm expenses	681,390	
Robotics and Automation	1,531,605	
Performance contracting	335,393	
Boarding Equipment and Stores	411,328	
Security costs	-	
Sewage treatment costs	-	
Examination costs	619,840	
Students welfare	169,978.20	
Training expenses	415,400	
Total general expenses	**11,555,739**	

17b. Audit Fees Provision

Description	2017-2018
	Kshs
Audit Fees Provision	528,740
Total Audit Fee Provision	**528,740**

18 FINANCE COSTS

Description	2017-2018	
	Ksh	
Borrowings(amortized cost)	-	
Finance leases(amortized cost)	-	
Unwinding of discount	-	
Interest on bank overdrafts	-	
Interest on loans from commercial banks	-	
Total finance cost	-	

19 GAIN ON SALE OF ASSETS

Description	2017-2018	
	ksh	
Property, plant and equipment	-	
Intangible assets	-	
Other assets not capitalized	-	
Total gain on sale of assets	-	

20 UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

Description	2017-2018	
	Kshs	
Investment at fair value	-	
Total gain	-	

21 IMPAIRMENT LOSS

Description	2017-2018	
	Kshs	
Property, plant and equipment	-	
Intangible assets	-	
Total impairment	-	

22(a) DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

Financial institution	Account number	2017-2018 Kshs	
a) Current account			
Kenya Commercial bank	1169208630	7,223,841	
Co-operative bank	1139206659600	4,926,087	
Sub-Total		**12,149,928**	
Cash withdrawn from bank			
Cash in hand		49,177	
Total		**12,199,105**	

22(b). CASH AND CASH EQUIVALENTS

Description	2017-2018 Kshs	2016-2017 Kshs
Bal b/f as at 1st July 2017		1,476,217
Current account	12,199,105	
On-call deposits	-	
Fixed deposits account	-	
Staff car loan/mortgage	-	
Total cash and cash equivalent	**12,199,105**	**1,476,217**

23 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018 Kshs	
Current receivables		
Student debtors	2,869,055	
Rent debtors	-	
Consultancy debtors	-	
Other exchange debtors	-	
Less: impairment allowance	-	
Total current receivables	-	
Non-current receivables	-	
Refundable deposit	-	
Advance payments	-	
public organizations	-	
Less: impairment allowance	-	
Total current receivables	-	
Current portion transferred to current receivables	-	
Total non-current receivables	-	
Total receivables	**2,869,055**	

24 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2017-2018 Kshs	
Current receivables		
Transfer from other govt. entities	-	
Undisbursed donor funds	-	
Other debtors(non-exchange transactions)	5,756,340	
Less: impairment allowance	-	
Total current receivables	**5,756,340**	

25.INVENTORIES

Description	2017-2018 Kshs	
Consumable stores	-	
Maintenance stores	-	
Health unit stores	-	
Electrical stores	-	
Cleaning materials stores	-	
Catering stores	-	
Total inventories at the lower of cost and net realizable value	-	

26. INVESTMENTS

Description	2017-2018 Kshs	
Consumable stores	-	
Maintenance stores	-	
Health unit stores	-	
Electrical stores	-	
Cleaning materials stores	-	
Catering stores	-	
Total inventories at the lower of cost and net realizable value	-	

27. PROPERTY, PLANT AND EQUIPMENT (PPE)

	Dep rate 2.5% p.a	Dep rate12.5% p.a	Dep rate 20% p.a	Dep rate 25%	Armot rate 30%	
	Buildings	Furniture and Fittings	Office and ICT Lab equipment	Masonry, electrical and plumbing practical equipment	Computer	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1July 2016						
Additions	15,670,000	958,460	-	-	-	16,628,460
Disposals						
Transfers/adjustments						
At 30th June 2017	15,670,000	958,460	-	-	-	16,628,460
At 1July 2017	15,670,000	958,460	-	-	-	16,628,460
Additions	3,899,325	-	-	-	-	3,899,325
Disposals	-	-			-	-
Transfers/adjustments	-	-			-	-
At 30th June 2018	19,569,325	958,460	-	-	-	20,527,785
Accumulated depreciation	-	-	-	-	-	-
At 1 July 2017	-	-	-	-	-	-
Depreciation charge for the year	489,233	119,808				609,041
Total ACC Depreciation	489,233	119,808				609,041
Net book value as at 30th June 2017	14,886,959	958,460	-	-	-	15,845,419
Net book value as at 30th June 2018	19,080,092	838,652	-	-	-	19,918,744

28. INTANGIBLE ASSETS-SOFTWARE

	2017-2018	
	Kshs	
At beginning of the year	580,000	
Additions	-	
At end of the year	580,000	
Additions-internal development	-	
At end of the year	**580,000**	
Amortization and impairment	174,000	
At beginning of the year	-	
Amortization		
At end of the year		
Impairment loss		
At end of the year	**406,000**	
NBV	**406,000**	

29.INVESTMENT PROPERTY

Description	2017-2018	
	Kshs	
At beginning of the year	-	
Additions	-	
Fair value gain	-	
Depreciation	-	
At end of the year	-	

30. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	
	Kshs	
Trade payables	-	
Fee paid in advance	815,500	
Audit Fees	528,740	
Third-party payments	-	
Total trade and other payables	**1,344,240**	

31. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2017-2018	
	Kshs	
Consumer deposits	-	
Caution money	205,110	
Other deposits	-	
Total deposits	**205,110**	

32. CURRENT PROVISIONS

Description	2017-2018	
	Ksh	
Balance at the beginning of the year	-	
Additional provisions	-	
Provision utilized	-	
Change due to discount and time value for money	-	
Transfer from non-current provisions	-	
Total provisions	-	

33.FINANCE LEASE OBLIGATION

Description	Minimum lease payments	Future finance charges	Present value of minimum lease payments	2017-2018
	KShs	KShs	KShs	KShs
Within current year	-	-	-	-
Long term portion of lease payments	-	-	-	-
Total provisions	-	-	-	-

34. DEFERRED INCOME

Description	2017-2018
	KShs
National government	-
International funders	-
Public contributions and donations	-
Total deferred income	-

The deferred income movement

	National government	International funders/ donors	Public contributions and donations	Total
Balance brought forward	-	-	-	-
Additions during the year	-	-	-	-
Transfers to Capital fund	(-)	(-)	(-)	(-)
Transfers to income statement	(-)	(-)	(-)	(-)
Other transfers	(-)	(-)	(-)	(-)
Balance carried forward	-	-	-	-

35. EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other provisions	2017-2018	
	Kshs	Kshs	Kshs	kshs	
Current benefit obligation	-	-	-	-	
Non-current benefit obligation	-	-	-	-	
Total employee benefits obligation	-	-	-	-	

The company only contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200.00 per employee per month.

36.NON-CURRENT PROVISIONS

Description	Long service leave	Gratuity	Other Provisions	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Less: Current portion	-	-	-	-
Total deferred income	-	-	-	-

37.BORROWINGS

Description	2017-2018
	KShs
Balance at beginning of the period	-
External borrowings during the year	-
Domestic borrowings during the year	-
Repayments of external borrowings during the year	-
Repayments of domestics borrowings during the year	-
Balance at end of the period	-

38 a) ANALYSIS OF EXTERNAL AND DOMESTIC BORROWINGS

	2017-2018
	KShs
External Borrowings	
Dollar denominated loan from '-' organisation'	-
Sterling Pound denominated loan from organisation'	-
Euro denominated loan from '–' organisation'	-
Domestic Borrowings	
Kenya Shilling loan from KCB	-
Kenya Shilling loan from Barclays Bank	-
Kenya Shilling loan from Consolidated Bank	-
Total balance at end of the year	-

38 b) BREAKDOWN OF LONG AND SHORT TERM BORROWINGS

Description	2017-2018
	KShs
Short term borrowings(current portion)	-
Long term borrowings	-
Total	-

39 SERVICE CONCESSION ARRANGEMENTS

Description	2017-2018
	KShs
Fair value of service concession assets recognized under PPE	-
Accumulated depreciation to date	-
Net carrying amount	-
Service concession liability at beginning of the year	-
Service concession revenue recognized	-
Service concession liability at end of the year	-

40. CASH GENERATED FROM OPERATIONS

Description	2017-2018 Kshs
Surplus for the year before tax	6,524,720
Adjusted for:	
Depreciation	
Non-cash grants received	
Contributed assets	
Impairment	
Gains and losses on disposal of assets	
Contribution to provisions	
Contribution to impairment allowance	
Finance income	
Finance cost	
Working Capital adjustments	
Increase in inventory	
Increase in receivables	
Increase in deferred income	
Increase in payables	
Increase in payments received in advance	
Net cash flow from operating activities	**6,524,720**

41. OTHER SUNDRY CREDITORS

Description			2017-2018
			Kshs

FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

Description	Total amount	Fully performing	Past due	Impaired
	kshs	Ksh	Ksh	Ksh
At 30 June 2018				
Receivable from exchange transactions	2,869,055	-	-	-
Receivables from non-exchange transactions	-			
Bank balances	7,223,841	-	-	-
Total	**10,092,896**	-	-	-
At 30 June 2018		-	-	-
Receivable from exchange	2,869,055		-	-

transactions		-			
Receivables from non-exchange transactions	-				
Bank balances	7,223,841	-		-	-
Total	**10,092,896**	-		-	-

FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

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

The entity has significant concentration of credit risk on amounts due from 2018

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

(ii) Liquidity risk management

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

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

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2018				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2018				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

(iii) Market risk

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

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

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

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.
The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2018			
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2018			
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

Foreign currency sensitivity analysis

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

	Change in currency rate Kshs	Effect on Profit before tax Kshs	Effect on equity Kshs
2018			
Euro	10%	-	-
USD	10%	-	-
2018			
Euro	10%	-	-
USD	10%	-	-

a) Interest rate risk

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

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 0 (2016: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 0 (2012 – KShs 0)

iv) Capital Risk Management

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

Description	2017-2018
	Ksh
Revaluation reserve	
Retained earnings	11,264,940.00
Capital reserve	
Total funds	**11,264,940.00**
Total borrowings	-
Less: Cash and bank balances	(11,561,279.00)
Net/(excess cash and cash equivalent)	
Gearing	**0%**

RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

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

	2017-2018 Kshs
Transactions with related parties	
a) Sales to related parties	
Sales of goods	-
Sales of services	-
Total	-
b) Grants from the Government	
Grants from National Govt	
Grants from County Government	-
Donations in kind	-
Total	
c) Expenses incurred on behalf of related party	
Payments of salaries and wages for employees	5,807,420
Payments for goods and services	2,135,097
Total	
d) Key management compensation	
Directors' emoluments	673,000
Compensation to the CEO	-
Compensation to key management	-
Total	**8,615,517**

CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	2017-2018
	Kshs
Court case against the company	-
Bank guarantees in favour of subsidiary	-
Total	-

CAPITAL COMMITMENTS

Capital commitments	2017-2018
	Kshs
Authorised for	-
Authorised and contracted for	-
Total	-

EVENTS AFTER THE REPORTING PERIOD

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

ULTIMATE AND HOLDING ENTITY

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

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

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

APPENDIX III STATUS OF PROJECTS COMPLETION

Project	Total project cost	Total expended to date	Completion % to date	Budget	Actual	Source of funds
Admin Block	16,265,915	21,397,244	23%			GoK
Masonry workshop, External toilet and Fencing round underground water tank	4,794,102	5,000,000	100%			Gok

APPENDIX IV: INTER-ENTITY TRANSFERS

MITUNGUU TECHNICAL TRAINING INSTITUTE				
Break down of transfers from the state department of vocational and technical training				
	Fy 2017/2018			
	Recurrent grants			
		Bank statement date	Amount (Shs)	
		13/10/2017	3,500,000	
		4/12/2017	3,500,000	
		27/3/2018	3,500,000	
		25/4/2018	3,000,000	
		Total	**13,500,000**	
	Development grants			
		Bank statement date	Amount (Kshs)	
			2,500,000	
		Total	**2,500,000**	

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