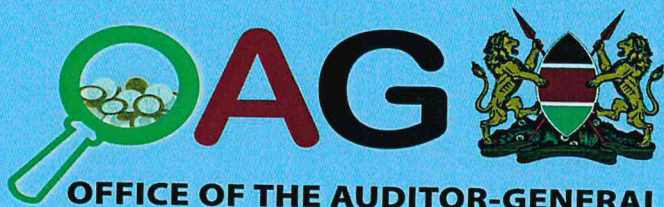


REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY	
DATE: 17 FEB 2022	
REPORT	
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**THE AUDITOR-GENERAL**

**ON**

**KIAMBU INSTITUTE OF SCIENCE AND  
TECHNOLOGY**

**FOR THE YEAR ENDED  
30 JUNE, 2019**

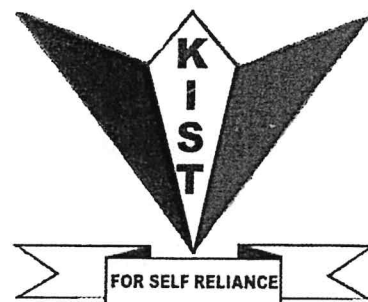
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**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019



**International Public Sector Accounting Standards (IPSAS)**  
**Annual Financial Reporting**

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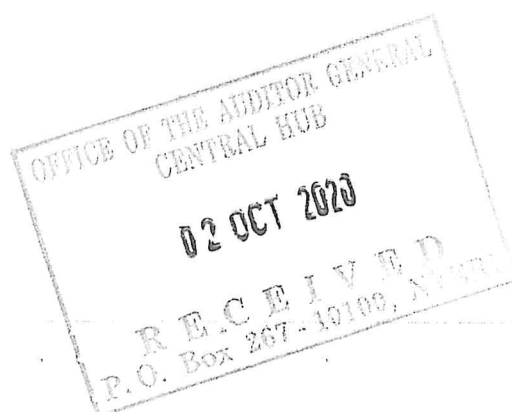
**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**  
**30<sup>TH</sup> JUNE 2019**

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



**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

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## **INSTITUTE INFORMATION AND MANAGEMENT**

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

Kiambu Institute of Science and Technology (KIST) is one of the colleges in Kenya that has produced thousands of graduates since 1973. KIST falls under the auspices of the Ministry of Education, State Department of Technical and Vocational Education and Training. It is a registered Institution under the TVET Act 2013 of the Laws of Kenya to offer Technical and Vocational Education and Training (TVET). The Board of Governors (BOG) which is appointed by Ministry of Education in Consultation with the stakeholders oversees the day-to-day running of the Institute.

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

The principal activity/mission of KIST is to provide Technical and Vocational Education and Training.

#### **i. Vision**

A centre of Excellence in Technical and Vocational Education and Training

#### **ii. Mission**

To provide and promote quality training in science and technology that is responsive to the needs of a changing society

#### **iii. Strategic Objectives**

- To provide access and equity to TVET and higher education
- To improve infrastructure
- To enhance customer satisfaction
- To ensure prudent management of resources
- To promote Research, Development and Innovations in KIST
- Uphold institutional Governance

### **(c) Key Management**

The KIST day-to-day management is under the following key organs:

- Board of Governors
- Accounting officer/ Principal
- Management

**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

**INSTITUTE INFORMATION AND MANAGEMENT (Continued)**

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2019 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Principal	Mr. Michael Gaitho Njungu
2.	Head of Finance	Ms. Rahab M. Kibacio
3.	Head of Procurement	Mr. Kevin Wanyama Mukhwana
4.	D/ Principal Administration	Dr. Jane Gitau
5.	D/ Principal Academics	Mr. John Nyoike
6.	Registrar	Ms. Joan Saina
7.	Dean of Students	Ms. Alexandrina Ngugi

**(e) Fiduciary Oversight Arrangements**

**Executive Committee Board of Governors:**

The executive committee is appointed by the board to oversee the financial performance of the institute, staff and student welfare, staff discipline.

The committee reports to the board on its undertaking for approval and implementation

**Technical committee:**

The technical committee is appointed by the board to oversee and monitor on-going projects and report status to the board and any recommendations for approval and implementation.

**Senior Management:**

Senior management comprise of Principal, Deputy Principal Administration, Deputy Principal Academics, Registrar and Dean of Students. The senior management appointed by the Principal in consultation with the board are responsible in the overall running of the Institute.

**Management:**

The management report direct to the senior management.

The management comprise of Head of Departments, Deputy Head of Departments, Head of Sections and their deputies. The management is responsible in day to day running of their departments and sections.

**INSTITUTE INFORMATION AND MANAGEMENT (Continued)**

**(f) Kiambu Institute of Science and Technology Headquarters**

P.O. Box 414 – 00900  
Kiambu, KENYA

**(g) Kiambu Institute of Science and Technology Contacts**

Telephone :( 254) 727807713  
E-mail: principal@kist.ac.ke  
Website: [www.kist.ac.ke](http://www.kist.ac.ke)

**(h) Kiambu Institute of Science and Technology Bankers**

1. Cooperative Bank of Kenya Limited  
Kiambu Branch  
P.O. Box 1064 - 00900  
Kiambu
2. KCB Bank Kenya Limited  
Kiambu Branch  
P.O. Box 81 – 00900  
Kiambu
3. Housing Finance Corporation  
Rehani house Branch – Koinange Street  
P.O. Box 30088-00100  
Nairobi

**(i) Independent Auditors**

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





**(j) Principal Legal Adviser**

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

**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**

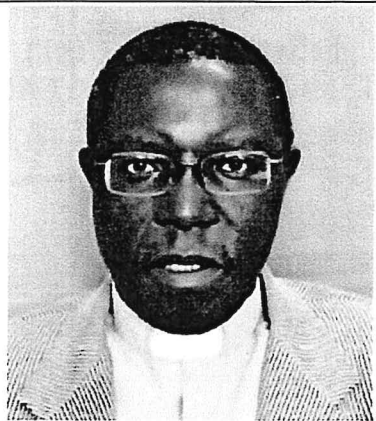




ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

**THE BOARD OF GOVERNORS**

Insert each Director's passport-size photo and name, and key profession/academic qualifications	Passport-size photo	Provide a concise description of each Director's date of birth, key qualifications and work experience
1. Dr. Josiah Kariu Kamau		DOB: 9 <sup>th</sup> November 1961 Bachelor of Pharmacy degree Private practice as a consultant Pharmacist
2. Ms. Margaret Nduhiu		DOB: 1 <sup>ST</sup> June 1964 Masters In Educational Planning And Bachelor of Science 30 Years' Experience ((5 Years As A County Director Of TVET)
3. Mr. Jeremy Miriti Naivasha		DOB: 30 <sup>th</sup> May 1955 MSC Entrepreneurship Development Pan Africa Insurance Company – left as General Manager Finance and Investments Running own businesses – Naivasha & Associates public audit and management firm
4. Mr. Jared Ongwae		DOB: February 1976 Master of Science in clinical Microbiology Masters in Hematology and blood transfusion Chief Laboratory Technology – Kisii University






**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

<p>5. Rev. Eng. Sospeter F. Mbogo</p>		<p>DOB: 23<sup>rd</sup> September 1953  Masters of Arts  Bsc. Mechanical Engineering  Reverend and Church Minister, ACK  Diocese of Mt. Kenya, Kiambu, Vicar St. Pauls' Church, former Engineer KenGen</p>
<p>6. Eng. Beatrice Kung'u</p>		<p>DOB: 3<sup>rd</sup> January 1973  Master degree in Construction Engineering and Management  Civil Engineer, Private Sector, Votex Ltd Nairobi</p>
<p>7. Mrs. Grace Tole</p>		<p>DOB: 19<sup>th</sup> June 1953,  Masters in Business Admin, Bachelor of Arts(Hons), 30years banking professional and consultant in management</p>
<p>8. Ms. Esther Ndirangu</p>		<p>DOB: 02/08/1966  Masters in Educational leadership and management  B.Ed Science  29 years of experience  15 years in senior leadership</p>
<p>9. Mr. Michael Gaitho Njungu</p>		<p>Chief Executive Officer/ Principal  DOB: 14<sup>th</sup> June 1965  BED Arts, CPA 1 and MBA in Finance  30 years of experience</p>

**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

**MANAGEMENT TEAM**

Name of the Staff	Passport photo	Responsibility
1. Mr. Michael Gaitho Njungu		Chief Executive Officer/ Principal
2. Dr. Jane Gitau		Deputy Principal Administration
3. Mr. John Nyoike		Deputy Principal Acedemics

## **CHAIRMAN'S STATEMENT**

The year 2018/2019 was a success despite few challenges faced in the course of the year.

The students' population stood at 4346 students with the Building Technology department having the highest number of students being 1417 students. This has contributed to growth in financial status and the institute is able to meet its financial obligations as they fall due. The institute thus is able to comply with legal requirements in filing and remitting statutory payments.

The Institute was able to meet its financial obligations as they fall due and at the close of the year on 30<sup>th</sup> June 2019, no pending bills were outstanding. The Institute managed to pay its staff on time and also managed to pay its suppliers within the agreed time period.

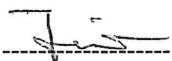
The Institute managed to make a surplus of Ksh. 85.1 Million, despite students' fees arrears stood at Ksh. 23.8 Million. The high fees arrears were as a result of receiving capitation fees after we had closed the financial year at end of June 2019.

The institute is acquiring a new institute bus in order to meet its students demand during various academic and co-curriculum activities. The procurement process has been initiated and will be completed in the following financial year. The Board is constructing a tuition block; the project will be done in phases. The award of tender was done and site handed over in June 2019. The Board commits to complete phase 1 of the five storey tuition block by constructing the structural framework: columns, beams and slabs by 30<sup>th</sup> June, 2020. The proposed tuition block is being financed by internally generated funds.

The institute in planning to acquire a new generator in order to meet power demand as the enrolment continues to increase.

The institute has a loan balance of Ksh. 116,047,944 whose installment is Ksh. 10,911, 430 per term and is pegged on students' fees collection. The loan payment is up to date in repayment of interest and principal.

The institute is facing a major challenge in terms of improving its infrastructures and tuition facilities as the land is registered by another name different from Kiambu Institute of Science and Technology as a Government training Institution. The Board of Trustees claims the ownership of institute land and property. This hampers the desired developments in terms of building more tuition areas. This in the long run will hinder the institute in enrolling more students due to limited space, thus limited growth.



Chairman of Board/Board of Governors

Date.....18/09/2020.....

**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

**REPORT OF THE PRINCIPAL**

The year 2018/2019 is our first year to report under International Public Sector Accounting Standards (IPSAS) Annual Financial Reporting.

The institute has experienced major growth in terms of students' enrolment and recruitment of trainers by the public service in consultation with the Board of Governors. The staff population stood at 123 support staff and 221 trainers.

At the close of the year the students' population stood at 4346 students with the Building Technology department having the highest number of students being 1417 students. This has contributed to growth in financial status and the institute is able to meet its financial obligations as they fall due. The institute thus was able to comply with legal requirements in filing and remitting statutory payments.

The Institute hosted Kenya National Examination Board examiners in August and December 2018 and this improved our revenue.

The institute had a loan balance of Ksh. 116,047,944 as at 30<sup>th</sup> June 2019 whose installment is at Ksh. 10,911, 430 per term and is pegged on students' fees collection. The loan payment is up to date in repayment of interest and principal. The Loan facility was acquired in June 2014 and be repaid in 45 termly instalments of Ksh. 10,911,430. The loan will be fully paid in year 2024.

The Institute was able to meet its financial obligations as they fall due and at the close of the year on 30<sup>th</sup> June 2019, no pending bills were outstanding. The Institute managed to pay its staff on time and also managed to pay its suppliers within the agreed time period.

The Institute managed to make a surplus of Ksh. 85.1 Million, despite students' fees arrears which stood at Ksh. 23.8 Million at the close of the financial year. The high fees arrears were as a result of receiving capitation fees after we had closed the financial year at end of June 2019. The number of students who benefited from capitation fees was 2861 students.

The institute is acquiring a new institute bus in order to meet its students demand during various academic and co-curriculum activities. The tender was awarded in the fourth quarter of the financial year will cost Ksh. 11 Million.

The Board is constructing a tuition block; the project will be done in phases. The award of tender was done and site handed over in June 2019. The Board commits to complete phase 1 of the five storey tuition block by constructing the structural framework: columns, beams and slabs by 30<sup>th</sup> June, 2020. The phase 1 of the project was awarded at Ksh. 75 Million. The proposed tuition block is being financed by internally generated funds.

**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

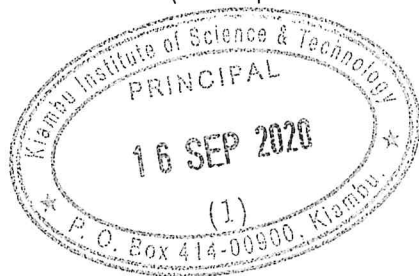
The Institute holds its graduation every year, and during this year the graduation was held on 28<sup>th</sup> September 2018 and we graduated 445 students in artisans, certificates and diplomas. These are the students who complete 1 year Artisan Certificate, 2 years Certificate and 3 years Diploma. All the courses at the institute are examined by Kenya National Examination Board.



Principal

Date.....

16/09/2020



**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

**CORPORATE GOVERNANCE STATEMENT**

The Board held quite a number of meetings during the year; for the first half of the year the board met every month to deliberate on the issues of the KIST land whose title and ownership is in the hands of Board of Trustees. On the same period - first half of the year, the Board had 3 site meetings at the construction site of the new TTIs, Project handing over at Gatundu South, Site inspection at Nachu in Kikuyu and site meeting at Limuru.

The Technical committee of the Board met six times during the site meetings and inspection of projects. The executive committee of the Board also met during the year to deliberate on Institute performance. The attendance to these meetings is at one hundred per cent with one apology on few occasions. The Board of Governors consists of eight members who were appointed by the Cabinet Secretary, Ministry of Education and comprise of Chairman, representative of Principal Secretary, Ministry of Education, representative of Kiambu County Governor and five other persons appointed on the basis of their knowledge and experience. The Principal of Kiambu Institute of Science and Technology is the Secretary to the Board.

A Board member resigns by giving notice in writing to the Cabinet Secretary.

The Board of Governors has three sub-committees, that is, Academic Committee, Technical Committee and Executive Committee.

The Board members were inducted on the new issues of International Public Sector Accounting Standards (IPSAS) Annual Financial Reporting, TVET Act, 2013 and requirements under Public Finance Management Act

Functions of the Board of Governors include:

- The Board Discuss and approves the budget for each financial year. The Board approves financial reports for every quarter and for each year. The Board negotiates and approves performance contracts for each year;
- The Board administer and manage property of the Institution;
- The Board develop and implement the Institute Strategic Plan;
- The Board determine the fees payable and method of payment;
- Receive on behalf of the Institution, fees, grants, subscriptions, donations, bursaries;
- Recruit and appoint trainers from among qualified professionals;
- Determine suitable terms and conditions of service for support staff, trainers and remunerate staff of the Institute;
- Provide the welfare of the students and staff of the Institute;
- Prepare annual financial statements and submit to the relevant authority

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **The Kiambu Institute of Science and Technology operational and financial performance**

The students' population stands at 4346 students with the Building Technology department having the highest number of students being 1417 students. This has contributed to growth in financial status and the institute is able to meet its financial obligations as they fall due. The institute thus is able to comply with legal requirements in filing and remitting statutory payments.

The institute within its strategy is expanding by adding more tuition facilities. The main challenge being faced is in fees collection now that fees have been capped and the Government is paying Ksh. 30,000 per student per term which is not received in the institution by the expected time. In this financial year the third and fourth quarter capitation fees was received in July 2019.

### **Kiambu Institute of Science and Technology compliance with statutory requirements**

The institute has complied with the statutory requirements. The institute is fully accredited with TVETA. All statutory deductions are remitted to the respective authority and in due time.

### **Key projects and investment decisions the Kiambu Institute of Science and Technology is planning/implementing**

The institute is acquiring a new institute bus in order to meet its students demand during various academic and co-curriculum activities. The institute is constructing a tuition block; the project will be done in phases. The institute is also planning to acquire a new generator in order to meet power demand as the enrolment increase.

The above projects are being financed by internally generated funds.

There is a proposal to start a new driving school which is expected to be financed by the Government.

### **Major risks facing the Kiambu Institute of Science and Technology**

The institute has a loan balance of Ksh. 116,047,944 whose installment is Ksh. 10,911,430 per term and is pegged on students' fees collection. With the capping of fees by the Government and not receiving the same as expected may affect loan repayment negatively.

Students' fees arrears are increasing due to non-payment by NYS who has sponsored a number of students. Not receiving capping fees by Government has also resulted in

## KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

high fees arrears. The institute admits students in January, May and September every year. The students who were admitted in Sept. 2018, Jan. 2019 and May 2019 have not received government capitation and it's not clear if these students will ever receive capitation for the year 2018/2019. The students who received capitation are the ones that were in our students' register by July 2018. The high fees arrears may affect financial performance of the institute if it remains unpaid for long.

The institute land is registered by another name different from Kiambu Institute of Science and Technology as a Government training Institution. This may result the institute in losing in German funded project whose major condition is to have ownership of the land and title deed be in the name of the institution.

The Board of Trustees claims the ownership of institute land and property. This hampers the desired developments in terms of building more tuition areas. This in the long run will hinder the institute in enrolling more students due to limited space, thus limited growth.

### **Material arrears in statutory/financial obligations**

The institute has not defaulted in repaying its loan. The institute has no long outstanding pending bills, only one month old. The staff salary deductions are remitted to the respective institutions on time.

### **The Kiambu Institute of Science and Technology financial probity and serious governance issues**

The Institute is facing governance issues as there two Boards which manage the Institute. There is the Board of Trustees (BOT) who owns the Institute Land and Property. The BOT has vested interest on the institute land and property. There is the Board of Governors who is answerable to Cabinet Secretary, MOE and are in charge of the Kiambu Institute of Science and Technology as a Government training Institution.

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

The Institute trained 20 women from the local community on basic skills in cooking and food presentation for one week. The activity cost the Institute Ksh. 394,000 to buy training materials. The activity benefited the trainees to be able to self-employ themselves and train others.



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

The Board/Board members submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of Kiambu Institute of Science and Technology affairs.

**Principal activities**

The principal activities' of Kiambu Institute of Science and Technology is to provide Technical and Vocational Education and Training.

**Results**

The results of Kiambu Institute of Science and Technology for the year ended June 30 are set out on page 1

**BOARD/BOARD OF GOVERNORS**

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

**Auditors**

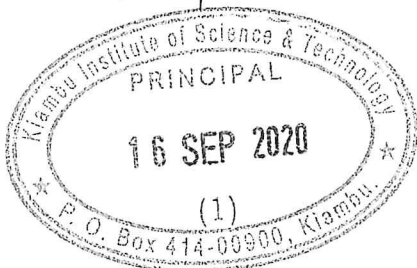
The Auditor General is responsible for the statutory audit of Kiambu Institute of Science and Technology in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of Kiambu Institute of Science and Technology for the year/period ended June 30, 2019 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



Chief Executive Officer/ Principal

Date: 16/09/2020



## KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

### STATEMENT OF BOARD OF GOVERNORS/ COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013 require the board members to prepare financial statements in respect of Kiambu Institute of Science and Technology, which give a true and fair view of the state of affairs of Kiambu Institute of Science and Technology at the end of the financial year and the operating results of Kiambu Institute of Science and Technology for that year. The board members are also required to ensure that Kiambu Institute of Science and Technology keeps proper accounting records which disclose with reasonable accuracy the financial position of Kiambu Institute of Science and Technology. The board members are also responsible for safeguarding the assets of Kiambu Institute of Science and Technology.

The board members are responsible for the preparation and presentation of the Kiambu Institute of Science and Technology financial statements, which give a true and fair view of the state of affairs of Kiambu Institute of Science and Technology for and as at the end of the financial year ended on June 30, 2019. 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 Kiambu Institute of Science and Technology; (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 Kiambu Institute of Science and Technology; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for the Kiambu Institute of Science and Technology financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the TVET Act)). The board members are of the opinion that the Kiambu Institute of Science and Technology financial statements give a true and fair view of the state of Kiambu Institute of Science and Technology transactions during the financial year ended June 30, 2019, and of the Kiambu Institute of Science and Technology financial position as at that date. The board members further confirm the completeness of the accounting records maintained for Kiambu Institute of Science and Technology, which have been relied upon in the preparation of the Kiambu Institute of Science and Technology 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 Kiambu Institute of Science and Technology will not remain a going concern for at least the next twelve months from the date of this statement.

#### Approval of the financial statements

The Kiambu Institute of Science and Technology financial statements were approved by the Board on 11<sup>th</sup> July 2019 and signed on its behalf by:

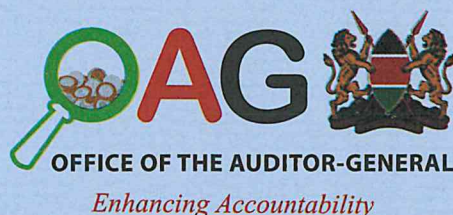
  
Council Member

  
Council Member

  
Council Member

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Adverse Opinion**

I have audited the accompanying financial statements of Kiambu Institute of Science and Technology set out on pages 1 to 39, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Kiambu Institute of Science and Technology as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (Accrual Basis), and do not comply with the Public Finance Management Act, 2012 and Technical and Vocational Education and Training Act, 2013.

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

##### **1.0 Unaudited Opening Balances and Comparative Figures**

The Institute's Management did not submit financial statements for the 2017/2018 financial year to the Auditor-General for audit contrary to the requirements under Section 47 of the Public Audit Act, 2015 which requires the financial statements to be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

Consequently, the validity, completeness and accuracy of all the opening balances in the financial statements under review could not be confirmed.

##### **2.0 Property, Plant and Equipment**

###### **2.1 Unaccounted for Land and Property**

The statement of financial position as at 30 June, 2019 reflects property, plant and equipment balance of Kshs.285,548,945. However, the balance excludes undetermined value of parcel of land on which the Institute is located, immovable property and a

farmland. The land and property on it have not been valued for reporting purpose in line with International Public Sector Accounting Standards (IPSAS) 17 on property, plant and equipment.

## **2.2 Understatement of Property, Plant and Equipment Balance**

The statement of financial position reflects a balance of Kshs.285,548,945 under the property, plant and equipment as at 30 June, 2019. Included in the balance is work-in-progress of Kshs.98,296,418 relating to Library and ICT Resource Centre. However, a review of the procurement and payment records in respect of the Library and ICT Centre revealed that an additional expenditure of Kshs.37,110,165.99 incurred during the year was not included in the property, plant and equipment balance.

Under the circumstances, the value of property, plant and equipment as well as accuracy and completeness of the balance of the Kshs.285,548,945 as at 30 June, 2019 could not be confirmed.

## **3.0 Unsupported Figure for Receivables from Exchange Transactions**

The statement of financial position reflects current and long-term receivables from exchange transactions balances of Kshs.26,052,983 and Kshs.13,162,889 respectively as at 30 June, 2019 both totalling to Kshs.39,215,872. The balances include receivables from Riara Coffee Farm and Board of Trustees of the Institute (BOT) totalling Kshs.10,767,457 and Kshs.1,993,392, respectively after netting off unsupported receipts of Kshs.5,653,953.

However, the balances which have been disclosed as due from Riara Coffee Farm and Board of Trustees of the Institute (BOT) were not supported by an analysis, ledger or schedules. Further, the terms and conditions of the loan to BOT and repayment including interest charged on the reported balance of Kshs.1,993,932 were not provided for audit review.

In addition, the Technical and Vocational Education Training Act, 2013, does not provide for the training Institution and Board of Governors to engage in money lending activities.

Consequently, the accuracy, existence, rights and obligations of the receivables from exchange transactions balance of Kshs.39,215,872 as at 30 June, 2019 could not be confirmed.

## **4.0 Long Term Borrowings**

As disclosed in Note 24 to the financial statements, the statement of financial position reflects long term borrowings amounting to Kshs.116,047,944 which were outstanding as at 30 June, 2019. The amount relates to loans from a Bank borrowed in three tranches of Kshs.9,000,000, Kshs.58,000,000 and Kshs.100,000,000 in 2012, 2013 and 2014, respectively.

However, part of the loan amounting to Kshs.20,000,000 was given to the Board of Trustees (BOT) immediately the approval was received. Management of the Institute confirmed that the funds were advanced to BOT for operational costs of the Board and to cater for expenses of Riara Coffee Farm. Although the Institute pays interest to the bank

on the loan received including the portion advanced to BOT, no interest is charged on the amount advanced to the BOT who only pay the principal amount.

During the year under review, the Institute incurred interest charges on the loan amounting to Kshs.16,707,927 while the amount outstanding from the BOT as at 30 June, 2019 stood at Kshs.12,760,849. No explanations were given as to why the Institute continues to pay interest on the loan advanced to BOT.

As a result, the validity of the loan interest paid during the year under review of Kshs.16,707,927 and advances to BOT of Kshs.20,000,000 could not be confirmed

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

### **Key Audit Matters**

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

### **Other Matter**

#### **KIST Land Ownership Status and Board of Trustees Operations**

Available information indicates that the Board of Trustees (BOT) of Kiambu Institute of Science and Technology (KIST) purchased 200 acres of land through public contribution ("harambee activities") by the then Kiambu District Community in the 1970s and had the land registered under the Board. The Board has continued to control the parcel of land on which KIST is situated and other immovable investments on it through presumed ownership.

Although a letter Ref: KIST/BOT/C/2019/011/18 dated 20 December, 2019 drawn by the Registered Board of Trustees of KIST indicates that the BOT had transferred to KIST approximately 70 acres out of the 200 acres of land L.R No. 81/47 through a lease of 99 years to The National Treasury/KIST, the title deed for the whole parcel or the portion was not provided for audit review.

Further, no information and records were provided for audit review on the BOT operations including audited financial statements. Apart from the 70 acres of land claimed to have been transferred to KIST, the BOT also controls a section of land registered as Riara Coffee Estate and has constructed rental houses which are occupied by KIST staff and members of public from which the BOT is collecting rent. The amount of revenue received from the operations on the remaining parcel of public land not used by KIST but controlled by BOT could not be ascertained in the absence of records on the operations of the BOT.

# REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

## Conclusion

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

---

## Basis for Conclusion

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### 1.0 Delayed Construction of Library and ICT Resource Centre

Available information indicate that the construction of the library and ICT resource center project started in March, 2011 and the initial contract was awarded to a contractor at a sum of Kshs.60,145,454. The construction entailed four phases, with phase one for ground floor, phase two-1<sup>st</sup> floor, phase three-2<sup>nd</sup> floor and phase four-3<sup>rd</sup> floor all with top floor slab or roof works. The contract sum for phase one was paid in full in 2013 after arbitration settlement.

After the first contractor had been paid, the Institute re-advertised the same works using similar bills of quantities and subsequently awarded Contract No. KIST/LIB/ICT/001-2010/051820 for the construction of Library and ICT Resource Centre phase 1 to a contractor in July, 2015 at a contract sum of Kshs.61,479,320. The project commencement date was 27 July, 2015 and was scheduled to be completed by 27 November, 2016.

However, the completion of the project was delayed again for unexplained reasons and the contract was mutually terminated before completion on 29 November, 2019, three years after the lapse of completion date. The contractor was also paid certified value of completed works amounting to Kshs.37,110,166 and retention money of Kshs.3,636,016 and additional claim of Kshs.4,037,512 arising from the contractor's idle labour, loss of profit and extended preliminaries costs, bringing the total payments to the second contractor to Kshs.44,783,694.

In total the Institute has spent Kshs.104,929,148 for phase 1 of the project initially planned to cost Kshs.60,145,454 resulting to a variation of Kshs.44,783,694 or 74%. ~~The variation or amendment was not approved in writing by the Accounting Officer and the tender awarding authority as required by Section 139 (1)(a) of the Public Procurement and Asset Disposal Act, 2015.~~ The Management did not give plausible justification for the poor handling of the project and wasteful expenditure for a project yet to be completed.

Consequently, value for money and the legality of the expenditure of Kshs.104,929,148 so far incurred on Library and ICT Resource Centre could not be confirmed.

### 2.0 Irregular Variation of Contracts for Mentorship of Other Technical Institutes

The statement of financial position reflects current liabilities of Kshs.23,677,399 in respect to transfers to other institutions. A review of records and Note 20 to the financial

statements revealed that the balance relates to unspent grants received by the Institute on behalf of newly established technical institutions for recurrent and development purposes over a period of four financial years from 2015/2016. A review of the expenditure on the mentorship of other technical institutes revealed the following irregularities:

## **2.1 Gatundu South Technical Training Institute (TTI)**

During the financial year 2015/2016, the Ministry of Education Science and Technology appointed KIST to mentor Gatundu South TTI among other TTI's within Kiambu County. The Ministry and the National Government Constituencies Development Fund (NGCDF)-Gatundu South Constituency were to co-fund the establishment of the TTI in Gatundu South Constituency.

The initial project comprised construction of twin workshop, classrooms and office blocks. Contract No. MOEST/TVET/6/2015-2016 for the construction of the Institute was awarded to a contractor at a contract sum Kshs.54,481,165 for a contract period of one year.

Although the project duration was 1 year or twelve months, the implementation however dragged on for more than 30 months up to August, 2018 when the contractor raised the last Interim Certificate No. 8. No reason was given for the delay.

Further, a scrutiny of the certificates raised and approved for payment to the contractor revealed that the total claim for the project amounted to Kshs.65,826,035 instead of the contract sum of Kshs.54,481,165 resulting in a price variation of Kshs.11,344,870 or 21%. The variation or amendment was not approved in writing by the Accounting Officer and the tender awarding authority as required by Section 139 (1)(a) of the Public Procurement and Asset Disposal Act, 2015.

An inspection carried out in August, 2020 revealed leaking roof, cracks on the wall and poor drainage works implying poor workmanship. Further, the contractor put up a septic tank instead of bio-digester approved by the Ministry and specified in the bills of quantities without approval.

As a result, it has not been possible to ascertain that value for money was obtained against the expenditure of Kshs.65,826,035 incurred on the project.

## **2.2 Nachu Technical Training Institute (TTI)**

During the financial year 2014/2015, the Ministry of Education Science and Technology appointed KIST to mentor Nachu TTI among other TTIs within Kiambu County and to manage the construction of twin workshop, classrooms and office blocks in Nachu TTI. A tender was advertised and Contract No. MOEST/TVET/60/2014-2015 was subsequently awarded to a contractor at a contract sum of Kshs.48,568,202.20.

However, the final claim and payment amounted to Kshs.59,957,248, resulting in a price variation of Kshs.11,389,046. The variation comprised of Kshs.4,900,000 for septic and fire equipment (both approved by the Ministry) and Kshs.6,489,046 for re-measured works which was not approved in writing by the Ministry and tender awarding authority as required by Section 139(1)(a) of the Public Procurement and Asset Disposal Act, 2015.

An inspection of the project carried out in August, 2020 revealed leaking roof and cracks on the floor of the building which is an indication of poor workmanship.

Consequently, the regularity and the value for money of the expenditure of Kshs.59,957,248 could not be confirmed.

### **2.3 Lari Technical Training Institute (TTI)**

Similarly, the Kiambu Institute of Science and Technology was appointed during the financial year 2014/2015 by the Ministry of Education Science and Technology to mentor Lari TTI and to manage construction of twin workshop, classrooms and office blocks for the new institute.

Available information indicates that Contract No. MOEST/TVET/22/2014-2015 was awarded to a contractor at a contract sum of Kshs.47,671,746 as the lowest evaluated bidder. However, scrutiny of the project records revealed that the total claim for the works amounted to Kshs.57,760,615 resulting to a price variation of Kshs.10,088,869. The variation comprised of Kshs.4,950,000 for septic and fire equipment which were approved by the Ministry and Kshs.5,138,869 for re-measured works which was not however approved as required under Section 139(1)(a) of the Public Procurement and Asset Disposal Act 2015.

Further, physical verification revealed poor workmanship as evident by leaking roof and cracks on the floor of the building.

### **2.4 Limuru Technical Training Institute (TTI)**

During the financial year 2015/2016, the Ministry of Education Science and Technology appointed KIST to mentor Limuru TTI and manage construction of twin workshop, classrooms and office blocks. Tender No. MOEST/TVET/7/2015-2016 was awarded to a contractor at a contract sum of Kshs.54,984,099, as the lowest evaluated bidder.

A review of the project records and payment documents revealed that the works commenced on 25 November, 2015 and were to be completed in 52 weeks with a completion date of 20 March, 2017. However, the construction works took over three years up to 14 November, 2019 to complete without plausible explanation. Further, physical verification of the facility revealed cracks on the floor a sign of poor workmanship.

Consequently, it has not been possible to ascertain whether the Institution obtained value for money for the expenditure incurred on the project.

### **3.0 Failure to Subject Staff Honoraria to Pay As You Earn (PAYE)**

Disclosed in Note 8 to the financial statements under use of goods and services is an expenditure of Kshs.18,612,892 on catering expenses. Included in the expenditure is an amount of Kshs.4,998,727 relating to honoraria allowance and overtime paid to members of staff during the year. However, the payment was not subjected to taxation as required under the Income Tax Act.



As a result, the Institute failed to comply with the Income Tax Act on collection and remittance of taxes to Kenya Revenue Authority amounting to Kshs.1,499,618.

#### **4.0 Non-compliance with the Law on Procurement for Seminar, Food and Boarding Services**

Included in the catering expenses of Kshs.18,612,892 under use of goods and services is an amount of Kshs.13,695,289 incurred on seminar, food and boarding expenses. However, a review of records revealed that the services were provided by few suppliers although the Institute had many prequalified suppliers. Although the Management explained that framework agreement for the procurement was used, no procurement records were presented showing how the few successful suppliers were selected from the pre-qualified suppliers under the framework agreement.

Further, during the financial year 2018/2019, the Institute generated catering services income of Kshs.9,897,108 against expenditure of Kshs.18,612,892, resulting in a loss/deficit of Kshs.8,715,784. This is an indication of operational challenges and mismatch between catering costs and sales.

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

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

#### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

#### **Basis for Conclusion**

##### **Corporate Governance**

Records provided for audit revealed that the Board of Trustees of Kiambu Institute of Science and Technology (KIST) is a body incorporated under the Trustee Perpetual Succession Act, Chapter 164 of the Laws of Kenya while KIST is established under the Technical and Vocational Education and Training Act, 2013.

On page xiv of the report on Management Discussion and Analysis attached to the financial statements for the year ended 30 June, 2019 is a disclosure on existence of serious governance issues in the Institute. The report indicates the existence of two parallel boards which manages the Institute. A Board of Trustees (BOT) which owns the

Institute land and has interest on the Institute`s immovable property and development on it. On the other hand, a Board of Governors (BOG) which has been appointed under the Technical and Vocational Education and Training Act, 2013.

As a result of the existence of the two Boards, there has been persistent conflict on planned development and finance leading to inefficient formulation of policies, procedures and execution of other functions of the Board.

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

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

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

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

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

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with

Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to continue as a going concern.

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

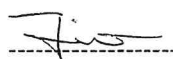
31 December, 2021

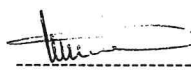
KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019


IV. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018/2019	2017/2018
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the National Government – grants/ gifts in kind	1	8,273,625	29,000,000
Grants from donors and development partners	2	-	144,857,060
Public contributions and donations	3	100,000	100,000
<b>Total Revenue from non-exchange transactions</b>		<b>8,373,625</b>	<b>173,957,060</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Fees from students	4	288,338,017	270,082,533
Sale of goods	5	73,910	33,000
Finance income - external investments	6	3,958,466	60,405
Other income	7	419,690	321,400
<b>Revenue from exchange transactions</b>		<b>292,790,083</b>	<b>270,497,338</b>
<b>Total revenue</b>		<b>301,163,708</b>	<b>444,454,398</b>
<b>Expenses</b>			
Use of goods and services	8	109,773,007	110,550,880
Employee costs	9	56,057,337	49,945,946
Board of Governors expenses	10	2,353,000	4,468,950
Depreciation and amortization expense	11	21,817,149	23,873,440
Repairs and maintenance	12	9,356,679	12,486,835
Finance costs	13	16,707,927	19,484,393
<b>Total expenses</b>		<b>216,065,099</b>	<b>220,810,444</b>
<b>Net Surplus for the year</b>		<b>85,098,609</b>	<b>223,643,954</b>

The notes set out on pages 9 to 41 form an integral part of the Annual Financial Statements.

  
Chairman of Council/Board of Governors  
Date 18/09/2020

  
Finance Officer  
ICPAK No. 8793  
Date 16/09/2020

  
Principal  
Date 16/09/2020

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V. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

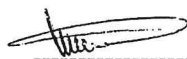
	Notes	2018/2019	2017/2018
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	269,101,393	181,689,710
Receivables from exchange transactions	15	26,052,983	31,781,478
Receivables from non-exchange transactions	16	2,436,796	-
<b>Total Current Assets</b>		<b>297,591,172</b>	<b>213,471,189</b>
<b>Non-current assets</b>			
Property, plant and equipment	17	285,548,945	291,582,585
Intangible assets	18	325,000	-
Long term receivables from exchange transactions	15	13,162,889	18,816,842
<b>Total Non-current Assets</b>		<b>299,036,833</b>	<b>310,399,426</b>
<b>Total assets</b>		<b>596,628,005</b>	<b>523,870,615</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	19	3,383,206	909,840
Refundable deposits from customers	21	13,789,371	14,561,544
Transfer to other Institutions	20	23,677,399	21,221,706
Deferred income	22	15,633,480	15,633,480
Payments received in advance	23	4,407,754	4,879,497
<b>Total Current Liabilities</b>		<b>60,891,211</b>	<b>57,206,067</b>
<b>Non-current liabilities</b>			
Borrowings	24	116,047,944	132,074,307
<b>Total Non-current liabilities</b>		<b>116,047,944</b>	<b>132,074,307</b>
<b>Total liabilities</b>		<b>176,939,155</b>	<b>189,280,374</b>
<b>Capital and Reserves</b>			
Reserves		-	-
Accumulated surplus		265,716,549	180,617,940
Capital Fund		153,972,301	153,972,301
<b>Total Capital and Reserves</b>		<b>419,688,850</b>	<b>334,590,241</b>
<b>Total Liabilities and Capital &amp; Reserves</b>		<b>596,628,005</b>	<b>523,870,616</b>

The Financial Statements set out on pages 1 to 41 were signed on behalf of the Institute Council/ Board of Governors by:



Chairman of Council/Board of Governors


Date 18/09/2020



Finance Officer

ICPAK No. 8793

Date 16/09/2020



Principal

Date 16/09/2020

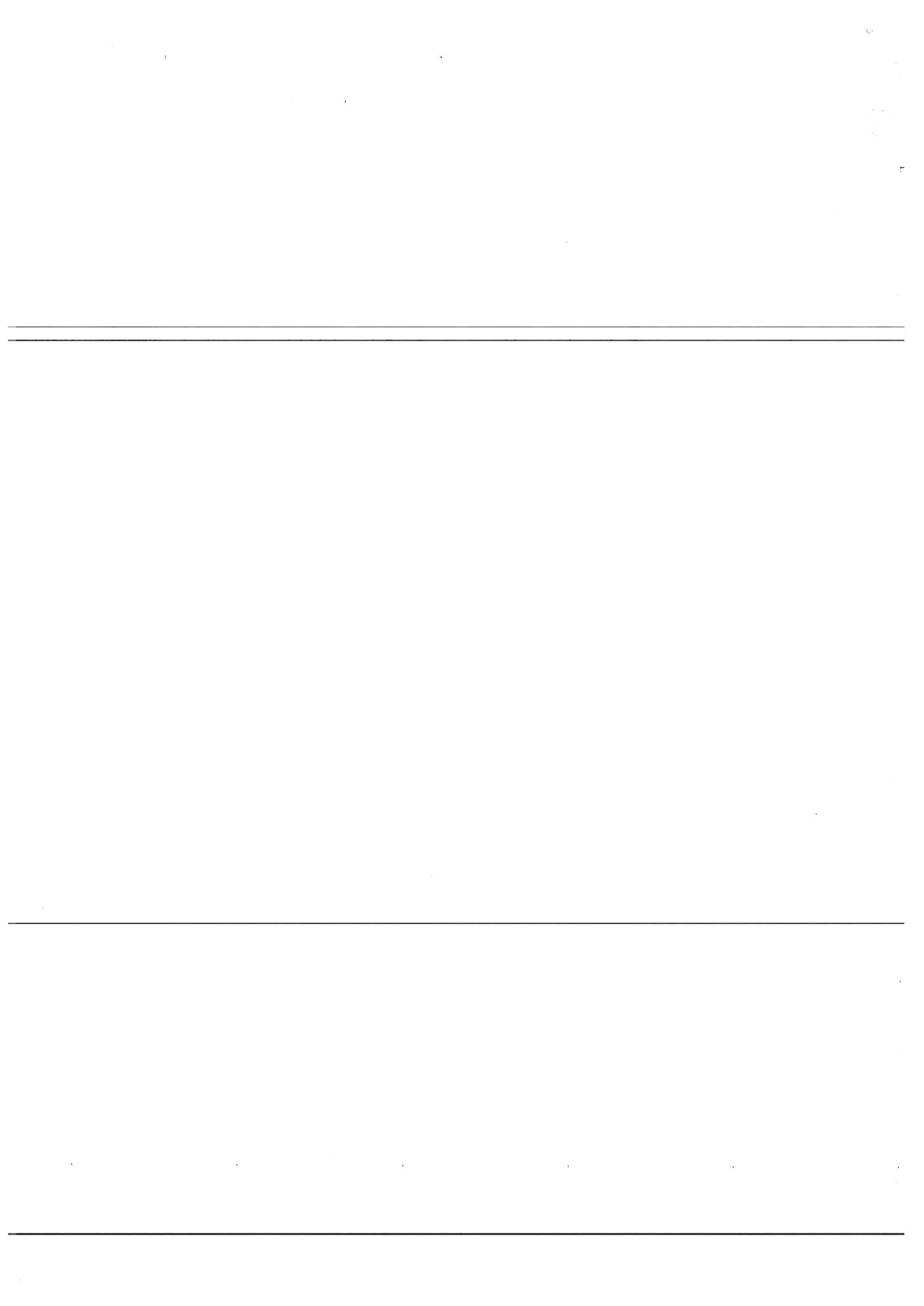
## VI. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2019

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/ Development Grants/Fund	Total
<b>Balance b/f at July 1, 2017</b>	-	-	78,735,509	-	78,735,509
Assets estimated cost				153,972,301	153,972,301
Fair value adjustment on quoted investments					-
Total comprehensive income			223,643,954		223,643,954
Prior year adjustments - To write off Development account, GOK projects, Engineering lab grants and water harvesting grants as funds were fully utilised and projects completed			32,780,012		32,780,012
Prior year adjustments - To adjust to the correct position the New TTIs balance of unutilised funds, loan balance, debtors			2,929,483		2,929,483
Capital/Development grants received during the year					-
Transfer of depreciation/amortisation from capital fund to retained earnings					-
<b>Balance c/d as at June 30, 2018</b>	-	-	180,617,940	153,972,301	334,590,241
<b>Balance b/f as at July 1, 2018</b>	-	-	180,617,940	153,972,301	334,590,241
Assets estimated cost					-
Prior year adjustments - To adjust to the correct position the New TTIs balance of unutilised funds, loan balance					-
Total comprehensive income			85,098,609		85,098,609
Capital/Development grants received during the year					-
Transfer of depreciation/amortisation from capital fund to retained earnings					-
<b>Balance c/d as at June 30, 2019</b>	-	-	265,716,548	153,972,301	419,688,850



**VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

		2018/2019	2017/2018
	Note	Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other Government entities/Govt. grants	1	8,273,625	29,000,000
Library grants received	22	-	2,500,000
Public contributions and donations	3	100,000	100,000
Rendering of services- Fees from students	4	283,458,521	242,857,399
Sale of goods	5	73,910	33,000
Finance income	6	3,958,466	60,405
Other income, rentals and agency fees	7	419,690	321,400
Receivable from non-exchange transactions	15	11,382,449	28,789,914
Refundable Deposits	21	-	2,760,107
Fees paid in advance	23	4,407,754	4,879,497
Transfer to mentoring institutions	20	2,455,693	-
<b>Total Receipts</b>		<b>314,530,108</b>	<b>311,301,721</b>
<b>Payments</b>			
Compensation of employees	9	56,057,337	49,945,946
Board of Governors expenses	10	2,353,000	4,468,950
Use of goods and services	8	106,389,800	109,641,040
Finance cost	13	16,707,927	19,484,393
Repairs and Maintenance	12	9,356,679	12,486,835
Payment of Suppliers accrued in the previous year	19	909,840	-
Refundable deposit paid	21	772,174	-
Receivable from Non exchange transactions	16	2,436,796	-
Transfer to Mentoring institutions	20	-	16,678,257
<b>Total Payments</b>		<b>194,983,553</b>	<b>212,705,421</b>
<b>Net cash flows from operating activities</b>		<b>119,546,554</b>	<b>98,596,301</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	17	- 15,783,509	- 16,626,664
Intangible Asset	18	- 325,000	-
<b>Net cash flows used in investing activities</b>		<b>- 16,108,509</b>	<b>- 16,626,664</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	24	- 16,026,363	- 13,249,897
<b>Net cash flows used in financing activities</b>		<b>- 16,026,363</b>	<b>- 13,249,897</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>87,411,682</b>	<b>68,719,739</b>
Cash and cash equivalents at 1 July 2018		181,689,710	112,969,971
<b>Cash and cash equivalents at 30 June 2019</b>		<b>269,101,393</b>	<b>181,689,710</b>



## VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		% Variance	Explanation of material variances
	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs		
Revenue	38,000,000		-		38,000,000		8,273,625		29,726,375		78% a)	
Transfers from other Govt entities	100,000		-		100,000		100,000		-		0%	
Public contributions and donations	244,036,836		-		244,036,836		288,338,017		- 44,301,181		-18% b)	
Rendering of services- Fees from students	24,000		-		24,000		73,910		- 49,910		-208% c)	
Sale of goods	1,295,480		-		1,295,480		3,958,466		- 2,662,986		-206% d)	
Finance Income	350,000		-		350,000		419,690		- 69,690		-20% e)	
Other income - sale of tender, idle assets	283,806,316		-		283,806,316		301,163,708		- 17,357,392			
<b>Total income</b>												
Expenses												
Compensation of employees	53,000,311		-		53,000,311		56,057,337		- 3,057,026		-6%	
Use of Goods and services	126,253,593		-		126,253,593		109,773,007		16,480,586		13% f)	
Repairs and Maintenance	19,723,777		-		19,723,777		9,356,679		10,367,098		53% g)	
Finance costs	17,162,857		-		17,162,857		16,707,927		454,930		3%	
Remuneration of directors	4,915,845		-		4,915,845		2,353,000		2,562,845		52% h)	
<b>Total expenditure</b>	221,056,383		-		221,056,383		194,247,950		26,808,433			

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Surplus for the period	62,749,933	-	62,749,933	106,915,758	- 44,165,825
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*Explanation of material variance*

- a) We budgeted to receive operational grants of Ksh. 38 million but the government policy changed to finance fees capitaion per year to every student in TVET
- b) Movement is due to increase in student enrllment
- c) Farm sales from Agricultural students improved
- d) Movement is due to interest earned from short term deposits.
- e) The institute sold more tenders than earlier anticipated
- f) The institute scaled down on some expenses in order to have saving for the new proposed tuition block
- g) There were no major repairs as earlier expected
- h) We expected the Board to meet frequently due to ongoing projects of new TTIs, but site meetings were less as projects neared completion.

**IX. SIGNIFICANT ACCOUNTING POLICIES**

**1. GENERAL INFORMATION**

Kiambu Institute of Science and Technology is established by and derives its authority and accountability from TVET Act 2013. The Kiambu Institute of Science and Technology is wholly owned by the Government of Kenya and is domiciled in Kenya. Kiambu Institute of Science and Technology principal activity is training.

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Institute accounting policies.

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

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

This is the first time of adoption of accrual basis of accounting. The comparative balances have been restated to accrual basis of accounting.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue Recognition**

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

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to Kiambu Institute of Science and Technology 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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ii) Revenue from exchange transactions**

**Rendering of services**

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

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

**Sale of goods**

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

**Interest income**

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

**b) Budget information**

The original budget for FY 2018/2019 was approved by the Council or Board on 20<sup>th</sup> July 2018.

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

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

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Taxes**

***Current income tax***

Kiambu Institute of Science and Technology is exempt from paying taxes as a public training institution

***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.

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d) 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, Kiambu Institute of Science and Technology 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.

Land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on Property, plant and equipment is recognized in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Land	-
Buildings	2.5%
Motor vehicles	25%
Furniture and Fittings	12.5%
Computer	30%
Office Equipment	12.5%

A full year depreciation charge is recognised in the year of asset purchase. Depreciation charge is not recognised in the year of disposal.

The financial report for the period under review does not reflect the value of the land on which the Institute sits as by 30<sup>th</sup> June 2019, the status was not known.

~~Part of the Institute land is in the name of Kiambu Institute of Science and Technology and the Board of Governors, on January 2020, was issued with a copy of the title deed for 70 acres. The rest of the land which is about 122 acres is in the custody of the Registered Trustees of KIST (Board of Trustees). The title deed for the 70 acres is in the custody of Cabinet Secretary for National Treasury.~~

The institute will value the 70 acres



**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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

**e) Research and development costs**

Kiambu Institute of Science and Technology expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when Kiambu Institute of Science and Technology 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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Financial instruments

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

*Held-to-maturity*

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

*Impairment of financial assets*

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

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**f) Financial instruments (Continued)**

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

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

*Financial liabilities*

*Initial recognition and measurement*

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

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

*Loans and borrowing*

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

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

**g) 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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g) Inventories (Continued)**

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

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

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

**h) Provisions**

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

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

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

***Contingent liabilities***

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

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***Contingent assets***

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Nature and purpose of reserves**

The Institute creates and maintains reserves in terms of specific requirements. The Institute maintains Capital and Revenue reserves.

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

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

**k) Employee benefits**

**Retirement benefit plans**

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

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

**l) 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.

**m) Borrowing costs**

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

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

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**n) Related parties**

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

**o) Service concession arrangements**

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

**p) 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 various commercial banks at the end of the financial year.

**q) Comparative figures**

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

**r) 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, 2019.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

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

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

**Provision for Depreciation**

This caters for reduction in the value of asset with the passage of time, due to wear and tear. The Institute use reducing balance method to depreciate its assets using the applicable rates of depreciation as given in note 4(d) above

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**X. NOTES TO THE FINANCIAL STATEMENTS**

**1 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

	<b>FY/2018/2019</b>	<b>FY/2017/2018</b>
<b>Unconditional grants</b>	<b>Ksh.</b>	<b>Ksh.</b>
Operational grant	7,000,000	<b>29,000,000</b>
<b>Conditional grants</b>		
Library grant	1,273,625	-
<b>Total Government grants and subsidies</b>	<b>8,273,625</b>	<b>29,000,000</b>

**2 GRANTS FROM DONORS AND DEVELOPMENT PARTNERS**

Equipment donated by AVIC International Through Ministry of Education	-	144,857,060
<b>Total grants from development partners</b>	<b>-</b>	<b>144,857,060</b>

**3 PUBLIC CONTRIBUTIONS AND DONATIONS**

Bursary Fund	100,000	100,000
<b>Total Public Contributions and Donations</b>	<b>100,000</b>	<b>100,000</b>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 RENDERING OF SERVICES

	FY/2018/2019	FY/2017/2018
	Ksh.	Ksh.
Tuition fees, part time courses	139,196,682	141,129,169
Activity fees	8,984,565	-
Library fees	69,748	1,780,263
Facilities, seminars food & boarding, graduation gowns	28,618,814	28,761,090
boarding fees	10,445,323	9,576,288
bakery & hospitality class sales	644,522	302,771
catering sales	9,897,108	18,968,708
Centre fees	474,340	322,900
certificate storage, course cancellation, lost documents	331,873	19,000
KNDI Indexing, practicum in nutrition & dietetics	332,632	80,718
Development levy	1,416,961	14,014,010
Electricity water & conservancy	9,260,201	-
Equipment maintenance	1,236,532	10,849,489
External Exam materials, exam processing, passports, supplementary exam	2,235,603	2,628,341
Generator fuel	251,297	1,464,600
ICT and Internet	1,347,016	7,294,052
Industrial attachment ,Medical, On Job Training levy	9,396,791	11,605,669
personal emolument	34,429,518	-
Repairs maintenance &,improvement( R.MI)	4,623,901	2,306,374
sports & games	855,735	5,256,426
student Id ,boarding pass	1,396,950	1,240,093
Training materials	11,586,527	9,962,414
Local Transport and Travel (LT&T)	8,308,601	-
Application Fees	912,911	575,360
Registration fees	2,083,870	1,894,800
ICDL compute log books	-	50,000
<b>Total Rendering of Services</b>	<b>288,338,017</b>	<b>270,082,533</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SALE OF GOODS

	FY/2018/2019	FY/2017/2018
	Ksh.	Ksh.
Sale of farm produce	43,910	-
Kitchen waste	30,000	33,000
<b>Total Sale of goods</b>	<b>73,910</b>	<b>33,000</b>

6 FINANCE INCOME

Cash investments on short term deposits	3,958,466	60,405
<b>Total Finance Income</b>	<b>3,958,466</b>	<b>60,405</b>

Finance income is revenue realised from interest earned on 3 months fixed deposits from commercial banks.

7 OTHER INCOME

Sale of tender	293,000	274,000
Disposal of assets, grass, empty containers	126,690	47,400
<b>Total other income</b>	<b>419,690</b>	<b>321,400</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 USE OF GOODS AND SERVICES

	FY/2018/2019	FY/2017/2018
	Ksh.	Ksh.
Catering Expenses	18,612,892	21,032,284
Baking Unit	1,124,998	1,882,480
Tuition materials	14,750,598	15,459,464
Cleaning materials	1,678,500	1,451,911
Training Farm Expenses	5,235	53,858
Security costs	96,000	181,400
Internet bills	3,037,500	2,773,487
KNEC exam materials	5,050,468	3,931,115
Library Books purchases	109,960	1,050,706
office Expenses	22,685	16,895
office printing and stationery	3,538,739	3,857,560
Sewerage bills	888,081	997,488
seminar food & boarding and staff honoraria	18,694,016	17,950,339
Electricity	6,150,044	5,752,121
Water	2,567,528	2,623,367
ISO certification consultancy fee	683,853	1,905,955
Uniform	108,404	304,109
staff development and training	798,918	895,800
Advertising	1,605,460	1,862,081
Bank charges	391,866	175,761
Workshops and seminars	5,055,042	7,293,754
TIVET fair & Robotics	1,188,431	1,939,408
Consulting fees	182,328	-
Consumables	-	39,300
Performance contracting	868,516	243,810
Fuel and oil	1,458,750	1,575,520
Insurance	1,503,468	156,452
Student insurance	417,160	-
Student medical	970,140	397,243
Legal expenses	390,000	561,000
Licenses and permits	709,431	-
Hire charges transport	392,800	246,180
Rent expenses	76,236	207,742
Graduation expenses	2,093,721	1,598,817
Newspapers and periodicals	389,517	522,317
Gatundu TTI General expenses	1,602,970	-
Telephone, postage and airtime	712,881	1,304,419
student clubs	141,630	189,340
On job Training costs	1,333,500	-
Educational trip	396,520	592,435
Prayer day	21,400	25,150
Travelling & subsistence	6,590,361	4,342,351
replacement damages	185,780	769,622
Welfare expenses	116,000	20,000
sports and games	2,317,160	2,760,125
New TTIs site meeting expenses	743,520	1,607,716
<b>Total use of good and services</b>	<b>109,773,007</b>	<b>110,550,880</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 EMPLOYEE COSTS

	FY/2018/2019	FY/2017/2018
	Ksh.	Ksh.
Salaries and wages	51,089,113	45,261,163
Employee related costs - contributions to retirement benefit scheme	846,495	835,371
management allowances	3,624,500	3,474,117
staff leave travelling allowances	497,229	375,295
<b>Total Employee costs</b>	<b>56,057,337</b>	<b>49,945,946</b>

10 BOARD OF GOVERNORS EXPENSES

Sitting Allowances	2,353,000	4,468,950
<b>Total director emoluments</b>	<b>2,353,000</b>	<b>4,468,950</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 DEPRECIATION AND AMORTIZATION EXPENSE

	FY/2018/2019	FY/2017/2018
	Ksh.	Ksh.
Property, plant and equipment	21,817,149	23,873,440
<b>Total depreciation and amortization</b>	<b>21,817,149</b>	<b>23,873,440</b>

12 REPAIRS AND MAINTENANCE

Property	8,426,937	11,491,239
Equipment and machinery	86,800	451,330
Vehicles	842,942	544,266
<b>Total Repairs and Maintenance</b>	<b>9,356,679</b>	<b>12,486,835</b>

13 FINANCE COSTS

Interest on loans from commercial banks	16,707,927.28	19,484,393
<b>Total finance costs</b>	<b>16,707,927.28</b>	<b>19,484,393</b>

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

**14 CASH AND CASH EQUIVALENTS**

	<b>FY/2018/2019</b>	<b>FY/2017/2018</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Current account Cooperative Bank	2,564,117	1,657,678
current account Kenya Commercial Bank	73,302	50,000
Dollar account Kenya commercial bank	2,512,656	5,578,379
Housing Finance	1,052,700	1,054,020
Savings Account Cooperative Bank	111,220,710	99,260,577
Savings Account Kenya Commercial Bank	37,072,251	45,901,018
Exam Savings Account Cooperative Bank	160,520	154,098
Development account Cooperative Bank	10,835,378	7,094,179
cash & cheques	51,110	225,473
petty cash	80,250	-
Fixed Deposits Account	88,952,043	-
KIST Nachu TTI	744,640	725,777
KIST Lari TTI	2,065,899	1,562,084
KIST Gatundu TTI	396,025	392,034
KIST Limuru TTI	11,319,792	18,034,393
<b>Total cash and cash equivalents</b>	<b>269,101,393</b>	<b>181,689,710</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Current receivables	FY/2018/2019	FY/2017/2018
<b>(a)</b>	<b>Ksh.</b>	<b>Ksh.</b>
Student debtors b/f	31,478,805	30,964,292
less receipts	- 7,674,926	- 26,310,620
Add student debtors for the year	-	26,825,133
	<b>23,803,880</b>	<b>31,478,805</b>
<b>(b)</b>		
Staff Advances b/f	- 97,327	353,159
Add paid during the year	193,805	52,000
Less recovered	- 47,375	- 18,332
Prior year Adjustment to correct advances earlier misposted		- 484,154
Staff Advances c/f	<b>49,103</b>	<b>- 97,327</b>
<b>(c)</b>		
Bus Deposit	<b>2,200,000</b>	-
<b>(d)</b>		
Ministry of education b/f	400,000	400,000
Less Received	- 400,000	-
Ministry of education c/f	-	400,000
<b>Total current receivables</b>	<b>26,052,983</b>	<b>31,781,478</b>
<b>(e)</b>		
<b>Non-current receivables</b>		
Riara coffee estate -loan	16,421,410	16,893,809
Prior year Adjustment to bring in the old debt	-	2,040,562
Less: Receipts from Riara Coffee Estate	- 5,653,953	- 2,512,962
<b>Receivable from Riara Coffee Estate</b>	<b>10,767,457</b>	<b>16,421,410</b>
<b>(f)</b>		
Electricity Deposit	401,500	401,500
Board of Trustees Account	1,993,932	1,993,932
<b>Total non-current receivables</b>	<b>13,162,889</b>	<b>18,816,842</b>
<b>Total receivables</b>	<b>39,215,871</b>	<b>50,598,320</b>

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**16 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

<b>Receivables from Mentoring Institutions</b>	<b>FY/2018/2019</b>	<b>FY/2017/2018</b>
	<b>Ksh.</b>	<b>Ksh.</b>
<b>KIST Nachu operations cost</b>		
payment made on behalf of mentoring Institutions in the year	1,865,000	
Less Receipts on behalf of mentoring Institutions during the year	1,315,000	
	<b>550,000</b>	
<b>KIST IARI operation cost</b>		-
Receipts during the year	-	
less payments	1,312,912	
	<b>1,312,912</b>	
<b>KIST Gatundu operation cost</b>		-
receipts during the year	-	
payment made during the year	573,884	
	<b>573,884</b>	
<b>Total current receivables from non-exchange transactions</b>	<b>2,436,796</b>	-

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

**17 PROPERTY, PLANT AND EQUIPMENT**

	Buildings		Motor vehicles		Furniture and fittings		Computers		Plant and Equipment		Capital in Progress		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>Cost</b>														
At 1 July 2017	47,223,178	8,670,000	23,875,440	30,212,795	98,296,418									208,277,831
Additions	5,864,870	-	3,493,000	792,900	6,475,894									16,626,664
Grant	-	-	-	-	144,857,060									144,857,060
Transfers/adjustments	-	-	-	-	-									-
<b>At June 2018</b>	<b>53,088,048</b>	<b>8,670,000</b>	<b>27,368,440</b>	<b>31,005,695</b>	<b>151,332,954</b>									<b>369,761,555</b>
Additions	9,287,016	-	436,972	584,000	5,475,521									15,783,509
Disposals	-	-	-	-	-									-
Transfer/adjustments	-	-	-	-	-									-
<b>At end of year - June 2019</b>	<b>62,375,064</b>	<b>8,670,000</b>	<b>27,805,412</b>	<b>31,589,695</b>	<b>156,808,475</b>									<b>385,545,064</b>
<b>Depreciation and impairment</b>														
At 1 July 2017	9,254,987	7,804,691	11,975,196	25,270,656	98,296,418									54,305,530
Depreciation	1,095,827	216,327	1,924,156	1,720,512	18,916,619									23,873,440
On Disposals	-	-	-	-	-									-
Impairment	-	-	-	-	-									-
<b>At 30 June 2018</b>	<b>10,350,814</b>	<b>8,021,018</b>	<b>13,899,352</b>	<b>26,991,168</b>	<b>18,916,619</b>									<b>78,178,970</b>
Depreciation	1,300,606	162,245	1,738,258	1,379,558	17,236,482									21,817,149
On Disposals	-	-	-	-	-									-
Impairment	-	-	-	-	-									-
Transfer/adjustment	-	-	-	-	-									-
<b>At 30 June 2019</b>	<b>11,651,420</b>	<b>8,183,264</b>	<b>15,637,609</b>	<b>28,370,726</b>	<b>36,153,101</b>									<b>99,996,120</b>
Net book values														
At 30 June 2019	50,723,645	486,736	12,167,803	3,218,969	120,655,374									285,548,945
At 30 June 2018	42,737,234	648,982	13,469,089	4,014,527	132,416,335									291,582,585



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 NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 INTANGIBLE ASSETS-SOFTWARE

	FY/2018/2019	FY/2017/2018
	Ksh.	Ksh.
<b>Cost</b>		
At beginning of the year	-	-
Additions	325,000	-
<b>Cost end of the year</b>	<b>325,000</b>	-
<b>Amortization and impairment</b>	-	-
<b>NBV At End of the Year</b>	<b>325,000</b>	-

19 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables b/f paid during the year	909,840	-
trade payables for the year	3,351,441	909,840
	4,261,281	909,840
Trade payables b/f paid during the year	- 909,840	-
<b>Total trade payables</b>	<b>3,351,441</b>	<b>909,840</b>
Riara Estate-house rent arrears	31,765	-
	-	
<b>Total trade and other payables</b>	<b>3,383,206</b>	<b>909,840</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 TRANSFER TO OTHER INSTITUTIONS

<b>New TTIs Project Funds:</b>		
<b>(a)</b>		
KIST Nachu TTI b/f	780,448	7,828,180
less payments		- 7,499,721
less Bank charges	- 4,320	-
Prior year adjustment To adjust to the correct position the unutilised funds		451,989
KIST Nachu TTI c/f	<b>776,128</b>	<b>780,448</b>
<b>(b)</b>		
KIST Lari TTI b/f	1,554,121	10,722,332
Add receipts	2,000,000	-
less payments	- 1,483,254	- 6,197,803
less Bank charges	- 4,968	-
Prior year adjustment To adjust to the correct position the unutilised funds	-	- 2,970,408
KIST Lari TTI c/f	<b>2,065,899</b>	<b>1,554,121</b>
<b>(c)</b>		
KIST Gatundu TTI b/f	389,835	8,101,480
add receipts	6,621,790	10,600,000
less payments	- 6,615,000	- 18,501,803
less Bank charges	-	-
Prior year adjustment To adjust to the correct position the unutilised funds	600	190,158
KIST Gatundu TTI c/f	<b>396,025</b>	<b>389,835</b>
<b>(d)</b>		
KIST Limuru TTI b/f	18,497,301	13,774,089
Add receipts	16,998,762	4,921,070
less payments	- 18,054,707	-
less Bank charges	- 2,010	-
Prior year adjustment To adjust to the correct position the unutilised funds		- 197,858
KIST Limuru TTI c/f	<b>17,439,346</b>	<b>18,497,301</b>
<b>New TVCs Operational grants:</b>		
KIST Nachu TTI	1,000,000	-
KIST Lari TTI	1,000,000	-
KIST Gatundu TTI	1,000,000	-
	<b>3,000,000</b>	
<b>Total Transfer to other Institutions</b>	<b>23,677,399</b>	<b>21,221,706</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

<b>(a) Caution Money</b>		
Caution money b/f	5,564,577	4,445,147
add receipts	2,274,875	1,949,930
less payments	- 604,000	- 830,500
Caution money c/f	<b>7,235,452</b>	<b>5,564,577</b>
<b>(b) Student Council</b>		
student council b/f	1,211,781	537,224
Add receipts	2,609,116	2,390,757
Less payments	- 1,420,699	- 1,716,200
student council c/f	<b>2,400,198</b>	<b>1,211,781</b>
KISA photocopy project b/f	21,065	-
KISA photocopy project Receipts	-	83,365
KISA photocopy project refunded	- 21,065	- 62,300
KISA photocopy project c/f	-	<b>21,065</b>
student council c/f	<b>2,400,198</b>	<b>1,232,846</b>
<b>(c) Examination Fees</b>		
Examination fee b/f	7,764,122	6,819,067.15
add receipts	29,170,060	27,364,124.50
less payments	- 32,780,460	- 26,419,070.00
<b>Balance c/f</b>	<b>4,153,721</b>	<b>7,764,121.65</b>
<b>(c) Graduation Gown Deposit</b>		
<b>Graduation gown deposit</b>		
Receipt during the year	478,500	299,000.00
less payment	- 478,500	- 299,000.00
	-	-
<b>Total deposits</b>	<b>13,789,371</b>	<b>14,561,544</b>

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

**22 DEFERRED INCOME**

Library construction grants balance b/f	15,633,480	13,133,480.30
Engineering lab balance b/f	-	5,523,098.70
Water harvesting project balance b/f	-	1,221,884.05
GOK Project grants balance b/f		11,003,297.60
Development Account balance b/f		15,031,732.00
Library construction grants received		2,500,000.00
Prior year Adjustment (Write off balances of projects that has since been completed)		- 32,780,012.35
<b>Total Deferred Income</b>	<b>15,633,480</b>	<b>15,633,480</b>

**23 PAYMENTS RECEIVED IN ADVANCE**

	<b>FY/2018/2019</b>	<b>FY/2017/2018</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Student Fees	4,407,754	4,879,497
	<b>4,407,754</b>	<b>4,879,497</b>

**24 BORROWINGS**

Balance at beginning of the period	132,074,307	144,171,160
Less Repayments of domestics borrowings during the period	16,026,363	13,249,897
Less Prior year adjustment to correct understated loan balance	-	1,153,044
Balance at end of the period	<b>116,047,944</b>	<b>132,074,307</b>

**24 a) ANALYSIS OF EXTERNAL AND DOMESTIC BORROWINGS**

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>KShs</b>	<b>KShs</b>
<b>Domestic Borrowings</b>		
Kenya Shilling loan from Cooperative Bank	116,047,944	132,074,307
<b>Total balance at end of the year</b>	<b>116,047,944</b>	<b>132,074,307</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 b) BREAKDOWN OF LONG AND SHORT TERM BORROWINGS

Description	2018-2019	2018-2019
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	116,047,944	132,074,307
<b>Total</b>	<b>116,047,944</b>	<b>132,074,307</b>

Loan facility is payable over forty five (45) termly instalments of Kshs. 10,911,430 which is inclusive of interest and principal repayment.

The interest rate applicable is 14% p.a.

The loan security is the fixed and floating debenture over the assets of KIST for an amount of Ksh. 158,000,000.00 equivalent to principal amount borrowed on June 2014.

25 Reconciliation of Cash flow Items

		2018-2019	2018-2019
	Note	KShs	KShs
<b>Rendering of services</b>			
	4	288,338,017	270,082,533
Less fees paid in advance in previous year	23	- 4,879,497	
Less Fees Student debtors during the year	15	-	- 26,825,133
Less Fees Sponsor debtors during the year	15	-	- 400,000
<b>Cash Inflow</b>		<b>283,458,521</b>	<b>242,857,399</b>
<b>Use of goods and services</b>			
	8	109,773,007	110,550,880
Less Accrued Expenses as at 30th June	19	- 3,351,441	- 909,840
Less Accrued Rent as at 30th June	19	- 31,765	-
<b>Cash outflow</b>		<b>106,389,800</b>	<b>109,641,040</b>

**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**NOTES TO THE FINANCIAL STATEMENTS (Continued)****26 FINANCIAL RISK MANAGEMENT**

The Institute 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 Institute does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Institute financial risk management objectives and policies are detailed below:

**(i) Credit risk**

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

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

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

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2019</b>				
Receivables from exchange transactions	26,052,983	2,249,103	23,803,880	-
Receivables from non-exchange transactions	2,436,796	2,436,796	-	-
Bank balances	269,101,393	269,101,393		
<b>Total</b>	<b>297,591,172</b>	<b>273,787,292</b>	<b>23,803,880</b>	<b>-</b>
<b>At 30 June 2018</b>				
Receivables from exchange transactions	31,781,478	27,127,806	4,653,672	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	181,689,710	181,689,710	-	-
<b>Total</b>	<b>213,471,188</b>	<b>208,817,516</b>	<b>4,653,672</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

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

The Institute has significant concentration of credit risk on amounts due from student debtors.

The board of Governors 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 Institute Board, who has built an appropriate liquidity risk management framework for the management of the Institute short, medium and long-term funding and liquidity management requirements. The Institute manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2019</b>				
Trade payables	-	4,293,046	-	4,293,046
Current portion of borrowings		10,911,430	-	10,911,430
Provisions	-	-	-	-
Deferred income	-	-	15,633,480	15,633,480
Employee benefit obligation	-	-	-	-
<b>Total</b>		<b>15,204,476</b>	<b>15,633,480</b>	<b>30,837,956</b>
<b>At 30 June 2018</b>				
Trade payables	-	909,840	-	909,840
Current portion of borrowings		10,911,430	-	10,911,430
Provisions	-	-	-	-
Deferred income			15,633,480	15,633,480
Employee benefit obligation	-	-	-	-
<b>Total</b>		<b>11,821,270</b>	<b>15,633,480</b>	<b>27,454,750</b>

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

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

**(iii) Market risk**

The Board is in the process of establishing an internal audit function to assist it in assessing the risk faced by the Institute on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

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

**a) Foreign currency risk**

The Institute 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 Institute foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	<b>Ksh</b>	<b>Other currencies</b>	<b>Total</b>
<b>At 30 June 2019</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Financial assets-cash	-	2,512,656	2,512,656
<b>Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
<b>Net foreign currency asset/(liability)</b>	<b>-</b>	<b>2,512,656</b>	<b>2,512,656</b>

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2019</b>			
Financial assets-cash	-	2,512,656	2,512,656
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	2,512,656	2,512,656

b) Interest rate risk

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

*Management of interest rate risk*

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

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

**26 FINANCIAL RISK MANAGEMENT (Continued)**

(iii) Market risk (Continued)

b) Interest rate risk(continued)

*Sensitivity analysis*

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 39,585 (2018: KShs 604 ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 197,923 (2018 – KShs 3,020)

**iv) Capital Risk Management**

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

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	0	0
Retained earnings	265,716,549	180,617,940
Capital reserve	153,972,301	153,972,301
<b>Total funds</b>	<b>419,688,850</b>	<b>334,590,241</b>
Total borrowings	116,047,944	132,074,307
Less: cash and bank balances	( 269,101,393)	(181,689,710)
Net debt/(excess cash and cash equivalents)	(153,053,448)	(49,615,403)
<b>Gearing</b>	<b>27.65%</b>	<b>39.47%</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 RELATED PARTY BALANCES

**Nature of related party relationships**

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

The Institute related parties include:

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

	2018-2019	2017-2018
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of goods	73,910	33,000
<b>Total</b>	<b>73,910</b>	<b>33,000</b>
<b>b) Grants from the Government</b>		
Grants from National Govt	8,273,625	29,000,000
<b>Total</b>	<b>8,273,625</b>	<b>29,000,000</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for 205 (2018, 175) employees	52,432,837	46,471,829
Extraneous allowances for 40 (2018, 38) management staff	3,624,500	3,474,117
<b>Total</b>	<b>56,057,337</b>	<b>49,945,946</b>
<b>d) Key management compensation</b>		
Board sitting allowance	2,353,000	4,468,950
<b>Total</b>	<b>2,353,000</b>	<b>4,468,950</b>

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

**28 CAPITAL COMMITMENTS**

<b>Capital commitments</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Purchase of Institute Bus	11,000,000	-
Construction of tuition block, Phase 1	93,193,149	-
<b>Total</b>	<b>104,193,149</b>	<b>-</b>

**29 EVENTS AFTER THE REPORTING PERIOD**

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

**30 ULTIMATE AND HOLDING KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY**

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

**31 Currency**

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

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

This is the first reporting under the IPSAS Accrual Accounting. This is also the first audit by the Office of Auditor General. Previously, the audit was carried out by the School's Audit under the Ministry of Education. No progress on follow up of auditor recommendations.

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**APPENDIX II: PROJECTS IMPLEMENTED BY KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY**

**Projects**

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

<b>Project title</b>	<b>Project Number</b>	<b>Donor</b>	<b>Period/ duration</b>	<b>Donor commitment</b>	<b>Separate donor reporting required as per the donor agreement (Yes/No)</b>	<b>Consolidated in these financial statements (Yes/No)</b>
Library and ICT Resource Centre	1	GOK				Yes

**Status of Projects completion**

	<b>Project</b>	<b>Total project Cost</b>	<b>Total expended to date</b>	<b>Completion % to date</b>	<b>Budget</b>	<b>Actual</b>	<b>Sources of funds</b>
1	Library and ICT Resource Centre	200,000,000	114,864,289	80%			GOK
2							
3							

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**APPENDIX III: INTER-ENTITY TRANSFERS**

ENTITY NAME		KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY		
<b>Break down of transfers from the State Department of Vocational and Technical Training</b>				
<b>FY 2018/2019</b>				
<b>a</b>	<b>Recurrent Grants</b>	<b>Bank statement Date</b>	<b>Amount (Kshs)</b>	<b>Financial Year</b>
	KIST operation	5/10/2018	7,000,000.00	2018/2019
	Nachu TVC operation	8/10/2018	500,000.00	2018/2019
	KIST capitation	18/2/2019	42,915,000.00	2018/2019
	Nachu TVC capitation	18/2/2019	315,000.00	2018/2019
	Nachu TVC operation	18/2/2019	500,000.00	2018/2019
	Nachu TVC operation	27/6/2019	1,000,000.00	2018/2019
	Lari TVC operation	27/6/2019	1,000,000.00	2018/2019
	Gatundu South TVC operation	27/6/2019	1,000,000.00	2018/2019
	KIST capitation	10/07/2019	42,915,000.00	2018/2019
	Nachu TVC capitation	10/07/2019	315,000.00	2018/2019
		<b>Total</b>	<b>97,460,000.00</b>	
<b>b</b>	<b>Development Grants</b>	<b>Bank statement Date</b>	<b>Amount (Kshs)</b>	<b>Financial Year</b>
	KIST Library	8/10/2018	1,273,625.00	2018/2019
	Limuru TVC	8/10/2018	1,699,876.00	2018/2019
	Gatundu South TVC	8/10/2018	6,621,790.00	2018/2019
	Limuru TVC	25/1/2019	9,179,332.00	2018/2019
	Limuru TVC	27/6/2019	6,119,554.00	2018/2019
	KIST Library	5/07/2019	2,547,250.00	2018/2019
		<b>Total</b>	<b>27,441,427.00</b>	
<b>c</b>	<b>Direct payments Grants</b>	<b>Bank statement Date</b>	<b>Amount (Kshs)</b>	<b>Financial Year</b>
	Disengaged youth at Certificate level under GOK/AFDB project phase II	10/12/2018	2,430,000.00	2018/2019
		<b>Total</b>	<b>2,430,000.00</b>	
<b>d</b>	<b>Donor receipts</b>	The Institute didn't receive any donor funding		

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

Finance Officer  
 Kiambu Institute of Science and Technology

Head of Accounting Unit  
 Ministry of Education

Sign



Sign-----

