

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY

REPORT 01 MAR 2022

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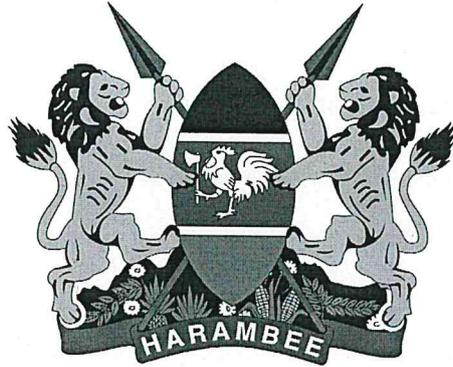
OF

THE AUDITOR-GENERAL

ON

**MITUNGUU TECHNICAL TRAINING
INSTITUTE**

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



MITUNGUU TECHNICAL TRAINING INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30 2020**

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

Table of Contents

I.	KEY ENTITY INFORMATION AND MANAGEMENT.....	ii
II.	THE BOARD OF GOVERNORS	iv
III.	MANAGEMENT TEAM	vi
IV.	CHAIRMAN'S STATEMENT.....	viii
V.	REPORT OF THE PRINCIPAL.....	x
VI.	REVIEW OF MITUNGUU TECHNICAL TRAINING INSTITUTE PERFORMANCE FOR FY 2019/2020	xii
VII.	CORPORATE GOVERNANCE STATEMENT.....	xiv
VIII.	MANAGEMENT DISCUSSION AND ANALYSIS	xvi
IX.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING.....	xvii
X.	REPORT OF THE BOARD OF GOVERNORS	xviii
XI.	STATEMENT OF BOARD OF GOVERNORS/ COUNCIL MEMBERS' RESPONSIBILITIES.....	xix
XII.	REPORT OF THE INDEPENDENT AUDITORS ON THE MITUNGUU TECHNICAL TRAINING INSTITUTE	xx
XIII.	STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020	1
XIV.	STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020	2
XV.	STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2020	3
XVI.	STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020	4
XVII.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020	5
	NOTES TO THE FINANCIAL STATEMENTS	6
	APPENDICES	40
	APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	40
	APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY	42
	APPENDIX III: INTER-ENTITY TRANSFERS.....	43
	APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	44

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

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Mitunguu Technical Training Institute was incorporated / established under the TVET Act (2013) in 2014 and opened its doors in 2015. The entity is domiciled in Kenya, Mitunguu, Meru. The Institute is under the Ministry of Education.

Vision

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

Mission

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

(b) Principal Activities

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

(c) Key Management

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

- Board of Governors
- Accounting officer/ Principal
- Senior Management

(d) Fiduciary Management

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

No.	Designation	Name
1.	Principal	Caroline K Muguna
2.	D/principal (Admin)	Julius Kirera
3.	D/Principal (Academic)	Joseck Munyua
4.	Procurement Officer	Jackson Muturi
5.	Accounts Officer	James Mugambi
6.	Registrar	Penina Muriungi
7.	Dean of students	Joseph Koruru

(e) Fiduciary Oversight Arrangements

No.	Name of the Committee	Members
1.	Human Resource, Finance and Planning	Sabina Gatumi
		Kelvin Mutuma
		Jenaro Guantai
		Caroline Muguna
		Sabina Gatumi
2	Audit	Charles Kiara
		Kelvin Mutuma
		Caroline Muguna

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(a) Headquarters

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

(b) Entity Contacts

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

(c) Bankers

1. Co-operative Bank of Kenya
Nkubu branch
P.O. Box 740-60202
Nkubu.
2. KCB Bank
Nkubu branch
P.O Box 178-60200
Meru.
3. Equity Bank (Kenya) Ltd
Nkubu branch
P.O Box 60-60202
Nkubu

(d) Independent Auditors

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

(e) Principal Legal Adviser

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

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

II. THE BOARD OF GOVERNORS

PASSPORT	DATE BIRTH	QUALIFICATIONS	EXPERIENCE
<p>Mr.Jenaro G Ithinji</p>  <p>BOG Chairman</p>	1969	M.ED	Several years in academic and administration in private and public sector.
<p>Kelvin Mutuma B</p>  <p>BOG Vice Chairman</p>	1985	BA(Law)	Practising lawyer and an accountant
<p>Mrs.Caroline K R Muguna</p>  <p>Principal</p>	1970	M.Ed	Several years in academic and administration
<p>Sabina Gatumi</p>  <p>BOG Member</p>	1969	MBA	Several years in public sector
<p>Mary Mwandulo</p> 	1980	M.sc IT	Lecturer at Meru University of Science and technology

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

BOG Member			
PASSPORT	DATE OF BIRTH	QUALIFICATIONS	EXPERIENCE
<p>Jonathan Kiambi</p>  <p>BOG Member</p>	1965	MBA	<p>General manager of Geminia insurance company</p> <p>Has several years' experience in Marketing</p>
<p>Charles Ikiara</p>  <p>BOG Member</p>	1961	BBA Marketing	Several years in banking industry
<p>Miriti Mnanu</p>  <p>BOG Member</p>	1966	BA (Bldg,Econ)	Several years in private sector (Quantity Surveyor)
<p>Mr. Moses Wanjala</p>  <p>BOG Member</p>		BED	Several years in private and public sector
<p>Caroline K Muguna</p>  <p>Principal</p>	1970	M.ed	<p>-Feb 2015 to Date: Mitunguu TTI: Principal</p> <p>-May 2013 -Feb 2015: Meru TTI: Dean of Students</p> <p>-Feb 2005-April 2013: Meru TTI: Head of Department</p> <p>-Sept 2000-Feb 2005: Kiirua TTI : Trainer</p>

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

III. MANAGEMENT TEAM

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

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

<p>James Mugambi</p>  <p>Accountant</p>	<p>1987</p>	<p>CPA PART II</p>	<p>Jan 2015-Dec 2016-Mitunguu Irrigation co-operative Society-Assistant Accountant</p> <p>Jan 2016 to date- Mitunguu TTI- Accountant</p>
<p>Jackson Muturi</p>  <p>Procurement</p>	<p>1987</p>	<p>BSC-Supply Chain Management with IT</p>	<p>Jan 2015- April 2015 Meru Level 5 Attachee : Procurement department</p> <p>October 2016- August 2020 Meru Level 5 Procurement Officer</p> <p>Sep 2018-Jan 2020 KeRRA Assistant procurement Officer</p>

IV. CHAIRMAN'S STATEMENT

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

Mitunguu Technical Training Institute is established and registered by Technical and Vocational Education and Training Authority (TVETA) established by the TVET Act No. 29 of 2013. The institute sits on a 50-acre (20.20 ha) piece of land. The vision of the institute is to be national centre of excellence in technical and vocational and training. The mission is to produce proficient and versatile human resource by providing quality relevant, and innovative technical and vocation education and training.

The major successes and strengths of the institute include: -

- The state- of- the- art infrastructure
- Consistent good performance in Performance Contracting
- The Institute enjoys political good will in promoting technical vocational and training (TVET),
- Good catchment area for the trainees from Tharaka Nithi, Mbeere and Embu areas.
- accessible road network: the instituted along the Mati Road connecting to Embu County and Nkubu Town in Meru County
- Adequate land the institute is on 50 acres (20.20 ha) of land piece no. 2863
- Formation of covid-19 response team and provision of PPEs like sanitizers, Face masks detergents and fumigation solution in preparedness of the reopening of the institute. The institute is KEBS certified to produce sanitizers.
- Electricity supply: the institute is connected to the National Grid on three phase supply
- Enactment of TVET Act, 2013
- Funding support from the government for the ongoing administration block left wing up second floor
- Establishment of the state department of TVET
- Developing the second vibrant strategic plan aligned to big four agenda, Covid-19 pandemic and vision 2030.

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

- ✓ Late disbursement of capitation grants which makes implementation of projects difficult.
- ✓ High rate of depreciation.
- ✓ Lack of dormitories.

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

- ✓ Raising number of the trainees versus physical facilities.
- ✓ Inadequate funds to meet learning infrastructural needs of the trainees.
- ✓ Lack of boarding facilities to take care of the trainees who do not come from the surroundings. The community also have not developed facilities that can be hired for accommodation
- ✓ Low automation level, the connectivity of the institute to the internet is very low and the government fibre optical cable is not available
- ✓ Inadequate learning and training resources. The government provide basic resources to start the institute in electrical & electronics and information Communication Technology departments however, the departments requires very many consumable resources on daily basis which are not available.
- ✓ Floods during the rainy seasons
- ✓ Changing technology which makes the facilities provided by the government need replacement frequently
- ✓ Competition from other institutions offering similar courses in shorter durations
- ✓ HIV/AIDS
- ✓ Drug and substance abuse
- ✓ Changing economic times
- ✓ Inadequate staff both trainers and support staff. Employment of the staff is the responsibility of the government of which this has been done but not enough.
- ✓ Change in government policy
- ✓ Political interference
- ✓ Covid-19 pandemic

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

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

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



Mr Jenaro Guantai Ithinji

V. REPORT OF THE PRINCIPAL

LOCATION AND ESTABLISHMENT

Mitunguu Technical Training Institute is established and registered by Technical and Vocational Education and Training Authority (TVETA) established by the TVET Act No. 29 of 2013. The institute sits on a 50-acre piece of land. The vision of the institute is to be national centre of excellence in technical and vocational and training. The mission is to produce proficient and versatile human resource by providing quality relevant, and innovative technical and vocation education and training.

The major successes and strengths of the institute include: -

STRENGTHS

- The Institute enjoys national political good will in promoting technical vocational and training (TVET). The area MP and the Member of County Assembly supported 200 trainees by paying their school fees.
- Good catchment area for the trainees from Tharaka Nithi, Mbeere and Embu areas.
- Accessible road network: the instituted along the Mati Road connecting to Embu County and Nkubu Town in Meru County which has enabled transport and communication accessibility.
- Adequate land, the institute is on 50 acres (20.20 ha) of land piece no. 2863 which provides room for expansion. This has enabled the institute to engage in crop production and animal rearing.
- Supply of clean water; there is a borehole in the institute that supply clean however, due to prolonged drought seasons the borehole is not reliable
- Enactment of TVET Act, 2013
- Establishment of the state department of TVET

SUCCESSSES

- Electricity supply: the institute is connected to the National Grid on three phase supply and is looking forward to exploiting the renewable energy (Solar)
- Increase in gross enrolment; the institute has been able to grow the population from 8 trainees enrolled in the year 2015 to a gross enrolment of 744 by the end of the FY 2019/2020. This is due to good leadership, Team work and Government support through capitation and HELB.
- Funding support from the government for the ongoing administration block left wing up to second floor however the rate of funding is slow and inadequate
- Reviewing the first Strategic Plan and developing the second vibrant strategic plan aligned the Big Four Agenda, Covid-19 pandemic and Vision 2030 which is a target in the Performance Contract.
- The institute has received 14 trainers from the government through the Ministry of Education and interviewed 8 more trainers whom the institute is expecting to be posted soon. As an institute we are grateful to the government for the support and look forward to more support for the growth of TVET

- The institute has been able to perform very well during Performance Contracting and we thank the government for consistent performance in the PC Index.

CHALLENGES

The Institute has its challenges which include the following:

- ✓ Late disbursement of capitation grants which makes implementation of projects and management of the institute difficult.
- ✓ High rate of depreciation.
- ✓ Raising number of the trainees versus physical facilities.
- ✓ Inadequate funds to meet learning infrastructural needs of the trainees.
- ✓ Inadequate learning and training resources. The government provide basic resources to start the institute in electrical & electronics and information Communication Technology departments however, the departments requires very many consumable resources on daily basis which are not available.
- ✓ Floods during the rainy seasons due to high water table which makes the environment not conducive for learning
- ✓ Changing technology which makes the resources provided by the government need replacement frequently yet funds are not readily available
- ✓ Competition from other institutions offering similar courses in shorter durations
- ✓ HIV/AIDS, alcohol and substance abuse from the surrounding community which makes the youth either drop out of the institution or violent
- ✓ Inadequate staff both trainers and support staff. Employment of the staff is the responsibility of the government of which this has been done but not enough.
- ✓ Lack of boarding facilities to take care of the trainees who do not come from the surroundings. The community also have not developed facilities that can be hired for accommodation.
- ✓ Low automation level, the connectivity of the institute to the internet is very low in relation to the demand for E-learning program arising from the effects of Covid-19 pandemic and change of government policy.



Mrs Caroline K Muguna

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

VI. REVIEW OF MITUNGUU TECHNICAL TRAINING INSTITUTE PERFORMANCE FOR FY 2019/2020

The pillars are summarized in the table below

Strategic Pillar		Objective	Key Performance Indicators	Activities	Achievements
Pillar 1	Social	Education and Training	Examination results Increased enrollment KNEC certificates	<ul style="list-style-type: none"> Nominal registers indicating admissions KNEC nominal roll on results 	<ul style="list-style-type: none"> Increased enrolment from 648 to 852 Results from 54% to 76%
		Health	Trainees treated	<ul style="list-style-type: none"> A nurse visiting the institute clinic twice a week. 	<ul style="list-style-type: none"> Trainees are treated and referred to other health centres
		Housing and Urbanization	Accommodation for trainees	<ul style="list-style-type: none"> Holding three sensitization meetings with the community to offer accommodation to trainees 	<ul style="list-style-type: none"> Held meetings and was able to get over four landlords to offer accommodation
		Environment Gender, Youth and Vulnerable groups	Plant trees LPO and LSO given to supply services and goods Appointment of staff	<ul style="list-style-type: none"> Planting of 500 trees Supply of services and goods like airtime, food stuffs and furniture. Responsibilities shared among the staff. 	<ul style="list-style-type: none"> Increase acreage of cultivation and planting of trees Involved youth and women in supply of goods and services Gender party achieved
Pillar 2	Economic	Agriculture	Increased acreage for farming	<ul style="list-style-type: none"> Tilling more land for crops 	<ul style="list-style-type: none"> Increased land for farming from 6 acres to 10 acres

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

		Manufacturing	CBET course in Building (Masonry) and Plumbing	<ul style="list-style-type: none"> • Admit trainees in CBET courses • Enroll the trainees with TVET CDACC for exams 	<ul style="list-style-type: none"> • Admitted 10 trainees in Masonry and 12 trainees in Plumbing.
		Wholesale and Retail Trade	Increased returns on the production unit	<ul style="list-style-type: none"> • Computer packages enrolments increased • Sale of farm produces increased • Hire of institute's Hall 	<ul style="list-style-type: none"> • Enrolments of trainees in computer packages increased from 10 to 100. • Sale of farm increased to Ksh. 365,000 • Institute Hall hired

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

**VII. CORPORATE GOVERNANCE STATEMENT
Number of Board Meetings held and Attendance**

S/N	Date of the Meeting	Attendance
1.	9 th August,2019	1) Jenaro Guantai Ithinji – Chairman 2) Kelvin M Mbaabu – Vice Chairman 3) Jonathan K Muketha – Member 4) Sabina Gatumi – Member 5) Charles Ikiara – Member 6) Batista Mnanu Miriti – Member 7) Peter Kaume – County Director TVET 8) Caroline K Muguna – Secretary/Principal
2.	13 th July,2019	1) Kelvin M Mbaabu – Vice Chairman 2) Sabina Gatumi – Member 3) Charles Ikiara – Member 4) Caroline K Muguna – Secretary/Principal
3.	20 th March,2020	1) Jenaro Guantai Ithinji – Chairman 2) Kelvin M Mbaabu – Vice Chairman 3) Jonathan K Muketha – Member 4) Sabina Gatumi – Member 5) Charles Ikiara – Member 6) Mary Mwandulo – Member 7) Margaret N Nduhiu – County Director TVET

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

		8) Caroline K Muguna – Secretary/Principal
4.	29 th May,2020	1) Jenaro Guantai Ithinji – Chairman 2) Kelvin M Mbaabu – Vice Chairman 3) Sabina Gatumi – Member 4) Charles Ikiara – Member 5) Mary Mwandulo – Member 6) Margaret N Nduhiu – County Director TVET 7) Caroline K Muguna – Secretary/Principal
5.	9 th June,2020	1) Kelvin M Mbaabu – Vice Chairman 2) Sabina Gatumi – Member 3) Charles Ikiara – Member 4) Caroline K Muguna – Secretary/Principal

Succession Plan

Appointment of Board members from the ministry and internal appointments of various heads of departments.

Existence of a Board Charter

The board charter is available and in place.

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The Operational and Financial Performance of Mitunguu Technical Institute

Mitunguu Institute mandate is Education and Training. It was established to train in Electrical & Electronics Engineering, and Information Communication & Technology. The Institute has been able to address the industry demands by introducing new courses like Building & Construction Technology, Cosmetology, Business Management Courses, Agriculture Engineering and Competence Based Education & Training. The enrolment has gradually increased over the years from six male trainees in 2015 to over 744 trainees' net enrolment. The Institute has also been able to admit 147 trainees from the NYS under the sponsorship of the government. Despite delays in remitting funds by the government, the Institute has been able to mitigate the financial constraints through preparation of supplementary budget during the year. Some of the challenges that the Institute is experiencing is lack of boarding facilities, inadequate learning & training resources, low automation, lack of recreational facilities, low enrolment, lack of transport facilities, inadequate financial resources among others. The Institute enjoys political goodwill, accessible road network, increasing demand for technical education, establishment of the state department of TVET, economically endowed region, adequate land for expansion among others.

SECTION B

Compliance with Statutory Requirements

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

SECTION C

Key Projects and Investments Decisions the Entity is planning /Implementing

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

SECTION D

Major Risks facing the Institute

The Institute has risks like flooding due to high water table and long dry spell during the dry seasons. Competitions from the neighbouring Institutions offering similar courses hence low enrolment, drug & substance abuse, inadequate staffing by the Ministry of Education, changing technology, HIV/AIDS, Covid-19 pandemic, changing government policy, political interference, changing economic times, information security, legal and statutory regulations among others.

SECTION E

Material Arrears in Statutory /Financial Obligations

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

IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

The following are some of the CSR activities carried out by Mitunguu Technical Training Institute during the FY 2019/2020

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

On conservation of environment

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

To develop and improve sports the management as: -

1. Sponsored National Ball Games Championship at Thika Technical Training Institute Nairobi region

On promotion of education

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

On health care the institute did the following

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

X. REPORT OF THE BOARD OF GOVERNORS

The Council/Board members submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the *Mitunguu Technical Training Institute's* affairs.

BOARD OF GOVERNORS

The members of the Board who served during the year are shown on page iv & v

Auditors

The Auditor General is responsible for the statutory audit of the *Mitunguu Technical Training institute* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or Certified Public Accountants nominated by the Auditor General to carry out the audit of the *Mitunguu Technical Training Institute* for the year/period ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Corporate Secretary
Nairobi
Date: 15/09/2020

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

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

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

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

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

Approval of the financial statements

The *Mitunguu Technical Training Institute* financial statements were approved by the Board on 20/09/2020 and signed on its behalf by:



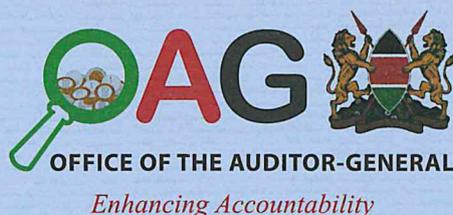
Chairperson of the Board



Accounting officer/Principal

REPUBLIC OF KENYA

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



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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mitunguu Technical Training Institute set out on pages 1 to 41, which comprise the statement of financial position as at 30 June, 2020, the statement of financial performance, statement of cash flows, statement of changes in net assets and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya 2010 and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Mitunguu Technical Training Institute as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Technical and Vocational Education and Training Act, 2013.

Basis for Qualified Opinion

1.0 Ownership and Valuation of Property, Plant and Equipment

The statement of financial position as at 30 June, 2020 reflects property plant and equipment balance of Kshs.24,176,153 as disclosed in Note 30 to the financial statements. As reported in the previous year, records provided for audit review showed that Mitunguu Technical Training Institute was allocated a parcel of land measuring 20.20 hectares in 2011 by the defunct Meru County Council. However, the ownership documents for the parcel of land were not provided for audit review and no explanation was provided as to why the Institute had not applied for the registration of the 20.20-hectare piece of land. Further, the value of the said land is neither disclosed nor included in the Kshs.24,176,153.

In addition, as reported in the prior year, the values of electrical and electronics block, Information Communication and Technology (ICT) block and Amphitheatre buildings

having been constructed in the financial year 2015-2016 are not included in the financial statements.

In the circumstances, it has not been possible to ascertain the ownership, existence, completeness and security of the property, plant and equipment balance of Kshs.24,176,153 as at 30 June, 2020.

2.0 Valuation of Goods Sold

The statement of financial performance reflects sale of goods of Kshs.360,000 as disclosed in Note 10 to the financial statements. The sale relates to farm produce including pigs. However, valuation reports of the pigs sold was not provided for audit review contrary to Section 164(3) of the Public Procurement and Assets Disposal Act, 2015 which states that there shall be a technical report where appropriate by a relevant expert of the subject items for disposal that takes into account the real market price and in so doing, the technical expert shall set up a reserve price which shall be the minimum acceptable price below real market value of the boarded items.

In the circumstances, the accuracy and validity of the Kshs.360,000 revenue for the year ended 30 June, 2020 could not be confirmed.

3.0 Unsupported Expenditure on Use of Goods and Services

The statement of financial performance for the year ended 30 June, 2020 reflects use of goods and service of Kshs. 19,839,655 as disclosed in Note 14(a) to the financial statements. The balance includes Kshs.1,398,739 expenditures in respect to local travel and transport which further includes Kshs.271,600 paid as night out and allowances to Institute's staff. However, the supporting documents including invitation letters, work/bus tickets, attendance schedules and back to office reports were not provided for audit review.

Further, the balance includes Kshs.1,431,057 in respect of kitchen expenses which further includes Kshs.1,118,117 paid to various suppliers for supply and delivery of kitchen items. However, supporting documents including minutes of tender opening and evaluation were not provided for audit review contrary to Section 78(10) (a) and (b) of the Public Procurement and Assets Disposal Act, 2015 which states that the tender opening committee shall prepare tender opening minutes which shall set out a record of the procedure followed in opening the tenders; and the particulars of those persons submitting tenders, or their representatives who attended the opening of the tenders.

In addition, the balance includes Kshs.1,431,057 in respect to kitchen expenses which further includes Kshs.1,118,117 paid to various suppliers for supply and delivery of kitchen items. However, supporting documents including minutes of tender opening and evaluation were not provided for audit review contrary to Section 78(10)(a) and (b) of the Public Procurement and Assets Disposal Act, 2015 which states that the tender opening committee shall prepare tender opening minutes which shall set out a record of the procedure followed in opening the tenders; and the particulars of those persons submitting tenders, or their representatives who attended the opening of the tenders.

The balance also includes Kshs.2,817,412 and Kshs.162,000 in respect to learning materials and robotics automation expenditure respectively for which requisition forms and delivery notes were not provided for expenditure on robotics automation while minutes of inspection and acceptance committee were not provided for audit review for both expenditures contrary to Section 48 (3)(b) of the Public Procurement and Asset Disposal Act, 2015 which states that the inspection and acceptance committee shall immediately after the delivery of the goods, works or services inspect and review the goods, works or services in order to ensure compliance with the terms and specifications of the contract.

In the circumstances, the validity and value for money for the Kshs. 19,839,655 expenditure on use of goods and service for the year ended 30 June, 2020 could not be ascertained and is in breach of law.

4.0 Unsupported Expenditure on Repairs, Maintenance and Improvement Expenses

The statement of financial performance for the year ended 30 June, 2020 reflects use of goods and service of Kshs.19,839,655 as disclosed in Note 14(a) to the financial statements. Included in the balance is Kshs.797,776 in respect to repairs and maintenance for the year ended 30 June, 2020 which further includes Kshs.92,720 paid to a hardware for the supply of paints for property maintenance. However, supporting documents including invoice were not provided for audit review. Further, low value procurement method was irregularly used in procuring the items worth the Kshs.92,720 contrary to legal notice 106 of 18 June, 2013, first schedule of threshold matrix for Class C procuring entities which stipulates that low value procurement maximum level of expenditure under this method is Kshs.5,000 per procurement per item.

In the circumstances, it has not been possible to ascertain the validity and value for money for the Kshs.92,720 expenditure incurred during the year ended 30 June, 2020. Further, the Institute is in breach of law.

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

Key Audit Matters

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

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects budgeted expenditure of Kshs.77,524,487 and actual expenditure of Kshs.35,879,177 resulting to budget under expenditure of Kshs.41,645,310 or 54% of the budget.

Based on the approved estimates, under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

2.0 Non Inclusion of ICPAK Registration Number by the Head of Finance

The Institute's head of finance did not include his Institute of Certified Public Accountant of Kenya (ICPAK) membership number in the financial statements for the year under review, contrary to the Public Sector Accounting Standards Board (PSASB) template issued in June, 2020 which requires the head of finance to include his/her ICPAK membership number in the financial statements.

In the circumstances, the presentation of the Institute's financial statements is not in accordance with the PSASB prescribed format.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Irregular Expenditure on Use of Goods and Services

The statement of financial performance reflects use of goods and services of Kshs.19,839,655 as disclosed in Note 14 to the financial statements. Included in the balance is Kshs.548,007 paid to a firm for security services which was not registered by the Institute contrary to Section 106(2)(a) of the Public Procurement and Assets Disposal Act, 2015 which states that the accounting officer of the procurement entity shall give requests for quotations to such persons as are registered by the procuring entity.

The balance also includes Kshs.2,229,124 in respect to administration fees which further includes Kshs.459,489 for supply of stationeries, kitchen supplies and sanitizers in which low value procurement method was irregularly used in procuring the items worth the

Kshs.459,489 contrary to legal notice 106 of 18 June, 2013, first schedule of threshold matrix for Class C procuring entities which stipulates that low value procurement maximum level of expenditure under this method is Kshs.5,000 per procurement per item.

Further, the balance includes Kshs.526,041 in respect to activity expenses that includes Kshs.78,870 paid to a supplier for supply of branded sports costumes. However, the firm is not registered by the Institute contrary to Section 106(2)(a) of the Public Procurement and Assets Disposal Act, 2015 which states that the accounting officer of the procurement entity shall give requests for quotations to such persons as are registered by the procuring entity.

In addition, the balance includes Kshs.1,197,790 in respect to farm expenses which further includes Kshs.398,170 paid to various suppliers for the supply and delivery of farm items. However, the institute procured the farm supplies directly without justification contrary to Section 103(2) (a) of the Public Procurement and Asset Disposal Act, 2015 which states that a procuring entity may use direct procurement if is satisfied that the goods, works or services are available only from a particular supplier or contractor, or a particular supplier or contractor has exclusive rights in respect of the goods, works or services and that no reasonable alternative or substitute exists.

In the circumstance, the Management is in breach of the law.

2.0 Purchase of Institute Bus

The statement of financial position also reflects property, plant and equipment balance of Kshs.24,176,153 as disclosed in Note 30 to the financial statements. The balance includes Kshs.5,356,000 in respect to net book value of motor vehicle which relate to a branded 51-seater Institutes' bus purchased during the year under review at a cost of Kshs.6,695,000. However, a statement of professional opinion was not provided for audit review contrary to Section 84(1) of Public Procurement and Asset Disposal Act, 2015 which states that the head of procurement function of a procuring entity shall, alongside the report to the evaluation committee as secretariat comments, review the tender evaluation report and provide a signed professional opinion to the accounting officer on the procurement or asset disposal proceedings.

Further, the bus logbook availed for audit review indicated that the bus is a 45-seater contrary to the tender notice number MTTI/BUS/001/2019 which indicated supply and delivery of a branded 51-seater FRR33LR 8226CC bus. The inspection and acceptance committees report provided for audit review did not disclose the capacity of the bus contrary to Section 48 (3) of same Act which states that the inspection and acceptance committee shall immediately after the delivery of the goods, works or services inspect and where necessary, test the goods received, inspect and review the goods, works or services in order to ensure compliance with the terms and specifications of the contract and accept or reject, on behalf of the procuring entity, the delivered goods, works or services.

In addition, a police abstract number OB.36/28/11/2020 dated 30 November, 2020 showed that there was an attempted theft of the bus where the rear left axle, wind screen

and the right-side mirror were damaged. However, though the bus was insured with an insurance company, the insurance damage assessment report was not provided for audit review. It is also not clear when the damaged parts will be replaced.

In the circumstances, propriety and value for money for the Kshs.6,695,000 incurred to procure the Institute's bus as at 30 June, 2020 cannot be ascertained. Further, the Institute is in breach of the law.

3.0 Non-Compliance with Law on Ethnic Composition

Review of the personnel records availed for audit review indicates that the Institute's Board of Governors had employed twenty-four (24) staff members from different ethnic communities.

However, 14 staff or 58% were from the dominant community contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstance, the Management is in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1.0 Lack of Internal Audit Department

The Institute did not have an Internal Audit Unit during the period under review contrary to Section 73(1)(a) of the Public Finance Management Act, 2012 which stipulates that the entity should ensure that it has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board. The internal audit unit would have performed various roles stipulated by Section 73(3) of the Public Finance

Management Act, 2012 including risk assessment, putting in place a risk register and assessing the internal controls mechanism.

In the circumstances, the internal control system of the Institute is inadequate.

2.0 Non-Establishment of Audit Committee

The Institute did not establish an audit committee during the period under review contrary to Section 73(5) of Public Finance Management Act, 2012 which stipulates that every national government public entity shall establish an audit committee whose composition and functions shall be as prescribed by the regulations. The audit committee would have performed various functions stipulated by Section 175 of Public Finance Management (National Government) Regulations, 2015 including supporting the Accounting Officer with regard to their responsibilities for issues of risk control and governance and associated assurance but the responsibility over the management of risk control and governance processes remains with the management of the concerned entity and follow up on the implementation of the recommendations of internal and external auditors.

In the circumstance, the Institute contravened the law and its governance system is inadequate.

3.0 Information, Communication and Technology (ICT) Environment

The Technical Institute did not institute an approved ICT policy during the year ended 30 June, 2020 to ensure data security, information confidentiality, data integrity, loss of business continuity and data recovery plans contrary to Section 110(1) of the Public Finance Management (National Government) Regulations, 2015 which states that an accounting officer of a National Government entity shall institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity.

In the circumstance, the security and reliability of the Institute's data could not be ascertained.

4.0 Appointment to the Institute Board of Governors

Review of records availed for audit revealed that the Cabinet Secretary for the Ministry of Education appointed three (3) persons to the Board of Governors of the Institute for a period of three (3) years with effect from 05 October, 2018. However, the appointment of three (3) persons as Board of Governors is contrary to Section (1)(1) of Second Schedule of the Technical and Vocational Education and Training Act, 2013 which states that the Board of Governors of a public institution shall consist of not less than seven and not more than nine members appointed by the Cabinet Secretary.

In the circumstances, the effectiveness of the governance structure is doubtful.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or

conditions may cause the Institute to cease to continue as a going concern or to sustain its services.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 February, 2022

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

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

	Notes	2019/2020	2018/2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	5a	11,407,500	5,547,250
Transfers from other government entities	7	19,217,400	-
Total Revenue from non-exchange transactions		30,624,900	5,547,250
Revenue from exchange transactions			
Rendering of services- Fees from students	9	39,022,535	50,507,291
Sales of goods	10	360,000	-
Revenue from exchange transactions		39,382,535	50,507,291
Total revenue		70,007,435	56,054,541
Expenses			
Use of goods and services	14a	19,839,655	7,218,872
General expenses	14b	-	17,431,617
Audit fee	14c	528,740	528,740
Employee costs	15	5,176,808	6,166,595
Remuneration of Directors	16	641,000	912,058
Depreciation	17	2,200,198	805,165
Repairs and maintenance	18	797,776	2,509,089
Total expenses		29,184,177	35,572,136
Net Surplus for the year		40,823,258	20,482,405

The notes set out on pages 6 to 43 form an integral part of the Annual Financial Statements.

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

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2019/2020	2018/2019
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	25	45,069,048	5,889,018
Receivables from exchange transactions	26	55,463,193	19,047,461
Receivables from non-exchange transactions	27	3,408,670	18,975,794
Inventories	28	502,760	-
Biological Assets	29	96,000	-
Total Current Assets		104,539,671	43,912,273
Non-current assets			
Property, plant and equipment	30	24,176,153	19,438,591
Intangible Assets	31	566,440	284,200
Total Non-current Assets		24,742,593	19,722,791
Total assets		129,282,264	63,635,064
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	33	26,840,307	2,928,555
Refundable deposits from customers and sundry creditors	34	1,536,400	624,210
Total Current Liabilities		28,376,707	3,552,765
Total liabilities		28,376,707	3,552,765
Capital and Reserves			
Accumulated surplus		73,010,432	32,187,174
Capital Fund		27,895,125	27,895,125
Total Capital and Reserves		100,905,557	60,082,299
Total Liabilities and Capital & Reserves		129,282,264	63,635,064

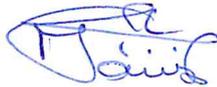
The Financial Statements were signed on behalf of the Institute Board of Governors by:

Chairman of Board of Governors
Jenaro G. Ithinji



Date: 11/12/2020

Finance Officer
James Kaibiru
ICPAK Member no.



Date 11/12/2020

Principal
Caroline Maguna



Date 11/12/2020

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

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

	Revaluation Reserve	Fair value Adjustment	Retained earnings	Capital/Development Grants/Fund	Total
Balance b/f at July 1, 2018	-	-	11,704,769	27,895,125	39,599,894
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	20,482,405	-	20,482,405
Capital/Development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	-	-	-
Balance c/d as at June 30, 2019	-	-	32,187,174	27,895,125	60,082,299
Balance b/f as at July 1, 2019	-	-	32,187,174	27,895,125	60,082,299
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	40,823,258	-	40,823,258
Capital/Development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	-	-	-
Balance c/d as at June 30, 2020	-	-	73,010,432	27,895,125	100,905,557

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

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

		2019-2020	2018-2019
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	5a	11,407,500	3,000,000
Transfers from other government entities	7	19,217,400	-
Rendering of services- Fees from students	9	39,022,535	50,507,291
Sale of goods	10	360,000	-
Total Receipts		70,007,435	53,507,291
Payments			
Use of goods and services	14a	19,839,655	7,218,872
General expenses	14b	-	17,431,617
Audit fees	14c	528,740	-
Compensation of employees	15	5,176,808	6,166,595
Remuneration of directors	16	641,000	912,058
Depreciation & amortization	17	2,200,198	-
Repair and maintenance	18	797,776	2,509,089
Total Payments		29,184,177	34,238,231
Net Surplus		40,823,258	19,269,060
Cash flows from operating activities			
Non-Cash movements			
Depreciation and amortization		2,200,198	-
Less; (Increase)/Decrease in Receivable from Exchange trans.		(36,415,732)	(27,314,144)
Less; Decrease/(Increase) in Receivable from Non-exchange transactions		15,567,124	-
Less; (Increase)/Decrease in Inventory		(502,760)	-
Less; (Increase)/Decrease in Biological Asset		(96,000)	-
Less; Increase/(decrease) in Trade and other payables		24,823,942	-
Net cash flows from operating activities		46,400,030	(8,045,084)
Cash flows from investing activities			
Purchase of property, plant and equipment	21(b)	(6,695,000)	(812,253)
Purchase of Intangible Assets - Software		(525,000)	-
Net cash flows from investing activities		(7,220,000)	(812,253)
Cash flows from financing activities			
Government Development Grants		-	2,547,250
Net increase/(decrease) in cash and cash equivalents		39,180,030	(6,310,087)
Cash and cash equivalents at 1 JULY	25	5,889,018	12,199,105
Cash and cash equivalents at 30 JUNE 2020		45,069,048	5,889,018

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

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

	Original budget 2019-2020	Adjustments 2019-2020	Final budget 2019-2020	Actual on comparable basis 2019-2020	Performance difference 2019-2020
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Bal b/f	5,907,087		5,907,087	5,907,087	-
Transfers from other Govt entities Govt grants	12,000,000		12,000,000	11,407,500	592,500
Transfer from Other Government Entities	19,217,400		19,217,400	19,217,400	-
Rendering of services- Fees from students	40,000,000		40,000,000	39,022,535	977,465
Sales of Goods	400,000		400,000	360,000	40,000
Total income	77,524,487		77,524,487	75,914,522	1,609,965
Expenses			-		
Compensation of employees	12,678,996		12,678,996	5,176,808	7,502,188
Use of goods and services	46,749,019		46,749,019	19,839,655	26,909,364
Remuneration of Directors	1,275,685		1,275,685	641,000	634,685
Repairs and maintenance	2,534,567		2,534,567	797,776	1,736,791
Provision for Audit fees	1,586,220		1,586,220	528,740	1,057,480
Depreciation and Amortization	3,200,000		3,200,000	2,200,198	999,802
Capital Expenditure	9,500,000		9,500,000	6,695,000	2,805,000
Total expenditure	77,524,487		77,524,487	35,879,177	41,645,310
Surplus for the period	-		-	40,035,345	(40,035,345)

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS

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

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

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

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

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

Standard	Effective date and impact:
	(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

ii. Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income.

Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Budget information

The original budget for FY 2019/2020 was approved by the Board. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations on the FY 2019/2020 budget following the Board's approval.

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

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

c) Taxes

Current income taxes

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

Sales tax/ Value Added Tax

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Investment property (Continued)

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 0 years.

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

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

e) Property, plant and equipment

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

f) Leases

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated

intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research and development costs

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

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

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

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) 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

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

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

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

k) Provisions

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

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

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

Contingent liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Provisions (Continued)

Contingent assets

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

l) Nature and purpose of reserves

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

Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency is 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Borrowing costs

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

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

o) Related parties

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

p) Service concession arrangements

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

q) Cash and cash equivalents

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

r) Comparative figures

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

s) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. a) TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2019-2020	2018-2019
	Kshs.	Kshs.
Unconditional grants		
Operational grant	11,407,500	3,000,000
Other grants	-	-
Conditional grants	-	-
Library grant	-	-
Hostels grant	-	-
Administration block grant	-	2,547,250
Laboratory grant	-	-
Learning facilities	-	-
Other organizational grants	-	-
Total Government grants and subsidies	11,407,500	5,547,250

5 b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the sending the grant	Amount recognized to statement of comprehensive income	Amount deferred under deferred income	Amount recognized in capital fund	Total grant income during the year	2019-2020
	Kshs	Kshs	Kshs	Kshs	Kshs
State department of vocational and technical training of Education	-	-	-	-	11,407,500
Total	-	-	-	-	11,407,500

6. a) GRANTS FROM DONORS AND DEVELOPMENT PARTNERS

Description	2019-2020	2018-2019
	Kshs	Kshs
JICA-Research grant	-	-
World bank grants	-	-
Other grants	-	-
Total from development partners	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 b) Reconciliations of grants from donors and development partners

Description	2019-2020	2018-2019
	Kshs	Kshs
Balance unspent at beginning of year	-	-
current year receipt	-	-
Condition met - transferred to revenue	-	-
Condition to be met-remain liabilities	-	-

7. TRANSFERS FROM OTHER LEVELS OF GOVERNMENT

Description	2019-2020	2018-2019
	ksh	ksh
Transfer from Meru county (Students' bursary)	1,510,000	-
Transfer from National Youth Service	17,707,400	-
Transfer from University	-	-
Total transfers	19,217,400	-

8. PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2019-2020	2018-2019
	Kshs	Kshs.
Public donations	-	-
Donations from local leadership	-	-
Donation from regions institutions	-	-
Donations from alumni	-	-
Other donations	-	-
Total donations and sponsorships	-	-

9. RENDERING OF SERVICES

Description	2019-2020	2018-2019
	Ksh	Ksh
Tuition fees	27,651,750	35,736,849
Activity fee	1,066,000	1,045,056
Examination fee	1,538,860	-
Facilities and materials	8,694,810	13,581,482
Registration fees	71,115	143,904
Total revenue from the rendering of services	39,022,535	50,507,291

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. SALE OF GOODS

Description	2019 - 2020	2018 - 2019
	Kshs	Kshs
Sale of goods	-	-
Sale of books	-	-
Sale of publications	-	-
Sale of farm produce (Maize & pigs)	360,000	-
Other	-	-
Total from sale of goods	360,000	-

11. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2019-2020	2018-2019
	Kshs	Kshs
Straight-lined operating lease receipts	-	-
Contingent rentals	-	-
Total rentals	-	-

12. FINANCE INCOME

Description	2019-2020	2018-2019
	Kshs	Kshs
Cash investments and fixed deposits	-	-
Interest income from treasury bills	-	-
Interest income from treasury bonds	-	-
Interest from outstanding debtors	-	-
Total finance income	-	-

13. OTHER INCOME

Description	2019-2020	2018-2019
	Kshs	Kshs
Insurance recoveries	-	-
Income from sale of tender	-	-
Income from production unit	-	-
Skills development levy	-	-
Income from disposal of assets	-	-
Total other income	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. a) USE OF GOODS AND SERVICES

Description	2019-2020	2018-2019
	ksh	ksh
Electricity	998,797	2,874,876
Sanitary services	5,400	
Security	548,007	530,651
Internet	179,931	-
Local travel and transport	1,398,739	3,813,345
Advertising	1,160,826	
Admin fees	2,229,124	
School equipment and stores	21,309	
Activity expenses	526,041	
Kitchen expenses	1,431,057	
Learning Materials	2,817,412	
NYS Students Upkeep	1,863,114	
Farm expenses	1,197,790	
Robotics and Automation	162,000	
Medical expenses	93,306	
Performance contracting	34,930	
Students welfare	220,515	
Examination expenses	1,885,010	
Cleaning	164,190	
Motor vehicle Insurance	265,040	
Attachment expenses	130,110	
Provision for doubtful debts	2,507,007	
Total goods and services	19,839,655	7,218,872

14 b) General expenses

Description	2019-2020	2018-2019
	Kshs	Kshs
Advertising	-	1,258,331
Admin fees	-	1,744,672
School equipment and stores	-	1,234,046
Activity expenses	-	1,294,827
Kitchen expenses	-	3,288,732
Learning Materials	-	2,041,918
NYS Students Upkeep	-	1,277,455
Farm expenses	-	1,286,720
Robotics and Automation	-	1,527,166
Medical expenses	-	237,730

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

Performance contracting	-	501,500
Students welfare	-	332,010
Examination expenses	-	1,314,310
Cleaning	-	-
Training expenses	-	92,200
Motor vehicle Insurance	-	-
Attachment expenses	-	-
Provision for doubtful debts	-	-
Total general expenses	-	17,431,617

14 c) Audit fee provision

Description	2019-2020	2018-2019
	Kshs	Kshs
Audit fee provisions	528,740	528,740
Total	528,740	528,740

15. EMPLOYEE COSTS

Description	2019-2020	2018-2019
	ksh	ksh
Salaries and wages	5,176,808	6,166,595
Employee related cost-contributions to pensions and medical aids		
Overtime payments		
Social contributions		
Employee cost	5,176,808	6,166,595

16. REMUNERATION OF DIRECTORS

Description	2019-2020	2018-2019
	Kshs	Kshs
Chairman's honoraria	-	-
Directors emoluments	641,000	912,058
Other allowances	-	
Total directors' emoluments	641,000	912,058

17. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018-2019
	Kshs	Kshs
Property, plant and equipment	1,957,438	683,365
Intangible assets	242,760	121,800
Investment property carried at cost	-	-
Total depreciation and amortization	2,200,198	805,165

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	Kshs	Kshs
Property	797,776	2,301,566
Investment property-earning rentals		
Equipment and machinery	-	
Vehicles		
Furniture and fittings	-	207,523
Computers and accessories	-	
Total repairs and maintenance	797,776	2,509,089

19. CONTRACTED SERVICES

Description	2019-2020	2018-2019
	Kshs	Kshs
Actuarial valuations	-	-
Investment Valuations	-	-
Properties valuations	-	-
Total contracted services	-	-

20. GRANTS AND SUBSIDIES

Description	2019-2020	2018-2019
	Kshs	Ksh
Community development	-	-
Education initiatives and programs	-	-
Social development	-	-
Community trust	-	-
Corporate bodies	-	-
Total grants and subsidies	-	-

21. FINANCE COSTS

Description	2019-2020	2018-2019
	Ksh	Ksh
Borrowings(amortized cost)	-	-
Finance leases(amortized cost)	-	-
Unwinding of discount	-	-
Interest on bank overdrafts	-	-
Interest on loans from commercial banks	-	-
Total finance cost	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. GAIN ON SALE OF ASSETS

Description	2019-2020	2018-2019
	ksh	ksh
Property, plant and equipment	-	-
Intangible assets	-	-
Other assets not capitalized	-	-
Total gain on sale of assets	-	-

23. UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

Description	2019-2020	2018-2019
	Kshs	Kshs
Investment at fair value	-	-
Total gain	-	-

24. IMPAIRMENT LOSS

Description	2019-2020	2018-2019
	Kshs	Kshs
Property, plant and equipment	-	-
Intangible assets	-	-
Total impairment	-	-

25. a) CASH AND CASH EQUIVALENTS

Financial institution	Account number	2019-2020	2018-2019
		Kshs	Kshs
a) Current account			
Kenya Commercial bank	1169208630	35,730,862	915,734
Co-operative bank	1139206659600	8,963,536	4,926,087
Equity Bank	0370279113346	365,000	-
Sub-Total		45,059,398	5,841,821
Cash withdrawn from bank			
Cash in hand		9,650	47,197
Total		45,069,048	5,889,018

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Description	2019-2020	2018-2019
	Kshs	Kshs
Current account	45,069,048	5,889,018
On-call deposits	-	-
Fixed deposits account	-	-
Staff car loan/mortgage	-	-
Total cash and cash equivalent	45,069,048	5,889,018

26. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	Ksh	Ksh
Current receivables		
Student debtors	10,798,396	19,047,461
Rent debtors	-	-
Consultancy debtors	-	-
Other exchange debtors	44,664,797	-
Less: impairment allowance	-	-
Total current receivables	-	-
Non-current receivables	-	-
Refundable deposit	-	-
Advance payments	-	-
public organizations	-	-
Less: impairment allowance	-	-
Total current receivables	-	-
Current portion transferred to current receivables	-	-
Total non-current receivables	-	-
Total receivables	55,463,193	19,047,461

27. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	Kshs	Kshs
Current receivables		
Transfer from other govt. entities	-	-
Undisbursed donor funds	-	-
Other debtors(non-exchange transactions)	3,408,670	18,975,794
Less: impairment allowance	-	-
Total current receivables	3,408,670	18,975,794

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INVENTORIES

Description	2019-2020	2018-2019
	Kshs	Kshs
Consumable stores	241,430	-
Maintenance stores	-	-
Health unit stores	-	-
Electrical stores	253,850	-
Cleaning materials stores	7,480	-
Catering stores	-	-
Total inventories at the lower of cost and net realizable value	502,760	-

29. BIOLOGICAL ASSETS

Description	2019-2020	2018-2019
	Kshs	Kshs
Pigs	36,000	-
Bulls	60,000	-
		-
Total	96,000	-

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. PROPERTY, PLANT AND EQUIPMENT

Cost	Land and Buildings	Furniture and Fittings	Motor vehicle	Books	Masonry, electrical and plumbing practical equipments	Computer Software	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2016							
Additions	15,669,999	958,460					16,628,459
Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
At 30th June 2017	15,669,999	958,460					16,628,459
At 1 July 2017	15,669,999	958,460					16,628,459
Additions	3,899,325	-	-	-	-	-	3,899,325
Disposals	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-
At 30th June 2018	19,569,324	958,460					20,527,784
Accumulated Depreciation							
At 1 July 2017	-	-	-	-	-	-	405,644
At 1 July 2017	489,233	119,808	-	-	-	-	609,041
Total Acc Depreciation	489,233	119,808					609,041
Net book value as at 1 July 2017	14,886,958	958,460					15,845,418
Net book value as at 1 July 2018	19,080,092	838,652					19,918,744

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. INTANGIBLE ASSETS-SOFTWARE

Description	2019-2020	2018-2019
	Kshs	Kshs
At beginning of the year	284,200	406,000
Additions	525,000	-
At end of the year	809,200	406,000
Additions-internal development	-	-
At end of the year	809,200	406,000
	-	-
Amortization and impairment at beginning of the year	-	-
Amortization	242,760	121,800
At end of the year	566,440	284,200
Impairment loss	-	-
At end of the year	566,440	284,200
NBV	566,440	284,200

32. INVESTMENT PROPERTY

Description	2019-2020	2018-2019
	Kshs	Kshs
At beginning of the year	-	-
Additions	-	-
Fair value gain	-	-
Depreciation	-	-
At end of the year	-	-

33. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	Kshs	Kshs
Trade payables		-
Prepaid fees b/f	2,399,815	-
Fee paid in advance	22,854,272	1,871,075
Audit Fees bal b/f	1,057,480	1,057,480
Accrued audit fee	528,740	
Third-party payments		-
Total trade and other payables	26,840,307	2,928,555

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2019-2020	2018-2019
	Kshs	Kshs
Consumer deposits	-	-
Caution money	514,000	333,350
Students' welfare	1,022,400	290,860
Other deposits	-	-
Total deposits	1,536,400	624,210

35. CURRENT PROVISIONS

Description	2019-2020	2018-2019
	Ksh	Ksh
Balance at the beginning of the year	-	-
Additional provisions	-	-
Provision utilized	-	-
Change due to discount and time value for money	-	-
Transfer from non-current provisions	-	-
Total provisions	-	-

36. FINANCE LEASE OBLIGATION

Description	Minimum lease payments	Future finance charges	Present value of minimum lease payments	2019-2020
	KShs	KShs	KShs	KShs
Within current year				
Long term portion of lease payments				
Total provisions				

37. DEFERRED INCOME

Description	2019-2020	2018-2019
	KShs	KShs
National government		
International funders		
Public contributions and donations		
Total deferred income		

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 DEFERRED INCOME (Continued)

The deferred income movement is as follows:

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

38. EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other provisions	2019-2020
	Kshs	Kshs	Kshs	kshs
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
Total employee benefits obligation	-	-	-	-

The Institute only contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

39. NON-CURRENT PROVISIONS

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40. a) BORROWINGS

Description	2019-2020	2018-2019
	KShs	KShs
Balance at beginning of the period		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the year		
Repayments of domestic's borrowings during the year		
Balance at end of the period		

40 b) ANALYSIS OF EXTERNAL AND DOMESTIC BORROWINGS

	2019-2020	2018-2019
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'organization'		
Sterling Pound denominated loan from 'organization'		
Euro denominated loan from organization'		
Domestic Borrowings		
Kenya Shilling loan from KCB		
Kenya Shilling loan from Barclays Bank		
Kenya Shilling loan from Consolidated Bank		
Total balance at end of the year		

40 c) BREAKDOWN OF LONG- AND SHORT-TERM BORROWINGS

Description	2019-2020	2018-2019
	KShs	KShs
Short term borrowings (current portion)		
Long term borrowings		
Total		

41. SERVICE CONCESSION ARRANGEMENTS

Description	2019-2020	2018-2019
	KShs	KShs
Fair value of service concession assets recognized under PPE		
Accumulated depreciation to date		
Net carrying amount		
Service concession liability at beginning of the year		
Service concession revenue recognized		
Service concession liability at end of the year		

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

42. CASH GENERATED FROM OPERATIONS

Description	2019-2020	2018-2019
	Kshs	Kshs
Surplus for the year before tax	40,823,258	19,269,060
Adjusted for:		
Depreciation		
Non-cash grants received		
Contributed assets		
Impairment		
Gains and losses on disposal of assets		
Contribution to provisions		
Contribution to impairment allowance		
Finance income		
Finance cost		
Working Capital adjustments		
Increase in inventory		
Increase in receivables		
Increase in deferred income		
Increase in payables		
Increase in payments received in advance		
Net cash flow from operating activities	40,823,258	19,269,060

43. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

43 FINANCIAL RISK MANAGEMENT(Continued)

(i) Credit risk (Continued)

the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2020				
Receivables from exchange transactions	55,463,193	-	-	-
Receivables from non-exchange transactions	3,408,670	-	-	-
Bank balances	45,069,048	-	-	-
Total	103,940,911			
At 30 June 2019				
Receivables from exchange transactions	19,047,461	-	-	-
Receivables from non-exchange transactions	18,975,794	-	-	-
Bank balances	5,889,018	-	-	-
Total	43,912,273			

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

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

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

(ii) Liquidity risk management

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

43. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

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
At 30 June 2020				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				
At 30 June 2020				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				

(ii) Market risk

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

43. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Market risk (Continued)

a) Foreign currency risk

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

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2020			
Financial assets(investments, cash ,debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

The entity 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.

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2020			
Financial assets(investments, cash ,debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

Foreign currency sensitivity analysis

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

43. FINANCIAL RISK MANAGEMENT (Continued)

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2020			
Euro	10%		
USD	10%		
2019			
Euro	10%		
USD	10%		

- b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

43. FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

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

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve		
Retained earnings	55,545,792	11,264,940
Capital reserve		
Total funds	55,545,792	11,651,279
Total borrowings		
Less: cash and bank balances	(45,069,048)	(11,561,279)
Net debt/(excess cash and cash equivalents)	9,616,802	-
Gearing	0%	0%

44. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

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

	2019-2020	2018-2019
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of goods	360,000	-
Sales of services		
Total	360,000	-
b) Grants from the Government		
Grants from National Govt	11,407,500	-
Grants from County Government	-	-

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

Donations in kind	-	-
Total		
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	6,166,595
Payments for goods and services	-	6,218,872
Total		
	-	12,385,467
d) Key management compensation		
Directors' emoluments	641,000	912,058
Compensation to the CEO	-	-
Compensation to key management	-	-
Total	641,000	912,058

45. SEGMENT INFORMATION

46. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	2019-2020	2018-2019
	Kshs	Kshs
Court case against the company		
Bank guarantees in favour of subsidiary		
Total		

47. CAPITAL COMMITMENTS

Capital commitments	2019-2020	2018-2019
	Kshs	Kshs
Authorised for		
Authorised and contracted for		
Total		

48. EVENTS AFTER THE REPORTING PERIOD

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

49. ULTIMATE AND HOLDING ENTITY

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

50. Currency

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

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

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Basis for Adverse Opinion				
1.1	Cash and Cash Equivalent		Finance Officer	Not resolved	April 2021
1.2	Statement of Cash Flows		Finance Officer	Not resolved	April 2021
1.3	Capital and Reserves		B.O.G	Not resolved	April 2021
1.4	Statement of Inter – Entity Transfers		Finance Officer	Not resolved	April 2021
2.0	Ownership of Property, Plant and Equipment		B.O.G	Not resolved	April 2021
3.0	Use of Goods – Local Travel and Transport		Principal	Not resolved	April 2021
	Other Matter				
1.0	Budget and Budgetary Control		B.O.G	Not resolved	April 2021
	Report on Lawfulness and Effectiveness in Use of Public Resources				
1.0	Submission of Financial Statements		Finance Officer	Not resolved	April 2021
2.0	Format and Presentation of Financial Statements		Finance Officer	Not resolved	April 2021
3.0	Security Services		B.O.G	Not resolved	April 2021
4.1	Procurement of Learning Materials		Principal	Not resolved	April 2021

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

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

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

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Admin block	16,265,915	21,397,244	23%			GoK
2							
3							

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

APPENDIX III: INTER-ENTITY TRANSFERS

	MITUNGUU TECHNICAL TRAINING INSTITUTE			
	Break down of Transfers from the State Department of vocational and technical training			
	FY 2019/2020			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		02/07/2020	3,802,500	2019/2020
		18/10/2019	1,552,500	2019/2020
		06/05/2020	6,052,500	2019/2020
		Total	11,407,500	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		

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

Accountant
Mitunguu TTI

Sign

Head of Accounting Unit

Sign

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

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized					Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific		
Ministry of Education	02/07/2020	Recurrent	3,802,500	3,802,500	-	-			3,802,500	
	18/10/2019	Recurrent	1,552,500	1,552,500	-	-			1,552,500	
	06/05/2020	Recurrent	6,052,500	6,052,500	-	-			6,052,500	
Ministry of Education										
NYS		Fees for NYS sponsored students								
	24/6/2020		9,103,100	9,103,100	-	-			9,103,100	
	30/6/2020		8,604,300	8,604,300	-	-			8,604,300	
USAID	N/A	Donor funds								
Total										

