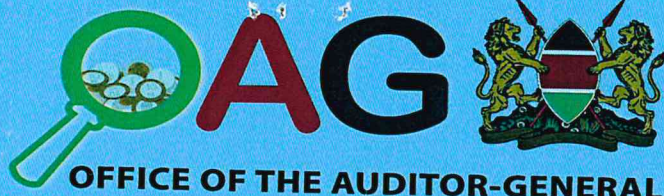



REPUBLIC OF KENYA



Enhancing Accountability



REPORT

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 FEB 2022	DAY: Wed
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THE AUDITOR-GENERAL

ON

COAST INSTITUTE OF TECHNOLOGY

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



05 FEB 2020



**COAST INSTITUTE OF TECHNOLOGY
AMENDED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

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

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Key Institute information

(a) Background information

The Coast Institute of Technology was established in 1981 by the government to provide business and Technical skills for school leavers. The Institute is situated in Taita Taveta County, Voi town, just about 150km north of Mombasa and 350 km from the city of Nairobi. CIT is build on a 42 acres land is registered by the TVETA as per the TVET Act 2013. The institute implements TVET-CDACC, KICD, KASNEB, ABE and City & Guilds curriculum in all its fields as developed and examined by TVET-CDACC, KNEC, KASNEB, ABE and City & Guilds respectively. CIT is staffed by the Ministry of Education through the State Department of Vocational and Technical Training, Directorate of TVET.

The expansion and reforms witnessed in technical and vocational training has been necessitated by Kenya's objective of industrialization as contained in the Vision 2030 and the MDGs. For these to be realized, it is imperative to develop and effectively utilize the country's human, physical and financial resources. The Kenya Vision 2030 blue print recognizes human resource development as key to rapid development. Highly trained and flexible human resource that has the relevant knowledge and skills requires sustained and continuous Training and training of content developed and implemented in close consultation with industry.

CIT has two campuses. The town campus is situated in the central business district of Voi Town. The main campus is situated in the rich tourism region of Tsavo and its proximity to the various hotels, Camps and The Tsavo National park that makes the CIT an ideal campus for the type of training that it offers. The Main campus offers both residential and off Campus training. The institute has well equipped training restaurants, a tourist class hotel which is still under construction. This facility is intended to serve as both as a training facility and as an incubation facility serving other clients in search of quality and affordable hospitality services. The institute has also established a food factory that produce food products to the local community while at the same time offer the much needed hands on experience to some of the hospitality trainees.

(b) Principal Activities

The principal activity of the Institute is the provision of technical, vocational, entrepreneurship training and research.

Vision:

Coast Institute of Technology envisions itself to be a Center of Excellence in Technical Training, Education, Science and Technology in Kenya and beyond.

Mission:

To provide relevant high quality education and training in science and Technology for sustainable development.

Core Values

- § *Uprightness and honesty*
- § *Transparency and accountability*
- § *Integrity*
- § *Respect for change*
- § *Prudent environmental management*
- § *Professionalism*
- § *Respect for cultural diversity*
- § *Provision of equal opportunities for all*
- § *Respect for human dignity*

Key entity information (continued)

Background information (continued)

Motto

Skills for self reliance

Quality policy

As an ISO certified institution, Coast Institute of Technology is committed to providing affordable, accessible, and sustainable and quality training by ensuring our services are effective and efficient and meet the customer needs and expectations. The Institute is committed to complying with requirements of ISO 9001:2015 Quality Management Systems. To achieve this, the Institute has established Quality Objectives which shall be reviewed from time to time for continuous improvement.

The key Quality Objectives seek to: -

- Achieve and maintain a level of quality training which enhance the institutions' reputation with customers.
- Ensure compliance with the TVET Act 2013 and other relevant statutory and safety requirements.
- Endeavour to always maximize customer satisfaction.

The Mandate of CIT is to:

1. Produce morally upright ,relevant, high quality and competitive graduates in the job market
2. Enhance the Training and working environment
3. Optimize utilization of human and physical resources in the institute
4. Increase capacity for training, research and consultancy services in line with changing technologies
5. Improve exploitation of locally available resources for innovations
6. Improve and maintain linkages and collaboration with industry
7. Enhance the utilization of ICT in training and management of the institution
8. Increase access taking into account gender balance and regional disparities

(c) Key management

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

- Governing board
- Accounting officer
- Deputy principal administration
- Deputy principal academics
- Registrar
- Dean of students

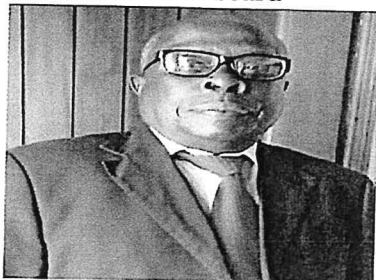
(d) Fiduciary management

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

Designation	Name
1 Principal	Patrick M King'oina
2 Deputy principal	Eston Gateru Kagai
3 Deputy Principal Academics	Mary Mkomba
4 Registrar	Gloria Monikombo
5 Dean of Students	Mr. Dickens Odum
6 Finance officer	Nashion Mchemi
7 Procurement officer	Annah Barasa

Board of governors

1 Mr. Samuel M Kachumbo
Chairman of the board



Name: Samuel m Kachumbo
DoB: 03/02/1953
Position: Chairman of the Board
Qualifications: Bed Science, MBA
Work Experience: Worked with the Commission of Higher Education, currently a management consultant and a 2nd term serving Board of Governor Chairman

2 Mrs. Prof Sheila Ali Ryanga



Name: Mrs. Prof Sheila Ali Ryanga
DoB: 07/08/1954
Position: Member of the Board
Qualifications: Bed, MA, PHD
Work Experience: She is a Professor at The Kenya Methodist University and is a 2nd term serving BOG Member

3 Mr. Githinji Thiong'o



Name: Mr. Githinji Thiong'o
DoB: 22/07/1974
Position: Member of the Board.
Qualifications: Bsc. Agriculture, MSc. Plant Pathology
Work Experience: He is an Agronomist working with Kenya Cereal Enhancement programme- IFAD & European Union Funded Programme (Coast Region) and is a 1St tem serving BOG Member

4 Hon. Danson Mwashako



Name: Hon. Danson Mwashako
DoB: 1978
Position: Member of the Board
Qualifications: CPA(K), BA(Finance option)
Work Experience: He is a Member of Parliament for Wundanyi Constituency, Worked as Corporate Relations Manager at Equity bank of Kenya –Mombasa branch and is a 1st term serving BOG Member

5 Mrs. Victoria Mwakuwa



Name: Mrs. Victoria Mwakuwa
DoB: 1979
Position: Member of the Board
Qualifications: BSc. Hospitality and Tourist Management.
Work Experience: She works as a Marketing Manager at Leisure Lodge Resort in Nairobi and is a 1st term serving BOG Member

Board of governors (continued)

6 Mrs. Faith Lumonya Ngaira



Mrs. Faith Lumonya Ngaira
DoB: 12/05/1952
Position: Member of the Board
Qualifications: BSc. In Electrical Engineering.
Work Experience: She worked with Ministry of Education and currently an Education Consultant.

7 Mrs. Jeddy M. Munyao



Name: Mrs. Jeddy M Munyao
DoB: 27/09/1983
Position: Member of the Board
Qualifications: BSc. In Information Technology
Work Experience: She is currently working with Quadtel Services Limited as Account Manager

8 Mrs. Philomena Kirote



Name: Mrs. Philomena Kirote
DoB: 16/07/1962
Position: Member of the Board
Qualifications:
Work Experience: She is a Representative of The County Government of Taita Taveta and She is also The Chief Officer Education and Library of The County.

9 Mr. Bonface Milai



Name: Mr. Bonface Milai
DoB: 06/09/1961
Position: Member of the Board
Qualifications:
Work Experience: He is The County Director TVET- Makueni/Kitui/Taita-Taveta, He is a Representative of The PS Ministry of Education, State Department of Vocational and Technical Training.

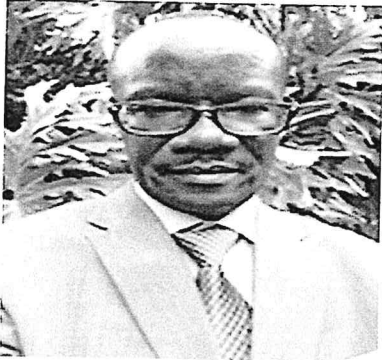
10 Mr. Patrick M King'oina



Name: Mr. Patrick M King'oina
DoB: 17/03/1963
Position: Principal/CEO
Qualifications: Masters.
Work Experience:
Previously served as Registrar at Machakos Technical Training Institute and as the Deputy Principal at Coast Institute of Technology.

Management team

1 Mr. Patrick M King’oina



Name: Mr. Patrick M King’oina
Position: Principal/CEO
Qualifications: Masters.
Work Experience: Previously served as Registrar at Machakos Technical Training Institute and as the Deputy Principal at Coast Institute of Technology.

2 Mr. Eston Gateru Kagai



Name: Mr. Eston Gateru Kagai
Position: Deputy Principal Administration And Planning
Qualifications: Bed
Work experience: Served as a Registrar at Coast Institute of Technology.

3 Mrs. Mary Mkomba



Name: Mrs. Mary Mkomba
Position: Deputy Principal Academics
Qualification: Bed
Work experience: She was a trainer for Applied science.

4 Mrs. Gloria Monikombo



Name: Mrs. Gloria Monikombo
Position: Registrar
Qualification: Masters
Work experience: She served as the deputy registrar at Coast Institute of Technology.

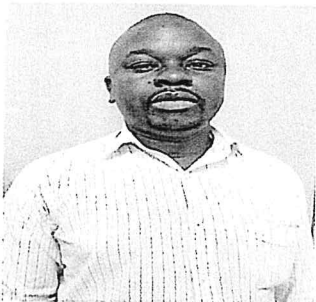
Management team (continued)

5 Mr. Dickens Odum



Name: Mr. Dickens Odum
Position: Dean of Students
Qualification: Masters
Work experience: Once served as HOD Tourisms, serving currently as The Dean of Students.

6 Mr. Nashon Mchemi



Name: Mr. Nashon Mchemi
Position: Finance officer
Qualification: B Com (Finance option), CPA part III, Accountancy Diploma.
Work experience: Served for five years as CIT finance officer.

7 Mrs. Annah Madede Barasa



Name: Mrs. Annah Madede Barasa
Position: Procurement officer
Qualification: Diploma in Supply Chain Management & a diploma in information technology.
Work experience: Served as a registry clerk and procurement officer.

Chairman's statement

On behalf of the Institute Board of Governors, I am pleased to present to you Coast Institute of Technology Annual Reports and Financial statements for the year ended ended 30th June 2019. During the period, the institute continued to deliver on our key and core mandate of provision of quality technical, vocational, educational and training (TVET), research and community outreach that is market driven and well aligned to the big four agenda.

In the year 2019, the Institute transitioned to ISO 9001:2015 certification from ISO 9001:2008 certification. This milestone has helped the Institute to improve customer satisfaction and efficiency. The government of Kenya has embarked on a comprehensive reform on technical and vocational training in order to develop highly skilled manpower to provide the technical skills needed by the industry. The national plans and other strategic priorities have consistently placed emphasis on development of skills that match the industry requirements. Coast Institute of Technology reviewed the strategic plan (2019 -2023) on the basis of the vision 2030 and the big 4 agenda of the government as outlined in the constitution of Kenya 2010. I recognize with much appreciation the critical role that TVET's play in building the foundation which will move this country to a fully industrialized economy.

In the year 2019/2020, the Institute will project to focus on increasing student enrollment, improvement of infrastructure and human resource to support teaching, learning and research.

Finally I wish to acknowledge with gratitude the Government of Kenya for its goodwill and invaluable support to the college as it strives to implement its goals and objectives. I also wish to appreciate the vital support that we have continued to receive from our development partners, students, staff and sponsors. The Board of Governors shall continue to provide the much needed resources, advice and foresight to support the Institute as it continues to implement its goals and objectives.


for **Mr. Samuel M Kachumbo**
Chair of the Board of Governors

Report of the principal

Dear Stakeholder,

Coast Institute of Technology has continued to position itself as the leading technical training institution in the region. In line with the Institute growth aspirations, the strategic plan (2019-2023) was reviewed in the year ending June 2019. The strategic plan was reviewed on the basis of the vision 2030 and other strategic priorities of the government as outlined in the constitution of Kenya 2010. Our commitment to service delivery, efficiency and leadership was further deepened by transitioning from ISO 9001:2008 certification to ISO 9001:2015 certification in the year under review.

The Institute's core values of uprightness and honesty, transparency and accountability, integrity, respect for change, prudent environmental management, professionalism, respect for cultural diversity, provision of equal opportunities for all and respect for humanity have played a great role in realizing the Institute's dream of impacting skills for self reliance.

The college planned for and embarked on infrastructure development in order to increase access to technical education. This included construction of additional lecture rooms, construction of phase 2 men hostels and improvement of other facilities aimed at accommodating the increasing students enrolment.

Key projects

During the year, CIT mentored Mwatate TVC, Msambweni TVC, Wuming TVC, Fayya TVC, Garsen TVC, Taveta and Kinango TVC. In addition to overseeing construction, implementation and accountability of funds, the Institute lead by the Board of Governors joint efforts in building capacity in mentees personnel, employing participatory development and collaborative principles to enhance capability and institutional knowledge transfer as part of a wider change management process. We successfully handed over Taveta TVC to an independent Board of Governors during the year. Our students commenced fabrication of a motorized wheel chair an innovation by students of the mechanical department during the year.

Operational and Financial Performance

The Institute continues to deliver on its key mandate of provision of quality education, training, and research. 2018/2019 financial year recorded declined performance compared to 2017/2018 financial year. Net surplus for the year declined from Kshs 22 million to Kshs 16.7 million representing a 24 % decrease compared to prior year. This is attributed to decreased government capitation of 7% from 24.5 million in 2017/18 to Ksh 22.8 million in 2018/19 financial year. There was a notable increase in student enrollment from 1,500 in 2017/18 to 2,000 in 2018/19 representing a 25 % increase in enrollment. Primary streams of income were supplemented by the college farm that produces fruits and vegetables. Drip irrigation was applied to the farm to avert reliance on rainfed agriculture. The Institutions bakery was fully operational and production of bread, buns and cakes also contributed to rise in revenue.

Compliance with Statutory Requirements

During the period under review, the Institute complied with all its statutory obligations including compliance with Public Procurement Regulations, remittance of PAYE, NHIF, NSSF, Pension and HELB within the stipulated deadlines. The Institute does not foresee any potential for contingent liabilities arising from non-compliance with statutory obligations.

Key entity information (continued)

(e) Fiduciary Oversight Arrangements

- Finance and Audit Committee
- Governance and Ethics Committee
- Human Resource Committee

(f) Entity Headquarters

Coast institute of technology
P.O. Box 34-80300
Sofia, Tsavo Road
Voi, KENYA

(g) Entity Contacts

Telephone: 0202169229/ 041 2011393
E-mail: voicampuscit@yahoo.com
Website: www.cit.ac.ke

(h) Entity Bankers

1. Kenya Commercial Bank
Voi Branch
P.O. Box 137-80300
Voi, Kenya.
2. Equity Bank
Voi Branch
P.O. Box -80300
Voi, Kenya.
3. Co-operative bank
Voi Branch
P.O. Box 80300
Voi, Kenya.
4. Diamond trust Bank
Voi Branch
P.O. Box -80300
Voi, Kenya.

(i) Independent Auditors

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

(j) Principal Legal Advisers

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

Report of the principal (continued)

Major risks and challenges facing the institute

Coast Institute of Technology continues to face pressure on existing resources due to inadequate learning infrastructure exacerbated by the increasing student enrollment. The teachers and non-teaching staff to student ratio remains low. Budgetary constraints have contributed to stalled projects. Phase II of the Centre of Excellence Complex comprising of 2 restaurants and 4 conference facilities are in dire need of funding to realise the aspired benefits.

Future outlook

We are looking forward to harness the ISO 9001:2005 certification and strategic plan (2019 - 2023) to guide the Institute's future developments, improve service delivery and achieve set goals and objectives. We also anticipate an increase in student enrollment, attain adequate staffing levels and improve learning infrastructure. Our ultimate objective is to acquire polytechnic status.

Conclusion

During the year under review, the Institute has introduced several new initiatives and measures to make its services more efficient and accessible. I take this opportunity to thank our stakeholders for their continued support and partnership in the realization of our mandate.

I commend the Board, Management and staff for their tireless efforts and commitment to the attainment of Coast Institute of Technology set targets. I am truly honored to serve alongside you as we endeavor to redefine the role played by CIT and drive the Institute towards the realization of its strategic goals and objectives.

On behalf of Board, Management, Staff and Students, I would like to appreciate the support accorded to Coast Institute of Technology by the GOK through The National Treasury & the Ministry of Education, State Department for Vocational and Technical Training . We look forward to your continued support.



Mr Patrick M King'oina
Secretary BOG

Date: 31/01/2020

Corporate governance statement

The Coast Institute of Technology, is committed to the values and principles of good corporate governance as an integral part of corporate culture and guides the manner in which its Governors, management, staff and students conduct the business of the organisation. As a public-sector organization dedicated to providing quality service to its stake holders, the Institution decisions are guided by the core tenets prescribed in the public Officers Ethics Act, The leadership and Integrity Act, The Authorities Code of Conduct, corporate Governance guidelines Board and Board Committee Charters. The Institution endeavors to develop, strengthen and sustain the trust that the Government, employees, students and public has placed in it. The board is committed to regularly evaluate national and international emerging standards in responsible, transparent and efficient management with a view of enhancing corporate governance at the Institution and consistently deliver on its statutory mandate.

Role of the Board of Governors

The primary function of the Board of Governors ‘(The Board) is to provide effective strategic leadership and direction to enhance the long-term achievement of Coast Institute of Technology strategic plan. The strategic plan overall objective is to enhance the achievement of the institute’s objectives on priority basis and in line with the policies of the Ministry of Education (MOE), the Vision 2030 and the big 4 agenda of the government

The Board Size, Composition and Independence

The Board consists of 10 Governors. The Board composition draws a good mix of skills, experience and proficiencies in various fields. The Governors’ biographies are shown on pages 4 to 5.

Board Remunerations

The non-executive Board members are paid sitting allowances for every meeting attended. Governor’s fees are paid to non-executive Board members who are not representing any Government institution.

The Board has three committees that are constituted as follows:

Name of the Committee	Members
Finance and Audit Committee	1.Danson Mwashako- Chairman 2.Jeddy Munyao-member 3. Samuel Kachumbo-member
Governance and Ethics Committee	1. Philomena Kirote-chairman 2. Prof. Sheila Ali Ryanga-member 3. Githinji Thiong’o –member
Human Resource Committee	1. Githinji Thiong’o- chairman 2. Philomena Kirote-member 3. Samuel Kachumbo.-member.



Mr Patrick M King’oina
 Secretary BOG

Date: 31/01/2020

Directors report

The board submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Institute's affairs.

Principal activity

The principal activity of the institute is the provision of technical, vocational, entrepreneurship training and research.

Results

The results of the institute for the year ended June 30, 2019 are set out on page 1.

Members of the institute board

The Members of the Institute board who served during the year are shown on page v and vi.

Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the board



Mr Patrick M King'oina
Secretary BOG

Date: 31/01/2020

Statement of the Board of Governors

Section 81 of the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act of 2013 require the board 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 and the operating results of the entity for that year. The board is also required to ensure that the institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The board is also responsible for safeguarding the assets of the entity.

The board is responsible for the preparation and presentation of the institute's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board accept responsibility for the institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Technical and Vocational Education and Training Act of 2013. The board is of the opinion that the institute's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2019, and of the institute's financial position as at that date. The board further confirm the completeness of the accounting records maintained for the institute, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The entity's financial statements were approved by the board on _____ 2019 and signed on its behalf by:



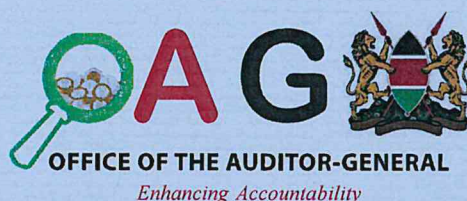
Board member

Board member

Board member

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 COAST INSTITUTE OF TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Coast Institute of Technology set out on pages 1 to 27, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not able to express an opinion on the accompanying financial statements of Coast Institute of Technology. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1.0 Unaudited Opening Balances

Records provided for audit indicated that Coast Institute of Technology was inaugurated opened in 1981 by the Ministry of Education and Technology and Management had, until the 2017/2018 financial year, prepared the Institute's financial statements for audit by the Schools Audit Unit stationed at the Ministry.

However, the audit reports for previous years were not provided for audit review. Further, the records indicated that Management was directed by the Accountant-General in 2016 to prepare and submit the Institute's financial statements to the Auditor-General beginning 2015/2016 in accordance with Section 14(3) of the Technical and Vocational Education and Training Act, 2013. Contrary to the instructions and provisions of the Act, Management did not submit financial statements for the financial years 2015/2016, 2016/2017 and 2017/2018 for audit.

Failure to submit the accounts to the Auditor-General, in addition, contravened Regulation 101(4) of the Public Finance (National Government) Management Regulations, 2015.

In view of the foregoing, the opening balances reflected in financial statements for the year under review were not verified. As a result, the accuracy, validity and completeness of the balances reflected in financial statements for the year under review could not be confirmed.

2.0 Improper Presentation of Financial Statements

The financial statements contain the following anomalies:

- i. The table of contents indicates that the Notes to the financial statements are on pages 20 to 27 yet these are presented on pages 7 to 27.
- ii. The table of contents indicates that the Management Report, the Corporate Social Responsibility Statement and the Report of the Board of Governors are on Pages Xi, Xii and Xiii respectively whereas the first two are omitted from the financial statements and the report of the Board of Governors is on Page Xiv.
- iii. The statement of financial position indicates that there are further disclosures on capital reserves, accumulated surplus and capital fund at Notes 31,32, and 33 respectively. However, the Notes are missing in the financial statements.
- iv. Note 22 on property and equipment does not have a comparative balance for the previous year contrary to Paragraph 53 of International Public Sector Accounting Standard No.1 which requires disclosure of comparative information for all amounts reported in financial statements.
- v. The table of contents does not indicate Page numbers for inter-entity transfers.
- vi. Two of the financial that would have read as Page 28 and Page 29 are not marked as such.

In view of these discrepancies, the financial statements for the year ended 30 June, 2019 do not conform to International Public Sector Accounting Standard No. 1 on presentation of financial statements and the reporting framework prescribed by the Public Sector Accounting Standards Board.

3.0 Discrepancies in the Financial Statements

3.1 Statement of Cash Flows

The statement of cash flows for the year ended 30 June, 2019 contains the following inaccuracies.

- i. The statement makes reference to Note 8 as providing further disclosure on rental income whereas the Note provides disclosure on sale of goods. Similarly, Note 9 reflects revenue from rental income and hire of facilities whereas disclosures on rental income are provided in Note 8.
- ii. The statement of cash flows reflects initial recognition balance of Kshs.49,691,473 in accordance with effects of IPSAS 33. However, the item is not supported with any explanatory note and therefore its basis and purpose has not been confirmed.
- iii. The statement of cash flows reflects purchase of property and equipment balance totalling Kshs.352,915,177. However, Notes 22 and 23 respectively reflect property and equipment additions totalling Kshs.15,171,723 and intangible asset additions totalling Kshs.11,342,500, all totaling Kshs.26,514,223, resulting to a difference of Kshs.326,400,954.
- (iv) The statement of cash flows reflects changes in capital fund balance totalling Kshs.321,039,780 which however are not explained in a Note to the financial statements.
- (v) Several balances reflected in the statement of cash flows and statement of financial performance vary as shown in the attached **Appendix 1**. No explanations have been provided for the variances and as a result, the accuracy and completeness of the financial statements for the year ended 30 June, 2019, could not be confirmed.

In view of these discrepancies, the accuracy and completeness of the statement of cash flows for the year ended 30 June, 2019, could not be confirmed.

3.2 Statement of Changes in Net Assets

The statement of changes in net assets for the year ended 30 June, 2019 contains the following discrepancies:

- i. The capital reserve balance totalling Kshs.321,039,780 is not supported with an explanatory note and as a result, its accuracy and validity could not be confirmed.
- ii. The statement of changes in net assets for the year ended 30 June, 2019 reflects prior year adjustments totaling Kshs.49,691,473. However, the adjustments were effected in the current financial year instead of the prior year, contrary to the International Public Sector Accounting Standard No. 3. The Standard provides that errors in financial statements are to be corrected in the first set of financial statements authorized for issue after their discovery by restating the comparative amounts for the prior or earliest period(s) presented.
- iii. The statement of changes in net assets reflects development capital fund balance totalling Kshs.11,401,481 as at 30 June, 2019. However, Note 6 to the financial statements reflects the fund's balance as Kshs.94,548,240, resulting to an unexplained difference of Kshs.83,146,759 between the two sets of records.

In view of these discrepancies, the accuracy and completeness of the statement of changes in net assets for the year ended 30 June, 2019 could not be confirmed.

3.3 Statement of Financial Position

Notes 22 and 23 to the financial statements reflects work-in-progress and software additions in the year totalling Kshs.15,171,723 and Kshs.11,342,500 respectively, all totalling Kshs.26,514,223. However, the statement of cash flows reflects property and equipment additions totalling Kshs.352,915,177. The difference totalling Kshs.326,400,954 between the balances reflected in the two sets of records could not be explained.

3.4 Variances Between Final Budget Statement and Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects a revenue budget of Kshs.198,319,869 whereas the budget statement reflects Kshs.216,211,300, resulting to an unexplained variance of Kshs.17,891,431 between the two sets of records. In addition, the statement reflects expenditure totalling Kshs.148,179,818 whereas the budget statement reflects Kshs.209,787,940, resulting to an unexplained variance of Kshs.61,608,122 as summarized in the attached **Appendix II**.

As a result of these unexplained differences, the accuracy, validity and completeness of the statement of comparison of budget and actual amounts for the year under review could not be confirmed.

4.0 Unsupported Balances

The following balances were not adequately supported with records:

4.1 Cash and Bank Balance

The statement of financial position as at 30 June, 2019 reflects cash and bank balance totalling Kshs.58,788,411, as further disclosed in Note 19 to the financial statements. Included in the balance are bank balances totalling Kshs.58,722,295 held in five (5) bank accounts. However, the bank reconciliation statements presented for audit reflect cash book balances totaling Kshs.36,860,058, resulting to an unexplained aggregate variance of Kshs.21,862,237. No explanation was provided for the discrepancy which suggests that some receipts were not banked upon collection. Further, the bank reconciliation statements reflect receipts totalling Kshs.31,144,170 in cash books not reflected in bank statements. Records explaining the receipts were not presented for audit review.

In the circumstance, it was not possible to confirm the validity, accuracy and completeness of cash and bank balance totalling Kshs.58,788,411 as at 30 June, 2019.

4.2 Trade Debtors and Student Debtors

Note 20 to the financial statements reflects receivables from exchange transactions balance totalling Kshs.87,470,012. Included in the balance are trade and student debtors totalling Kshs.86,648,102. However, the list supporting the debtors was not presented for audit verification. In addition, the debts were not analyzed to indicate the periods they had been outstanding. Further, the Institute did not have a debt management policy to guide grant of credit.

Consequently, the accuracy, completeness and recoverability of the debtors balance totalling Kshs.86,648,102 could not be confirmed.

4.3 Outstanding Imprests

Note 20 to the financial statements for the year ended 30 June, 2019 reflects receivables from exchange transactions totalling Kshs.87,470,012. Included in the balance are outstanding imprests totalling Kshs.821,910. However, examination of the imprests register revealed that the imprests had been outstanding for a long time. Therefore, failure by Management to recover them from the salaries of their holders was contrary to Section 92(6) of the Public Finance Management (National Government) Regulations, 2015. The provision provides for recovery of long outstanding imprests through deductions of defaulter's salaries.

In the circumstance, the recoverability of accounts receivables - outstanding imprest balance totalling Kshs.821,910 as at 30 June, 2019, could not be confirmed and further, Management was in breach of the Law for failing to recover the imprests in due time.

4.4 Receivables from Non-Exchange Transactions

Note 21 to the financial statements reflects receivables from non-exchange transactions balance totalling Kshs.268,477. Included in the balance is Kshs.105,838 owed by Msambweni Technical and Vocational College and Kshs.162,639 owed by Kinango Technical and Vocational College. However, no further information was provided on the balances.

In the circumstance, the accuracy and completeness of the receivables from non-exchange transactions balance totalling Kshs.268,477 as at 30 June, 2019 could not be confirmed.

4.5 Trade and Other Payables from Exchange Transactions

The statement of financial position as at 30 June, 2019 reflects trade and other payables from exchange transactions balance totalling Kshs.16,908,764, as further disclosed in Note 24 to the financial statements. The balance includes Kshs.3,361,232 denoted as payable to other technical and vocational colleges which, however, has not been analyzed. As a result, the accuracy and completeness of trade and other payables from exchange transactions balance totalling Kshs.16,908,764 as at 30 June, 2019, could not be confirmed.

4.6 Property, Plant and Equipment

The statement of financial position as at 30 June, 2019 reflects property and equipment balance totalling Kshs.336,274,762, as further disclosed in Note 22 to the financial statements. The balance includes land valued at Kshs.63,424,800. However, the title deed for the land the Institute sits on is registered in the name of a private entity, not the Institute. Further, as disclosed in Note 19 to the financial statements, the land and buildings were last valued in June, 2010, contrary to Paragraph 49 of IPSAS 17 which requires annual revaluation for items of property, plant and equipment which experience significant and volatile changes in fair value, and revaluations every three or five years for items with insignificant changes in fair value.

Since the title deed to the land and the Institute is located on is registered in the name of a private party, ownership of the land by the Institute has not been confirmed. In addition, in view of the failure to revalue the land as well as property and equipment, the accuracy of their carrying values totalling Kshs.336,274,762 reflected in the financial statements as at 30 June, 2019, could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions. I am independent of Coast Institute of Technology Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.

Key Audit Matters

Key Audit Matters are those matters that, in my professional judgement, are of most significance in the audit of financial statements. I have determined that there are no key audit matters in the year under review.

Budgetary Control and Performance

Statement of comparison of budget and actual amounts for the year ended 30 June, 2019, indicates that the budgeted revenue for the year under review was Kshs.198,319,869 and expenditure Kshs.148,179,818, resulting to a budgeted surplus of Kshs.50,140,051, contrary to Regulation 33 of the Public Finance Management (National Government) Regulations, 2015, which requires each public entity to prepare and approve a balanced budget.

Consequently, the budget may not have been prepared in accordance with the Public Finance Management (National Government) Regulations, 2015.

The revenue and expenditure budgets were as follows:

1.0 Revenue Budget

The statement of comparison of budget and actual amounts for the year under review reflects a final revenue budget of Kshs.198,319,869 against overall revenue collections of Kshs.189,808,071 or 96 % of the budget, resulting to a gross minimal revenue shortfall of Kshs.8,511,798 or 4% of the budget.

2.0 Expenditure Budget

The statement of comparison of budget and actual amounts for the year under review reflects total expenditure budget of Kshs.148,179,818 against actual expenditure of Kshs.157,555,808 resulting to over-expenditure of Kshs.9,375,990 or 6 %.

No records were provided for audit to confirm that the over-expenditure was approved by the Board. As a result, the validity of the expenditure could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the Lawfulness and Effectiveness in the Use of Public Resources as required by Article 229(6) of the Constitution. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

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 have not obtained sufficient and appropriate audit evidence to conclude on these matters.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk Management systems and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion. Therefore, I do not express a conclusion on the effectiveness of internal controls, risk Management systems and governance as required by Section 7(1) (a) of the Public Audit Act, 2015.

Basis for Conclusion

Audit review of the Institute's management systems indicated that Management had not established policies and guidance on the following operations:

1.0 Internal Audit and Audit Committee

The Institute operates without an Internal Audit Unit and an Audit Committee contrary to Section 73(1)(a) and Section 73(5) of the Public Finance Management Act, 2012.

In the circumstance, the Institute is in breach of the Law and, in addition, does not have sufficient means to monitor, control and provide oversight on its operations.

2.0 Risk Management

Management had not developed a risk management strategy as required in Regulation 165 (1) of the Public Finance Management (National Government) Regulations, 2015. Without the strategy, the Management lacked objective means to identify, measure and mitigate risks faced by the Institute.

3.0 Human Resource Management

The Institute lacked a Human Resource Department to formulate and maintain relevant policies including a scheme of service and a staff establishment. The Code bestows the Board of Directors with roles and functions which include setting and overseeing the overall strategy and approval of significant entity policies and organizational structure.

In the circumstance, the Institute was in breach of the Law and its operations may not be transparent and effective.

4.0 Use of Information Communication Technology

Management had not developed policies on use of Information Communication Technology (ICT). Without ICT policies, its investment and use of ICT resources may not be effective.

5.0 Management of Fixed Assets

The Institute does not maintain a fixed assets register and does not have a policy to guide its acquisition use, including depreciation, and replacement of its assets. This is contrary to Regulation 139(1) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer of a National Government entity to ensure that proper control systems exist for assets.

As a result, the Institute is in breach of the law and its assets are at risk of misuse and loss.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The Standard requires 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 the Board of Governors

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 sustain its services, disclosing, as applicable, matters related to sustainability of services and using the appropriate basis of accounting unless Management is aware of the intention to dissolve the Institute, or cease operations.

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

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

The Board of Governors is responsible for overseeing the 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 overall control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the Institute's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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

processes and systems in order to give an assurance on the effectiveness of internal controls, risk Management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 January, 2022

Appendix I: Variances in Financial Statements

Item	Note to the Financial Statements	Statement of Financial Performance (Kshs.)	Statement of Cash Flows (Kshs.)	Difference (Kshs.)
Income				
1.	Transfers from Other Government - Grants	40,034,063	51,435,544	(11,401,481)
2.	Rendering of Services/ Tuition Fees	124,115,270	64,088,323	60,026,947
3.	Sale of Goods	17,528,345	700,534	16,827,811
4.	Rental Revenue from Facilities & Equipment/ Production Unit	700,534	17,528,345	(16,827,811)

Appendix II: Variances Between Final Budget and Statement of Comparison of Budget and Actual Amounts

Component		Budget Statement (Final Budget) (Kshs.)	Statement of Comparison of Budget and Actual Amounts (Kshs.)	Variance (Kshs.)
Revenue				
1.	GoK Grants	35,000,000	30,500,000	4,500,000
2.	Capitation Recurrent Grant	28,000,000		28,000,000
3.	Development Fund	25,700,000		25,700,000
4.	Rendering of Services	87,617,300	135,045,869	(47,428,569)
5.	Sale of Goods	27,500,000	21,300,000	6,200,000
6.	Rental Income	374,000	374,000	0
7.	Other Income	12,020,000	11,100,000	920,000
	Total Revenue	216,211,300	198,319,869	17,891,431
Expenditure				
8.	Compensation of Employees	34,447,080	40,547,080	(6,100,000)
9.	Use of Goods and Services	10,300,000	9,700,000	600,000
10.	Remuneration of Directors	6,376,050	1,576,000	4,800,050
11.	Repairs and Maintenance	3,700,500	4,450,500	(750,000)
12.	General Expenses	82,114,310	91,906,238	(9,791,928)
13.	Construction of Student Hostel	31,150,000	0	31,150,000
14.	sanitation and Beddings	2,200,000	0	2,200,000
15.	Purchase of Office Equipment	1,000,000	0	1,000,000
16.	Purchase of ICT Equipment	1,000,000	0	1,000,000
17.	CCTV Camera	2,500,000	0	2,500,000
18.	Construction of Tuition Block Phase I	35,000,000	0	35,000,000
	Total expenditure	209,787,940	148,179,818	61,608,122

Statement of financial performance for the year ended 30 June 2019

	Note	2019 Kshs	2018 Kshs
Revenue from non-exchange transactions			
Transfers from other governments – grants	6	40,034,063	46,131,062
		40,034,063	46,131,062
Revenue from exchange transactions			
Rendering of services	7	124,115,270	67,185,640
Sale of goods	8	17,528,345	3,568,462
Rental Revenue from Facilities and Equipment	9	700,534	248,120
Other income	10	7,429,859	16,600,995
		189,808,071	133,734,279
Expenses			
Use of goods and services	11	(7,590,828)	(5,398,638)
Employee costs	12	(39,917,645)	(25,962,728)
Remuneration of board of governors	13	(1,565,200)	(1,611,100)
Depreciation and Amortization Expense	14	(9,402,484)	-
Repairs and maintenance	15	(4,685,786)	(5,108,223)
Audit fee	16	(500,000)	-
General expenses	17	(93,883,865)	(73,565,854)
Grants and Subsidies	18	(10,000)	(37,800)
		(157,555,808)	(111,684,343)
Surplus for the year		32,252,263	22,049,936

The notes set out on pages 1 to 27 form an integral part of these Financial Statements

Statement of financial position as at 30 June 2019

	Note	2019 Kshs	2018 Kshs
Assets			
Current Assets			
Cash and bank balances	19	58,788,411	35,944,770
Receivables from exchange transactions	20	87,470,012	8,830,555
Receivables from non-exchange transactions	21	268,477	18,344,033
		146,526,900	63,119,358
Non-Current Assets			
Property and equipment	22	336,274,762	2,873,023
Intangible assets	23	9,074,000	-
		345,348,762	2,873,023
Total assets		491,875,662	65,992,381
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	24	16,908,764	5,893,552
Refundable deposits from customers	25	763,500	280,428
		17,672,264	6,173,980
Net assets			
Capital Reserves	31	321,039,780	-
Accumulated surplus	32	128,368,760	46,425,024
Capital Fund	33	24,794,858	13,393,377
		474,203,398	59,818,401
Total net assets and liabilities		491,875,662	65,992,381

The Financial Statements set out on pages 1 to 27 were signed on behalf of the Board by:


Principal
Name: Mr Patrick M King'oina

Sign: 
Date: 31/01/2020

Head of Finance
Name: Mr. Nashon Mchemi

Sign:
Date:

Chairman of the Board
Name: Mr. Samuel M Kachumbo

Sign: 
Date: 31.01.2020

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Statement of changes in net assets for the year ended 30 June 2019

	Capital Reserves	Accumulated surplus	Capital Fund	Total
At July 1, 2017				
Transfer of excess depreciation on revaluation	-	24,375,088	13,393,377	37,768,465
Surplus for the year	-	-	-	-
Development grants received during the year	-	22,049,936	-	22,049,936
At June 30, 2018	-	46,425,024	13,393,377	59,818,401
At July 1, 2018				
Transfer of excess depreciation on revaluation	-	46,425,024	13,393,377	59,818,401
Surplus for the year	-	-	-	-
Development grants received during the year	-	32,252,263	-	32,252,263
Capital reserves on initial recognition	-	-	11,401,481	11,401,481
Prior year adjustments	321,039,780	-	-	321,039,780
		49,691,473	-	49,691,473
At June 30, 2019	321,039,780	128,368,760	24,794,858	474,203,398

Statement of cash flows for the year ended 30 June 2019

	Note	2019 Kshs	2018 Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies	6	51,435,544	46,131,062
Tuition fees	7	64,088,323	67,466,068
Rent income	8	700,534	248,120
Production unit	9	17,528,345	3,568,462
Other income	10	7,429,859	(1,743,038)
Total receipts		141,182,605	115,670,674
Payments			
Use of goods and services	11	(7,590,828)	(5,398,638)
Employee costs	12	(39,917,645)	(25,962,728)
Remuneration of board of governors	13	(1,565,200)	(1,611,100)
Repairs and maintenance	15	(4,685,786)	(5,108,223)
General expenses	17	(82,385,581)	(44,627,944)
Grants and Subsidies		(10,000)	(37,800)
Total payments		(136,155,040)	(82,746,433)
Net cash from operating activities		5,027,565	32,924,241
Cash flows from investing activities			
Purchase of property and equipment	22	(352,915,177)	3,020,529
Proceeds from sale of property and equipment	22	-	-
Net cash flows used in investing activities		(352,915,177)	3,020,529
Cash flows from financing activities			
Changes in capital fund		321,039,780	-
Repayments of borrowings		-	-
Net cash flows used in financing activities		321,039,780	-
Net increase in cash and cash equivalents		(26,847,832)	35,944,770
Cash and cash equivalents at 1 July	19	35,944,770	-
Effects of IPSAS 33 on initial recognition		49,691,473	-
Cash and cash equivalents at 30 June	19	58,788,411	35,944,770

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	Statement of comparison of budget and actual amounts for the year ended 30 June 2019				Performance difference	Difference	Explanation Note
	Original budget	Adjustments	Final budget	Actual on comparable basis			
	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs		
Revenue							
GOK Grants	28,000,000.00	2,500,000.00	30,500,000.00	40,034,063.10	(9,534,063.10)	(34.05)	a
Rendering of services- Fees from students	135,045,869.00	-	135,045,869.00	124,115,270.00	10,930,599.00	8.09	
Sale of goods	21,300,000.00	-	21,300,000.00	17,528,345.25	3,771,654.75	17.71	b
Rental income	374,000.00	-	374,000.00	700,534.00	(326,534.00)	(87.31)	c
Other income	11,100,000.00	-	11,100,000.00	7,429,859.00	3,670,141.00	0.33	
Total income	195,819,869.00	2,500,000.00	198,319,869.00	189,808,071.35	8,511,797.65	3.00	
Expenses							
Employee costs	40,547,080.00	-	40,547,080.00	39,917,645.00	629,435.00	1.55	
Use of goods	9,700,000.00	-	9,700,000.00	7,590,828.00	2,109,172.00	21.74	d
Remuneration of board of governors	1,576,000.00	-	1,576,000.00	1,565,200.00	10,800.00	0.69	
Depreciation and amortization				9,402,484.00	(9,402,484.00)		
Grants and Subsidies				10,000.00	(10,000.00)		
Audit fees				500,000.00	(500,000.00)		
Repairs and maintenance	4,450,500.00	-	4,450,500.00	4,685,786.00	(235,286.00)	(5.29)	
General expenses	91,906,238.00	-	91,906,238.00	93,883,865.00	(1,977,627.00)	(2.15)	
Total expenditure	148,179,818.00		148,179,818.00	157,555,808.00	(9,375,990.00)	0.36	
Surplus for the period							

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Statement of comparison of budget and actual amounts for the year ended 30 June 2019
(continued)

Note

- a The government subsidised school fees through capitation.
- b Revenue from the catering department dropped due to reduced number of the National Youth Service students who constitute a large part of customers.
- c Rental income growth attributed to increased hire of the institute's facilities such as the school bus and the school hall.
- d Water bills reduced as a result of increased usage of the borehole water within the school.

Notes to the financial statements

1 General information

Coast Institute of Technology is established by and derives its authority and accountability from The Technical and Vocational Education and Training Act, 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is the provision of technical, vocational, entrepreneurship training and research.

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 entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

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

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

3 Adoption of new and revised standards

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

Standard	Effective date	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.

ii New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date	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:

Notes to the financial statements (continued)

3 Adoption of new and revised standards (continued)

ii *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019 (continued)*

Standard	Effective date	Impact
IPSAS 41: Financial Instruments (continued)	Applicable: 1st January 2022:	<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. <p>No impact on the financial statements</p>
IPSAS 42: Social Benefits	Applicable: 1st January 2022	<p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p>No impact on the financial statements</p>

iii *Early adoption of standards*

The entity did not early – adopt any new or amended standards in year 2019.

Notes to the financial statements (continued)

4 Summary of significant accounting policies

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

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.

Notes to the financial statements (continued)

4 Summary of significant accounting policies (continued)

a) Revenue recognition (continued)

ii) Revenue from exchange transactions (continued)

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.

b) Budget information

The original budget for FY 2018-2019 was approved by the Board of Governors on 15 June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Shs 42,457,931 on the 2018-2019 budget following the governing body'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

Sales 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.

Notes to the financial statements (continued)

4 Summary of significant accounting policies (continued)

d) Property 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.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful life, using the following annual rates:

	Rate - %
Motor vehicles	25% Straight line
Buildings	2% Straight line

e) Leases

Finance leases are leases that transfer substantially all of the 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.

f) 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.

Amortization of intangible assets is charged at 20%

The useful life of the intangible assets is assessed as either finite or indefinite.

Notes to the financial statements (continued)

4 Summary of significant accounting policies (continued)

g) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Notes to the financial statements (continued)

4 Summary of significant accounting policies (continued)

g) Financial instruments (continued)

Financial liabilities (continued)

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.

h) 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 labor 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.

i) 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.

Notes to the financial statements (continued)

4 Summary of significant accounting policies (continued)

i) Provisions (continued)

Contingent liabilities

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

Contingent assets

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

j) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. The Institute currently has accumulated surplus and capital fund accumulated over the years.

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

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

m) Foreign currency transactions

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

Notes to the financial statements (continued)

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

p) Service concession arrangements

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

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, 2019.

Notes to the financial statements (continued)

5 Significant judgements 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. State all judgements, estimates and assumptions made: e.g

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 26.

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

Notes to the financial statements (Continued)

	2019	2018
	Kshs	Kshs
6 Transfers from other governments – grants		
Unconditional grants		
Operational grant	40,034,063	24,500,000
Bursary from CDF	-	21,631,062
	<hr/>	<hr/>
Total government grants	40,034,063	46,131,062
	<hr/> <hr/>	<hr/> <hr/>

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount recognised in capital fund.	Total grant income during the year	2018-2019
	KShs	KShs	KShs	KShs
Ministry of education	40,034,063	94,548,240	40,034,063	134,582,303
Total	40,034,063	94,548,240	40,034,063	134,582,303

	2019	2018
	Kshs	Kshs
7 Rendering of services		
Tuition fees	98,388,100	62,853,114
Activity fees	5,762,000	3,722,422
Examination fees	15,666,720	-
Library fees	187,950	41,414
Facilities and materials	3,213,000	69,190
Registration fees	897,500	499,500
	<hr/>	<hr/>
	124,115,270	67,185,640
	<hr/> <hr/>	<hr/> <hr/>

These are amounts charged to students based on an approved fees structure. The amount paid by each student depends on the nature of the course and the module.

Notes to the financial statements (Continued)

8 Sale of goods

	2019	2018
	Kshs	Kshs
Bakery	8,663,720	2,769,599
Catering	6,869,300	572,780
Farm income	1,757,135	4,840
Other production units	238,190	221,243
	<u>17,528,345</u>	<u>3,568,462</u>

These are sales from the institute's production unit

9 Rental Revenue from Facilities and Equipment

	2019	2018
	Kshs	Kshs
Rent income	188,394	85,000
Hire of facilities	512,140	163,120
	<u>700,534</u>	<u>248,120</u>

This is income from hire of facilities.

10 Other income

	2019	2018
	Kshs	Kshs
Seminars	6,741,282	15,938,780
Town campus income	14,210	22,813
Income from sale of tender	5,000	6,000
Packages	496,000	522,230
Income from disposal of assets	173,367	111,172
	<u>7,429,859</u>	<u>16,600,995</u>

This is income from seminars held at the institute and other miscellaneous income from sale of disposed assets.

Notes to the financial statements (Continued)

11 Use of goods and services	2019 Kshs	2018 Kshs
Electricity water & fuel	7,590,828	5,398,638
	<u>7,590,828</u>	<u>5,398,638</u>
12 Employee costs		
Salaries and wages	31,062,767	17,937,666
Employee related costs	2,012,877	2,576,673
Travel, accommodation, subsistence and other allowances	6,842,001	5,448,389
	<u>39,917,645</u>	<u>25,962,728</u>
13 Remuneration of board of governors		
Members emoluments	1,565,200	1,611,100
	<u>1,565,200</u>	<u>1,611,100</u>

Notes to the financial statements (Continued)

14 Depreciation and Amortization Expense	2019 Kshs	2018 Kshs
Property, plant and equipment	7,133,984	-
Intangible assets	2,268,500	-
	9,402,484	-
	9,402,484	-
15 Repairs and maintenance		
Property, equipment and machinery	4,685,786	5,108,223
	4,685,786	5,108,223
	4,685,786	5,108,223
16 Audit fees		
Audit fee	500,000	-
	500,000	-
17 General expenses		
Advertising	3,556,677	1,248,757
Admin costs	26,305,043	15,604,791
Student activity costs	2,412,264	2,874,704
Attachment Expense	1,027,244	1,141,887
Boarding equipment & stores	6,505,800	5,096,684
Bakery expenses	3,201,194	2,607,731
Catering expenses	9,632,014	6,921,956
Seminar expenses	9,361,983	10,655,503
Practicals Expense	6,287,162	2,232,455
Production unit expenses	6,800,797	6,363,008
Town campus expenses	3,107,457	2,325,996
Consumables	6,498,163	10,607,247
Insurance	1,862,541	555,100
Student Council expenses	682,285	518,780
Hire charges	54,700	-
Bank charges	27,333	17,226
Telecommunication	1,782,956	1,117,821
Other general expenses	4,778,252	3,676,208
	93,883,865	73,565,854
	93,883,865	73,565,854
18 Grants and Subsidies		
Donations	10,000	37,800
	10,000	37,800
	10,000	37,800

Notes to the financial statements (Continued)

	2019	2018
	Kshs	Kshs
19 Cash and bank balances		
Current accounts		
Co-operative Bank-01129220357100	5,884,694	6,037,153
Diamond Trust Bank-0255123001	7,417,306	5,454,544
Equity-0790299323142	8,643,820	10,300,376
Kenya Commercial Bank-1104806185	2,604,443	(3,865,677)
Kenya Commercial Bank-1119962285	34,172,032	17,862,206
Others		
Cash in hand	66,116	156,168
	<u>58,788,411</u>	<u>35,944,770</u>
20 Receivables from exchange transactions		
Trade debtors	29,120,671	-
Student debtors	57,527,431	-
Imprest	821,910	8,341,755
Salary advance	-	488,800
	<u>87,470,012</u>	<u>8,830,555</u>
21 Receivables from non-exchange transactions		
Msambweni Technical and Vocational College	105,838	12,564,572
Wumingu Technical Training Institute	-	2,953,505
Garsen Technical and Vocational College	-	843,878
Taveta Technical and Vocational College	-	1,065,078
Kinango Technical and Vocational College	162,639	917,000
	<u>268,477</u>	<u>18,344,033</u>

Notes to the financial statements (Continued)

22 Property and equipment

2019	Land	Buildings	Work in progress	Motor vehicles	Total
Cost or valuation					
At July 1, 2018	63,424,800	253,699,200	2,873,023	8,240,000	328,237,023
Additions	-	-	15,171,723	-	15,171,723
Disposals	-	-	-	-	-
At June 30, 2019	63,424,800	253,699,200	18,044,746	8,240,000	343,408,746
Depreciation					
At July 1, 2018	-	-	-	-	-
Charge for the year	-	(5,073,984)	-	(2,060,000)	(7,133,984)
Eliminated on disposal	-	-	-	-	-
At June 30, 2019	-	(5,073,984)	-	(2,060,000)	(7,133,984)
Net book value					
At June 30, 2019	63,424,800	248,625,216	18,044,746	6,180,000	336,274,762

*Freehold land and buildings were valued in June 2010 by Penwill Properties Limited, independent valuers, on the basis of open market value. Motor vehicles are carried at insured values as at June 2019. The carrying amount of the assets was credited to the capital reserve in line with Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS) .

23 Intangible assets

	Computer software	Total
Cost or valuation		
At July 1, 2018	-	-
Additions	11,342,500	11,342,500
At June 30, 2019	11,342,500	11,342,500
Amortization		
At July 1, 2018	-	-
Charge for the year	2,268,500	2,268,500
At June 30, 2019	2,268,500	2,268,500
Net book value		
At June 30, 2019	9,074,000	9,074,000
At June 30, 2018	-	-

Notes to the financial statements (Continued)

	2019	2018
	Kshs	Kshs
24 Trade and other payables from exchange transactions		
Trade payables	13,047,532	-
Audit fee accrual	500,000	-
Mwatate Technical Training Institute	151,542	5,893,552
Fayya Technical and Vocational College	500,000	-
Wumingu Technical Training Institute	917,498	-
Garsen Technical and Vocational College	815,875	-
Taveta Technical and Vocational College	976,317	-
	16,908,764	5,893,552
25 Refundable deposits from customers		
Caution money	763,500	280,428
	763,500	280,428

26 Related party disclosures

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. Other related parties include:

- i The National Government;
- ii The Parent Ministry;
- iii Sister Technical Training Institutes
- iv Key management;
- v Council members.

26(a) Transactions with related parties

	2019	2018
	Kshs	Kshs
<i>i Key management compensation</i>		
Council members emoluments	1,565,200	1,611,100
	1,565,200	1,611,100

Notes to the financial statements (Continued)

26(a) Transactions with related parties (continued)

<i>iii Grants from the Government</i>	Kshs	Kshs
Development Grants from National Govt	11,401,481	-
Operational Grants from National Govt	40,034,063	24,500,000
Bursary from CDF	-	21,631,062
	<u>51,435,544</u>	<u>46,131,062</u>

26(b) Related party balances

<i>i Due from Related Parties</i>		
Receivables from mentored TTI's	<u>268,477</u>	<u>15,390,528</u>
<i>ii Due to Related Parties</i>		
Payables to mentored TTI's	<u>651,542</u>	<u>5,893,552</u>

27 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.

Notes to the financial statements (Continued)

27 Financial risk management (continued)

i) Credit risk (continued)

	Fully Performing Kshs	Past due Kshs	Impaired Kshs	Total amount Kshs
At 30 June 2019				
Receivable from exchange transactions	53,701,022	17,634,507	32,056,966	103,392,495
Bank Balances	58,788,411	-	-	58,788,411
Total	112,489,433	17,634,507	32,056,966	162,180,906
At 30 June 2018				
Receivable from exchange transactions	8,830,555	-	-	8,830,555
Receivable from non-exchange transactions	18,344,033	-	-	18,344,033
Bank Balances	35,944,770	-	-	35,944,770
Total	63,119,358	-	-	63,119,358

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 imprest.

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

ii Liquidity risk management

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

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

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total amount Kshs
At 30 June 2019				
Trade and other payables	16,908,764	-	-	16,908,764
Other Payables	1,031,977	-	-	1,031,977
Total	17,940,741	-	-	17,940,741
At 30 June 2018				
Trade Payables	6,173,980	-	-	6,173,980
Total	6,173,980	-	-	6,173,980

Notes to the financial statements (Continued)

27 Financial risk management (continued)

iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the 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

iv) 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.

v) 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	2018
	Kshs	Kshs
31 Capital Reserves	321,039,780	-
32 Accumulated surplus	128,368,760	46,425,024
33 Capital Fund	24,794,858	13,393,377
Total Funds	474,203,398	59,818,401
Less: Cash and Bank balances	(58,788,411)	(35,944,770)
Net debt(excess cash and cash equivalent)	(58,788,411)	(35,944,770)
Gearing	-12%	-60%

Notes to the financial statements (Continued)

28 Ultimate and holding entity

The entity is a Semi- Autonomous Government Agency under the Ministry of Education, State Department for Vocational and Technical Training . Its ultimate parent is the Government of Kenya.

29 Events after the reporting period

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

30 Currency

The financial statements are presented in Kenya Shillings (Kshs)

Appendix 1: Inter-entity transfers

ENTITY NAME:		Coast Institute of Technology		
Break down of Transfers from the State Department for Vocational and Technical Training				
FY 18/19				
b. Development Grants				
		Bank Statement Da	Amount (KShs)	Finacial Year to which the amounts relate
	Coast Institute of Technology			
		8-Oct-18	1,272,500	FY 2018/2019
		25-Jan-19	8,776,681	FY 2018/2019
		11-Mar-19	1,272,500	FY 2018/2019
		17-May-19	79,800	FY 2018/2019
		4-Jul-19	51,681	FY 2018/2019
		5-Jul-19	2,545,000	FY 2018/2019
			13,998,162	
	Msambweni Technical and Vocational College			
		5-Jul-18	8,057,969	FY 2018/2019
	Mwatate Technical and Vocational College			
		8-Oct-18	13,138,518	FY 2018/2019
		Total	21,196,487	
c. Direct Payments				
		Bank Statement Da	Amount (KShs)	Finacial Year to which the amounts relate
			-	
			-	
			-	
		Total	-	
d. Donor Receipts				
		Bank Statement Da	Amount (KShs)	Finacial Year to which the amounts relate
			-	
			-	
			-	
		Total	-	

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

Finance Manager

Head of Accounting Unit
Ministry of Education, State
Department for Vocational and
Technical Training

Sign -----

Sign -----

