




OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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REPORT	
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THE AUDITOR-GENERAL

ON

**KATINE TECHNICAL
TRAINING INSTITUTE**

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

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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**International Public Sector Accounting Standards (IPSAS)
Annual Financial Reporting Template for
*Technical Vocational Education Training (TVET) Institutions, National Polytechnics and
Teacher Training Colleges***

KATINE TECHNICAL TRAINING INSTITUTE(KTTI)

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2019**

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

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Katine Technical Training Institute is a public tertiary institution under the Ministry of Education, State Department of Vocational and Technical Training. The Institute receives full support from the Government through grants, training equipment and personnel.

Katine technical training institute was established in 2012 as a result of upgrading of Katine youth polytechnic that had been established in 1972, the institution changed from a youth club to a village polytechnic under the then ministry of culture and social services. In 2012, the then ministry of higher education, science and technology assessed the institution and upgraded it to a technical training institute to offer certificate and diploma courses. The institute currently sits on a 12 acres parcel of land donated by the local community. The institute is located approximately 1km from Tala town next to Tala High girls, and approximately 60 km east of Nairobi – kangundo road within Machakos County.

(b) Principal Activities

Provision of training in technical, vocational, entrepreneurial management and research

Fundamental Statement

i. Mission

To provide quality training in technical, vocational, entrepreneurial management and research to trainees for a competitive and dynamic world

ii. Vision

To be preferred regional institution in the provision of technical vocational, entrepreneurial, management training and research

iii. Motto

Innovation for self-reliance

(c) Key Management

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

- Principal
- Deputy Principal
- Registrar
- Dean of Students
- Finance Officer
- Heads of Departments

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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(d) Fiduciary Management

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

No.	Designation	Name
1.	Chairman of the Board	Daniel Ochieng' Ogola
2.	Chief Principal	John M. Kimemia
3.	Finance Officer	Nicholas Munyao Mulili

(e) Fiduciary Oversight Arrangements

Finance & General Purposes committee activities

The Committee shall exercise all the powers of BOG in financial matters except in relation to the items which are reserved to BOG in these Standing Orders, on which the Committee shall advise BOG. Terms of Reference The role of the Committee shall be to monitor the financial status of the Institute on behalf of BOG. In addition to advising BOG on those matters referred to above, the Committee's responsibilities shall include:

- a) To monitor and facilitate the implementation of the Institutes strategy with regard to financial matters.
- b) To receive reports from the Principal and the Finance Officer.
- c) To monitor implementation of the strategy for the Institute.
- d) To receive reports of the extent and condition of the Institute estate including the efficiency of space utilization, the consumption of energy and the adequacy of property insurance arrangements.
- e) To consider the adequacy of the Institute estate and proposals for its maintenance and development, including opportunities to dispose of and acquire new properties.
- f) To determine the fees and charges made for Institute services and facilities.
- g) To supervise the financial administration of the Institute and make recommendations to BOG where appropriate.
- h) To supervise the arrangements for safeguarding the Institute's assets.
- i) To ensure the proper financial evaluation and control of projects.
- j) To supervise the arrangements for investing the Institute's funds, including monitoring the performance of investments.
- k) To make recommendations to BOG on the financing of projects.

Senior Management Activities

The main purpose of the Senior Management Team is to:

- (a) Ensure that KTTI's BOG is able to take strategic decisions relating to KTTI's activities.
- (b) Provide leadership in communicating KTTI's mission, values, plans and achievements effectively and consistently to BOG Members, staff, Government, the voluntary and community sector, the general public and other stakeholders;
- (c) Be accountable for the development and implementation of KTTI's strategic, corporate and business plans in line with the mission and values.
- (d) Take a strategic overview of performance in all areas of KTTI's activities.

Specifically, the Senior Management Team:

- i. Makes recommendations to the BOG on the implementation and achievement of the BOG's Strategic Framework;
- ii. Agrees KTTI's Corporate Plan, and monitor delivery through appropriate key management and performance information reporting to the Board of Governors as appropriate.
- iii. In the light of income projections and forecasts, considers the annual grants and operational expenditure and monitors such expenditure;
- iv. Develops, agrees, monitors and reviews strategies relevant to the effective and efficient operation of KTTI, making recommendations as appropriate to the Board of Governors and/or its relevant Committees;
- v. Determines strategic issues arising from the introduction of new policies or process, including actively managing risk across the organization and regularly reviewing the corporate risk register;
- vi. Oversees and monitors KTTI's joint work with the other stakeholders
- vii. Considers the impact of external factors and developments, including specific political initiatives and the response to key consultation documents and where appropriate make recommendations to the BOG and/or its relevant Committees.
- viii. Leads all senior managers in motivating and developing KTTI staff to deliver the highest standards of performance and customer service.

(f) Government oversight activities

The Government of Kenya's oversight role includes provision of Grants for both Capitation and Development as well as provision of the regulatory framework. The audit of the Institutional activities is undertaken by the Office of the Auditor General.

(g) Key addresses/contacts

- (i) Ministry of Education**
State department of vocational and Technical training
P.O. Box 9583-00200
Teleposta Tower
Nairobi, KENYA

- ii) Katine technical training institute**
P.O Box 251-90131, Tala
Telephone :(254) 0719508039
E-mail principal@katinetti.ac.ke
Website: www.katinetti.ac.ke

KATINE TECHNICAL TRAINING INSTITUTE
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(h) Katine Technical Training Institute Bankers

Kenya Commercial Bank
P.O Box 173-90131
Tala

Co-operative Bank
P.O Box 645-90131
Tala



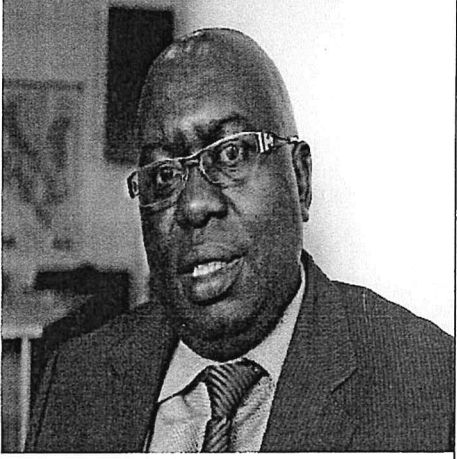
(i) Independent Auditors

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



(j) The Attorney General


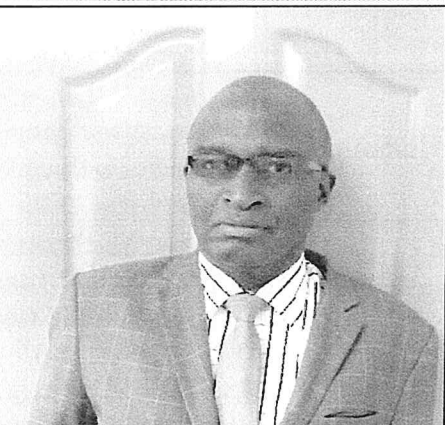
State Law Office
Harambee Avenue
P.O. Box 40112 City Square 00200
Nairobi, Kenya

THE BOARD OF GOVERNORS

Name	Photos	Board Member's date of birth, key qualifications and work experience
<p>1. Daniel Ochieng' Ogola</p>		<ul style="list-style-type: none"> • Date of birth :06/04/1967 • Qualifications: Masters in community health • Work experience: 27 years
<p>2. Eng. Joseph Mutie M.</p>		<ul style="list-style-type: none"> • Date of birth :25/05/1979 • Qualifications: Bachelors of technology • Work experience: 13 years
<p>3. Patrick K. Nzioka</p>		<ul style="list-style-type: none"> • Date of birth: 01/01/1969 • Qualifications: Bachelors of Education • Work experience: over 10 years

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<p>4. Priscillah M. Kioko</p>		<ul style="list-style-type: none"> • Date of birth :14/12/1975 • Qualifications: Bachelors of Law • Work experience: 22 years
<p>5. Elizabeth Kasungwa</p>		<ul style="list-style-type: none"> • Machakos County government representatives
<p>6. Maryanne Abdi</p>		<ul style="list-style-type: none"> • County Director TVET

<p>7. Rev. Rose Mbula</p>	 A black and white portrait of Rev. Rose Mbula, a woman with short dark hair, wearing a patterned top with a dark collar.	<ul style="list-style-type: none">• Date of birth :31/03/1971• Qualifications: Masters in Development studies• Work experience: over 22 years
<p>8. John M. Kimemia. (BOG Secretary/ Principal)</p>	 A black and white portrait of John M. Kimemia, a man with glasses, wearing a suit jacket, a striped shirt, and a tie.	<ul style="list-style-type: none">• Date of birth :/05/1961• Qualifications: MBA• Work experience: Over 30 years



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(k) Board Committees

Name of the Committee	Members
Finance Committee	1. John M. Kimemia. 2. Patrick K. Nzioka 3. Pricillah Kioko 4. Maryanne Abdi
Governance and Ethics Committee	1. John M. Kimemia. 2. Rev. Rose Mbula 3. Daniel Ochieng O. 4. Maryanne Abdi
Development Committee	1. John M. Kimemia. 2. Patrick K. Nzioka 3. Eng. Joseph Mutie 4. Maryanne Abdi 5. Daniel Ochieng 6. Elizabeth Kasungwa

(l) Key Management

Name of the Staff	Photos	Responsibility
John M. Kimemia.		Principal/BOG Secretary
Michael M Maina		Registrar

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<p>Margret Gumba</p>	 A black and white portrait of Margret Gumba, a woman with short hair and glasses, wearing a light-colored, vertically striped V-neck top.	<p>Dean of Students</p>
<p>Nicholas Munyao Mulili</p>	 A black and white portrait of Nicholas Munyao Mulili, a man with a shaved head, wearing a dark polo shirt with a light-colored horizontal stripe across the chest and a small logo on the left side.	<p>Finance Officer</p>

**KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
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CHAIRMAN'S STATEMENT

It's my pleasure to present the institute's annual report and financial statement for the year ended 30 June 2019.


The Institute's Board of Governors note with appreciation the continued support of the government and other stakeholders in the daily running of the institute.

We thank the government for the new programmes on CBET aimed at matching skills in institution with industry needs. The BOG will work with industry and other partners to strategies in order to ensure that the skills offered Katine meet the industry needs.

During the year under review the institute continued working on various projects among them the construction of Katine TTI tuition block phase 1 and workshop, Mentoring Mwala TVC tuition block, classrooms, workshops (2 storey building) phase 1 and Katine TTI Electrical and Electronic workshop.

We are pleased of the achievements realised despite the financial challenges faced especially non- payment from NYS sponsored students.

Let me lastly thank the Government of Kenya, parents, guardians, suppliers and service providers for their trust, support and continued partnership and cooperation during the FY 2018/2019.

fu 

**DANIEL OCHIENG' OGOLA
CHAIRMAN BOARD OF GOVERNORS.**

REPORT OF THE PRINCIPAL

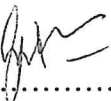
Let me take this opportunity to present Katine TTI financial statement for the FY ended 30 June 2019 in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS).

With support of the BOG, we have put in place the necessary financial, procurement and internal control measures to ensure proper utilization of funds entrusted to us.

Katine TTI has also embarked on various project geared towards achieving its objectives. The projects include:

- ✓ Construction of Katine TTI Tuition block and workshop phase 1
- ✓ Mentoring Mwala TVC tuition block, classrooms workshops (2 storey building) phase 1
- ✓ Katine TTI electrical and electronics workshops

I am humbled by the support from institutes' BOG, Management and all members of staff for their commitment and dedication to their work and effort that have seen Katine Technical Training Institute move forward attaining its vision and mission.


.....
THE PRINCIPAL
KATINE TECHNICAL TRAINING
INSTITUTE
P. O. Box 251-90131, TALA

John M. Kimemia

Principal/Secretary to B.O.G

KATINE TECHNICAL TRAINING INSTITUTE
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CORPORATE GOVERNANCE STATEMENT

Corporate governance comprises rules, procedures, regulations and processes through which the Institute is directed. It involves balancing the interests of the Institute in order to achieve long term strategic objectives of the Institute.

The roles and functions of the Board members are clearly defined and include giving the overall oversight of management and giving the strategic direction of the Institute. The Board members defines the Institute's strategies, objectives, values and ensures that procedures and practices are put in place to ensure effective control over strategic, financial, operational and compliance issues. The Board members develops short- and long-term goals of the Institute, develops strategies to achieve those goals and monitors the performance of the Institute against the set goals. The Board members also spearheads the preparation of financial statements and reports of the Institute, approves and reviews annual budgets and ensures that the Institute has adequate systems of internal controls together with appropriate monitoring of compliance activities to ensure business continuity.

The Board members provides oversight to the Institute's top management and has unrestricted access to timely and relevant information as well as advice and services of the Corporation Secretary to discharge its duties effectively.

Katine Technical Training Institute Board members operates in compliance with the Mwongozo code that offers corporate governance framework for all state corporations. The members of Board have duly undergone training under this code.

The Board members prepares an annual almanac showing the schedule of meetings planned for each year. During the year, the Institute Board members held regular quarterly meetings, while special meetings were called when necessary.

The Board is headed by the Chairman and is composed of nine members inclusive of the Principal who is the only executive member. The constitution of the Board members takes into consideration requirements of the sector, diversity of skills, academic qualifications, gender, age and experience necessary to add value to the operations of the Institute. The Board members are appointed to various Board Members' Committees mandated to carry out specified functions. The Board members therefore bring their diverse experiences in deliberations during Board meetings. The Board members' committees have well defined terms of reference. The committees are intended to facilitate efficient decision making by the Board members in them discharging their duties and responsibilities.

1. Corporate governance statement

- a) Good corporate governance is the key to integrity and corporations and central to the institute stability
- b) Corporate governance their fore encompasses the system practices and procedures by which the individual corporation regulates itself to remain stable, competitive, sustainably and fair.

- c) The BOG follows principles of transparency and accountability in its stewarding institute's affairs'
- d) The role of the BOG is to ensure conformity by focusing and providing the institutes strategic direction and policy making as well as performance review through accountability, monitoring, supervision and internal control to safeguard the assets and ensure the reliability of financial information
- e) Management team comprising of the principal, deputy principal, head of departments and staff meet regularly to consider issues of operational and strategic importance.
- f) Below are key features of the existing governance practices within the institutes which are revised and improved from time to time

2. Institutes BOG

- a) The BOG constitutes of Chairman BOG and eight members who have been appointed in accordance to the TVET Act 2013, which meets formally at least three times a year and or any other time when need arises
- b) BOG Is responsible for setting the direction of the institute through establishment of strategic information, policies and approval of budgets. It monitors implementation of the above through structured approach of reporting by the management and accountability.
- c) The BOG is actively involved and bring strong independent judgement on its deliberations and discussions
- d) The BOG members have diverse skill set, wide range of knowledge and experience of the institute in objectives and decision making.
- e) The BOG meets regularly and retains full and effective control over the institutes in all strategic financial operation and compliance areas

3. Related party disclosure

Related parties for the purposes of this report include:

- a) The Government
- b) The Board of Governors
- c) The Management

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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A: Operational and Financial Performance

Katine technical training institute operational and financial performance

Institution is a public one which relies on government funding and fees paid by students. It's not a profit-making institution. Due to the reduction of grants from GOK it is not able to fully meet its obligations this resulting to large amounts in arrears bills.

SECTION B: Compliance with Statutory Requirements

Katine technical training institute compliance with statutory requirements

Katine technical training institute complies to deduction and remittance of statutory deductions such as NHIF, NSSF

SECTION C: Key Projects and Investment Decisions

Key projects and investment decisions Katine technical training institute is planning/implementing for the FY 2018/2019

PROJECT NAME	FUNDING
1. Construction of Tuition block Katine TTI	Government financed (MOE)
2. Proposed erection and completion of twin workshop, classrooms and office blocks (2 storey) for the proposed Mwala TVC in Mwala Constituency	Government financed (MOE)
3. Construction of electrical and electronics workshop Katine TTI	Government financed (MOE)

- The above Projects are funded through recommendation by the director of TVET
- The proposed Mwala TVC construction is a government sponsored and Katine TTI is officially appointed mentor by the GOK
- The viability and sustainability of the above projects will depend on Government funding.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SECTION D: Financial and Management risks

Major risks facing the entity

- Inadequate funding by the ministry of education- on capitation/operation and development grant
- Delayed funding
- Poor fees payments
- Untimely marketing due to late funding

Due to the above factors the institution is facing serious challenges in meeting its operations obligation fully resulting to pressure from creditors.

SECTION E: Material arrears in Statutory and Financial Obligations

Material arrears in statutory/financial obligations

1. Pending bills for the financial year 2018/2019
2. Deficit on budget financial year 2018/2019

SECTION F: Governance

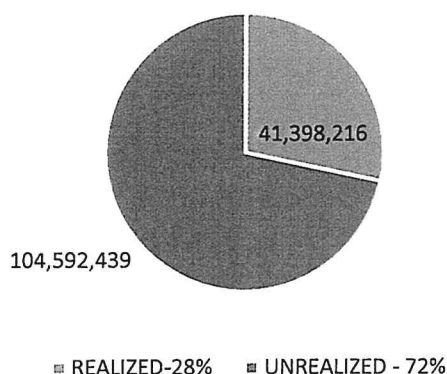
The entity's financial probity and serious governance issues

There were no serious governance issues were reported during the year under review.

Budget Achievement

Katine Technical Training Institute had a budget of Kshs.145,990,655 in F/Y 2018-2019. The Institute managed to realize Kshs. 41,398,216 which translates to 28% of the total budget. The Institute spent Kshs. 21,400,213 of the realised amounts which translates to approximately 52% of the realised amount.

REALIZATION OF BUDGET ESTIMATES



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CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Katine TTI being a public entity embraces the policy of the corporate social responsibility (CSR) through engaging itself with the following social responsibility:

- i. Financial support to needy students through coordinating bursary, HELB loans, support sustainability and sponsorship to students where possible as well work-study programme.
- ii. Offering both social and economic support to externals community through provision of casual labour opportunity and suppliers when opportunities arise
- iii. Environmental activities like planting of trees
- iv. Mentoring the youth e.g., Sponsorship by KCB sponsorship
- v. Offering careers advices to students in Matungulu constituency
- vi. Offering internship and industrial attachment to youth from surrounding community institutions in Kenya

FUNCTIONS OF THE BOARD OF GOVERNORS

According to the TVET act 2013, the BOG shall have the following functions.

- i. Provide oversight and strategic leadership
 - ii. Employ staff
 - iii. Approve statutes
 - iv. Approve policies for the institutes
 - v. Approve budgets
 - vi. Make new or additional regulations, amend or revoke existing regulations
 - vii. Make appointments authorised by the law
 - viii. Acquire land, buildings, premises, equipment, vehicles, machinery and facilities acquired for carrying out the work/duties of the institute.
 - ix. Determine the method of recruitment, appointment and promotion of all staff of the institutes as per the law.
 - x. Provide welfare for every person as per the law
 - xi. Provide control and regulate finances
 - xii. Control, manage and regulate finances
 - xiii. Enter into contracts, vary carry, out or terminate contracts on behalf of the institutes
 - xiv. Empower committee of the BOG appointed
- Transact from time to time any other business of the institute which is covered by the law.

**KATINE TECHNICAL TRAINING INSTITUTE
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The Board member's committees are as follows:

- Finance
- Governance and ethics
- Development

The Board members' operations are guided by a board charter. The board has a conflict of interest register and at every meeting, members are required to declare any conflict of interest with regard to the matters under discussion.

While the Board members sets the direction and general guidance on policy, the day to day running of the Institute has been delegated to the Principal/ Secretary B.O.G. However, the Board members is responsible for the stewardship of the Institute and assumes responsibility for the effective control of the Institute.

**KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

REPORT OF THE BOARD OF GOVERNORS

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

Principal activities

The principal activity of the institute is to : offer competence Based Technical Training, prepare and guide trainees, for evaluation and certification by appropriate examining bodies and promote Science, Technology and Innovation in all training programs.

Results

The financial performance of the institute for the year ended 30 June 2019 are set out on page 22 to page 43.


Board of Governors

The members of the Board who served during the year are shown on page 5 to page 8.

Auditors

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

By Order of the Board


THE PRINCIPAL
KATINE TECHNICAL TR
INSTITUTE
P. O. BOX 231-80131, F

Board of Governors-Secretary

Katine Technical training Institute

Date 3/4/2019

STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITIES

Section 81(1) of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013 require the Board of Governors to prepare financial statements in respect of that Institute, which give a true and fair view of the state of affairs of the Institute at the end of the financial year and the operating results of the Institute for that year. The Board of Governors are also required to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Board of Governors are also responsible for safeguarding the assets of the Institute.

The Board of Governors are 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 Institute for and as at the end of the financial year ended on 30 June 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 Institute;
- 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 Institute;
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

The Board of Governors 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 Public Finance Management Act (2012) and the State Corporations Act and section 29 of schedule 2 of the Technical and Vocational Education and Training Act. The Board of Governors are of the opinion that the Institute's financial statements give a true and fair view of the state of Institute's transactions during the financial year ended 30 June 2019, and of the Institute's financial position as at that date. The Board of Governors further confirm the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board of Governors 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 Institute's financial statements were approved by the Board on **26/09/2019** and signed on its behalf by:



Principal/ BOG Secretary



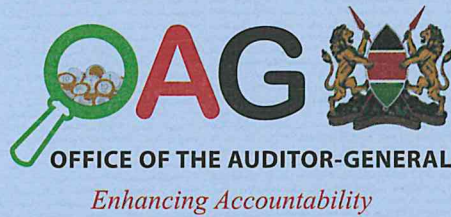
CHAIRMAN BOG

THE PRINCIPAL
KATINE TECHNICAL TRAINING
INSTITUTE
P. O. Box 251-00101, TALA



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 KATINE TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

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

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

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

A review of the financial statement for the year ended 30 June, 2021 revealed the following errors;

- i) The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.10,903,309 while the supporting disclosure Note 35 to the financial statements reflects Kshs.8,019,083 resulting to an unexplained variance of Kshs.2,884,226.
- ii) The statement of financial position reflects refundable deposits from customers balance of Kshs.7,751,896 while the disclosure Note 36 to the financial statements reflects Kshs.2,884,226 resulting to an unexplained variance of Kshs.4,867,670.
- iii) The statement of cash flows for the year ended 30 June, 2019 includes, capital reserves of Kshs.28,853,234 which was not supported with the relevant

documents or explained what it entailed by way of a note to the financial statements.

In the circumstances, the completeness and accuracy of the financial statements for the year ended 30 June, 2019 could not be confirmed.

2. Unaudited Opening Balances

The statement of financial position reflects the total net assets and liabilities of Kshs.177,009,652 as at 30 June, 2019. The balance includes the amounts of Kshs.35,787,142 relating to accumulated surplus brought forward from previous years and 121,224,507 relating to capital fund. However, Management of the institute did not provide prior year's audited financial statements to confirm the accuracy of the opening balances.

In the circumstances, the accuracy, validity, and completeness of these balances could not be confirmed.

3. Unsupported Property, Plant and Equipment

Statement of financial position reflects property, plant and equipment (PPE) balance of Kshs.136,230,043. The following anomalies were noted;

- i) Management did not provide an updated fixed asset register for audit which is a requirement under Regulation 143 of Public Finance Management (National Governments) Regulations, 2015.
- ii) No depreciation was charged on the assets during the year and there was no balance of accumulated depreciation.

In the circumstances, it has not been possible to confirm the accuracy, valuation, ownership and completeness of property, plant and equipment balance of Kshs.136,230,043 as at 30 June, 2019.

4. Unsupported Receivables from Exchange Transactions

The statement of financial position and Note 28 to the financial statements reflects receivables from exchange transactions balance of Kshs.11,792,080 which relates to student debtors. However, the balance was not supported with a detailed ageing analysis. Further, no provision for bad and doubtful debts has been made to recognize impairments affecting the balance.

In the circumstance, it has not been possible to ascertain the accuracy, completeness and recoverability of fees debtors of Kshs.11,792,080 as at 30 June, 2019.

5. Unsupported Expenditure

Review of financial statements revealed that the expenditures totalling Kshs.9,045,889 were not supported with relevant documents as shown below;

Component	Amount as per Statement of Financial Performance (Kshs)	Amount not Supported (Kshs)	Lacking information
General Expenses	3,815,130	415,000	Payment vouchers and invoices.
Employee Costs	4,545,959	4,545,959	Analysis and salaries journal vouchers.
Remuneration of Directors	438,000	438,000	Payment vouchers and related supporting documents.
Use of Goods and Services	11,957,794	3,227,820	Payment vouchers and related supporting documents.
Repairs and Maintenance	643,330	419,110	Payment vouchers.
Total		9,045,889	

In the circumstances, the accuracy, completeness and validity of expenditure totaling Kshs.9,045,889 could not be confirmed.

6. Inaccuracies in Cash and Cash Equivalents

The Statement of financial position and Note 27 to the financial statements reflects cash and cash equivalents balance as at 30 June, 2019 of Kshs.28,987,529. The balance represents amounts held in four (4) bank accounts, and also cash in hand. However, review of documents provided in support of the balance revealed the following anomalies:

- i) Included in cash and bank amount is Kshs.57 in respect to cash balance as at 30 June, 2019 which was however, not supported by way of a board of survey report and a cash count certificate.
- ii) Included in the cash and cash equivalents balance of Kshs.28,987,529 is an amount of Kshs.1,064,800 for bank account No.1141253852 at Kenya Commercial Bank (KCB). However, the supporting cashbook provided for audit verification showed a balance of Kshs.5,984,953 which implies that there is a Kshs.4,920,153 understatement on the bank balance.

In the circumstances, the completeness and accuracy of the cash and cash equivalents balance of Kshs.28,987,529 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

Statement of comparison of budget and actual amounts reflects revenue budget and actual amount for the year of Kshs.145,990,655 and Kshs.41,398,216 respectively, resulting in a shortfall of Kshs. 104,592,439 which is equivalent to 72% of the approved budget. Further, the statement reflects actual expenditure incurred during the year of Kshs.21,400,213 against an approved budget of Kshs.145,990,655 resulting in an under-expenditure of Kshs.124,590,442 or 85% of the approved budget.

In addition, the statement of comparison of budget and actual amounts also reflects Kshs.438,000 which was incurred on Board of Governors expenses with no budgetary allocation..

The shortfall in realization of the budgeted revenue and the resultant under-expenditure negatively affected the planned programs and activities of the Institute for the year and may be indicative of weaknesses in management of the Institute's assets to optimize revenue generation.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Submit Financial Statements for the Previous Years for Audit

The Institute failed to submit financial statements for the financial years 2013/2014 to 2017/2018 to the Auditor-General for audit. This is a contravention of Section 29 (1 & 2) of the second schedule of the Technical and Vocational Education and Training Act of 2013.

To this extent, the Management is in breach of the law.

2. Errors of Presentation and Disclosures in the Financial Statements

Review of the financial statements revealed errors of presentation and non-compliance with the reporting format prescribed by the Public Sector Accounting Standards Board (PSASB) as follows:

- i) Report on Key Entity Information and Management does not include Board of Governors while Chairman of Board of Governors is erroneously listed as part of fiduciary management. Only the names of Fiduciary Management Committee members are indicated, instead of providing a high-level description of the fiduciary oversight arrangements. Further, Audit Committee and its functions is not included as an oversight body.

- ii) Report on Board of Governors lack adequate information regarding dates of birth, key qualifications, work experience and photos for some Board Members.
- iii) Chairman's Statement and Statement of Board of Governors Responsibilities has not been signed by Chairman of BOG.
- iv) Report on Management Discussion and Analysis and Report of the Principal does not make use of diagrams, charts and tables as provided for in the prescribed template. Further, details of operational and financial performance for the year were not included.
- v) Statement of Financial Position has not been signed by the Chairman of Board of Governors and Finance Officer as required. Further, details of ICPAK membership of the Finance Officer have not been included.
- vi) The statement of cashflows reflects notes against various items which do not correspond to the specified disclosure notes in the notes to the financial statements as shown below;

Statement of Cash Flows	Note as indicated in the Statement of Cash Flows	Correct Notes to the Financial Statements
Other Income, Rentals & Agency Fees	15	14
Use of Goods and Services	16	15
Compensation of Employees	17	16
Other Payments	18,20,23	17,19,22

- vii) The statement of comparison of budget and actual erroneously reflects use of goods and services actual expenditure of Kshs.3,815,130 instead of Kshs.11,957,794 while actual expenditure for general expenses is erroneously reflected as Kshs.11,957,794 instead of Kshs.3,815,130.

In the circumstances, the financial statements for the year ended 30 June, 2019 do not comply with the reporting template prescribed by the Public Sector Accounting Standards Board.

3. Failure to Comply with Budget Approval Procedures

Review of documents revealed that, Management prepared annual estimates for the year ended 30 June, 2019 but the estimates were not submitted to the Cabinet Secretary for approval as required by Section 22(2) of Second Schedule of Technical and Vocational Education and Training (TVET) Act,2013, and Regulation 31(1-2) of the Public Finance Management Act (National Government) Regulations, 2015. Consequently, the Management breached the law.

4. Award of Tenders to Non-Prequalified Suppliers

Review of procurement documents revealed that payments totaling Kshs.4,949,046 were made to thirteen (13) suppliers for the supply of various goods and services during the year under review.

This is in contravention of Section 95(3) of the Public Procurement and Assets Disposal Act, 2015 which provides that procuring entity shall invite tenders from only the approved persons who have been prequalified.

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

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

Conclusion

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

Basis for Conclusion

1. Lack of Approved Staff Establishment and Salary Grading Structure

The Institute did not have an approved staff establishment during the year under audit and there was no approved salary grading structure for the employees.

Consequently, it was not possible to confirm how the salaries and other remunerations paid to staff members were determined.

2. Staff Recruitment

Review of the payroll revealed that fourteen (14) staff members were recruited on permanent terms of service during the year under review. However, the Institute does not have an approved policy document on recruitment and it was not clear whether the said staff were recruited in a lawful and competitive manner. Further, review of the related personal files revealed that application letters (including the curriculum vitae) for some of the applicants were missing. In addition, review of the recruitment minutes presented for audit showed that some staff members recruited during the year had not been shortlisted for interviews as shown in table below:

	Name	Department
1	Martin Nderitu Githae	Electrical Engineering
2	Daniel Masika Mutuku	Electrical Engineering
3	Faith Chebet Sambu	Electrical Engineering
4	Kitaka Kitati Raymond	Mechanical engineering
5	Kaunda Prince Joy	Building and civil engineering
6	Martin Gitoga Mbogo	Building and civil engineering
7	Muoki Yvonne Ndanu	ICT
8	Njoroge Paul	ICT

In the circumstances, it was not possible to confirm the regularity of the recruitment process.

3. Missing Employee Documents

Management did not provide for audit details on casual employees engaged by the Institute during the year under review including, how the need was determined, approval for engagement and terms of service.

Further, the payrolls provided for audit lacked authorization from responsible officers and were not consistent. In addition, Management did not provide a complete list of its employees for audit verification.

In the circumstances, management of the Institute has failed to comply with the Section 3(1) of Technical and Vocational Education and Training Act, 2013 on matters of human resource Management.

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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective

processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 January, 2022

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

	Notes	2018-2019
		Kshs
Revenue from non-exchange transactions		
Transfers from the National Government – grants/ gifts in kind	6	18,942,751
Grants from donors and development partners	7	
Transfers from other levels of government	8	
Public contributions and donations	9	
		18,942,751
Revenue from exchange transactions		
Rendering of services- Fees from students	10	21,740,200
Sale of goods	11	
Rental revenue from facilities and equipment	12	262,550
Finance income - external investments	13	
Consultancy fees		
Other income	14	452,715
Revenue from exchange transactions		22,455,465
Total revenue		41,398,216
Expenses		
Use of goods and services	15	11,957,794
Employee costs	16	4,545,959
Remuneration of directors	17	438,000
Depreciation and amortization expense	18	-
Repairs and maintenance	19	643,330
Contracted services	20	-
Grants and subsidies	21	-
General expenses	22	3,815,130
Finance costs	23	-
Total expenses		21,400,213
Other gains/(losses)		
Gain on sale of assets	24	-
Gain on foreign exchange transactions	25	-
Unrealized gain on fair value of investments		
Impairment loss		
Total other gains/(losses)		-
Net Surplus for the year		19,998,003
Attributable to:		
Surplus/(deficit) attributable to minority interest		-
Surplus attributable to owners of the controlling entity		19,998,003
		19,998,003

The notes set out on pages 6 to 39 form an integral part of the Annual Financial Statements.

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

V. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2018-2019 Kshs
Assets		
Current assets		
Cash and cash equivalents	27	28,987,529
Receivables from exchange transactions	28	11,792,080
Receivables from non-exchange transactions	29	-
Current portion of long-term receivables from exchange transactions		-
Inventories	30	-
Investments	31	-
		40,779,609
Non-current assets		
Property, plant and equipment	32	136,230,043
Investments	31	-
Intangible assets	33	
Investment property	34	
Long term receivables from exchange transactions	30	
		136,230,043
Total assets		177,009,652
Liabilities		
Current liabilities		
Trade and other payables from exchange transactions	35	10,903,309
Refundable deposits from customers	36	7,751,896
Provisions	37	
Finance lease obligation	38	
Current portion of borrowings	42	
Deferred income	39	18,655,204
Employee benefit obligation	40	
Payments received in advance		
		37,310,409
Non-current liabilities		
Non-current employee benefit obligation	41	
Non-current provisions		
Borrowings	42	
Service concession liability	43	
Deferred tax liabilities	53	
		-
Total liabilities		37,310,409
Net assets		139,699,243
Reserves		19,998,003
Accumulated surplus		35,787,142
Capital Fund		121,224,507
Total net assets and liabilities		177,009,652

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Institute Council/ Board of Governors by:

[Signature]
 Chairman Board of Governors

Date... 31/4/2021

[Signature]
 Finance Officer

ICPAK No
 Date 31/4/2021

[Signature]
 Principal

Date... 31/4/2021

THE PRINCIPAL
 KATINE TECHNICAL TRAINING
 INSTITUTE
 P. O. Box 251-90131, TALA

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

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
At July 1, 2018	-	-	35,787,142	121,224,507	157,011,649
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	19,998,003	-	19,998,003
Capital/Development grants received during the year	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-
At June 30, 2019			55,785,145	121,224,507	177,009,652

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

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

		2018-2019
	Note	Kshs
Cash flows from operating activities		
Receipts		
Transfers from other Government entities/Govt. grants	6	18,942,751
Public contributions and donations		-
Rendering of services- Fees from students	10	21,740,200
Sale of goods		-
Rental revenue from facilities and equipment	12	262,550
Finance income		-
Consultancy income		-
Other income, rentals and agency fees	15	452,715
Total Receipts		41,398,216
Payments		
Compensation of employees	17	4,545,959
Use of goods and services	16	11,957,794
Finance cost		-
Rent paid		-
Taxation paid		-
Other payments	18,20,23	4,896,460
Grants and subsidies paid		-
Total Payments		21,400,213
Cashflows from Operating Activities	45	19,998,003
Adjustments for		
Increase/Decrease in Deferred income		
Net cash flows from operating activities		19,998,003
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets		-
Proceeds from sale of Property, Plant and Equipment		
Decrease in non-current receivables		-
Capital Reserves		(28,853,234)
Increase in investments		-
Net cash flows used in investing activities		(28,853,234)
Cash flows from financing activities		
Proceeds from borrowings		-
Repayment of borrowings		-
Increase/Decrease of Payables/receivables		25,518,329
Net cash flows used in financing activities		25,518,329
Net increase/(decrease) in cash and cash equivalents		16,663,098
Cash and cash equivalents at 1 JULY 2018	27	12,324,431
Cash and cash equivalents at 30 JUNE 2019	27	28,987,529

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

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		% Difference	
	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs	2018-2019	%
Revenue												
Transfers from other Govt entities Govt grants	114,685,785		-		114,685,785		18,942,751		95,743,034			17
Public contributions and donations	-		-		-		-		-			
Rendering of services- Fees from students	31,304,870		-		31,304,870		21,740,200		9,564,670			69
Sale of goods	-		-		-		715,265		(715,265)			100
Finance Income	-		-		-		-		-			
Consultancy Income	-		-		-		-		-			
Gains on disposal, rental income and agency fees	-		-		-		-		-			
Total income	145,990,655		-		145,990,655		41,398,216		104,592,439			28
Expenses												
Compensation of employees	4,639,760		-		4,639,760		4,545,959		93,801			98
Use of Goods and services	11,118,747		-		11,118,747		3,815,130		7,303,617			34
Repairs & Maintenance	2,142,000		-		2,142,000		643,330		1,498,670			30
Finance costs	-		-		-		-		-			
Rent paid	-		-		-		-		-			
Remuneration of directors	-		-		-		438,000		(438,000)			100
General expenses	128,090,148		-		128,090,148		11,957,794		116,132,354			9
Grants and subsidies paid	-		-		-		-		-			
Total expenditure	145,990,655		-		145,990,655		21,400,213		124,590,442			15
Surplus for the period	-		-		-		19,998,003		(19,998,003)			

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

IX. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

2. Katine Technical Training Institute entity 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 Provision of training in technical, vocational, entrepreneurial management and research

3. 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.

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.

4. ADOPTION OF NEW AND REVISED STANDARDS

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

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

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>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.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <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> <ol 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><i>(State the impact of the standard to the entity if relevant)</i></p>

iii. Early adoption of standards

KATINE TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Dividends

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2018/2019 was approved by the Board. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations on the FY 2018/2019 budget following the Council/ Board's approval.

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

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

c) Taxes

Current income tax

The entity is exempt from paying taxes

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (continued)

Sales tax/ Value Added Tax

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

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

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

d) Investment property

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

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

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

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

e) Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

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

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

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

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

g) Intangible assets

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

h) Research and development costs

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

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

Loans and borrowing

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

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

i) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

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

o) Borrowing costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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

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6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2018-2019
	KShs
Unconditional grants	
Operational grant	3,500,000
Other grants	-
	3,500,000
Conditional grants	
Library grant	-
Hostels grant	-
Administration block grant	-
Laboratory grant	-
Learning facilities grant (Mwala TVC)	15,442,751
Other organizational grants	
Total government grants and subsidies	18,942,751

7 GRANTS FROM DONORS AND DEVELOPMENT PARTNERS

Description	2018-2019
	KShs
JICA- Research grant	-
World Bank grants	-
Other grants	-
Total grants from development partners	-

Reconciliations of grants from donors and development partners

Description	2018-2019
	KShs
Balance unspent at beginning of year	-
Current year receipts	-
Conditions met - transferred to revenue	-
Conditions to be met - remain liabilities	-

8

TRANSFERS FROM OTHER LEVELS OF GOVERNMENT

Description	2018-2019
	KShs
Transfer from County	-
Total Transfers	-

9 PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2018-2019
	KShs
Public donations	-
Donations from local leadership	-
Donations from religious institutions	-
Donations from alumni	-
Other donations	-
Total donations and sponsorships	-

10 RENDERING OF SERVICES

Description	2018-2019
	KShs
Tuition fees	7,071,797
Application Fees	47,450
Activity fees	870,177
Medical fund	12,195
Personal Emolument	6,465,941
Repairs Maintenance & Improvements	2,378,460
Electricity, Water & Conservancy	439,860
Examination fees	-
Local Travelling & Transport	366,440
Library fees	-
Administration	463,010
Boarding Fee	3,624,870
Facilities and materials	-
Registration fees	-
Total revenue from the rendering of services	21,740,200

11 SALE OF GOODS

Description	2018-2019
	KShs
Sale of goods	
Sale of books	-
Sale of publications	-
Sale of farm produce	-
Other (include in line with your organisation)	-
Total revenue from the sale of goods	-

12 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2018-2019
	KShs
Straight-lined operating lease receipts	-
Hire of Facilities	262,550

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Contingent rentals	-
Total rentals	262,550

13 FINANCE INCOME

Description	2018-2019
	KShs
Cash investments and fixed deposits	-
Interest income from Treasury Bills	-
Interest income from Treasury Bonds	-
Interest from outstanding debtors	-
Total finance income	-

14 OTHER INCOME

Description	2018-2019
	KShs
Insurance recoveries	-
Income from sale of tender	40,000
IGAs	2,400
Development Fund	26,205
Fee Arrears	123,705
Hostel	88,000
Attachment Fee	165,605
Library	6,800
Income from disposal of assets	-
Total other income	452,715

15 USE OF GOODS AND SERVICES

Description	2018-2019
	KShs
Electricity	150,650
Publicity & Advertising	380,735
Local Transport & Travel	3,227,820
School Equipment & Stores	2,454,504
Boarding Fee Charges	4,765,138
Water	-
Security	-
Professional services	-
Subscription Activities	978,947
Total good and services	11,957,794

16 EMPLOYEE COSTS

	2018-2019
	KShs
Salaries and wages	4,382,559
Employee related costs - contributions to pensions and medical aids	163,400
Travel, motor car, accommodation, subsistence and other allowances	-
Housing benefits and allowances	-
Overtime payments	-
Performance and other bonuses	-
Social contributions	-
Employee costs	4,545,959

17 REMUNERATION OF DIRECTORS

Description	2018-2019
	KShs
Chairman's Honoraria	-
Directors' emoluments	-
Other allowances	438,000
Total director emoluments	438,000

18 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019
	KShs
Property, plant and equipment	-
Intangible assets	-
Investment property carried at cost	-
Total depreciation and amortization	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 REPAIRS AND MAINTENANCE

Description	2018-2019
	KShs
Property	-
Investment property – earning rentals	-
Equipment and machinery	-
Vehicles	-
Furniture and fittings	-
Computers and accessories	-
Other	643,330
Total repairs and maintenance	643,330

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 GAIN ON SALE OF ASSETS

Description	2018-2019
	KShs
	-
Property, plant and equipment	-
Intangible assets	-
Other assets not capitalised	-
Total gain on sale of assets	-

25 UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

Description	2018-2019
	KShs
Investments at fair value	-
Total gain	-

26 IMPAIRMENT LOSS

Description	2018-2019
	KShs
Property, plant and equipment	-
Intangible assets	-
Total impairment loss	-

27 CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018
	KShs	KShs
Current account	28,987,529	12,324,431
On - call deposits		
Fixed deposits account		
Staff car loan/ mortgage		
Others(specify)		
Total cash and cash equivalents	28,987,529	12,324,431

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

Financial institution	Account number	2018-2019	2017-2018
		KShs	KShs
a) Current account			
Kenya Commercial bank	1141253852	1,064,800	
Kenya Commercial bank	1235950875	298,103	
Cooperative I	1129343916700	7,021,292	
Cooperative II	1129343916701	20,603,277	
Sub- total		28,987,472	12,324,431
b) On - call deposits			

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Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Fixed deposits account			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
d) Staff car loan/ mortgage			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
e) Others(specify)		-	-
Cash in transit		-	-
cash in hand		57	
M pesa		-	-
Sub- total		57	-
Grand total		28,987,529	12,324,431

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019
	KShs
Current receivables	
Student debtors	11,792,080
Rent debtors	-
Consultancy debtors	-
Other exchange debtors	-
Less: impairment allowance	-
Total current receivables	11,792,080
Non-current receivables	
Refundable deposits	-
Advance payments	-
Public organizations	-
Less: impairment allowance	-
Total	-
Current portion transferred to current receivables	-
Total non-current receivables	-
Total receivables	11,792,080

29 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2018-2019
	KShs
Current receivables	
Transfers from other govt. entities	-
Undisbursed donor funds	-
Other debtors (non-exchange transactions)	-
Less: impairment allowance	-
Total current receivables	-

30 INVENTORIES

Description	2018-2019
	KShs
Consumable stores	-
Maintenance stores	-
Health Unit stores	-
Electrical stores	-
Cleaning materials stores	-
Catering stores	-
Total inventories at the lower of cost and net realizable value	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 INVESTMENTS

Description	2018-2019
	KShs
a) Investment in Treasury bills and bonds	
Financial institution	
CBK	-
CBK	-
Sub- total	-
b) Investment with Financial Institutions/ Banks	
Bank x	-
Bank y	-
Sub- total	-
c) Equity investments (specify)	
Equity/ shares in company xxx	-
	-
Sub- total	-
Grand total	-

d) Shareholding in other entities

For investments in equity share listed under note 31 (c) above, list down the equity investments under the following categories:

Name of entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%			
			Shs	Current year	Prior year	
	%	%	%	Shs	Shs	Shs
Entity A	0	0	0	0	0	0
Entity B	0	0	0	0	0	0
Entity C	0	0	0	0	0	0
Entity D	0	0	0	0	0	0
	0	0	0	0	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets (Specify)	Plant and equipment	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2018	102,992,307	-	17,000,000	1,232,200	-	-	15,005,536	136,230,043
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30 th June 2019	102,992,307	-	17,000,000	1,232,200	-	-	15,005,536	136,230,043
Depreciation and impairment								
At 1 July 2018	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
At 30 June 2019	-	-	-	-	-	-	-	-
Net book values								
At 30 th June 2019	102,992,307	-	17,000,000	1,232,200	-	-	15,005,536	136,230,043

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 INTANGIBLE ASSETS-SOFTWARE

Description	2018-2019
	KShs
Cost	
At beginning of the year	-
Additions	-
At end of the year	-
Additions–internal development	-
At end of the year	-
Amortization and impairment	
At beginning of the year	-
Amortization	-
At end of the year	-
Impairment loss	-
At end of the year	-
NBV	-

34 INVESTMENT PROPERTY

Description	2018-2019
	KShs
At beginning of the year	-
Additions	-
Fair value gain	-
Depreciation (where investment property is at cost)	-
At end of the year	-

35 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019
	KShs
Trade payables	8,019,083
Fees paid in advance	-
Employee advances	-
Third-party payments	-
Other payables	-
Total trade and other payables	8,019,083

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2018-2019
	KShs
Consumer deposits	-
Nita exams	559,940
Knec Exams	295,660
Helb Loan	1,206,100
RD Cheque	7,030
Bursary	716,500
Student ID	23,250
Fee Collection	40,746
Caution money	35,000
Other refundable deposits	-
Total deposits	2,884,226

37 CURRENT PROVISIONS

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

38 FINANCE LEASE OBLIGATION

Description	Minimum lease payments	Future finance charges	Present value of minimum lease payments	20xx-20xx
	KShs	KShs	KShs	KShs
Within current year	-	-	-	-
Long term portion of lease payments	-	-	-	-
Total provisions	-	-	-	-

39 DEFERRED INCOME

Description	2018-2019
	KShs
National government	18,655,204
International funders	-
Public contributions and donations	-
Total deferred income	18,655,204

40 EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	20xx-20xx	20xx-20xx
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
Total employee benefits obligation	-	-	-	-	-

41 NON-CURRENT PROVISIONS

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

42 BORROWINGS

Description	2018-2019
	KShs
Balance at beginning of the period	-
External borrowings during the year	-
Domestic borrowings during the year	-

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Repayments of external borrowings during the year	-
Repayments of domestics' borrowings during the year	-
Balance at end of the period	-

42 a) ANALYSIS OF EXTERNAL AND DOMESTIC BORROWINGS

	2018-2019
	KShs
External Borrowings	
	-
Domestic Borrowings	-
Kenya Shilling loan from KCB	-
Kenya Shilling loan from Barclays Bank	-
Kenya Shilling loan from Consolidated Bank	-
Total balance at end of the year	-

42 b) BREAKDOWN OF LONG- AND SHORT-TERM BORROWINGS

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

43 SERVICE CONCESSION ARRANGEMENTS

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

44 CASH GENERATED FROM OPERATIONS

	2017-2018
Surplus for the year before tax	KShs
Adjusted for:	19,998,003
Depreciation	-
Non-cash grants received	-
Contributed assets	-
Impairment	-
Gains and losses on disposal of assets	-
Contribution to provisions	-
Contribution to impairment allowance	-
Finance income	-

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Finance cost		-
Working Capital adjustments		
Increase in inventory		-
Increase in receivables		-
Increase in deferred income		
Increase in payables		-
Increase in payments received in advance		-
Net cash flow from operating activities		19,998,003

45 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
	-	-		
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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45. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

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

The 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	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019	-	-	-	-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

45. FINANCIAL RISK MANAGEMENT

(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.

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

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

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

a) Foreign currency risk

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

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2019		-	-
Financial assets(investments, cash ,debtors)	-	-	-
	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	--	-
	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2019	-	-	-
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2018/2019			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

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

Management of interest rate risk

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Interest rate risk(continued)

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

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

iv) **Capital Risk Management**

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

46 RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

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

	2018-2019
	Kshs
Transactions with related parties	
a) Sales to related parties	-
Sales of goods to xxx	-
Sales of services xxx	-
Total	-
	-
b) Grants from the Government	-
Grants from National Govt	-

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Grants from County Government	-
Donations in kind	-
Total	-
	-
c) Expenses incurred on behalf of related party	-
Payments of salaries and wages for xxx employees	-
Payments for goods and services for xxx	-
Total	-
	-
d) Key management compensation	-
Directors' emoluments	-
Compensation to the CEO	-
Compensation to key management	-
	-
Total	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)**47 SEGMENT INFORMATION****48 CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

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

*(Give details)***49 CAPITAL COMMITMENTS**

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

50 EVENTS AFTER THE REPORTING PERIOD

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

51 ULTIMATE AND HOLDING ENTITY

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

52 Currency

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

