REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

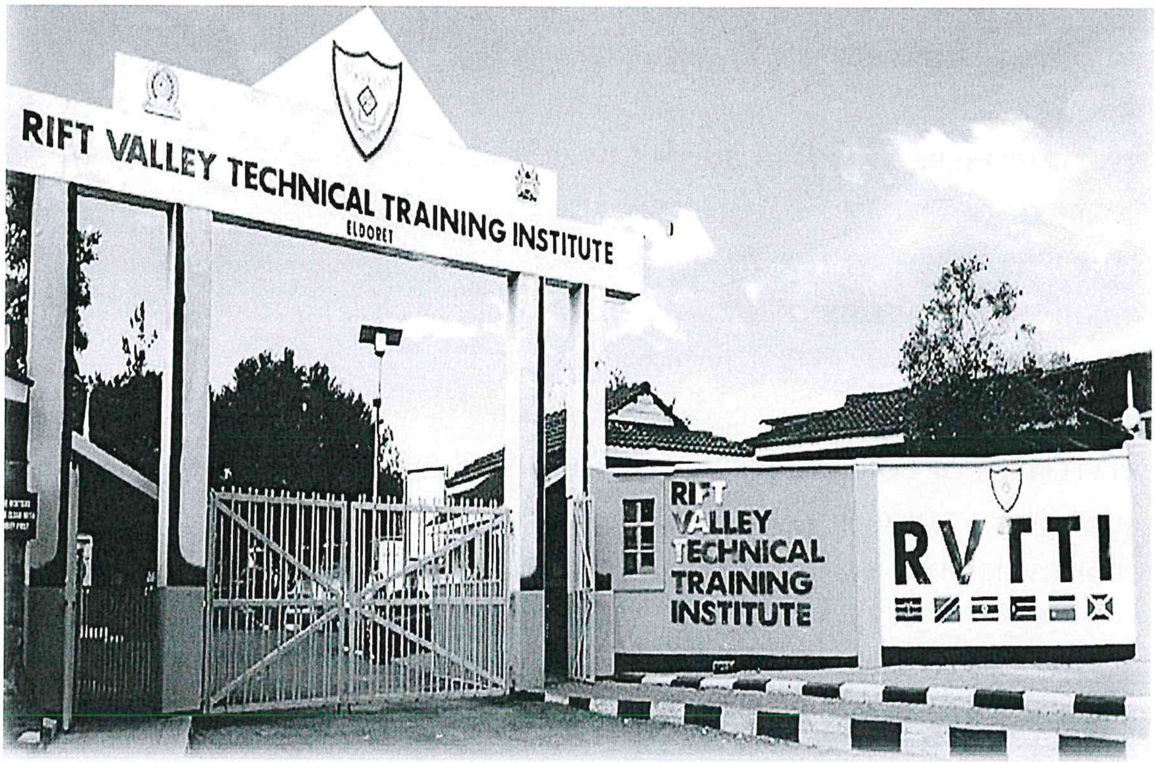
THE AUDITOR-GENERAL

ON

RIFT VALLEY TECHNICAL TRAINING INSTITUTE

FOR THE YEAR ENDED 30 JUNE, 2019

RIFT VALLEY TECHNICAL TRAINING INSTITUTE
P. O. BOX 244 - 30100
ELDORET



RIFT VALLEY TECHNICAL TRAINING INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2019

Prepared in accordance with the accrual/basis of accounting method under the international public sector accounting standards (IPSAS) – accrual.

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EAC Center of Excellence

KENYA VISION 2030
Towards a globally competitive and prosperous nation.

UNEVOC Network Member

ISO 9001:2015 Certified Institution

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CORPORATE GOVERNANCE STATEMENT

Vision

To be an international center of excellence in Technical Training and Research.

Mission

To train competent and innovative manpower in technical and vocational disciplines to meet the changing needs of industry and society.

Core Values

The guiding values to which the institution has committed itself pivot around the tenets of good governance and include

Responsiveness
Versatility
Teamwork
Transparency
Integrity

Rift Valley Technical Training Institute is a Technical and Vocational Education and Training (TVET) Institute located in the County of Uasin Gishu in Kenya along Eldoret-Kaptagat road; it is 3 kilometers to the East of Eldoret town which is the administrative and commercial centre of Uasin Gishu County, in the Western part of Kenya. It was started in 1962 as a technical and trade school and over the years evolved from a Technical trade school to a Technical Secondary school, to a Technical High School (1979) and finally became a Technical Training Institute in 1986 offering Artisan, Craft, and Diploma courses.

It became an EAC Centre of Excellence in TVET in 2013, and a UNESCO-UNEVOC network member in 2016. It is ISO 9001:2015 certified as of June 2017.

The Institute is managed by a 9 member board of governors (BOG) appointed by the Cabinet Secretary for Education in accordance with the TVET Act of 2013. The day to day running of the Institute is done by the Principal (Secretary to the BOG) assisted by a management team comprising two Deputy Principals, Administration and Academics, Registrar, Dean of Students and Finance officer (top management) and academic and no-academic heads of department (middle level management). These are supported by deputies, section heads and various implementation committees. In total there are 280 members of staff.

As a leading TVET institution, the Institute has 8 admitting departments and a number of other support departments that facilitate the smooth delivery of TVET training and research, the key mandate and products of the Institute. Since 2016, the Institute has held annual graduations at which more than 700 qualified graduates are released into the world of work. Since 2012 the Institute has held annual International research conferences where research findings in TVET are presented and suitable ones published in an Institute owned peer refereed international journal. The first publication was the KJ-TVET – done up to the 3rd volume. The current publication is the Africa Journal of TVET (Afri-TVET) which is currently in its 3rd Volume as at 2018. Since 2016, the institute has run annual innovation awards open to all TVET students in East Africa.

The Institute is Registered and licensed by TVETA with a training capacity of 5200 students. It has over 60 tuition rooms 5 computer labs and over 20 workshops and laboratories for various trades. A spacious library (940 m^2 floor space) with more than 10,000 books, journals and other literature complete with an E-section with 40 computers provides a rich reference resource for training and research.

RVTTI Quality Policy Statement

RVTTI is committed to providing quality Technical and Vocational Education and Training (TVET) that is innovative, competency oriented and research based that shall consistently meet and exceed its customer requirements and expectations.

The top management is committed to providing resources to achieve the RVTTI objectives through continual improvement of the quality management system by complying with ISO 9001:2015 standards and other applicable requirements.

The top management shall ensure that established quality objectives and this quality policy are suitable and sustainable through annual review.

Constitution of Kenya (2010) Article 10.

(2) The national values and principles of governance include;

(*a*) Patriotism, national unity, sharing and devolution of power, the rule of law, democracy and participation of the people;

(*b*) Human dignity, equity, social justice, inclusiveness, equality, human rights, non-discrimination and protection of the marginalized;

(*c*) Good governance, integrity, transparency and accountability;
And

(d) Sustainable development.

Our Contacts

P.O. Box 244 –30100, Eldoret, Kenya
Cell: 0729 621773
0704 244244
0733 244240
Email: ***info@rvti.ac.ke***
Website: ***www.rvti.ac.ke***

BANKERS

1. Kenya Commercial Bank
   Eldoret West Bank
   P. O Box 5197 - 30100
   ELDORET

2. The Manager
   Barclays Bank (K) Ltd
   P.O. Box 22 - 30100
   ELDORET

3. Standard Chartered Bank
   Eldoret Branch
   P. O Box 30003 - 00100
   NAIROBI

INDEPENDENT AUDITOR

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P. O. Box 30084
GPO – 00100
NAIROBI

PRINCIPAL LEGAL ADVISOR

The Attorney General

State Law Office

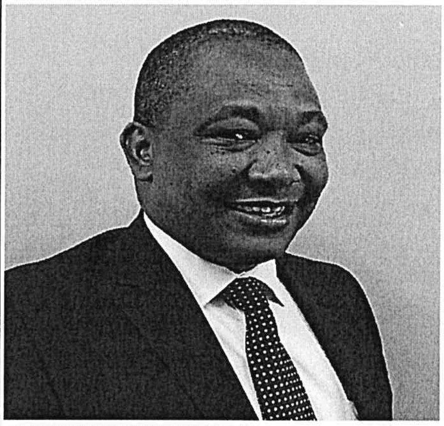
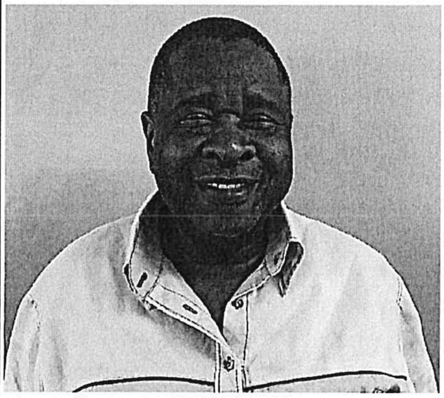
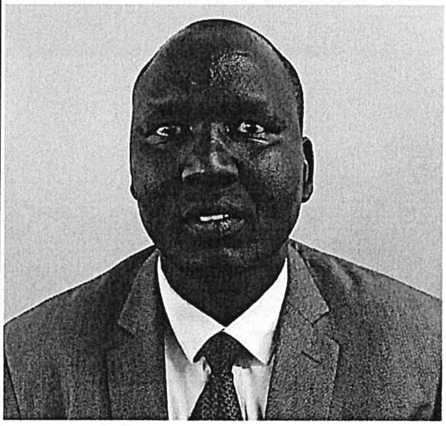
Harrambee Avenue

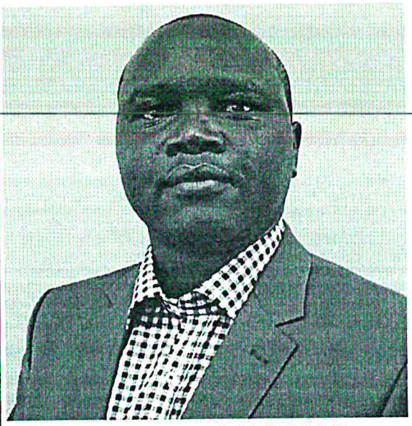
P.O Box 40112

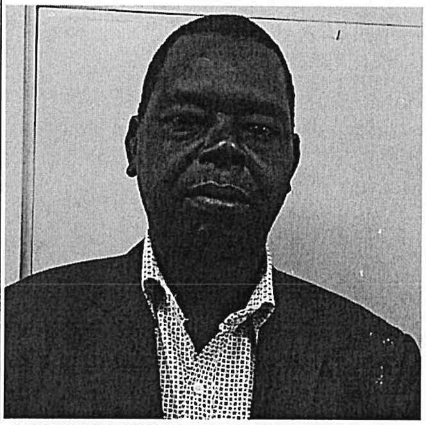
City Square 00200

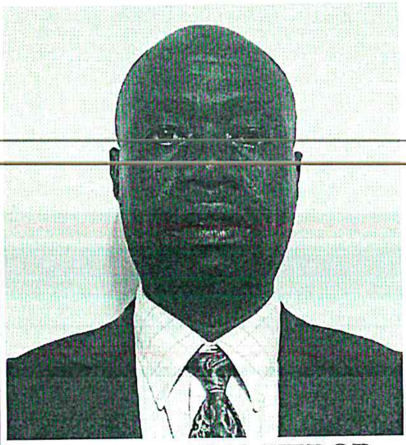
Nairobi, Kenya

RVTTI MEMBERS OF THE BOARD OF GOVERNORS

Member's photo and name	Member's brief
1. CHAIRMAN BOARD OF GOVERNORS  **DR KENNEDY KOECH** BDS, MDS (OMFS), FAO –CMF (Munich)	Consultant oral and maxillofacial surgeon. Honorary lecturer, University of Nairobi Kenyatta National Hospital Member International Association of Oral and Maxillofacial Surgeons Member of AO (international association for the study of internal fixation of fractures) – CMF chapter. Part time private practice in oral and maxillofacial surgery.
2.MEMBER BOARD OF GOVERNORS  **OWATE NORMAN WAMBAYI** **BSC. (HONS); MSC. OGW**	Master of Science in Occupational Safety and Health,- University of Aston in Birmingham, U.K. Senior research fellow at Masinde Muliro University of Science and Technology and principal consultant at MICAS limited. Experienced consultant in environment, health and safety (audits, risk assessments and fire safety), and in technical and vocational education and training (policy, strategy and program implementation).
3.MEMBER BOARD OF GOVERNORS  **LABAN KIMUTAI** Masters in Hotel and Hospitality Management – Moi University	Masters in Hotel and Hospitality Management – Moi University; Bachelor's Degree in hotel and hospitality management; Doctor of Philosophy in Hotel and Hospitality Management on-going at Moi University. Previously worked at Eldoret club as the club secretary/manager, Sirikwa Hotel and Kenya Utalii hotel. Has extensive experience in management and supervision.

Member's photo and name	Member's brief
4.MEMBER BOARD OF GOVERNORS  **SYLVESTER KIGEN** BACHELOR OF COMMERCE	Bachelor of Commerce from Rani Durgavati University, Jabalpur, India. Also holds a diploma in marketing management. Currently working as director High Plateau Limited dealing with property management and land brokerage. Previously worked for Coca-Cola company, Eldoret in various positions and finally as the area sales manager. Has vast experience in coaching, mentoring, training and development of sales teams.
5.MEMBER BOARD OF GOVERNORS  **ANNE WAFULA WANYONYI** MA HRM – Cardeen University	B.ED (Arts) Kenyatta University HND – NHR Institute of Human Resources MA HRM Cardeen University Currently working for Afrique Consult Limited as consultant on management, operations and human resource management. Also a trainer in leadership skills, change management and soft skills. Previously worked at General Motors East Africa as a team leader in the human resource department.
6.MEMBER BOARD OF GOVERNORS  **ENG. KIMAIYO K. BARNABAS** MA (CONSTRUCTION MANAGEMENT)	BSC Civil Engineering (Hons), MA (Construction Management) Currently working for Lee Construction Company Limited as a technical manager. Has over 15 years' experience in construction industry in such areas as road construction, dams, irrigation projects, water supply and green energy sector.

Member's photo and name	Member's brief
7.MEMBER BOARD OF GOVERNORS  **CICILY MUTITU MURIUKI** BACHELOR OF LAW (LLB)	Bachelor of Law (LLB) Currently working as lawyer with S. Ndung'u Company Advocates-Commissioner for Oaths and Notaries Public. Also trained in international computer driving license and international telephone operations. Previously worked for Kenya Post and Telecommunications Corporation, Telkom Kenya, Ronroy supplies as a supply chain manager and Sixty Supermarkets and convenience stores as operations manager.
8.MEMBER BOARD OF GOVERNORS  **MICHAEL KIBIWOT RUGUT**	County Director TVET – North Rift Region, Ministry of Education Science and Technology. In charge of TVET affairs in six counties namely; Uasin Gishu, Trans Nzoia, West Pokot, Elgeiyo Marakwet, Turkana and Samburu. Previously worked with the ministry of public works as a senior lecturer of mechanical engineering at KIHBT. Also worked at the National Youth Service as a mechanical engineer from 1992 to 2002.
9.CHIEF PRINCIPAL/SECRETARY TO THE BOARD OF GOVERNORS  **DR. EDWIN M. TARNO, PhD, HSC, F*Env*.** PhD – Organizational Development and Transformation (ODT)	PhD – Organizational Development and Transformation (ODT) from CEBU Doctors University, Philippines; MBA, entrepreneurship and marketing; HDIP, entrepreneurship development, Dip Technical Education. Currently the Chief Principal Rift Valley Technical Training Institute. Previously Principal Kaiboi Technical Training Institute from 2004 to 2008. Trustee Kenya Association of Technical Training Institutes (KATTI) Board member, Kenya Universities and Colleges Central Placement Services (KUCCPS). Trustee, Commonwealth Association of Polytechnics in Africa (CAPA)

Member's photo and name	Member's brief
10.MEMBER BOARD OF GOVERNORS  **ISAAC KIPRUTO KEROR** M.PHIL Development Studies	PHD on-going in Environmental Economics at University of Eldoret, M.Phil in Development studies, B.Ed. Economics and Geography (hons). Currently working as a lecturer in School of Human Resource Management, University of Eldoret and the School's representative of Quality Assurance. Also working as coordinator School of human resource town campus. Previously worked as acting associate Dean, School of Social Science, Mt. Kenya University, Eldoret campus, HOD Economics and development studies, Mt. Kenya University Eldoret Campus, part time lecturing at University of East Africa, Baraton, Chepkoilel University college and Moi University. Is experienced and update on the contemporary issues in Education, development, environment and related issues.

BOARD OF GOVERNORS COMMITTEE

S/No	Name of committee	Members
1.	Finance Legal and Planning	1. Cicily Muriuki 2. Sylvester Kigen 3. Laban Kimutai 4. James K. Kimaiyo
2.	Human Resource Training & Research	1. Anne Wanyonyi 2. Owate Wambayi 3. Barnabas Kimaiyo 4. Micheal Rugut
3	Audit Risk & Governance	1. Isaack K. Keror 2. Eng. Barnabas Kimaiyo 3. Sylvester Kigen 4. Owate N. Wambayi 5. Julius K. Katui

SENIOR MANAGEMENT TEAM

Key Senior Management

S/No	Name of Staff	Responsibility
1.	Dr. Edwin Tarno, PhD, HSC, FE*nv*	Chief Principal/BOG Secretary
2.	Florah Mossop	Deputy Principal Administration
3.	Mr. James Chege	Deputy Principal Academics
4.	Mr. John Kikwai	Registrar
5.	Mr. Idd Faraj	Dean of Students
6.	Mr. James Kimaiyo	Finance Officer

CHAIRMAN'S STATEMENT

I have the pleasure to present an overview of the Rift Valley Technical Training Institute performance for the year ended 30th June 2019. Notwithstanding the many challenges facing the institute's operating environment, especially the presence and continuous entry of the new funded Technical and Vocational Colleges by the National Government in every constituency, Rift Valley Technical Training Institute remains as a leader in the TVET Sector and continues through continuous improvements in implementation and focus on its mission and Objectives.

Governance

We have focused to position the Rift Valley technical Training Institute as a Centre of Excellence on TVET training research and innovation and policy formulation to promote highly and advanced technical trained manpower in the various fields as part of the institute's contribution towards the achievement of Vision 2030.

Financial Policies

During the year ended 30th June 2019, the Rift Valley Technical Training Institute was mainly funded through the Government capitation (39%) and appropriation in Aid (A-I-A) (61%) for its recurrent expenditure.

I wish to finally thank the government of Kenya, Board of Governance, Management and staff for their dedication and participation over the year in striving to make Rift Valley Technical Training Institute a World class institute for the advancement of humanity.

Dr. Kennedy Koech
Chairman, Board of Governors
Rift Valley Technical Training Institute

REPORT OF THE CHIEF EXECUTIVE OFFICER

As a technical institute, the institution is well placed to provide adequate and relevant knowledge to its graduates that will enable them contribute towards the attainment of our country's vision 2030 strategic objectives and supporting the drive in realizing the objectives of the national government " Big Four Agenda"

In furtherance of our mandate therefore, we have committed ourselves to consistently and regularly review, improve and consolidate our academic programmes in several ways that will ensure their competitiveness in terms of quality and relevance in varied job markets/industries.

With the guidance of the governing executive board, we worked hard in setting up structures and policies aimed at guiding the institution in the right strategic direction. We have been able to attain and comply with the ISO 9001-2015 certifications. Under my leadership and the overall direction of the Institute governing board, we were also able to be on the forefront in ensuring that the financial resources were utilised efficiently and effectively for the optimum output. Despite the numerous challenges brought about by the economic constraints, the rift valley technical institute nevertheless continued to discharge its mandate of teaching, research and outreach.

The sources of funding to the institute at the end of this financial period 30th June 2019 was internally generated revenue (appropriation-in aid) from students fees of ksh 235,078,427 and from the exchequers recurrent grants of ksh147,570,000 respectively. The recurrent expenditure totaled to ksh. 300,570,479, therefore the rift valley technical training institute closed the financial year 2018/2019 with a surplus of ksh.82,077,948 only. The surplus is attributed to the accrual of the expected treasury's students' capitation 2nd phase of ksh 73,758,000.

The Institute being one of the national centers of excellence, the institution desires to enhance its visibility, performance and competitiveness in the tertiary education sector in the face of stiff competition. To do so, however the technical institute requires a lot of support from the national government and other stakeholders in this crucial transitional stage to international centre of excellence in TVET in east and central Africa in terms of funding, material support and other contributions. We shall continue to appeal to such support for several years to come.

On behalf of the Rift valley technical training institute governing board and entire management, I take this opportunity to thank the national government for its unequivocal support during this financial year under review. I also appreciate the financial, material support from our collaborations, partners and friends during the period ended 30th June 2019. It is because of this co-operation with the national government through the ministry of education, other stake holders and more importantly guidance of the governing board steered by the able chairman of the board as well as the mutual co-operation of the management team, all staff and our students that we ended the financial year within an environment of team work, peace and stability. I wish to register my gratitude to all.

I look forward to their continued support in new financial year 2019/2020 and the subsequent periods ahead.

Dr. Edwin Mutai Tarno, Phd, HSC, FEnv

CHIEF PRINCIPAL/SECRETARY BOG

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Rift Valley Technical Training Institute annual financial statements have been prepared in accordance with section 83 of the PFM act (2012) and PFM regulations and approved by the institute governing board

……………………………………….

Finance Officer

Date 27th September 2019

……………………………………….

Chief executive officer/ principal

Date 27th September 2019

……………………………………….

Governing Board Member

Date 27th September 2019

STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITY

Public Finance Management Act 2012 Section 81(1), requires the Board of Governors to prepare financial statement in respect of the Institute, which gives a true and fair view of the state of affairs of the Institute at the end of the financial year/period and the operating results of the Institute for that year/period.

The Board of Governors is responsible for the preparation and presentation of the Institutes 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 year (period) ended on 30th 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 misstatement, whether due to error or fraud.
iv. Safeguarding the assets of the Institute
v. Selecting and applying appropriate accounting policies.
vi. Making accounting estimates that are reasonable in the circumstances.

The board of Governors accepts responsibility for the Institutes financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) and in the manner required by the Public Audit Act 2015. The institute is of the opinion that the instates financial statements give a true and fair view of the state of the Institutes transactions during the financial year ended 30th June, 2019 and of the Institutes financial position as at that date. The institute further confirm the completeness of the accounting records maintained for the Institute which have been relied upon in the preparation of the Institute financial statements as well as the adequacy of the systems of internal financial Control

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

Approval of the financial statements.
The Institutes financial statements were approved by the Board of Governors on 27th September, 2019 and signed on its behalf by:

Dr. Kennedy Koech	Dr. Edwin M. Tarno,HSC,PhD,*fv*
CHAIRMAN, BOARD OF GOVERNORS	CHIEF
PRINCIPAL/SECRETARY BOG	

MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The Rift Valley Technical Training Institute realized A-I-A income of ksh.235,078,427 recurrent exchequer grant was ksh.147,570,000 out of which ksh.73,785,000 remained unremitted from the national exchequer. Therefore the aggregate revenue at the end of the 4th quarter was ksh. 382,648,427. During the period under review the recurrent expenditure stood at ksh. 300,570,479 therefore the institute managed to close the period with a surplus of ksh .82,077,948. The surplus is attributed to the expected funding of student capitation from the national treasury

SECTION B

THE RIFT VALLEY TECHNICAL TRAINING INSTITUTE COMPLIANCE WITH THE STATUTORY REQUIREMENTS

The institute has complied with all statutory requirements which included prompt remittance of NSSF, NHIF, PAYE, withholding taxes, KNDI and NITA levies.

SECTION C

PROJECTS FUNDED BY KENYA GOVERNMENT AND INTERNALLY GENERATED FUNDS

Key projects and investment decisions, the Rift valley technical institute is planning/implementing on-going and completed projects at the Rift valley technical training institute funded by the GOK grants and internally generated funds (A-I-A).

NO	PROJECT TITLE	FUNDING	CONTRACT SUM	GOK Grants
01	The institute virtual learning centre – work in progress	GOK grants	66,275,085	26,323,607

SECTION D

MAJOR RISKS FACING RIFT VALLEY TECHNICAL TRAINING INSTITUTE

The Rift valley technical training institute being a national institution and a centre of excellence in TVET in both east and central Africa and also furthermore a member of UNESCO-UNEVOC desires to enhance its visibility, performance and competitiveness in the tertiary education sector in the face of stiff competition from newly established technical institutions. However we strive to pronounce a niche market share in the TVET sector. To do so however the institute requires a lot of support from the government and other stakeholders in this crucial stage in terms of funding, material support and other contributions.

There is a challenge on the delay in the remittance of capitation that would most likely lead to failure to honour obligations when they fall due. This will expose the institution to litigations.

The other risk is the over increasing debt level which requires concerted efforts to avoid turning to delinquent or bad debts. These include fees debtors

SECTION E

MATERIAL ARREARS IN STATUTORY/FINANCIAL OBLIGATIONS

The Rift valley technical training institute is a law abiding institution and is committed to its core mandates therefore it has no statutory or tax defaults

SECTION F

THE RIFT VALLEY TECHNICAL TRAINING INSTITUTE FINANCIAL PROBITY AND SERIOUS GOVERNANCE ISSUES

Rift valley technical training institute has no financial improbity and serious governance issues among the governing board members or the top management in so far as conflicts of interest are concerned.

SECTION G

REPUBLIC OF KENYA

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

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Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON RIFT VALLEY TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Rift Valley Technical Training institute set out on pages 19 to 43, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

Basis for Disclaimer of Opinion

1. Failure to Submit Financial Statements

The Management of Rift Valley Technical Training Institute did not prepare and submit for audit financial statements for the financial year 2017/2018. This was contrary to the requirements of The National Treasury and Planning circular referenced AG.4/16/2 Vol.2/(87) of 07 September, 2018 and Section 68(2)(k) of the Public Finance Management Act, 2012 which requires the Management to submit the financial statements to the Auditor-General within three months after the end of the financial year to which the respective accounts relate.

Under the circumstances, the accuracy, completeness and validity of the comparative figures reflected in the financial statements for the year under review, could not be confirmed.

2. Inaccuracies in Cash and Cash Equivalents

2.1 Bank Balances

As disclosed in Note 28 to the financial statements, the statement of financial position reflects cash and cash equivalents figure of Kshs.90,747,058 as at 30 June, 2019. However, summation of the balances in respect to nine bank accounts included in Note

28 to the financial statements indicates a sum of Kshs.90,811,498 resulting to a variance of Kshs.64,440 which had not been reconciled or explained.

Further, cashbooks, bank statements, bank confirmation certificates or bank reconciliation statements in support of the balances in respect of seven bank accounts were not provided for audit verification.

In the circumstances, the accuracy, completeness and validity of the cash and cash equivalents balance of Kshs.90,747,058 as at 30 June, 2019 could not be confirmed.

2.2 Stale Cheques

A review of bank reconciliation statements for bank account numbers 003121258030 and 0031258049 at ABSA Bank in Eldoret revealed unpresented cheques totalling Kshs.2,052,042 and Kshs24,646,389 respectively which were already stale as at 30 June, 2019. However, no reason was provided for the delay in reversing the stale cheques in the cash book. Further, the monthly reconciliations provided for audit did not indicate the dates of the cheques or when they were cleared through the bank.

In the circumstances, the accuracy, completeness and validity of the cash and cash equivalents balance of Kshs.90,747,058 as at 30 June, 2019 could not be confirmed.

3. Student Debtors

As disclosed in Note 29 to the financial statement, the statement of financial position reflects student debtors balance of Kshs.38,897,507. However, the list of student debtors and ageing analysis of the debtors were not provided for audit verification. Further, review of invoicing records for capitation from the National Government showed that some students were double invoiced for fees totalling Kshs.11,640,000, thus overstating the outstanding balance during the year under review.

In addition, no provision for bad and doubtful debts has been made in the financial statements.

Consequently, the accuracy and validity of student debtors balance of Kshs.38,897,507 as at 30 June, 2019 could not be confirmed.

4. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.1,753,433,096. Available information indicates that the assets were revalued and a valuation report issued on 31 March, 2014 which indicated the value of assets to be Kshs.1,762,075,000. However, the assets had not been depreciated for the period from 31 March, 2014 to 30 June, 2018. Further, Note 33 to the financial statements reflects depreciation charge on furniture and fitting of Kshs.63,732,213 instead of the correct figure of Kshs.6,373,213 resulting to a variance of Kshs.57,359,000 which has not been reconciled or explained.

In addition, the fixed assets register and interim certificates for work in progress were not provided for audit verification.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance as at 30 June, 2019 could not be confirmed.

5. Trade Payables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.18,142,734 in respect of trade and other payables from exchange transactions which differs with the supporting schedule figure of Kshs.8,061,678 resulting to unreconciled variance of Kshs.10,081,056.

In the circumstances, the accuracy and completeness of other payables from exchange transactions of Kshs.18,142,734 as at 30 June, 2019 could not be confirmed.

6. Inventories

The statement of financial position as at 30 June, 2019 reflects inventories balance of Kshs.2,100,000. However, the Institute did not have a stock valuation policy and the inventories are valued using the purchase price which was not supported with verifiable documents.

Consequently. the validity and accuracy of inventories balance of Kshs.2,100,000 could not be confirmed.

7. Inaccuracies in Statement of Cash Flows

The statement of cash flows for the year ended 30 June, 2019 reflects increase in differed income of Kshs.77,576 which was not supported and is not reflected in the statement of financial position. Further, the statement reflects a balance of Kshs.48,238,885 in respect of net increase/decrease in cash and cash equivalents as at 30 June, 2019. However, the summation of the items reflected in the statement indicates a sum of Kshs.26,081,217, resulting to unexplained variance of Kshs.22,157,668.

In addition, the statement reflects aggregate expenditure of Kshs.264,816,863 which also differed with the correct sum of Kshs.264,928,576 resulting to unexplained variance of Kshs.111,713.

As a result of the anomalies, the accuracy and validity of the statement of cash flows has not been confirmed.

8. Unsupported Reserves

The statement of financial position reflects a balance of Kshs.56,497,876 under reserves. However, the Management did not provide details and ledger in support of the amount.

Consequently, the accuracy and validity of the reserves as at 30 June, 2019 could be confirmed.

9. Lack of Internal Audit, Audit Committee and Risk Management Policy

9.1 Lack of Internal Audit

During the year under review, the Institute operated without Internal audit function. This is contrary to Section 73(1)(a) the Public Finance Management Act, 2012 which provides that every National Government entity shall have appropriate arrangements in place for conducting internal audit according to the guidelines of the Public Sector Accounting Standards Board.

As a result, the Institute lacks internal structures which could provide advice and assurance to the management regarding effectiveness of the Institute's internal controls governance and risk management.

9.2 Lack of Audit Committee

Section 73(5) of the Public Finance Management Act, 2012 provides that every National Government public entity shall establish an audit committee whose composition and functions shall be as prescribed by the regulations. However, the Institute did not have an Audit Committee in place.

In the circumstances, the effectiveness of the internal controls, risk management and governance of the Institute could not be confirmed.

9.3 Failure to Develop Risk Management Policy

Contrary to Regulation 165(5) of the Public Finance Management (National Government) Regulations, 2015, the Institute did not have a risk management policy, risk management strategies and a system of risk management in order to improve on effective and efficient management of public resources. Further, Treasury Circular No. 3/2009 of 23 February, 2009 provided a broad policy framework for developing and implementing customized risk management strategies in public institutions through an Institutional Risk Management Policy Framework (IRMPF).

In the absence of a formal approved risk management framework, the ability to identify risks and management strategies to counter the risks could be compromised.

9.4 Lack of IT Policy

A review of the Institute's IT internal controls revealed that the Institute did not have an IT Strategic Committee, IT Steering Committee, IT Security Policy, Emergency procedures and an approved back up and retention strategy in place. This was contrary to the requirements under Section 165(1)(b) of the Public Finance Management Act, 2012 which requires the Accounting officer shall ensure that the national government entity develops a system of risk management and internal control that builds robust business operations. Such controls include appropriate access controls needed to minimize breaches in systems of information, confidentiality, data integrity and loss of business continuity.

Further, the Institute Management has no back-up data stored in an off-site location and therefore in case of any interruptions the Institute might not recover, this may affect the business-continuity and recovery plan.

Consequently, IT governance and IT controls were not effective during the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Responsibilities of Management and Board of Governors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of Rift Valley 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.

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

15 October, 2021

STATEMENT OF FINANCIAL PERFORMANC FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018/2019	2017/2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	6	147,570,000	28,000,000
Grants from donors and development partners	7	-	-
Transfers from other levels of government	8	-	-
Public contributions and donations	9	-	-
Total Revenue from non-exchange transactions		**147,570,000**	**28,000,000**
Revenue from exchange transactions			
Rendering of services- Fees from students	10	233,375,161	246,860,647
Sale of goods	11	429,607	-
Rental revenue from facilities and equipment	12	646,843	379,178
Finance income - external investments	13	-	
Consultancy fees	14	626,816	
Other income	15	-	11,135,690
Revenue from exchange transactions		**235,078,427**	**258,375,515**
Total revenue		**382,648,427**	**286,375,515**
Expenses			
Use of goods and services	16	-	-
Employee costs	17	39,471,147	43,410,183
Remuneration of directors	18	1,706,000	-
Depreciation and amortization	19	35,641,904	-
Repairs and Maintenance	20	23,608,325	8,802,949
Grants and subsidies	22	-	-
General expenses	23	200,143,103	240,027,346
Finance costs	24	-	-
Total expenses		**300,570,479**	**292,240,478**
Other gains/(losses)			
Gain on sale of assets	25	-	-
Unrealized gain on fair value of investments	26	-	-
Impairment loss	27	-	-
Total other gains/(losses)		-	-
Net Surplus for the year		**82,077,948**	**5,864,963**
Attributable to:			
Surplus/(deficit) attributable to minority interest			
Surplus attributable to owners of the controlling entity			

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2018/2019 Kshs	2017/2018 Kshs
Assets			
Current assets			
Cash and cash equivalents	28	90,747,058	42,508,173
Receivables from exchange transactions	29	38,917,889	16,648,507
Receivables from non-exchange transactions	30	73,785,000	-
Inventories	31	2,100,000	
Investments	32		
Total Current Assets		**205,549,947**	**59,156,680**
Non-current assets			
Property, plant and equipment	33	1,753,433,096	1,751,753,750
Intangible assets	34		
Investment property	35		
Long term receivables from exchange transactions	29		
Total Non-current Assets		**1,753,433,096**	**1,751,753,750**
Total assets		**1,958,983,043**	**1,810,910,430**
Liabilities			
Current liabilities			
Trade & other payables from exchange transactions	36	18,142,734	11,159,523
Refundable deposits from customers	37	4,350,414	4,895,454
Provisions	38		
Finance lease obligation	39		
Current portion of borrowings	44		
Deferred income	40		
Employee benefit obligation	41		
Payments received in advance	42	3,058,618	
Total Current Liabilities		**25,551,766**	**16,054,977**
Non-current liabilities			
Non-current employee benefit obligation	41		
Non-current provisions	43		
Borrowings	44		
Total Non-current liabilities			
Total liabilities		**25,551,766**	**16,054,977**
Capital and Reserves			
Reserves		56,497,876	
Accumulated surplus		125,179,651	43,101,703
Capital Fund		1,751,753,750	1,751,753,750
Total Capital and Reserves		**1,933,431,277**	**1,794,855,453**
Total Liabilities and Capital & Reserves		**1,958,983,043**	**1,810,910,430**

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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Reserve	Accumilated surplus	Capital fund	Capital/ Development Grants/Fund	Total
Balance c/d as at June 30, 2018	0	43,101,703	1,751,753,750	0	1,794,855,453
Balance b/f as at July, 1, 2018	0	43,101,703	1,751,753,750	0	1,794,855,453
Revaluation gain	56,497,876	0	0	0	56,497,876
Fair value adjustment on quoted investments	0	0	0	0	
Surplus for the year	0	82,077,948	0	0	82,077,948
Capital/Development grants	0	0	0	0	0
Transfer of depreciation/amortisation from capital fund to retained earnings	0	0	0	0	0
Balance c/d as at June 30, 2019	56,497,876	125,179,651	1,751,753,750	0	1,933,431,277

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STATEMENT OF CASH FLOWS AS AT 30TH JUNE 2019

	Note	2018/2019	2017/2018
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	6	147,570,000	28,000,000
Public contributions and donations			
Rendering of services- Fees from students	10	233,375,161	257,996,337
Sale of goods	11	429,607	
Rental revenue from facilities and equipment	12	646,843	379,178
Finance income			
Consultancy income	14	626,816	
Other income, rentals and agency fees			
Total Receipts		382,648,427	286,375,515
Payments			
Use of Goods and services	16	0	191,654,210
Compensation of employees	17	39,471,147	43,410,183
Board of Management expenses	18	1,706,000	
Repairs and maintenance	20	23,608,326	
General Expenses	23	200,143,103	
Taxation paid			
Other payments			8,802,949
Grants and subsidies paid			
Total Payments		264,816,863	243,867,342
Net cash flows from operating activities		117,719,852	42,508,173
Increase in receivable from exchange transactions	29	-22,269,382	
Increase in receivables from non-exchange	30	-73,785,000	
Increase in inventories	31	-2,100,000	
Increase in trade and other payables	36	6,983,211	
Decrease in refundable deposits	37	-545,040	
Increase in Defferred Income	40	77,576	
Net cash flows used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings			
Repayment of borrowings			
Increase in deposits			
Net cash flows used in operating activities		48,238,885	
Net increase/(decrease) in cash and cash equivalents		48,238,885	
Cash and cash equivalents at 1 July 2019		48,238,885	
Cash and cash equivalents at 30 June 2018	28	42,508,173	42,508,173
Cash and cash equivalents as per the Balance Sheet		90,747,058	42,508,173

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STATEMENT OF BUDGET VS ACTUAL FOR THE YEAR ENDED 30th JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers from other Govt entities Govt grants		147,570,000	147,570,000	147,570,000	
Public contributions and donations					
Rendering of services- Fees from students	297,750,480		297,750,480	233,375,161	64,375,319
Sale of goods	400,000	429,607	4,00,000	429,607	29,607
Rental income	-	-	-	646,843	646,843
Consultancy Income	-	-	-	626,816	626,816
Gains on disposal, rental income & agency fees	18,800,000		18,800,000	0	18,800,000
Total income	316,950,480	147,999,607	464,520,480	382,648,427	84,478,585
Expenses					
Compensation of employees	62,000,000		62,000,000	39,471,147	22,528,853
Use of Goods and services	13,100,000		13,100,000	23,608,325	10,508,325
Finance costs	-	-	-	-	-
Depreciation and Amortization	-	-	-	35,641,904	-35,641,904
Board of management expenses	-	-	-	1,706,000	- 1,706,000
General expenses	240,974,140		240,974,140	200,143,103	40,831,037
Grants and subsidies paid					
Total expenditure	316,074,140		316,074,140	300,570,479	36,520,311
Surplus for the period	876,340	147,999,607	148,446,340	82,077,948	47,958,274

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NOTES TO THE FINANCIAL STATEMENTS

1. **Statement of compliance and basis of preparation – IPSAS 1**

The Institute financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the values and are rounded to the nearest shilling (Ksh0). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. **Summary of significant accounting policies**

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees, taxes and fines

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

Transfers from other government entities

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

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

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

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

Sale of goods

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

Interest income

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

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 – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Institute. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes – IAS 12

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where The Institute operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Sales tax

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

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

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

d) Investment property – IPSAS 16

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 30-year period.

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 – IPSAS 17

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 Institute 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.

g) Intangible assets – IPSAS 31

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.

i) Research and development costs

The Institute expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when The Institute 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.

h) Financial instruments – IPSAS 29

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 The Institute determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

The Institute assesses at each reporting date whether there is objective evidence that a financial asset of the Institute assets is impaired. A financial asset or a Institute 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 Institute financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The major debtors or some 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)

ii) 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. Institute determines the classification of its financial liabilities at initial recognition.

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

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. IPSAS 29.65

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 – IPSAS 12

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

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

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

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

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

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

j) Provisions – IPSAS 19

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

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

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

The Institute creates and maintains reserves in terms of specific requirements. Institute to state the reserves maintained and appropriate policies adopted.

l) Changes in accounting policies and estimates – IPSAS 3

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

m) Employee benefits – IPSAS 25

Retirement benefit plans

The Institute is yet to adopt the defined pension contributory plan. Contribution to fund obligations for payment of retirement benefits charged against income in the year in which they become payable.

n) Foreign currency transactions – IPSAS 4

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 – IPSAS 5

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.

p) Related parties – IPSAS 20

The Rift Valley Technical Training Institute regards a related party as a person or an officer/member with the ability to exert control individually or jointly, or to exercise significant influence over The Institute, or vice versa. Members of key management are regarded as related parties and comprise the Chairman, the Chief executive officer (principal), Governing Council members, top management members and any other officer working for the Institute.

q) Service concession arrangements – IPSAS 32

The Institute analyses all aspects of service concession arrangements that it enters into in determining the

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

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 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 authorized 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) Significant judgments and sources of estimation uncertainty – IPSAS 1

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

State all judgments, estimates and assumptions made: e.g

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

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.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are

Rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of on-going programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

u) Subsequent events – IPSAS 14

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, 2015.

v) Fixed assets and depreciation –IPSAS 17

Fixed assets are stated at cost or valuation, less accumulated depreciation. Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives. Assets acquired during the year are depreciated from the date of acquisition.

The annual depreciation rates of assets in use are as follows:-

Assets	Rate (p.a)
Buildings	**0.5%**
Furniture, plant and equipment	**10%**
Motor vehicles	**10 %**
Computers	**30 %**
Plant and Equipments	**5%**

Freehold land is not depreciated as it is deemed to have an infinite life.(appreciates in value)

v) Agriculture – IPSAS 27

Biological assets were dealt as per IPSAS 27 which outlines the accounting treatment for agricultural activity, the biological transformation and harvest of biological assets and conversion into agricultural produce. Biological assets were measured at fair value less costs to sell unless fair value measurement is unreliable.

Recognition

A biological asset or agriculture produce was recognized only when

a) the entity controls the asset as a result of past events

b) it is probable that future economic benefits will flow to the entity

c) the fair value or cost of the asset can be measured reliably

Basis for valuation

All farm biological assets are valued based on market rates. Apart from market rates, valuation for all the farm biological assets is based on the following factors:

Poultry

~~The poultry is valued based on the following:~~

- *Age*
- *Indigenous vs Hybrid*: Hybrid chicken is valued higher than indigenous chicken.

Crops

Crops are valued based on the following:

- Growth stage
- Acreage planted
- Inputs applied

	Fiscal Year	**FY/2018/2019**	**FY/2017/2018**
	Currency	**Kshs**	**Kshs**
6	**Transfers from National Government Ministries**		
	Unconditional grants		
	Operational grant	**147,570,000**	**28,000,000**
	Other grants		
	Conditional grants		
	Library grant		
	Hostels grant		
	Administration block grant		
	Laboratory grant		
	Learning facilities grant		
	Other organizational grants		
	Total Government grants and subsidies	**147,570,000**	**28,000,000**
7	**Grants from Donors and Development Partners**		
	Donor A		
	Donor B		
	Total grants from development partners	-	-
8	**Transfers from other levels of Government**		
	Transfer from County A		
	Transfer from University B		
	Transfer from Institute C		
	Total transfers from other levels of Government	-	-
9	**Public Contributions and Donations**	-	-
	Public donations		
	Donations from local leadership		
	Donations from religious institutions		
	Donations from alumni		
	Other donations		
	Total Public Contributions and Donations	-	-
10	**Rendering of Services**		
	Tuition fees	229,931,272	246,860,647
	Activity fees	1,976,857	
	Examination fees		
	Library fees		
	Facilities and materials	1,467,032	
	Registration fees		
	Total Rendering of Services	**233,375,161**	**246,860,647**

	Fiscal Year	FY/2018/2019	FY/2017/2018
	Currency	**Kshs**	**Kshs**
11	**Sale of goods**		
	Sale of books		
	Sale of publications		
	Sale of farm produce	429,607	-
	Other(include in line with your organisation)		
	Total Sale of goods	**429,607**	
12	**Rental Revenue from Facilities and Equipment**		
	Straight-lined operating lease receipts		
	Contingent rentals	646,843	379,178
	Total rentals	**646,843**	**379,178**
13	**Finance Income**		
	Cash investments and fixed deposits		
	Interest income from Treasury Bills		
	Interest income from Treasury Bonds		
	Interest from outstanding debtors		
	Total Finance Income		
14	**Consultancy Fees**		
	Consultancy fees	**626,816**	
		626,816	
15	**Other income**		11,135,690
	Insurance recoveries		
	Income from sale of tender		
	Services concession income		
	Skills development levy		
	Income from disposal of assets		
	Total other income		11,135,690
16	**Use of Goods and Services**		
	Electricity		
	Water		
	Security		
	Professional services		
	Subscriptions		
	Total good and services		
17	**Employee Costs**		
	Fiscal Year	**FY/2018/2019**	**FY/2017/2018**

	Currency	Kshs	Kshs
	Salaries and wages	36,457,710	30,765,553
	Employee related costs - contributions to pensions and medical aids	3,013,437	513,630
	Travel, motor car, accommodation, subsistence and other allowances		12,131,000
	Housing benefits and allowances		
	Overtime payments		
	Performance and other bonuses		
	Social contributions		
	Total Employee costs	**39,471,147**	**43,410,183**
18	**Remuneration of Directors**		
	Chairman's Honoraria		
	Board of management expenses	1,706,000	
	Other allowances		
	Total director emoluments		
19	**Depreciation and Amortization**		
	Property, plant and equipment	35,641,904	-
	Intangible assets		
	Investment property carried at cost		
	Total depreciation and amortization	**35,641,904**	
20	**Repairs and Maintenance**		
	Property		
	Investment property – earning rentals		
	Equipment and machinery	23,608,325	8,802,949
	Vehicles		
	Furniture and fittings		
	Computers and accessories		
	Other		
21	**Total Repairs and Maintenance**	**23,608,325**	**8,802,949**
	Contracted Services		
	Actuarial valuations Investment valuations		
	Property valuations		
	Other contracted services		
	Total Contracted Services		

22	**Grants and Subsidies**		
	Fiscal Year	**FY/2018/2019**	**FY/2017/2018**
	Currency	**Kshs**	**Kshs**
	Community development		
	Education initiatives and programs		
	Fiscal Year	**FY/2018/2019**	**FY/2017/2018**
	Currency	**Kshs**	**Kshs**
	Social development		
	Community trust		
	Sporting bodies		
	Total grants and subsidies		
23	**General Expenses**		
	Advertising		
	Admin fees	5,392,091	6,682,242
	Audit fees		
	Conferences and delegations	5,178,815	5,843,908
	Consulting fees	48,000	
	Consumables		
	Electricity	8,689,546	8,227,178
	Travelling	20,673,470	
	Insurance		
	Legal expenses		
	Licenses and permits		
	Postage		
	Printing and stationery		
	Hire charges	17,405,609	12,008,679
	Rent expenses	54,976	154,210
	Seminars & Conferences	1,803,998	
	Sewage treatment costs		
	Skills development levies		7,216,704
	Inventory scrapping		
	Examination	40,236,510	
	Training expenses	99,074,651	194,170,773
	Other	1,585,437	5,723,652
	Total general expenses	**200,143,103**	**240,027,346**
24	**Finance Costs**		
	Borrowings (amortized cost)*		
	Finance leases (amortized cost)		
	Unwinding of discount		
	Interest on Bank overdrafts		

	Interest on loans from commercial banks		
	Total finance costs		
25	**Gain on Sale of Assets**		
	Fiscal Year	**FY/2018/2019**	**FY/2017/2018**
	Currency	**Kshs**	**Kshs**
	Property, plant and equipment		
	Intangible assets		
	Other assets not capitalised		
	Total gain on sale of assets		
26	**Unrealized Gain on Fair Value Investment**		
	Investments at fair value		
27	**Impairment Loss**		
	Property, plant and equipment		
	Intangible assets		
	Total Impairment Loss		
28	**Cash and Cash Equivalents**		
	Current Account		
	KCB Bank current a/c 1175590193	9,019,468	
	KCB Bank current a/c1210872684	4,992,564	
	Chase Bank current a/c 016208466900	381,035	2,922,240
	Chase Bank current a/c 016208466900	7,1600	
	Standard Chartered Bank a/c 01520165512	5,000,000	5,000,000
	ABSA Bank current a/c 0031258030	48,308,253	14,676,252
	ABSA Bank current a/c 0031258049	5,543,129	7,984,226
	ABSA Bank current a/c 0031019605	7,754,531	
	ABSA Bank current a/c 0034017824	9,740,918	11,925,455
	Total cash and cash equivalents	**90,747,058**	**42,508,173**
29	**Receivables from Exchange Transactions**		

	Current receivables		
	Student debtors	38,897,507	16,648,507
	Rent debtors		
	Consultancy debtors		
	Other exchange debtors	20,382	
	Less: impairment allowance		
	Total current receivables	**38,917,889**	**16,648,507**
	Non-current receivables		
	Refundable deposits		
	Advance payments		
	Public organizations		
	Less: impairment allowance		
	Total non-current receivables		
	Total receivables	**38,917,889**	**16,648,507**
	Receivables from Non-exchange transactions		
	Current receivables		
30	**Fiscal Year**	**FY/2018/2019**	**FY/2017/2018**
	Currency	**Kshs**	**Kshs**
	Transfers from other govt. entities	73,785,000	
	Undisbursed donor funds		
	Other debtors (non-exchange transactions)		
	Less: impairment allowance		
	Total current receivables	**73,785,000**	
31	**Inventories**		
	Consumable stores	215,000	
	Maintenance stores	300,000	
	Health Unit stores	180,000	
	Electrical stores	400,000	
	Cleaning materials stores		
	Catering stores	1,005,000	
	Total Inventories	**2,100,000**	
	Investments		
	a) **Investment in Treasury bills and bonds**		
32	Financial institution		
	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		
	Total Investments		
33	**PPE**		
	Refer to page 43		
34	**Intangible Assets Software**		
	Cost		
	At beginning of the year		
	Additions		
	Cost end of the year		
	Amortization and impairment		
	At beginning of the year		
	Amortization		
	Amortization at end of the year		
	Less :Impairment loss		
	At end of the year		
	NBV		
	Investment Property		
35	**Fiscal Year**	**FY/2018/2019**	**FY/2017/2018**
	Currency	**Kshs**	**Kshs**
	At beginning of the year		
	Additions		
	Fair value gain		
	Depreciation(where investment property is at cost)		
	At end of the year		
36	**Trade and other Payables from Exchange Transactions**		
	Trade payables	18,142,734	11,159,523
	Fees paid in advance		
	Employee advances		
	Third-party payments		
	Other payables		
	Total trade and other payables	**18,142,734**	**11,159,523**
37	**Refundable deposits from customers/students**		
	Consumer deposits		

	Caution money	4,350,414	4,895,454
	Other refundable deposits		
	Total deposits	**4,350,414**	**4,895,454**
38	**Current Provisions**		
	Description	**Leave provision**	**Bonus provision**
	~~Balance at the beginning of the~~ year		
	Additional Provisions		
	Less Provision utilised		
	Less Change due to discount and time value for money		
	Transfers from non -current provisions		
	Total provisions		
39	**Finance Lease Obligation**		
	Current Finance Lease Obligation		
	Non- current Finance lease obligation		
40	**Deferred Income**		
	National government		
	International funders		
	Public contributions and donations		
	Fiscal Year	**FY/2018/2019**	**FY/2017/2018**
	Currency	**Kshs**	**Kshs**
	Total Deferred Income		
41	**Employee Benefit Obligations**		
	Description	**Defined benefit plan**	**Post-employment medical benefits**
	Current benefit obligation		
	Non-current benefit obligation		
	Total employee benefits obligation		
42	**Payments received in advance**		
	Student Fees	**3,058,618**	
	Others(Inventories)		
		3,058,618	
43	**Non-Current Provisions**		
	Description	**Long service leave**	**Gratuity**

	Balance at the beginning of the year		
	Additional Provisions		
	Provision utilised		
	Change due to discount and time value for money		
	Less: Current portion		
	Total Non-current provisions		
44	**Borrowings**		
	Borrowings - Current portion		
	Government bonds issued		
	Commercial bank Loans		
	Other loans- from donor and financiers		
	Total current portion		
	Borrowings - Non current portion		
	Government bonds issued		
	Commercial bank Loans		
	Other loans- from donor and financiers		
	Total Non current portion		

PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets (library books)	Plant and equipment	Capital Work in progress	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation rate	0.50%	10%	10%	30%	5%	5.0%	0	
At 30th June 2018	1,461,885,875	34,796,375	63,732,125	31,186,375	13,866,062	168,608,188	15,000,000	1,789,075,000
At 1st July 2018	1,461,885,875	34,796,375	63,732,125	31,186,375	13,866,062	168,608,188	15,000,000	1,789,075,000
Additions	-	-	-	-	-	-	-	-
Disposals		-				0		0
Depreciation	7,309,429	3,479,638	63,732,213	9,355,913	693,303	8,430,409	-	35,641,904
At 30th June 2019	1,454,576,446	31316738	57,358,913	21,830,463	13,172,759	160,177,779	15,000,000	1,753,433,096

[Include brief description of WIP as a footer]- institute virtual learning centre

CHIEF PRINCIPAL/SECRETARY BOARD
SIGN
DATE 27/9/2019.

FINANCE OFFICER
ICPAK No. 14818
SIGN
DATE 27/9/2019