

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

DATE: 15 NOV 2022

DAY:

Tuesday

TABLED BY:

Hon. Silvanus Osiro, MP
Chief Whip Majority

CLERK-AT THE-TABLE:

Halima Suliman

OF

THE AUDITOR-GENERAL

ON

**MACHAKOS TECHNICAL INSTITUTE
FOR THE BLIND**

**FOR THE YEAR ENDED
30 JUNE, 2021**

Revised Template: 30th June 2021



MACHAKOS TECHNICAL INSTITUTE FOR THE BLIND

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30TH JUNE, 2021**

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Machakos Technical Institute for the Blind (MTIB) was set up to provide rehabilitation and vocational training for persons with visual impairment. It is a Government technical training institution located within the Machakos County next to National Cereals and Produce Board, off Konza road. The institute was established in 1958 with an aim of providing rehabilitation and technical skills to the survivors of the World War II and later those of liberations struggle.

In 1965, it was registered by Kenya Government as a vocational training institute to train the Visually impaired students. In the initial years, training was offered to the male trainees in orientation and mobility, braille literacy, hand craft and telephone operations.

In 1987, the first female students were admitted to undertake knitting and garment making courses. In 1988, The Directorate of Industrial training (DIT) introduced the Government trade test and in 1994, the first integrated artisan level training was started. The institution was upgraded and renamed Machakos Technical Institute for the Blind in 1997, becoming the only technical training institute in East and Central Africa.

The Machakos Technical Institute for the Blind (MTIB) was incorporated under the TVET Act/ 2013 Act on (2015). The entity is domiciled in Kenya and has branches no other branches. The institute is under the Ministry of Education, State Department of Vocational and Technical Training.

(b) Principal Activities

Machakos Technical Institute for the Blind (M.T.I.B) provides Technical Education and skills to the disadvantaged adults who are born blind or who become blind during their lifetime. The Institute also trains sighted post-secondary youths on technical, entrepreneurial and vocational skills for self-reliance.

Vision

A leading provider of rehabilitation, vocational, technical and entrepreneurial skills.

Mission

To rehabilitate persons with visual impairment and train both visually impaired persons and the sighted in vocational, technical and entrepreneurial skills, for social integration and global competitiveness.

Values

Integrity	:	We are committed to act in an honest, accountable and transparent manner in all our undertakings.
Human dignity	:	We are committed to promote and uphold human dignity at all levels.
Confidentiality	:	We embrace the Principle of confidentiality in service delivery.
Efficiency	:	We strive to achieve efficiency in all our endeavours.
Courtesy	:	We shall endeavour to be courteous to all our clients.

Core responsibilities

Our main roles in service delivery include.

- ◆ Rehabilitation of persons with visual impairment.
- ◆ Provision of vocational, technical and entrepreneurial training
- ◆ Creating awareness on the needs and capabilities of persons with disabilities especially those with visual impairment.

Functions and Objectives of Machakos Technical Institute for the Blind

1. Provide rehabilitative skills, identify and nurture talents in order to equip learners with appropriate knowledge and technical skills enhancing individual competitiveness in the dynamic labour market.
2. Promote and establish a culture of innovation in engineering and technology and technology transfer amongst trainers and trainees.
3. Provide a Multi-level system of post – secondary school education and training programmes relevant to the needs of the community, covering a wide range of fields and levels with provision for recognition of prior learning and flexibility of transition between programmes.
4. Provide, directly or in collaboration with other institutions of higher learning, facilities for technical trainers in technological, professional and scientific education.
5. Contribute to industrial and technological development of Kenya, in collaboration with the industry and other organizations, through transfer of technology.
6. Develop and provide educational, cultural, professional, technical and vocational services to the community and in particular, foster corporate social responsibility.
7. Conduct examinations and grant such academic awards as may be provided.
8. Participate in technological innovation and in the discovery, transmission and enhancement of knowledge for economic, social, cultural, scientific, and technological development.
9. Develop an institution with excellence in teaching, training, scholarship, entrepreneurship, research, community service, among other educational services and products, with emphasis on technology and its development, impact and application within and outside Kenya.
10. To assess the preparedness of MTIB in successfully delivering on its mandate on the face of changing socio-dynamics in respect to its competitiveness, service, value, resource strength management and best fit within the dictates of national development policy particularly Vision 2030.
11. To identify significant challenges that have the potential to impair the MTIB educational and training outcomes and subsequently recommend appropriate measures and strategies to address such identified challenges.
12. To propose an action plan including important means of tracking progressive achievements of the milestones in the course of implementation of this strategic plan by MTIB and its stakeholders.
13. Provision of vocational, technical and entrepreneurial training. The MTIB continuously strives to model its training programs to align with prevailing and forecasted market demands while addressing the needs of the job market as well as promoting self-employment.

(c) Key Management

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

- (a) The Principal
- (b) Deputy Principal
- (c) Registrar
- (d) Deans of Students
- (e) Accountant
- (f) Heads of Departments

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chairman of the BOG	Dr. Joseph M. Mwinzi
2.	Principal	Dr. P. Nduku Mutua
3.	Finance Officer	Mr. Patrick M. Mutula
4.	Deputy Principal	Mr. Leonard M. Mbwiko
5.	Registrar	Mr Daniel S. Munyao
6.	Dean of students	Mrs. Jeddy Muchiri
7.	H.O.D s Representative	Mr Henry M. Muli
8.	Procurement and stores	Mrs. Evaline Khende

(e) Fiduciary Oversight Arrangements

The key management personnel who held office during the financial year ended 30th June, 2021 and who had direct fiduciary responsibility were:

1. Administration, Finance and Infrastructure Committee

NO.	NAME	RESPONSIBILITY
1.	Walter Ojuka	Chairperson
2.	Lynnette Mwende	Member
3.	Patrick Mutula	Secretary (Accountant)

2. Risk and Audit Committee.

NO.	NAME	RESPONSIBILITY
1.	Justus Mutisya Mathew	Chairperson
2.	Alex Kaluyu	Member
3.	Internal Audit Officer	Secretary
4.	Leonard Mbwiko	Member (Deputy Principal)

3. Education, Research and Training Committee

NO.	NAME	RESPONSIBILITY
1.	Dr. Jeddida Obara	Chairperson
2.	Juliana Kivasu	Member
3.	Peter Mutungi	Member

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Key Management

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

- i. Institute Board of Governors
- ii. The Principal who is the Accounting Officer.

Fiduciary Management

The key management personnel who held office during the financial year ended 30th June, 2021 and who had direct fiduciary responsibility were:

S/No.	Name of Staff	Responsibility
1.	Dr. P. Nduku Mutua	Principal – Chairperson
2.	Mr. Leonard Mbwiko	Deputy Principal – Academics and Quality Assurance
3.	Mrs. Jeddy Muchiri	Deputy Principal – Finance & Administration – Secretary
3.	Mr. Henry Muli	Registrar
4.	Ms. Catherine Muthengi	Dean of Students
5.	Mr. Patrick Mutula	Accountant
6.	Mrs. Evaline Khende	Procurement and Stores Officer

(e) Fiduciary Oversight Arrangements

The Key fiduciary oversight arrangements exists between the Institute and the organs listed below.

1. Audit and Risk Committee of the Institute Board.
 - i. Coordinate matters and review of the performance management tools. (Performance Contracts, ISO Procedures)
 - ii. Audit Institute’s processes including ISO, PC and other management processes.
 - iii. Prepare audit reports quarterly and report to the full Board.
 - iv. Advise the Board on audit reports both Internal and External.
2. Public Procurement Oversight Authority (PPOA)
3. Office of the Auditor General (OAG)
4. Ethic & Anti-Corruption Commission (EACC)

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

P.O. Box 112 -90100
Machakos – Wote Road, Off Koza Road
MACHAKOS, KENYA

(g) Entity Contacts

Telephone: (254) 733 844 614
E-mail: mtib2016@gmail.com
Website: www.mtib.ac.ke

(h) Entity Bankers

Standard Chartered Bank
Machakos Town
P.O. Box 1145
Machakos 90100
Machakos, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser






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

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II. THE BOARD OF GOVERNORS

(i) Full Board

NAME	TITLE	PHOTO	RESPONSIBILITY	PARTICULARS
Dr. Joseph M. Mwinzi	Chairman		Overall Management of the Board Activities.	Date of birth: 03/06/1970 Key Qualifications PhD (Philosophy of Education) Work experience: 19 yrs Date of appointment: 05/10/2018
Dr. Priscillah N. Mutua	Principal/ Secretary BOG		In Charge of the overall management of the Institute	Date of birth: 15/06/1967 Key Qualifications PhD (Doctorate of Curriculum Studies) Work experience: 29yrs
Juliana M.Kivasu	Vice Chairperson		Member of the Education Committee	Date of birth: 01/12/1965 Key Qualifications MBA (Strategic Management) Work experience: 26 yrs Date of appointment: 05/10/2018
Justus M. Mathew	Member		Member of the Finance Committee	Date of birth: 27/12/1969 Key Qualifications MBA (MIS, B.Com (Finance Option) Work experience: 24 yrs Date of appointment: 05/10/2018
Dr. Jedidah Obara	Member		Chair of the Education Committee	Date of birth: 31/12/1969 Key Qualifications PhD \Doctorate of (Education planning and Management) Work experience: 32 yrs Date of appointment: 05/10/2018
Alex Kaluyu	Member		Member Finance Committee	Date of birth: 15/07/1973 Key Qualifications Master of Arts in Project Planning and Management Work experience: 22years Date of appointment: 05/10/2018

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Peter N. Mutungi	Member		Member of Education Committee	Date of birth: 1967 Key Qualifications – M.Ed. (Education planning, Management and Administration) Work experience: <u>22years</u> Date of appointment: 05/10/2018
Lynette Mwende	Member		Member of the Finance Committee	Date of birth: 09/07/1990 Key Qualifications Dual Masters in Public Policy and Management. Work experience: 6 yrs Date of appointment: 05/10/2018

(ii) Board of Governors committees

Name of the Committee	Members
Risk and Audit	<ol style="list-style-type: none"> 1. Justus Mutisya – Chairman 2. Alex Kaluyu 3. Leonrad Mbwiko – Deputy Principal 4. Internal Auditor (Secretary)
Administration finance and infrastructure	<ol style="list-style-type: none"> 1. Walter Ojuka - Chairman 2. Lynette Mwende 3. Patrick Mutula - Secretary (Accountant)
Education, Research and Training	<ol style="list-style-type: none"> 1. Dr. Jedidah Obara - Chairperson 2. Juliana Kivasu 3. Peter Mutungi

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III. MANAGEMENT TEAM

NAME	TITLE	PHOTO	RESPONSIBILITY	PARTICULARS
Dr. Priscillah N Mutua	Principal		In Charge of the overall management of the Institute	<u>Key Qualifications</u> PhD in Curriculum studies
Leonard Mbwiko	Deputy Principal (Academics)		In-charge of the Academics and planning in the Institute	<u>Key Qualifications</u> M.Ed (Special Education)
Jeddy Muchiri	Deputy Principal (Administration)		In charge Students Welfare	<u>Key Qualifications</u> Bachelor of Education (Special needs),
Henry Muli	Registrar		In charge of Students Registration and Examinations	<u>Key Qualifications</u> Bachelor of Education (Special needs),
Patrick Mutula	Accountant		In charge of day-to-day Financial activities in the Institute	<u>Key Qualifications</u> KATC II
Rose Awuor	Procurement		In charge of procurement	<u>Key Qualifications</u> Diploma in Procurement

IV. CHAIRMAN'S STATEMENT

Preamble

Machakos Technical Institute for the Blind was established with the aim of rehabilitation of visually impaired learners/persons and providing knowledge and skills to the visually impaired persons and sighted students all in Kenya and beyond. The mandate of the Institute is to rehabilitate, train, impart skills, knowledge and institutionalize effective research and development geared towards production of competent graduates who will contribute to high and sustainable socio-economic development and self-reliance. The Institute continues the same commitment through integration of both Visually Impaired and Sighted learners.

Key Activities

During the 2020-2021 Financial Year the Institute undertook the following activities:

1. Commenced the construction of Dining hall and multipurpose hall.
2. Fixing Cabro blocks in the Institute compound.

Challenges

During the FY 2020-2021 the Institute faced the following challenges:

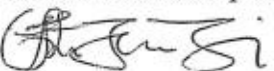
- i. Inadequate physical Infrastructure- lecture rooms, workshops, hostels, staff houses, resource centre and dinning /multipurpose hall.
- ii. Inadequate Land for expansion
- iii. In adequate staff, both trainers and support
- iv. Security threats due to lack of perimeter wall.
- v. Poor fees payment.
- vi. Delayed GOK funding

Way forward/ Future Outlook

In order to address the above challenges, the Institute has planned to carry out the following activities during the FY 2021/2022

1. Fence the Institute land – a perimeter wall
2. Purchase furniture for the tuition block and hostels
3. Strengthen the Institute financial base through enhancing the existing income generating activities and starting others

The Institute also plans to increase industrial linkages and partnerships so as to enhance training.



Dr. Joseph Mwinzi
Chairman, Board of Governors

CHAIRMAN
BOARD OF GOVERNORS
MACHAKOS TECHNICAL INSTITUTE
FOR THE BLIND
P. O. Box 112 – 90100, MACHAKO

V. REPORT OF THE PRINCIPAL

Key Activities

During the 2020/2021 Financial Year the Institute undertook the following activities:

1. Mentoring the construction of the Yatta Technical and Vocational College. MTIB continued mentoring the Yatta TVC and by the end of the year the works were at 98% complete. The delay was due to delayed release of funds by the Ministry of Education.
2. A car park was put up around the administration block that can accommodate about 10 cars and most of the hands washing stations were shielded with canopies.
3. Landscaping of the compound was done to make the area less restrictive especially for the Visually Impaired Learners.
4. Tiling of hostels and dining hall was done.
5. The increase of student enrolment from 250 students to 301. This has been achieved through KUCCPS placement and individual recommendations.

Challenges

During the FY 2020/21 the Institute faced the following challenges:

- i. Infrastructure**
The Institute faces a major challenge in physical infrastructure due to increase in enrolment. There is need for more classrooms, workshops, offices, hostels and staff houses. Due to this challenge the Principals house was converted to accommodate female students and other rooms were used as classrooms.
- ii. Inadequate Land for expansion**
The Institute has limited land for expansion for students sports and games activities.
- iii. Inadequate staff**
The Institute has 55 trainers inpost compared to the required 93 to effectively handle the increased number of trainees. The non-teaching staff establishment inpost is 26 compared to the proposed establishment of 44.
- iv. In accessible buildings to people with physical disabilities.**
Our compound is not even and well levelled and this poses a challenge in mobility especially for the Visually Impaired students.
- v. Inadequate furniture.**
Furniture for both staff and students is inadequate due to the growing college population.
- vi. Delayed GOK funding**
The delayed disbursement of recurrent funds by the government led to delay in implementation of planned projects.

Way forward/ Future Outlook

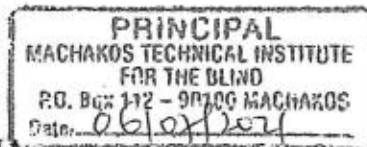
In order to address the above challenges, the Institute has planned to carry out the following activities during the FY 2021/2022:

1. Construct a Perimeter wall to address the problem of uncontrolled entry points and boost security.
2. Strengthen the Institute financial base through increasing income generating activities such as partnerships with International, National and County governments as well as soliciting for donor funding.
3. Strengthening hiring out Institute facilities for seminars and conferences.

Financial Performance of the Institute

In the FY 2020/2021 the Institute collected **Kshs.20, 856, 670.00** in A.I.A (Appropriation in Aid) an increase of kshs 3,144,038.00 from Kshs 17,712,634.00 posted in FY2019/2020. This was caused by the increase in students' enrolment. The Institute had kshs. 164,572.00 only as pending bills by the close of the FY 2020/2021. This was as a result of delayed submission of invoices to the Institute for payment.

Finally it is the ambition of the Institute to become a Centre of Excellence in Rehabilitation, Leather Technology and Building and Civil Engineering training.

Dr. P. NDUKU MUTUA
Principal/ Secretary, BOG

VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Machakos Technical Institute for the Blind has eight strategic pillars /issues/ themes and objectives within current Strategic Plan for the FY 2019- 2023. These strategic pillars are as follows:

1. To develop necessary Scientific and Technological Infrastructure so as to improve on quality of MTIB Education and Training
2. To provide high quality education and training on technical and entrepreneurial skills to improve employability and self-employment opportunities for MTIB graduates.
3. Improved educational and training infrastructure
4. To achieve optimum enrolment and staffing levels across the Departments by end of 2023.
5. To establish adequate physical facilities to accommodate needs of an increasing student and staff population.
6. To improve capacity of MTIB to provide auxiliary services including medical, catering and recreation for the MTIB community
7. To improve on ICT programming so as to increase its uptake towards full capacity
8. Successful integration of Gender, youth development and other cross cutting issues in the implementation of MTIB programmes

Strategic Objectives	Proposed Activities (responses)
Objective 1: To develop necessary scientific and technological Infrastructure so as to improve on quality of education and training	Procure and install a smart board
	Acquire a server
	Construct and equip a science laboratory
	Upgrade the sewerage system
	Conform to statutory and legal regulations e.g NEMA, TVETA etc
	Construct an Effluent Treatment Plant (ETP)
	Extend the Local Area Network (LAN)

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Strategic Objectives	Proposed Activities (responses)
	Connect the stand-by generator to the mains
	Repair machines and equipment
	Maintain institutes facilities
Objective 2: to provide high quality education and training on technical and entrepreneurial skills to improve employability and self-employment opportunities for MTIB graduates.	Purchase of tools and equipment
	Purchase of training/learning materials
	Review institute's academic policy
	Acquire ISO certification 9001:2015
	Maintain ISO certification 9001:2015
	Conduct trainees needs assessments
	Strengthen marketing strategies
Objective 2.1: to achieve optimum enrolment and staffing levels across the departments	Recruit additional training staff
	Introduce additional courses
	Continuous awareness creation
	Strengthen marketing strategies
	Recruit additional support staff
Objective 2.2: to establish adequate physical facilities to accommodate needs of an increasing student and staff population.	Construct and equip additional lecture rooms
	Construct and equip a 1500-seater multipurpose hall
	Construct and equip additional hostels
Strategic objective 2.3: to improve capacity of MTIB to provide auxiliary services including medical, catering and recreation	Construct and equip a 500-seater modern dining hall and a kitchen
	Improve catering facilities for food court
	Purchase additional 3- acre land for expansion and co-curricular activities.
	Purchase games and sport equipment
	Increase and sustain green cover to above 10%
	Participate in co- curricular activities
	Construct and equip a health facility
Objective 3.1: To integrate and harmonize issues affecting the youth in the MTIB programmes	Provide guidance and counselling services
	Implement measures to promote realization of national cohesion and values
	Corporate social responsibility
Objective 3.2: to successfully integrate gender in education and training programmes	Implement commitments in the President's Annual Report on National Values and Principles of Governance.

VII. CORPORATE GOVERNANCE STATEMENT

(i) Appointment of BOG Members

The Board of Governors was appointed by the Cabinet Secretary Ministry of Education with effect 5th October, 2018 for a term of three years, there are 9 board members comprising of the Chairman a member representing Principal Secretary, Ministry of Education state department of Vocational and Technical Training, a representative of County Governor- Machakos County and six (6) other members appointed under leadership and management, Financial management, Technology, Industry, Engineering and ICT, The Principal is secretary to the Board. The Board may set up sub-committees and assign them responsibilities as it may deem fit.

(ii) Meeting of the Board and its Committees.

• **Appointment of Board of Governors**

The appointment of board is by the Cabinet Secretary Ministry of Education and for a period of three years and shall be eligible for reappointment once. The secretary of the Board is the Principal.

The chairman shall hold office for a period not exceeding six years.

Members can vacate office if the member:-

1. Is convicted of an offence and sentenced to imprisonment for a term of six months or more or
2. Is adjudicated bankrupt; or
3. Unable to perform the functions of office by a reason of physical or mental incapacity

• **Board of Governors meetings**

The meetings of the board are held at least once every quarter in a financial year. In order to facilitate the smooth running of its affairs, the Institute board establishes such committees with the membership and with such terms of reference as it may deem fit. The chairperson may call a meeting upon request by a majority of the members which will be treated as special meeting of the board. During the year 2020/2021 the board and its committees held a total of 11 meetings (both Full and Committee meetings). The record of meetings attendance of the board and its committee is tabulated below:-

Boards' and its committee meetings.

S/No	Name of Committee	No. of Regular meetings	No of Committee Meeting
1.	Full Board	6	
2	Executive Board of Governors	4	
3.	Finance and Audit Committee		1
	Total	11	1

• **Committee of the board of governors**

In order to facilitate the smooth running of its affairs, the Institute Board established such committees with the membership and with such terms of reference as it may deem fit. The following committees were in place during the year 2021:-

- i. Administration Finance and Infrastructure.
- ii. Education, Research and Training.
- iii. Risk and Audit

The board of Governors nominates the Chairperson of each committee of the board provided that in the absence of the Chairperson of any committee, the members present and constituting a quorum may select one person from among them to chair the meeting. The chairperson of the Institute Board and the Principal are ex-offio members of every committee of the board.

(iii) Role and Functions of Board of Governors

The functions of the organs set out under section 28 (1) shall include:-

- (a) Overseeing the conduct of Education and training in the institutions in accordance with the provisions of this TVET Act and any other written law.
- (b) Promoting and maintaining standards, quality and relevance in education and training in the institutions in accordance with this TVET Act and any other written law.
- (c) Administering and managing the property of the institution;
- (d) Developing and implementing the institutions' strategic plan;
- (e) Preparing annual estimates of revenue and expenditure for the institution and incurring expenditure on behalf of the institutions;
- (f) Receiving, on behalf of the institution, fees, grants, subscriptions, donations, bequests or other moneys and to make disbursement to the institution or other bodies or persons;
- (g) Determining the fees payable and prescribing conditions under which fees may be remitted in part or in whole in accordance with the guidelines developed under the provisions TVET Act; 855 2013 Technical and Vocational Education and Training No. 29
- (h) Mobilizing resources for the institutions.
- (i) Developing and reviewing programmes for training and to make representations thereon to the Board.
- (j) Regulating the admission and exclusion of students from the institutions, subject to a qualifications framework and the provisions of this Act;
- (k) Approving collaboration or association with other institutions and industries in and outside Kenya
- (l) Recruiting and appointing trainers from among qualified professionals and practising trade's persons in relevant sectors of industry;
- (m) Determining suitable terms and conditions of service for support staff, trainers and instructors and remunerating the staff of the institutions, in consultation with the TVET Authority;
- (n) Making regulations governing organization, conduct and discipline of the staff and students;
- (o) Preparing comprehensive annual reports on all areas of their mandate, including education and training services and submits the same to the ministry
- (p) Providing for the welfare of the students and staff of the institutions;
- (q) Encouraging, nurturing and promoting democratic culture, dialogue and tolerance in the institutions.
- (r) Discharging all other functions conferred upon it by this Act or any other written law.

(iv) Board remuneration

The board of governors do not receive a salary. They are however paid sitting allowance for every Meeting attended. These are approved by the Board of Governors.

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

The entity's operational and financial performance

In FY2020-2021 the Institute had realized a significant decreases in revenue collection compared by the period FY 2019/2020 last year. This is attributed to non-release of funds made for Yatta TVC construction

NO.	Details	Year 2020/2021 QTR 3	Year 2019/2020 QTR 3
1.	Total Revenue	63,936,099.05	71,446,975.05
2.	Total Expenses	62,064,928.08	60,525,337.00
	Surplus	1,871,170.97	10,921,638.05

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

MTIB is located away from the hustle and bustle of Machakos Township in an expansive undulating savannah. It is well insulated from most forms of harmful pollution. Access to safe drinking water is a challenge although a borehole provides adequate water for other uses.



H.E the Governor Machakos County commissions a borehole at the MTIB

In due course, it has a fair cover of tree canopy; currently at an impressive 10%, thanks to afforestation programme supported by different stakeholders that is on-going. Recently, the legal notice banning presence of polythene bags guarantees that MTIB remains a neat place.



Image of tree planting day at the MTIB presided over by the Hon Cabinet Secretary for Environment

Sustainability strategy and profile

Access to safe drinking water is a challenge although a borehole provides adequate water for other uses. Recently the legal notice banning presence of polythene bags should ensure MTIB remains a neat place.

Environmental performance

The environment for educational enterprise is propitious and has the potential of promoting educational and training outcomes for MTIB, which needs to adopt social forestry strategy to improve the general environment. MTIB must also work to improve its drainage and sanitation systems.

Employee welfare

MTIB will require adequate human, capital resource to implement this Strategic Plan in order to achieve its objectives. In terms of human resource requirements, MTIB need to embark on strategies for attracting, developing and retaining competent personnel. Already, a significant staffing gap exists especially in the specialized courses and for resource mobilization. Growth of human resource capacity shall ensure that MTIB gains ability to expand its courses and enroll more students. MTIB also need to review its communication / decision making structure and best fit for job approaches as a matter of best practice that ensures continuous improvement of staff performance.

Strategies to achieve this will include i) competitive staff recruitment, training and placement, ii) enhancement of motivational factors impacting on staff performance and ultimately labour turn-over. In terms of physical infrastructure, MTIB must prioritize adequate lecture halls, accommodation and ICT improvement. Strategies for managing recurrent expenditure and improving efficiency are paramount especially for cost management. MTIB must prioritize finding alternative funding sources, investment in sustainable projects, operate budget guided activities, develop and implement a resource mobilization strategy and invest in Information, Communication Technologies (ICT).

Market place practices-

MTIB stakeholders who can best be described as suppliers and what is the quality of their supplies? Can they dictate prices? MTIB provides educational and training services. Its suppliers include the government which provides supportive infrastructure including essential financing for core activities. MTIB staffs, both teaching and non-teaching provide services that facilitate provision of education and training including supportive functions that aid in delivery of its general mandate. Collaborating development partners provide value adding services including provision of necessary infrastructure. The legal establishment of MTIB gives it competitive advantage in terms of its going concern and the derivative services and inputs it draws as a government institution. It therefore benefits from the government as a rights holder. This ensures that it is protected by government policy in as far as the government policies remain proactive in support of TVET Education. Being a public institution providing services, these categories of suppliers may not have any relative competitive advantage as to effect significant impact on pricing of the services. However, it is incumbent upon MTIB to ensure that it provides critical pull factors that would retain the suppliers e.g. better working conditions. MTIB retainers would therefore include significantly “people management skills” demonstrated by the management.

Corporate Social Responsibility / Community Engagements

The Institute engaged in provision of face masks to Ikalaasa Primary school in Mwala Sub county as one of its activities in corporate social responsibility to the community. This was important since students did not miss learning due to lack of mask which was a requirement from the Ministry of Education and Health that every child should wear a face mask in the school.

MACHAKOS TECHNICAL INSTITUTE FOR THE BLIND (MTIB)

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30.06.2021

X. REPORT OF THE BOARD OF GOVERNORS

The Board members submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the MTIB affairs. During the year the Institute witnessed a significant enrolment growth.

Principal activities

The principal activities of the entity is to rehabilitate persons with visual impairment and train both visually impaired persons and the sighted in vocational, technical and entrepreneurial skills, for social integration and global competitiveness.

Results

The results of the entity for the year ended June 30 are set out on page

BOARD OF GOVERNORS

The members of the Board who served during the year are shown on page vii to viii. During the year no director retired/ resigned and none was appointed to the board.

Auditors

The Auditor General is responsible for the statutory audit of the Machakos Technical Institute for the Blind in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the MTIB for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

XXX

Corporate Secretary

Nairobi

Date:.....

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

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


The council members are responsible for the preparation and presentation of the MTIB's financial statements, which give a true and fair view of the state of affairs of the MTIB for and as at the end of the financial year (period) ended on June 30, 2021. 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 MTIB; (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 MTIB (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the TVET Act). The council members are of the opinion that the MTIB's financial statements give a true and fair view of the state of MTIB's transactions during the financial year ended June 30, 2021, and of the MTIB's financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the MTIB which have been relied upon in the preparation of the MTIB's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the council members to indicate that the MTIB 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 MTIB's financial statements were approved by the Board on 06.07.2021 and signed on its behalf by:

Name DR. JOSEPH M. MWINZI
Signature 
Chairperson of the Board
BOARD OF GOVERNORS
MACHAKOS TECHNICAL INSTITUTE
FOR THE BLIND
P. O. Box 112 - 90100, MACHAKOS

Name DR. P. NBUKU MUTUA
Signature 
Accounting Officer
PRINCIPAL
MACHAKOS TECHNICAL INSTITUTE
FOR THE BLIND
P.O. Box 112 - 90100, MACHAKOS
Date: 06/07/2021

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 MACHAKOS TECHNICAL INSTITUTE FOR THE BLIND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Machakos Technical Institute for the Blind set out on pages 1 to 47, which comprise the statement of financial position as at 30 June, 2021, 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 Machakos Technical Institute for the Blind as at June 30, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and Technical and Vocational Education Training (TVET) Act, 2013.

Basis for Adverse Opinion

1. Presentation and Disclosures in the Financial Statements

Review of the financial statements presented for audit by the Management revealed errors in presentation and disclosures as follows:

- i. The report of the Board of Governors on page xix erroneously indicates XYZ CPA as the auditors nominated by the Auditor-General. In addition, the report does not disclose the pages where results for the year are set out in the financial statements and are also, not signed by the Board Secretary as required.
- ii. The statement of changes in net assets indicates the year of 20xx against the closing balances instead of 2021. In addition, entries with Nil balances have been included after the 2021 totals. Further, the total balances in the statement of changes in equity could not be traced to the statement of financial position as required.
- iii. Note 6(a) and (b) to the financial statements erroneously reflects financial years as 20xx-20xx.
- iv. The statement of cashflow is incomplete as it does not include disclosure notes against various balances therein.
- v. The report of the Principal on page xii under financial performance discloses total Appropriation in Aid (AIA) collection balance of Kshs.20,856,670 while the financial statements presented for audit indicated amounts of Kshs.20,873,320 resulting to a variance of Kshs.16,650.
- vi. The statement does not include explanations for performance variances exceeding 10% as required by the financial reporting template.

In the circumstances, the presentation of the financial statements does not comply with the reporting template prescribed by the Public Sector Accounting Standards Board for the year ended 30 June, 2021.

2. Inaccuracies in the Financial Statements

2.1 Statement of Financial Position

Review of the statement of financial position revealed the following misstatements:

- i. The statement of financial position reflects total assets of Kshs.348,628,604 and total net assets and liabilities of Nil leading to unexplained difference of Kshs.348,628,604. In addition, the statement indicates Nil balances against capital fund and accumulated surplus whereas the statement of changes in net assets indicate Kshs.3,466,667 and Kshs.54,760,547 for the two components respectively.
- ii. The statement of financial position reflects a Nil balance for current portion of receivables from exchange transactions while Note 27(a) reflects Kshs.1,068,250 resulting to unexplained variance of Kshs.1,068,250. Similarly, the statement of financial position reflects Nil balances for long-term receivables from exchange transactions for both the years. However, the disclosure Note 27(b) indicates balances of Kshs.334,100 resulting to unexplained variance of Kshs.334,100.
- iii. The statement of financial position indicates property, plant and equipment balance of Kshs.344,907,786 while the disclosure under Note 31 has a net book value of Kshs.355,240,684 resulting to unexplained variance of Kshs.10,332,898. Further, Note 31 to the financial statements reflects a balance of Kshs.8,365,939 as additions to buildings while the supporting documents had a total of Kshs.8,995,670 resulting to a variance of Kshs.629,739. Also, the additions were in respect to an ongoing construction project for a dining hall which should have been classified as works in progress.
- iv. The plant, property and equipment includes a balance of Kshs.2,371,420 as additions to furniture and fittings during the year which was not supported with documents. Further, the fixed assets register was not updated.
- v. The statement of financial position reflects cash and cash equivalents comparative balance of Kshs.22,175,758 which differs from the Kshs.22,125,758 reflected in the audited financial statements for the previous year resulting to unexplained variance of Kshs.50,000.

2.2 Statement of Financial Performance

Review of the statement of financial performance for the year following anomalies:

- i. The statement of financial performance reflects a balance of Kshs.40,093,876 in respect to use of goods and services while Note 15 to the financial statements reflects a total of Kshs.39,171,350 resulting to an unexplained variance of Kshs.922,526. Further, the statement indicates a comparative balance of Kshs.42,794,613 for use of goods and services which differs with the amount of Kshs.41,814,885 reflected in Note 15 to the financial statements resulting to unexplained variance of Kshs.979,728.
- ii. The statement of financial performance reflects a Nil comparative balance for depreciation and amortization expenses whereas the disclosure given under Note 18 indicates a balance of Kshs.6,286,725 resulting to unexplained variance of Kshs.6,286,725.
- iii. The statement of financial performance reflects a comparative balance of Kshs.11,269,115 for rendering of services fees which differs with the amount of

Kshs.11,073,265 indicated in Note 10 as a comparative balance resulting to unexplained variance of Kshs.195,850.

2.3 Statement of Cash Flows

Review of the statement of cash flows revealed the following anomalies:

- i. The statement of cash flows reflects 'xxx' entries against, net cash flows from financing activities, increase/decrease in cash and equivalents, opening and closing cash and cash equivalents balance instead of the actual balances.
- ii. The statement further indicates a balance of Kshs.49,908,709 in respect to use of goods and services which differs from the Kshs.40,093,876 disclosed in the statement of financial performance resulting to unexplained variance of Kshs.9,814,833.

2.4 Statement of Comparison of Budget and Actual Amounts

Re-computation of the statement of comparison of budgets and actual amounts for the year reflects a performance difference of Kshs.557,091 for transfers from other Government entities instead of Kshs.24,557,091. In addition, re-computation of total income indicates a performance difference of Kshs.894,071 instead of Kshs.20,894,071.

2.5 Variances Between Financial Statements and the Ledgers

Comparison of financial statements with the ledgers supporting the transactions revealed variances as detailed out in **Appendix 1**. In addition, no trial balance was provided to support the balances in the financial statements.

2.6 Misstatement of Revenue

The statement of financial performance reflects an income of Kshs.63,952,749 in respect to total revenue realized during the year. However, the following anomalies were noted during the audit:

- i. The supporting revenue ledger had a total of Ksh.56,941,075 resulting to unexplained variance of Kshs.7,011,674.
- ii. The total income includes the amount of Kshs.11,367,361 for rendering of services to students which was actual amounts collected from students excluding total amounts billed for the year which should have been recognized as revenue in accordance with accrual basis of accounting.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed as at 30 June, 2021.

3. Unsupported Employee Costs

The statement of financial performance and corresponding Note 16 to the financial statements reflects employee costs of Kshs.9,275,234 which includes salaries and wages of Kshs.4,242,184, out of which an amount of Kshs.163,728 and other expense of Kshs.50,000 paid to a staff member was not supported with relevant documents

such as letters of appointments of staff and acknowledgement of receipts of wages by casual workers.

In the circumstances, the propriety, accuracy and completeness of the employees cost of Kshs.213,723 could not be confirmed.

4. Anomalies in Use of Goods and Services

The statement of financial performance and corresponding Note 15 to the financial statements reflects Kshs.39,171,350 in respect to expenditure on use of goods and services. However, the following anomalies were noted during the audit:

- i. The expenditure includes boarding expenses of Kshs.4,193,396 out of which an amount of Kshs.1,453,465 was not supported with documents to confirm the procurement process was competitive. It was therefore not possible to ascertain if procurement was done in an open, transparent and competitive manner.
- ii. The expenditure includes an amount of Kshs.1,371,800 in respect to training and conference expenses out of which Kshs.520,300 was not supported with documents confirming the attendance of trainings by the concerned employees.
- iii. The expenditure includes an amount of Kshs.1,790,102 in respect to administration costs which was not supported by procurement documents and payment vouchers. Further, administration costs included purchases worth Kshs.648,870 which were paid for in cash despite being above the low value procurement thresholds.
- iv. Expenditures of Kshs.613,100 and Kshs.309,426 on electricity and water respectively were included in use of goods and services which were not supported with water and electricity bills and invoices.
- v. Included in use of goods and services is expenditure of Kshs.2,187,075 incurred in respect to face masks. However, the ledger and payment vouchers provided in support of the expenditure had a total of Kshs.261,989 resulting to unexplained variance of Kshs.1,925,986.
- vi. Included in use of goods and services is expenditure of Kshs.2,459,250 on Covid-19 mitigation measures out of which only Kshs.959,480 was supported resulting to an unsupported expenditure of Kshs.1,499,770.
- vii. The use of goods and services includes the expenditure of Kshs.1,293,850 on food court construction and equipping expenses. However, payment vouchers presented for audit totalled Kshs.1,187,420 resulting to unexplained variance of Kshs.106,430. In addition, the project had a Kshs.950,000 budget during the year resulting to unexplained over-expenditure of Kshs.343,850. Further, the expenditure is capital in nature and should have been accounted for as additions to non-current assets.
- viii. Included in the amounts of Kshs.824,000 and Kshs.690,290 is Higher Education Loans Board (HELB) and Bursary granted to students respectively. However, the two do not represent expenditure but income to the Institute.

- ix. Included in use of goods and services is Kshs.96,900 and Kshs.114,581 in respect to National Hospital Insurance Fund (NHIF) and Pay-As-You-Earn (PAYE) respectively which represent remittances of amounts deducted from staff salaries and should not have been accounted for as expenditure.
- x. During the year under review, the Institute spent amounts of Kshs.535,500 and Kshs.1,498,420 in respect to student seats and metallic double decker beds respectively which were charged under boarding expenses. However, no supporting documents were provided for the expenditure.

In the circumstances, the accuracy, completeness, regularity and validity of the use of goods expenditure of Kshs.39,171,350 could not be confirmed.

5. Unsupported Repairs and Maintenance Expenses

The statement of financial performance and corresponding Note 19 to the financial statements reflects Kshs.1,802,635 on repairs and maintenance expenses, out of which expenditure of Kshs.255,593 was not supported with relevant documents.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.255,593 for the year ended 30 June, 2021 could not be confirmed.

6. Unexplained Variance in Contracted Services

The statement of financial performance and corresponding Note 20 to the financial statements reflects contracted services amounts of Kshs.726,000 which further includes the amount of Kshs.408,000 for security services. However, the documents presented in support of the security expenditure had a total of Kshs.441,067 resulting to an unexplained variance of Kshs.33,067.

In the circumstances, the accuracy and completeness of the expenditure incurred on security expenses of Kshs.408,000 could not be confirmed.

7. Cash and Bank Balance

The statement of financial position and corresponding Note 26 to the financial statements reflects a balance of Kshs.2,652,568 in respect to cash and cash equivalents which includes bank balance of Kshs.2,649,017 and cash balance of Kshs.3,551. However, only one cash book was maintained for two (2) bank accounts operated with closing balances of Kshs.146,236 and Kshs.2,520,210 respectively both totalling Kshs.2,666,446 resulting in unexplained variance of Kshs.17,429. In addition, the cashbooks maintained were not balanced at the end of each month and monthly bank reconciliation statements were not prepared. This is contrary to Regulations 90(1) of the Public Finance Management (National Government) Regulations, 2015 which states that Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month and submit a bank reconciliation statement not later than the 10th of the subsequent month to The National Treasury with a copy to the Auditor-General

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.2,652,568 could not be confirmed.

8. Trade and Other Payables

The statement of financial position to the financial statements reflects trade and other payables from exchange transactions of Ksh.383,830. However, Note 34 reflects Nil balance resulting to unexplained variance of Kshs.383,830. In addition, no relevant supporting documents were provided for the balance in form of creditors' ledger and ageing analysis of individual creditors.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.383,830 could not be confirmed.

9. Irregular Procurement of Car Shed and Tent

The statement of financial performance and corresponding Note 15 to the financial statements reflects use of goods and services expenses of Kshs.39,171,350 which include expenditure of Kshs.960,924 on car shed and tents. However, Management did not provide documents to indicate how the contractor was identified and the terms of the contract. Further, no inspection and acceptance Committee report was provided to confirm that works were undertaken in accordance with specifications. It was not possible to confirm if the contract was awarded in an open and competitive manner and that construction of the car shed and tent complied with the specifications.

In the circumstances, the validity of the expenditure of Kshs.960,924 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Machakos Technical Institute for the Blind 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

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs.84,846,820 and Kshs.63,952,749 respectively, resulting to an underfunding amounting to Kshs.20,894,071 or 24 % of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.84,846,820 and Kshs.62,807,578 respectively, resulting to an underperformance amount of Kshs.22,039,242 or 26% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Issues

In the audit report of the previous year, several matters were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or explained its failure to report on the progress made in resolving the issues as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board.

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 Adverse opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance with Laws on Ethnic composition

Review of payroll and human resources documents revealed that the Institute had a total of twenty-two (22) non-teaching staff in its employment out of which fifteen (15) (or 68%) were from the dominant local ethnic community. This is contrary to the provisions of Section 7(1) & (2) of the National Cohesion and Integration Act 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstances, Management was in breach of the law.

2. Failure to Implement E-procurement System

Review of the procurement process during the year revealed that the Institute has not implemented e-procurement system. This is contrary to the provisions of Regulation 49(2) of The Public Procurement and Asset Disposal Act Regulations, 2020 which requires all procurement entities to use e-procurement portal.

In the circumstances, Management was in breach of the law.

3. Delayed Projects

3.1 Proposed Construction and Building Works for a Multipurpose Dining Hall

The contract for the proposed construction of multipurpose dining hall was signed on 28 August, 2020 at a contract sum of Kshs.21,789,475. The contract period was for fifty-two weeks (52) which commenced on 1 September, 2020 and was to end on 1 September, 2021. However, as at the time of inspection in November, 2021, the

project was still ongoing with amount of Kshs.8,995,670 paid representing 41% of the contract sum having been certified as at 30 June, 2021. No documents were provided to confirm that an extension of contract period was granted to the contractor including the progress reports to indicate the status of the project.

In the circumstances, implementation of the project has delayed, denying the Institute the expected benefits.

3.2 Consultancy Services

The contract for provision of institutional management system solution was awarded at a contract sum of Kshs.4,650,000. The contract period commenced in July, 2019 and the system was expected to be implemented by June, 2020. However, as at the time of the audit in November, 2021 the implementation of the system was yet to be completed. No plausible explanation was provided for delay in execution of the contract.

In the circumstances, the vendor has failed to deliver the system denying the Institute the benefits expected from the system.

4. Failure to Comply with Budget Approval Procedures

The Institute prepared the annual estimates for the year ended 30 June, 2021 and presented the same to the Board for approval. However, there was no evidence to indicate that the same was submitted to the line Cabinet Secretary for approval as required by the law.

In the circumstances, the regularity of the budget implemented by the Institute could not be confirmed for the year ended 30 June, 2021.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis of Conclusion

1. Failure to Establish a Procurement Unit

Review of organizational structure of the Institute and discussion with the Management revealed that the Institute has not established a procurement unit and only hired a

procurement officer on temporarily basis. This is contrary to Section 47(1) of the Public Procurement and Asset Disposal Act, 2015 which states that a procurement function shall be handled by procurement professionals whose qualifications are recognized in Kenya. In view of the foregoing, the Institute has not complied with the Public Procurement and Asset Disposal Act, 2015 on establishment and staffing of procurement unit.

Management was in breach of the law.

2. Failure to Map All Revenue Sources

Review of revenue documentation revealed that, the Institute had not mapped all its revenue sources as some revenue generating activities such as, cabro production, cloth production and cafeteria had not been included in the budget. Failure to map all revenue sources and lack of cash sales policy implies that the Institute does not have in place proper accountability mechanisms over revenue which exposes it to loss through misappropriations.

In the circumstances, proper accountability mechanism over revenue could not be confirmed.

3. Lack of Information and Communication Technology Policy

Review of the operations for the year revealed that the Institute has not automated its key processes in financial accountability and has no Information and Communication Technology Policy in place. Further, the Institute has adopted the use of spreadsheets as a way of maintaining financial records and reporting. However, spreadsheets records by nature, lack inbuilt data security arrangement and do not have audit trail which poses a threat to data availability, security and integrity. Further, the Institute is exposed to records manipulation and loss of important data due to failure to automate its operations. In the circumstances, reliability of the Institute's financial records could not be confirmed.

Management was in breach of the law.

4. Lack of Approved Human Resource Policy Documents

The Institute did not have in place an approved Staff Establishment and Human Resource Policy Manual to guide in staff matters such as recruitment, remuneration, discipline and progression. This is a contravention of Part II- Section B2(1 & 2) of Human Resource Policies and Procedures Manual for Public Service of 2016.

In the circumstances, the Institute lacks a basis for recruitment, remuneration and management of staff.

5. Lack of Internal Audit Function

The Institute does not have in place an Internal Audit Function and Audit Committee contrary to the provisions of Section 73(1) of the Public Finance Management Act, 2012 which requires every public entity to have arrangement in place for internal audit function for the purpose of carrying out in depth reviews of management operations and internal controls.

The Management was in breach of the law.

6. Lack of Risk Management Policy and a Disaster Recovery Plan

Review of the Institute's risk management framework revealed that there was no Risk Management Policy Framework to guide in identification, assessment and mitigation of risks. This is a contravention of the provisions of Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015 which outlines the role and responsibilities of Accounting Officers in respect to risk management. In addition, the Institute did not have in place a Disaster Recovery and Business Continuity Plan.

In the absence of Risk Management Policy and, a Disaster Recovery and Business Continuity Plan, the Institute lacks a blue print for identifying, preventing and mitigating against risks and disasters to ensure that its operations are not interrupted in case of unforeseen events.

In the circumstances, the Institute's ability to identify, prevent and mitigate against risks and disasters could not be confirmed.

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 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 overall governance.

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

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

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

The Board of Governors is responsible for overseeing the Institute's 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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal controls 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 policies and procedures may deteriorate.

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue 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 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

08 August, 2022

Appendix 1 - Variances Between Financial Statements and General Ledger

Item	Financial Statement (Kshs.)	General Ledger (Kshs.)	Variances (Kshs.)
Revenue			
Other Grants	3,466,667	-	3,466,667
Tuition Fees	2,219,980	1,444,878	775,102
School & Stores Equipment	677,610	743,170	(65,560)
Lunch	35,000	14,000	21,000
Activity	154,730	157,870	(3,140)
KNEC Exam Fees	525,050	287,050	238,000
NITA Exam Fees	48,600	39,000	9,600.00
Facilities Conference & Materials	-	2,087,136	(2,087,136)
Registration	32,000	68,470	(36,470)
Boarding	1,318,130	1,269,672	48,458
Accommodation	912,715	873,520	39,195
Personnel Emolument	453,450	548,785	(95,335)
Electricity, Water & Conservancy	378,300	558,240	(179,940)
Local travelling & Transport	626,060	563,725	62,335
Administration Cost	317,915	215,785	102,130
Repairs & Maintenance	323,110	207,105	116,005
Computer Maintenance	51,850	8,020	43,830
Student ID	19,200	25,000	(5,800)
Insurance	209,260	177,420	31,840
Caution Money	50,000	101,940	(51,940)
Bursary	718,740	877,537	(158,797)
Attachment	135,000	191,600	(56,600)
NSSF	48,000	-	48,000
NHIF	55,200	-	55,200
PAYE	58,426	-	58,426
HELB	751,500	1,059,200	(307,700)
Macho SACCO	419,435	-	419,435
Sponsorship	680,200	733,750	(53,550)
Centre Fees	15,750	6,000	9,750
White Cane	10,000	11,570	(1,570)
Writing Frame	17,500	24,000	(6,500)
Training Fees	104,500	-	104,500
Sale of Goods (Dairy Farm)	199,695	83,845	115,850
Rent	746,500	442,300	304,200
Hire of Facilities/Conference	6,878,936	2,087,086	4,791,850
Facemasks	565,190	499,000	66,190
Braille Transcription	757,400	278,500	478,900
Uniform	227,860	79,800	148,060
Interests/Dividends	97,378	-	97,378
Tender Fees & Tools	33,000	28,000	5,000

Item	Financial Statement (Kshs.)	General Ledger (Kshs.)	Variances (Kshs.)
Expenses			
Electricity	613,100	613,981	(881)
Water	309,436	56,795	252,641
Employee Cost/personnel Emolument	9,275,234	3,620,298	5,654,936
Board of Director Expenses	1,095,000	510,000	585,000
Building Repairs	616,425	200,705	415,720
Computer Maintenance	103,595	78,380	25,215
Equipment Maintenance	268,120	434,544	(166,424)
Vehicles Maintenance	-	10,000	(10,000)
Ground	814,495	176,700	637,795
Security Services	408,000	430,067	(22,067)
Part Time Teaching	318,000	18,000	300,000
Advertising	97,480	4,000	93,480
Internet	403,812	156,975	246,837
White Cane	75,000	-	75,000
Postage	13,900	1,855	12,045
Registration Expenses	62,602	-	62,602
Student ID	1,400	54,752	(53,352)
NITA Exam	566,050	148,00	418,050
KNEC Exam	1,072,100	897,660	174,440
Exam Materials	25,190	45,385	(20,195)
Attachment Expenses	73,000	104,000	(31,000)
Training Materials	1,957,647	611,186	1,346,461
Training & Conference Expenses	4,984,292	3,631,885	1,352,407
Bus Insurance	300,480	239,111	61,369
Property Insurance	287,178	-	287,178
Student Personal Cover	88,640	65,486	23,154
Green House	22,070	16,735	5,335
Dairy Farm Expenses	253,065	137,490	115,575
Accommodation	846,441	54,900	791,541
Boarding Expenses	4,193,396	2,510,385	1,683,011
Tuition Expenses	2,727,242	118,795	2,608,447
Administration Cost	1,790,102	2,139,627	(349,525)
Activity	6,000	-	6,000
Caution Money	1,200	500	700
NSSF	84,000	48,900	35,100
NHIF	96,600	27,600	69,000
PAYE	114,581	58,714	55,867
Macho SACCO	773,857	477,934	295,923
Bursary	690,290	-	690,290
HELB	824,000	-	824,000

Item	Financial Statement (Kshs.)	General Ledger (Kshs.)	Variances (Kshs.)
Cleaning Materials	573,265	86,006	487,259
Scholarship Support	680,200	-	680,200
Fuel & Oil	186,190	13,720	172,470
Performance Contracting	362,500	-	362,500
Braille Transcription	211,500	-	211,500
Service Gratuity	204,402	184,402	20,000
Facemasks	2,187,075	261,989	1,925,086
Food Court Construction & Equipping	1,293,850	595,090	698,760
Covid19 Mitigation	2,459,250	908,880	1,550,370
Cabros Production	2,667,027	971,270	1,695,757
Cabros Fixing	1,426,480	413,700	1,012,780
Development Expenses	9,199,264	4,350,243	4,849,021
Car shed & Tent	960,924	980,200	(19,27)
Student Seats & Metallic Double Deckers	2,033,920	310,000	1,723,920

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FOR THE YEAR ENDED 30.06.2021

XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	6	43,079,429	53,538,491
Grants from donors and development partners	7	0	0
Transfers from other levels of government	8	0	0
Public contributions and donations	9	0	0
		43,079,429	53,538,491
Revenue from exchange transactions			
Rendering of services- Fees from students	10	11,367,361	11,269,115
Sale of goods	11	199,695	296,075
Rental revenue from facilities and equipment	12	7,625,436	4,949,100
Finance income - external investments	13	0	0
Other income	14	1,680,828	1,394,194
Revenue from exchange transactions		20,873,320	17,908,484
Total revenue		63,952,749	71,446,975
Expenses			
Use of goods and services	15	40,093,876	42,794,613
Employee costs	16	9,275,234	12,928,012
Remuneration of directors	17	1,095,000	1,271,350
Depreciation and amortization expense	18	5,725,535	0
Repairs and maintenance	19	1,802,635	1,792,522
Contracted services	20	726,000	453,600
Grants and subsidies	21	0	1,285,240
Finance costs	22	0	0
Total expenses		58,718,280	60,525,337
Other gains/(losses)			
Gain on sale of assets	23	0	0
Gain on foreign exchange transactions	24	0	0
Unrealized gain on fair value of investments	25	0	0
Impairment loss		0	0
Total other gains/(losses)		0	0
Net Surplus for the year		5,234,469	10,921,638
Attributable to:			

The notes set out on pages 1 to 6 form an integral part of the Annual Financial Statements.

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30.06.2021

	Notes	2020-2021 Kshs	2019-2020 Kshs
Assets			
Current assets			
Cash and cash equivalents	26	2,652,568	22,175,758
Current portion of receivables from exchange transactions	27(a)	0	0
Receivables from non-exchange transactions	28	1,068,250	1,071,203
Inventories	29	0	4,650,000
Investments	30	0	0
		3,720,818	27,896,961
Non-current assets			
Property, plant and equipment	31	344,907,786	350,228,860
Investments	30	0	0
Intangible assets	32	0	0
Investment property	33	0	0
Long term receivables from exchange transactions	27(b)	0	0
		344,907,786	350,228,860
Total assets		348,628,604	378,125,821
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	34	383,830	1,564,155
Refundable deposits from customers	35	0	500
Current Provisions	36	0	0
Finance lease obligation	37	0	0
Current portion of borrowings	41	0	0
Deferred income	38	0	0
Employee benefit obligation	39	0	0
Payments received in advance		0	0
		383,830	1,564,655
Non-current liabilities			
Non-current employee benefit obligation	39	0	0
Non-current provisions	40	0	0
Borrowings	41	0	0
Service concession liability	42	0	0
Deferred tax liabilities	49	0	0
		0	0
Total liabilities		383,830	1,564,655
Net assets		348,244,774	376,561,166
Reserves		0	0
Accumulated surplus		0	0
Capital Fund		0	0
Total net assets and liabilities		0	0

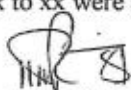
The Financial Statements set out on pages xx to xx were signed on behalf of the Institute Council/ Board of Governors by:



Chairman of /Board of Governors

Date

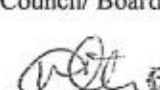
06-07-2021
 CHAIRMAN OF GOVERNOR-
 MACHAKOS TECHNICAL INSTITUT
 FOR THE BLIND
 P.O. BOX 112 - 90100, MACHAKOS



Finance Officer
 ICPAK No

Date

06/07/2021



Principal

Date

06-07-2021

PRINCIPAL
 MACHAKOS TECHNICAL INSTITUTE
 FOR THE BLIND
 P.O. BOX 112 - 90100 MACHAKOS
 06/07/2021

MACHAKOS TECHNICAL INSTITUTE FOR THE BLIND (MTIB)
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XV. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2021

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2020	0	0	0	0	0
Revaluation gain	0	-	-	-	0
Fair value adjustment on quoted investments	-	0	-	-	0
Total comprehensive income	-	-	60,486,082	-	60,486,082
Capital/Development grants received during the year	-	-	-	3,466,667	3,466,667
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	5,725,535	-	5,725,535
At June 30, 2021	0	0	54,760,547	3,466,667	58,227,214
At July 1, 2021	0	0	54,760,547	3,466,667	58,227,214
Revaluation gain	0	-	-	-	0
Fair value adjustment on quoted investments	-	0	-	-	0
Total comprehensive income	-	-	0	-	0
Capital/Development grants received during the year	-	-	-	0	0
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	0	(0)	-
At June 30, 20xx	0	0	0	0	0

Note:

- For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
- Prior year adjustments should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.

MACHAKOS TECHNICAL INSTITUTE FOR THE BLIND (MTIB)
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XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

		2020-2021	2019-2020
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants		43,079,429	53,538,491
Public contributions and donations		0	0
Rendering of services- Fees from students		11,367,361	11,269,115
Sale of goods		199,695	296,075
Rental revenue from facilities and equipment		7,625,436	4,949,100
Finance income		0	0
Other income		1,680,828	1,394,194
Total Receipts		63,952,749	71,446,975
Payments			
Compensation of employees		9,275,234	12,928,012
Use of goods and services		49,908,709	42,794,613
Finance cost		1,095,000	1,271,350
Rent paid		0	0
Taxation paid		1,802,635	1,792,522
Other payments		726,000	453,600
Grants and subsidies paid		0	1,285,240
Total Payments		62,807,578	60,525,337
Net cash flows from operating activities	43	0	0
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		10,737,359	0)
Proceeds from sale of property, plant and equipment		0	0
Decrease in non-current receivables		0	0
Increase in investments		0	0
Net cash flows used in investing activities		(10,737,359)	0
Cash flows from financing activities			
Proceeds from borrowings		0	0
Repayment of borrowings		0	(0)
Increase in deposits		0	0
Net cash flows used in financing activities		(XXX)	(XXX)
Net increase/(decrease) in cash and cash equivalents		XXX	(XXX)
Cash and cash equivalents at 1 JULY	26	XXX	XXX
Cash and cash equivalents at 30 JUNE	26	XXX	XXX

MACHAKOS TECHNICAL INSTITUTE FOR THE BLIND (MTIB)
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XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Utilisation Difference
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Transfers from other Govt entities Govt grants	67,636,520	0	67,636,520	43,079,429	,557,091	63.7
Public contributions and donations	-	0	-	-	0	0
Rendering of services- Fees from students	4,674,300	0	14,674,300	11,367,361	3,306,939	77.5
Sale of goods	590,000	-	590,000	199,695	390,305	33.8
Finance Income	-	-	-	-	0	0
Other Income	26,000	-	26,000	1,680,828	- 1,654,828	6464.7
Gains on disposal, rental income and agency fees	1,920,000	0	1,920,000	7,625,436	- 5,705,436	397.2
Total income	4,846,820	0	84,846,820	63,952,749	,894,071	75.4
Expenses						
Compensation of employees	5,227,132	-	5,227,132	9,275,234	- 4,048,102	177.4
Use of Goods and services	75,597,688	0	75,597,688	49,908,709	25,688,979	66
Contracted Services	972,000	0	972,000	726,000	246,000	74.7
Repairs and maintenance	1,100,000	0	1,100,000	1,802,635	- 702,635	163.9
Remuneration of directors	1,950,000	0	1,950,000	1,095,000	855,000	56.2
Grants and subsidies paid	-	-	-	-	-	0
Total expenditure	84,846,820	0	84,846,820	62,807,578	22,039,242	74
Surplus for the period				1,145,171	-1,145,171	

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Machakos Technical Institute for the Blind is established by and derives its authority and accountability from Tvet Act 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is xxx.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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, (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2021.**

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</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.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021.

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 Council or Board on xxxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of xxxx 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.

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

c) Taxes

Current income tax

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

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 xxx 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.

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, 2021.

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 is included in Note xxx.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. (a) TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	20xx-20xx	20xx-20xx
	KShs	KShs
Unconditional grants		
Capitation grants	-	2,130,000
Operational grant	39,612,762	47,391,954
Other grants	3,466,667	0
	43,079,429	49,521,954
Conditional grants		
Library grant	0	0
Hostels grant	0	0
Administration block grant	0	0
AfDB Funds (Training of Disengaged Youth)	0	4,016,537
Learning facilities grant	0	0
Other organizational grants	0	0
Total government grants and subsidies	43,079,429	53,538,491

(b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	20xx-20xx KShs
Ministry of Education - State Department of Voc and Tech Trn.	39,612,762	0	3,466,667	43,079,429	53,538,491
Xxx Ministry	0	0	0	0	0
Total	39,612,762	0	3,466,667	43,079,429	53,538,491

7. GRANTS FROM DONORS AND DEVELOPMENT PARTNERS

Description	2020-2021	2019-2020
	KShs	KShs
JICA- Research grant	0	0
World Bank grants	0	0
In-kind Donations	0	0
Other grants	0	0
Total grants from development partners	0	0

Reconciliations of grants from donors and development partners

Description	2020-2021	2019-2020
	KShs	KShs
Balance unspent at beginning of year	0	0
Current year receipts	0	0
Conditions met - transferred to revenue	0	0
Conditions to be met - remain liabilities	0	0

8. TRANSFERS FROM OTHER LEVELS OF GOVERNMENT

Description	2020-2021	2019-2020
	KShs	KShs
	0	0
Transfer from County xxx	0	0
Transfer from xxx University	0	0
Transfer from xxx institute	0	0
Total Transfers	0	0

9. PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2020-2021	2019-2020
	KShs	KShs
Public donations	0	0
Donations from local leadership	0	0
Donations from religious institutions	0	0
Donations from alumni	0	0
Other donations	0	0
Total donations and sponsorships	0	0

10. RENDERING OF SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Tuition fees	2,219,980	2,469,182
School Equipment and Stores (SES)	677,610	327,790
Lunch	35,000	25,290
Activity fees	154,730	347,795
Examination fees-KNEC	525,050	494,685
Examination fees-NITA	48,600	15,000
Facilities and materials	-	1,219,055
Registration fees	32,000	45,100
Boarding Fees	1,318,130	983,125
Accommodation	912,715	853,750
Personal Emoluments	453,450	273,100
Electricity Water & Conservancy	378,300	293,895
Local Transport & Travelling	626,060	335,612
Administration cost	317,915	131,580
Repairs Maintenance & Improvement	323,110	157,240
Computer maintenance	51,850	8,510
Student ID	19,200	18,170
Insurance	209,260	72,130
Caution money	50,000	17,670
Bursary	718,740	554,490
Attachment fees	135,000	27,500
NSSF	48,000	48,000
NHIF	55,200	55,200
PAYE	58,426	234,031

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HELB	751,500	879,000
Macho Sacco	419,435	420,338
Scholarship support	680,200	764,027
Salary advance	-	2,000
Examination materials	150	-
Centre fees	15,750	-
White Cane	10,000	-
Writing Frame	17,500	-
Training fees	104,500	-
Others (<i>Specify</i>)	-	-
Total revenue from the rendering of services	11,367,361	11,073,265

11. SALE OF GOODS

Description	2020-2021	2019-2020
	KShs	KShs
Sale of goods		
Sale of books	-	-
Sale from poultry farm	43,500	-
Sale of farm produce	156,195	296,075
Cafeteria	-	-
Other(include in line with your organisation)	-	-
Total revenue from the sale of goods	199,695	296,075

12. HIRE OF FACILITIES AND EQUIPMENT

Description	2020-2021	2019-2020
	KShs	KShs
Hire of facilities and equipment	6,878,936	4,458,600
Rental income from staff houses	746,500	490,500
operating lease revenue	-	-
Total	7,625,436	4,949,100

13. FINANCE INCOME

Description	2020-2021	2019-2020
	KShs	KShs
Cash investments and fixed deposits	0	0
Interest income from Treasury Bills	0	0
Interest income from Treasury Bonds	0	0
Interest from outstanding debtors	0	0
Total finance income	0	0

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14. OTHER INCOME

Description	2020-2021	2019-2020
	KShs	KShs
Service gratuity	-	224,502
Face masks	565,190	799,535
Braille transcription	757,400	50,200
Uniform	227,860	225,083
Interests	97,378	94,874
Tender fees and Tools	33,000	0
Miscellaneous (<i>Specify</i>)	0	0
Total other income	1,680,828	1,394,194

15. USE OF GOODS AND SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Electricity Bills	613,100	977,011
Water Maintenance Expenses	309,426	261,396
Advertising	97,480	225,000
Internet expenses	356,719	320,160
Airtime Expenses	256,801	389,780
White cane and frame	75,000	-
Postage	13,900	11,554
Registration expenses	62,602	16,340
Students ID cards	1,400	19,200
KNEC exam	1,072,100	-
NITA Exam	566,050	-
Exam materials	25,190	88,680
Security costs	-	143,000
Attachment expenses	73,000	65,500
TVET Fair and Robotics	-	535,554
Training & conference expenses	1,371,800	6,711,190
Bus-Insurance	300,480	323,701
Property-Insurance	287,178	194,420
Students Personal Cover		-
Green House	22,070	10,000
Dairy farm expenses	253,065	361,610
Conference facility expenses	3,612,492	4,600,053
Tuition Expenses	2,727,242	3,806,340
Boarding Expenses	4,193,396	4,732,275
Accommodation Expenses	846,441	1,286,975
Local Transport and Travelling	-	-
Administration Costs	1,790,102	2,383,344
Activity	6,000	981,100
Training Materials (SES)	1,957,647	5,041,961
Caution money refunds	1,200	6,000
NSSF	84,000	48,000
NHIF	96,600	62,100

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PAYE	114,581	264,157
Macho	773,857	560,793
Bursary	690,290	439,500
Helb Loans	824,000	879,400
Cleaning Materials	573,265	695,890
Scholarship support	680,200	764,027
Dairy cow	110,000	-
Centre fee	9,000	-
Fuel and oil	186,190	-
Printing and stationery	11,350	-
Sewage treatment costs-Toilet disposal	-	230,000
KATTI	-	72,000
Medical	25,400	8,785
Performance Contracting	362,500	6,850
Operating Management system	-	650,000
Braille Transcription	211,500	56,000
Service Gratuity	204,402	30,000
Staff welfare	30,000	80,000
Face masks	2,187,075	3,435,507
KUCCPS fee	-	25,500
Bank charges	-	14,232
Newspapers	46,440	-
Other (Zuku , Dstv Premium and Internet)	47,093	-
Food court construction and equipping	1,293,850	-
Covid19 mitigation measures	2,459,250	-
Cabros production unit	2,667,027	-
Staff Uniform	259,660	-
Cabros fixing	1,426,480	-
Hostel Face-lifting	144,900	-
Dining hall face-lifting	155,000	-
Tools and Equipment	9,300	-
Car shed and tent	960,924	-
Tilling of Dining hall and Hostels	678,325	-
Face-lifting of classrooms	124,210	-
Road Expansion	111,040	-
Hostel curtains	134,225	-
Masonry training shed	52,350	-
LAN Upgrading	435,185	-
Tents for alternative classrooms	100,000	-
Other (<i>Specify</i>)	-	-
Total good and services	39,171,350	41,814,885

16. EMPLOYEE COSTS

	2020-2021	2019-2020
	KShs	KShs
Salaries and wages	4,242,184	3,412,026
Employee related costs - contributions to pensions and medical aids	0	0
Travel, motor car, accommodation, subsistence and other allowances	5,033,050	9,515,986
Housing benefits and allowances	0	0
Overtime payments	0	0
Performance and other bonuses	0	0
Social contributions	0	0
Employee costs	9,275,234	12,928,012

17. REMUNERATION OF DIRECTORS

Description	2020-2021	2019-2020
	KShs	KShs
Chairman's Honoraria	0	0
Board of Governors Allowances	1,095,000	1,271,350
Other allowances	0	0
Total director emoluments	1,095,000	1,271,350

18. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	5,725,535	6,286,725
Intangible assets	0	0
Investment property carried at cost	0	0
Total depreciation and amortization	5,725,535	6,286,725

19. REPAIRS AND MAINTENANCE

Description	2020-2021	2019-2020
	KShs	KShs
Property - Building	616,425	959,644
Investment property – earning rentals	0	0
Equipment and machinery	268,120	254,729
Vehicles	0	228,445
Ground Maintenance and Improvemets	814,495	340,004
Computers and accessories	103,595	9,700
Others -Furniture and fittings	0	0
Total repairs and maintenance	1,802,635	1,792,522

20. CONTRACTED SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Security Services	408,000	0
Part-Time Teaching	318,000	303,600
Property valuations	0	0
Total contracted services	726,000	303,600

21. GRANTS AND SUBSIDIES

Description	2020-2021	2019-2020
	KShs	KShs
Community development	0	0
Education initiatives and programs	0	1,285,240
Social development	0	0
Community trust	0	0
Sporting bodies	0	0
Total grants and subsidies	0	1,285,240

22. FINANCE COSTS

Description	2020-2021	2019-2020
	KShs	KShs
Borrowings (amortized cost)*	0	0
Finance leases (amortized cost)	0	0
Unwinding of discount	0	0
Interest on Bank overdrafts	0	0
Interest on loans from commercial banks	0	0
Total finance costs	0	0

23. GAIN ON SALE OF ASSETS

Description	2020-2021	2019-2020
	KShs	KShs
	0	0
Property, plant and equipment	0	0
Intangible assets	0	0
Other assets not capitalised	0	0
Total gain on sale of assets	0	0

24. UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

Description	2020-2021	2019-2020
	KShs	KShs
Investments at fair value	0	0
Total gain	0	0

25. IMPAIRMENT LOSS

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	0	0
Intangible assets	0	0
Total impairment loss	0	0

26. CASH AND CASH EQUIVALENTS

Description	2020-2021	2019-2020
	KShs	KShs
Current account	2,652,568	22,175,758
On - call deposits	0	0
Fixed deposits account	0	0
Staff car loan/ mortgage	0	0
Others(specify)	0	0
Total cash and cash equivalents	2,652,568	22,175,758

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

		2020-2021	2019-2020
Financial institution	Account number	KShs	KShs
a) Standard Chartered Bank	010286758600	2,649,017	22,144,718
Equity Bank – etc	N/A	0	0
Sub- total		2,649,017	22,144,718
b) On - call deposits			
b) Kenya Commercial bank	N/A		
Equity Bank – etc	N/A	0	0
Sub- total		0	0
c) Fixed deposits account		0	0
c) Kenya Commercial bank	N/A		
Bank B	N/A		
Sub- total		0	0
		0	0
d) Staff car loan/ mortgage		0	0
d) Kenya Commercial bank	N/A		
Bank B	N/A		
Sub- total		0	0
e) Others(specify)		0	0
e) Cash in transit		0	0
cash in hand		3,551	31,040
Mobile Money account		0	0
Sub- total		3,551	31,040
Grand total		2,652,568	22,175,758

27. RECEIVABLES FROM EXCHANGE TRANSACTIONS

27(a) Current Receivables from Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Student debtors	785,250	792,203
Rent debtors	135,500	279,000
Consultancy debtors	0	0
Other exchange debtors	147,500	0
Less: impairment allowance	0	0
Total current receivables	1,068,250	1,071,203

27(b) Long- term Receivables from Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Non-current receivables		
Refundable deposits	55,500	42,500
Advance payments	278,600	464,240
Public organizations	0	0
Less: impairment allowance	-	-
Total	-	-
Current portion transferred to current receivables	334,100	506,740
Total non-current receivables	-	-
Total receivables	334,100	506,740

27 (c) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions

Description	20xx-20xx	20xx-20xx
	KShs	KShs
At the beginning of the year	0	0
Provisions during the year	0	0
Recovered during the year	0	0
Write offs during the year	0	0
At the end of the year	0	0

28. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	20xx-20xx	20xx-20xx
	KShs	KShs
Current receivables		
Capitation grants*	0	0
Transfers from other govt. entities	0	0
Undisbursed donor funds	0	0
Other debtors (non-exchange transactions)	0	0
Less: impairment allowance	0	0
Total current receivables	0	0

**Receivables on capitation grants is recognised for monies received after year end but relating to the year under review.*

28 (b) Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
At the beginning of the year	0	0
Additional provisions during the year	0	0
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	0	0

29. INVENTORIES

Description	2020-2021	2019-2020
	KShs	KShs
Consumable stores	0	4,650,000
Maintenance stores	0	0
Health unit stores	0	0
Electrical stores	0	0
Cleaning materials stores	0	0
Catering stores	0	0
Total inventories at the lower of cost and net realizable value	0	4,650,000

30. INVESTMENTS

Description	2020-2021	2019-2020
	KShs	KShs
a) Investment in Treasury bills and bonds		
Financial institution		
CBK	0	0
CBK	0	0
Sub- total	0	0
b) Investment with Financial Institutions/ Banks		
Bank x	0	0
Bank y	0	0
Sub- total	0	0
c) Equity investments (specify)		
Equity/ shares in company xxx	0	0
Sub- total	0	0
Grand total	0	0

d) Shareholding in other entities

For investments in equity share listed under note 30 (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
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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31. PROPERTY, PLANT AND EQUIPMENT

	Land	Motor vehicles	Furniture and fittings	Computers	Building	Plant and equipment	Capital Work in progress	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2020	284,000,000	5,353,923	1,631,790	1,374,940	29,748,607	28,119,600	-	350,228,860
Additions	-	-	2,371,420	-	8,365,939	-	-	10,737,359
Disposals	0	0	0	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0	0	0	0
At 30 th June 2021	284,000,000	5,353,923	4,003,210	1,374,940	38,114,546	28,119,600	-	360,966,219
Additions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Transfer/adjustments	0	0	0	0	0	0	0	0
At 30 th June 2021	284,000,000	5,353,923	4,003,210	1,374,940	38,114,546	28,119,600	-	360,966,219
Depreciation and impairment								
At 1 July 2021	0	0	0	0	0	0	0	0
Depreciation	-	1,338,481	400,321	412,482	762,291	2,811,960	-	5,725,535
Impairment	0	-	-	-	0	-	-	0
At 30 June 2021	284,000,000	5,353,923	4,003,210	1,374,940	38,114,546	28,119,600	-	360,966,219
Depreciation	-	1,338,481	400,321	412,482	762,291	2,811,960	-	5,725,535
Disposals	0	-	-	-	0	-	0	0
Impairment	0	0	0	-	0	-	-	0
Transfer/adjustment	0	0	0	0	0	0	0	0
At 30 th June 2021	-	1,338,481	400,321	412,482	762,291	2,811,960	-	5,725,535
Net book values								

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At 30 th June 2021	284,000,000	4,015,442	3,602,889	962,458	37,352,255	25,307,640	-	355,240,684
At 30 th June 2021	284,000,000	4,015,442	3,602,889	962,458	37,352,255	25,307,640	-	355,240,684

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Valuation

Land and buildings were valued by xxx independent valuer on xxx on xxx basis of valuation. These amounts were adopted on xxx.

31 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	284,000,000	0	284,000,000
Buildings	37,352,255	762,291	37,352,255
Plant and machinery	25,307,640		25,307,640
Motor vehicles, including motorcycles	4,015,442	1,338,481	4,015,442
Computers and related equipment	962,458		962,458
Office equipment, furniture, and fittings	3,602,889		3,602,889
Total	355,240,684		355,240,684

32. INTANGIBLE ASSETS-SOFTWARE

Description	2020-2021	2019-2020
	KShs	KShs
Cost		
At beginning of the year	0	0
Additions	0	0
At end of the year	0	0
Additions–internal development	0	0
At end of the year	0	0
Amortization and impairment		
At beginning of the year	0	0
Amortization	0	0
At end of the year	0	0
Impairment loss	0	0
At end of the year	0	0
NBV	0	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. INVESTMENT PROPERTY

Description	2020-2021	2019-2020
	KShs	KShs
At beginning of the year	0	0
Additions	0	0
Disposal during the year	0	0
Depreciation	0	0
Impairment	0	0
At end of the year	0	0

34. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	KShs	KShs
Trade payables	0	0
Fees paid in advance	0	0
Employee advances	0	0
Third-party payments	0	0
Other payables	0	0
Total trade and other payables	0	0

35. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2020-2021	2019-2020
	KShs	KShs
Consumer deposits	0	0
Caution money	0	0
Other refundable deposits	0	0
Total deposits	0	0

36. CURRENT PROVISIONS

Description	Leave provision	Bonus provision	Gratuity Provisions	Other provision	Total
	KShs	KShs	KShs	KShs	KShs
Balance at the beginning of the year	0	0	0	0	0
Additional Provisions	0	0	0	0	0
Provision utilised	0	0	0	0	0
Change due to discount and time value for money	0	0	0	0	0
Transfers from non -current provisions	0	0	0	0	0
Total provisions	0	0	0	0	0

37. FINANCE LEASE OBLIGATION

Description	2020-2021	2019-2020
	KShs	KShs
At the start of the year	0	0
Discount interest on lease liability	0	0
Paid during the year	0	0
At end of the year	0	0

Maturity Analysis

Period	Amount
Year 1	0
Year 2	0
Year 3	0
Year 4	0
Year 5 and onwards	0
Less: Unearned interest	0
	0

Analysed as:

Description	Amount
Current	0
Non- Current	0
Total	0

38. DEFERRED INCOME

Description	2020-2021	2019-2020
	KShs	KShs
National government	0	0
International funders	0	0
Public contributions and donations	0	0
Total deferred income	0	0

The deferred income movement is as follows:

	National government	International funders/ donors	Public contributions and donations	Total
Balance brought forward	0	0	0	0
Additions during the year	0	0	0	0
Transfers to Capital fund	0	0	0	0
Transfers to income statement	0	0	0	0
Other transfers	0	0	0	0
Balance carried forward	0	0	0	0

39. EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2020-2021	2019-2020
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	0	0	0	0	0
Non-current benefit obligation	0	0	0	0	0
Total employee benefits obligation	0	0	0	0	0

Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all full-time employees from July 1, 20XX. The scheme is administered by xxx while xxx are the custodians of the scheme. The scheme is based on xxx percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at xxx June xxx by xxx actuarial valuers on this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

	2020-2021	2019-2020
	Kshs	Kshs
Discount rates	0	0
Future salary increases	0	0
Future pension increases	0	0
Mortality (Pre- retirement)	0	0
Mortality (Post- retirement)	0	0
Withdrawals	0	0
Ill health	0	0
Retirement	60 years	60 years

Recognition of Retirement Benefit Asset/ Liability

a) Amounts recognised under other gains/ Losses in the statement of Financial Performance:

	20xx-20xx	20xx-20xx
Description	Kshs	Kshs
The return on defined plan assets	0	0
Actuarial gains/ losses arising from changes in demographic assumptions	0	0
Actuarial gains/ losses arising from changes in financial assumptions	0	0
Actuarial gains and losses arising from experience adjustments	0	0
Others (Specify)	0	0
Adjustments for restrictions on the defined benefit asset	0	0
Remeasurement of the net defined benefit liability (asset)	0	0

b) Amounts recognised in the Statement of Financial Position

	20xx-20xx	20xx-20xx
Description	Kshs	Kshs
Present value of defined benefit obligations(a)	0	0
Fair value of plan assets(b)	0	0
Funded Status(=a-b)	0	0
Restrictions on asset recognised	0	0
Others	0	0
Net Asset or liability arising from defined benefit obligation	0	0

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. XXX per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by XXX Pension Fund. Employees contribute xx% while employers contribute xx% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

40. NON-CURRENT PROVISIONS

Description	Long service leave	Bonus Provision	Gratuity	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	0	0	0	0	0
Additional Provisions	0	0	0	0	0
Provision utilised	0	0	0	0	0
Change due to discount and time value for money	0	0	0	0	0
Less: Current portion	0	0	0	0	0
Total deferred income	0	0	0	0	0

(NB: The current portion deducted in this note should tie to line on current portion transferred from non- current provisions under note 34)

41. BORROWINGS

Description	20xx-20xx	20xx-20xx
	KShs	KShs
Balance at beginning of the year	0	0
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the year	0	0
Repayments of domestic borrowings during the year	0	0
Balance at end of the year	0	0

41 a) ANALYSIS OF EXTERNAL AND DOMESTIC BORROWINGS

	20xx-20xx	20xx-20xx
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organisation'	0	0
Sterling Pound denominated loan from 'yyy organisation'	0	0
Euro denominated loan from zzz organisation'	0	0
Domestic Borrowings	0	0
Kenya Shilling loan from KCB	0	0
Kenya Shilling loan from Barclays Bank	0	0
Kenya Shilling loan from Consolidated Bank	0	0
Total balance at end of the year	0	0

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

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Description	20xx-20xx	20xx-20xx
	KShs	KShs
Short term borrowings(current portion)	0	0
Long term borrowings	0	0
Total	0	0

(NB: the total of this statement should tie to note 42 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

42. SERVICE CONCESSION ARRANGEMENTS

Description	20xx-20xx	20xx-20xx
	KShs	KShs
Fair value of service concession assets recognized under PPE	0	0
Accumulated depreciation to date	0	0
Net carrying amount	0	0
Service concession liability at beginning of the year	0	0
Service concession revenue recognized	0	0
Service concession liability at end of the year	0	0

43. CASH GENERATED FROM OPERATIONS

	20xx-20xx	20xx-20xx
	KShs	KShs
Surplus for the year before tax		
Adjusted for:		
Depreciation	0	0
Non-cash grants received	0	0
Contributed assets	0	0
Impairment	0	0
Gains and losses on disposal of assets	0	0
Contribution to provisions	0	0
Contribution to impairment allowance	0	0
Finance income	0	0
Finance cost	0	0
Working Capital adjustments	0	0
Increase in inventory	0	0
Increase in receivables	0	0
Increase in deferred income	0	0
Increase in payables	0	0
Increase in payments received in advance	0	0
Net cash flow from operating activities	0	0

44. 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 Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 20xx				
Receivables from exchange transactions	0	0	0	0
Receivables from non exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0
At 30 June 20xx	0	0	0	0
Receivables from exchange transactions	0	0	0	0
Receivables from non exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0

(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 entity has significant concentration of credit risk on amounts due from xxxx

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 20xx				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0
At 30 June 20xx				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0

44. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

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

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

The entity'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 20xx			
Financial assets (investments, cash, debtors)	xxx	xxx	xxx
Liabilities			
Trade and other payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	xxx	xxx	xxx

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021	0	0	0
Financial assets(investments, cash ,debtors)	0	0	0
Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

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
20xx			
Euro	10%	0	0
USD	10%	0	0
20xx		0	0
Euro	10%	0	0
USD	10%	0	0

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.

44 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Interest rate risk(continued)

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2016: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2020 – KShs xxx)

iii) Capital Risk Management

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

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	0	0
Capital reserve	0	0
	0	0
Total funds	0	0
	0	0
	0	0
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt (excess cash and cash equivalents)	0	0
Gearing	0	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

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

The transactions and balances with related parties during the year are as

	2020-2021	2019-2020
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties	0	0
Sales of electricity to Govt agencies	0	0
Rent Income from govt. agencies	0	0
Water sales to Govt. agencies	0	0
Others (Specify)	0	0
Total	0	0
b) Purchases from related parties	0	0
Purchases of electricity from KPLC	0	0
Purchase of water from govt service providers	0	0
Rent expenses paid to govt agencies	0	0
Training and conference fees paid to govt. agencies	0	0
Others (specify)	0	0
Total	0	0
b) Grants /Transfers from the Government	0	0
Grants from National Govt	0	0
Grants from County Government	0	0
Donations in kind	0	0
Total	0	0
c) Expenses incurred on behalf of related party	0	0
Payments of salaries and wages for xxx employees	0	0
Payments for goods and services for xxx	0	0
Total	0	0
d) Key management compensation	0	0
Directors' emoluments	0	0
Compensation to key management	0	0

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	2020-2021	2019-2020
	Kshs	Kshs
Total	0	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. SEGMENT INFORMATION

(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segments)

47. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets

	20xx-20xx	20xx-20xx
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	xxx	xxx
Assets arising from determination of court cases	xxx	Xxx
Reimbursable indemnities and guarantees	xxx	Xxx
Others (Specify)	xxx	xxx
Total	xxx	Xxx

Contingent Liabilities

	2020-2021	2019-2020
	Kshs	Kshs
Contingent liabilities	0	0
Court case xxx against the entity	0	0
Bank guarantees in favour of subsidiary	0	0
Contingent liabilities arising from contracts including PPPs	0	0
Others (Specify)	0	0
Total	0	0

(Give details)

48. CAPITAL COMMITMENTS

Capital commitments	20xx-20xx	20xx-20xx
	Kshs	Kshs
Authorised for	0	0
Authorised and contracted for	0	0
Total	0	0

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the entity but at the end of the year had not been contracted or those already contracted for and ongoing)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

49. DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	20xx-20xx	20xx-20xx
	Kshs	Kshs
	0	0
Accelerated capital allowances	0	0
Unrealised exchange gains/(losses)	0	0
Revaluation surplus	0	0
Tax losses carried forward	0	0
Provisions for liabilities and charges	0	0
	0	0
Net deferred tax liability/(asset)	0	0
	0	0
The movement on the deferred tax account is as follows:	0	0
	0	0
Balance at beginning of the year	0	0
Credit to revaluation reserve	0	0
Under provision in prior year	0	0
Income statement charge/(credit)	0	0
	0	0
Balance at end of the year	0	0

EVENTS AFTER THE REPORTING PERIOD

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

50. ULTIMATE AND HOLDING ENTITY

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

51. 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.

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

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Accounting Officer

Name

(Enter title of head of entity)

Signature

Date.

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

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

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of XXX				
FY xx/xx				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			xx	
			xx	
			xx	
		Total	XXX	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			xx	
			xx	
			xx	
		Total	XXX	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			xx	
			xx	
			xx	
		Total	XXX	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			xx	
			xx	
			xx	
		Total	XXX	

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

Finance Manager
 XXX entity

Sign -----

Head of Accounting Unit
 xxx Ministry

Sign-----

