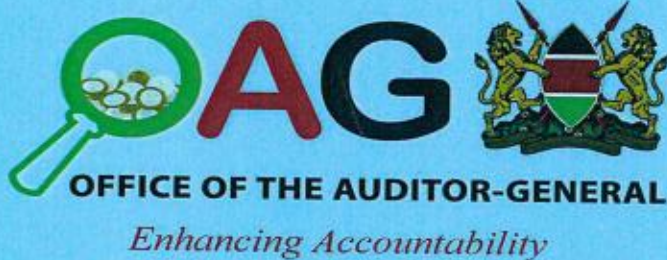


REPUBLIC OF KENYA



REPORT

DATE: 16 NOV 2022

Day: Wednesday

OF

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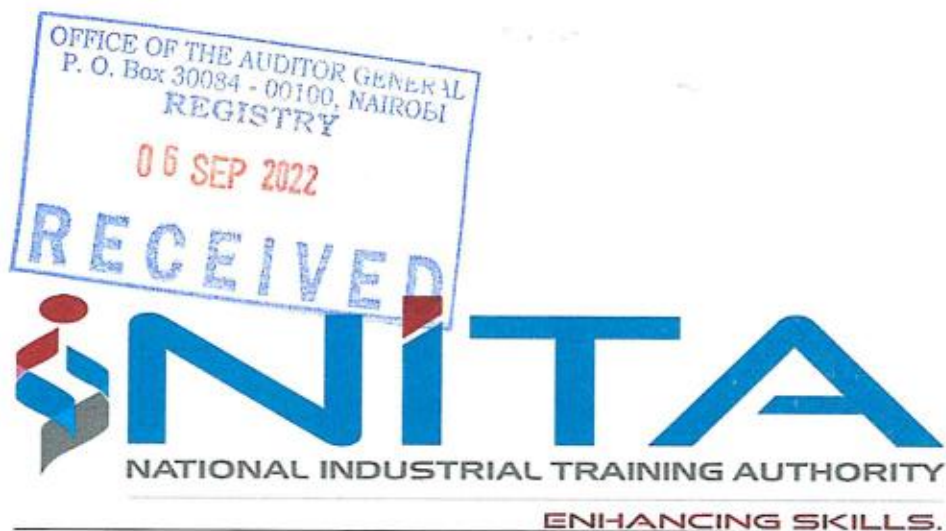
THE AUDITOR-GENERAL

ON

**NATIONAL INDUSTRIAL TRAINING
AUTHORITY**

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





NATIONAL INDUSTRIAL TRAINING AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2021

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

National Industrial Training Authority
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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The National Industrial Training Authority (NITA) is a State Corporation established under the Industrial Training Act of 2011 under the Ministry of Labour and Social Protection. NITA is domiciled in Kenya and has regional offices in Mombasa, Nakuru, Nyeri, Embu, Eldoret, Thika and Kakamega. The mandate of the Authority is to promote the highest standards in the quality and efficiency of industrial training in Kenya and ensure adequate supply of properly trained manpower at all levels in industry.

The Authority is governed by a Board of Directors under whom the Director General serves. The Director General is responsible for the day-to-day management of the Authority and strategic direction.

(b) Principal Activities

NITA's principal mandate, vision and mission are as follows:

Vision

A globally competitive and adequate workforce for industrial development

Mission

To regulate and facilitate quality industrial training for enhanced productivity

Core Values

Customer Focus; Integrity; Transparency and Accountability; Creativity and Innovation Lifelong Learning; Stakeholder Engagement and Equity and Access

Strategic Objectives

Facilitate provision of adequate, relevant and portable skills for productivity enhancement and competitiveness; Mainstream the informal sector with relevant curriculum in industrial training; Mainstream quality assurance among key stakeholders; Enhance and expand service delivery in industrial training at National and County Government levels; Ensure skilled and productive Workforce; Enhance industry-institutional linkages and expand capacity of industrial training institutions; Establish and implement sustainable funding model for industrial training

Mandate

Industrial training; assessing and collecting industrial training levy and fees; regulating trainers registered under the Act; developing industrial training curricula; integrating labour market information into skills development; harmonizing curricula and certificates of competence; Assessing industrial training, testing occupational skills and awarding certificates including Government trade test certificates; equating certificates; accrediting institutions engaged in skills training for industry

NITA has five industrial training centres:

1. NITA, Nairobi
2. NITA, Mombasa
3. NITA, Athi River
4. NITA, Nairobi Textile Training Institute
5. NITA, Kisumu

(c) Key Management

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

- NITA Board of Directors
- Director General

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- Management

(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.	Director General	Stephen Ogenga
2.	Ag. Director, Industrial training	William Mwanza
3.	Ag. Director Human Resource and Administration	Solomon Lemunen
4.	Ag. Centre Manager NITA Nairobi	Susan Mueni Musau
5.	Centre Manager Nairobi Textile Training Institute	Festus Musyoki
6.	Centre Manager NITA Athi River	Jane Kamau
7.	Centre Manager NITA Mombasa	Liban Roba Duba
8.	Centre Manager NITA Kisumu	Mary Wamoko

(e) Fiduciary Oversight Arrangements

National Industrial Training Board comprises of four committees that provide oversight. These are the:

1. Industrial Training and Strategy Committee (IT&SC)
2. Finance and Levy Administration Committee (FLAC);
3. Human Resource, Governance and Administration Committee (HRGAC),
4. Audit and Risk Management Committee (ARMC)

The ITSC provides oversight on operations within NITA as well as strategy. It thus covers areas such as industrial training, trade testing, curriculum development and management of the Industrial Training Centres.

The FLAC provides over sight on all matters to do with Finance and Levy. It handles budgets and Financial Statements, quarterly management accounts, changes in rates for any income generating activities and any significant (un-budgeted) expenditure. At the same time the committee provides oversight on the operations of the levy section including collections strategies and operational reports on performance.

The HRGAC provides oversight on HR, Governance and Administration of NITA. Its' responsibilities include supporting an adequate, competent and well-motivated workforce. The committee is also charged with ensuring that other NITA resources (e.g. Offices and pool motor vehicles) are utilized in an optimal manner. It also ensures that tenets of good corporate governance are maintained.

The ARMC provides oversight on risk management, internal controls, external audit, compliance and overall organizational reporting as stipulated in the Audit and Compliance Committee Charter.

NITA is also guided and complies with circulars giving guidance from the National Treasury as well as any other direction given by the Parent Ministry.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Headquarters

P.O. Box 74494-00200-NAIROBI Commercial
Street-Industrial Area opposite KEMSA
Nairobi, KENYA

(g) Contacts

Telephone : (254) 720-917897/
(254)-736-290676
E-mail: directorgeneral@nita.go.ke
Website: www.nita.go.ke

(h) Bankers

1. Kenya Commercial Bank Ltd.
Industrial Area Branch
P. O. Box 18031-00500
Nairobi, Kenya
2. National Bank of Kenya Ltd.
Harambee Avenue Branch
P.O. Box 41862
City Square 00200
Nairobi, Kenya
3. Standard Chartered Bank of Kenya Ltd.
Industrial Area Branch
P. O. Box 18081-00500
Nairobi, Kenya

(i) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 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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2. THE BOARD OF DIRECTORS

NAME	QUALIFICATION AND WORK EXPERIENCE
 Dr. Kamau Gachigi PhD. in Solid State Science, IMRL, The Pennsylvania State University (USA) M.S. in Solid State Science, IMRL, The Pennsylvania State University (USA) B.Sc. (Hons) in Materials Science, University of Bath (UK)	Chairman - National Industrial Training Board Date of Birth: 4th July, 1966 Aug 2014 to date - Founding Executive Director, Gearbox April 2015 to date - Board, State Corporation Board Member, Numerical Machining Complex
 Gilda Atieno Odera Current Part-time PhD Candidate, Public Policy Administration, MA in Leading Innovation and Change, (University of York St John, United Kingdom) Degree in Sociology (UON)	Chairperson – Human Resource, Governance and Administration Committee (HRG&AC) Member National Industrial Training Board Representing FKE Date of Birth: 26th September, 1966 Consultant Director, All About Marketing Ltd Current Vice President, Federation of Kenya Employees Current Board Member, University Funds Board Panel Member & Chair of Business Process Committee in the Health Feb 2019- June 2020 - Reform Panel of Experts, Kenya 2016 to 2019 - Council Member, Kenya National Quality Authority
 Carolyn C. Rutto Certificate Public Relations (RGI) P1 Certificate (Kericho Teachers T. College)	Chairperson – Ad Hoc Steering Committee of the Kenya Youth & Employment and Opportunities Project (KYEOP) Member National Industrial Training Board Representing COTU (K) Date of Birth: 26th June, 1969 2nd Assistant Secretary General – Central Organization of Trade Unions, COTU (K). Member - General Wages Council. Member of reconciliation committee Counter Trafficking Advisory Committee (CTIP). National Advisory Committee on person with disability Assistant National Women leader - Kenya Electrical Trades and Allied Union (KETAWU). 2019 to date - County revenue collection coordinator and relationship officer Kenya Power

 Mr. Benson Okwaro	Chairman – Industrial Training and Strategy Committee (IT&SC) Member - National Industrial Training Board representing COTU (K) Date of Birth: 9th February 1951 Communication Workers Union General Secretary Central Organization of Trade Unions – Deputy Secretary General affiliated to UN Africa – Committee Member / ICT President
 Mr. Wilson Ngahu MBA in Strategic Management	Chairman – Finance and Levy Administration Committee (FLAC) Member – National Industrial Training Board and Chairman Representing Special Interests from May 2019 to present Date of Birth: 12th September, 1978 MBA - Master of Business Administration in Strategic Management (University of Nairobi) December 2012. Bachelor of Arts (Economics) University of Nairobi) December 2002. Certified Public Accountant (CPA) (K) KASNEB 2002-2007
 Michael M. Muthundu BSc – Hospitality Management Post Graduate Diploma – Marketing Current – LLB	Chairman – Audit and Risk Committee (ARMC) Member - National Industrial Training Board Representing FKE Date of Birth: Chief Executive Officer – Kenya Association of Hotelkeepers and Caterers Current Board Positions Second National Vice President - FKE KEPSA Boma Hospitality College National Tourism Crisis Response Team Kenya Tourism Federation East Africa Tourism Platform National Labour Board
 Mr. James Otieno Onduru Master's Degree in Education University of South Africa, Pretoria.	Member - National Industrial Training Board Representing the Principal Secretary, State Department for Vocational and Technical Training, Ministry of Education, Science and Technology Date of Birth: 15th April, 1962 Deputy Director of Vocational Education, State Department for Vocational and Technical Training Ministry of Education, Science and Technology 1986-2000 - Senior Lecturer, Technical Education

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 Dr. Musa Nyandusi Masters in Medicine (MMED)	Member - National Industrial Training Board Representing Principal Secretary Ministry of East African Community, Labour & Social Protection (State Department for Labour) Date of Birth: 15th March, 1973 3rd June 2019 – date - Director, Directorate of Occupational Safety and Health Services (DOSHS), Department for Labour, Ministry of Labour and Social Protection. Secretary to the National Council for Occupational Safety and Health (NACOSH), a body whose role is to advise the Cabinet Secretary in matters OSH
 Apollo Nganga Kiarii HRM - Institute of HRM Kenya Institute of Management The Technical University of Kenya	Member National Industrial Training Board Representing FKE Date of Birth: 16th September 1966 Chief Executive Officer - Kenya Tea Growers Association (KTGA) Management Board Member – Federation of Kenya Employers Member – Tea Industry Task Force
 Stephen O. Ogenga M. Eng. Sc. (Computer Engineering) B. Eng. Tech. (Electrical/Electronic) Member IEEE Member (Inst. of Eng. Australia)	Director General Date of Birth: 27th March, 1968 <i>Work Experience:</i> 2014 to April 2019 –Director Industrial Training, NITA; 2013-2014–Deputy Director KICD; 2008-2012- Senior Assistant Director KIE; 2007-2008- Lecturer Maseno University and MMUST; 1999-2006- Tutorial Fellow and Senior Instructor University of Botswana

3. MANAGEMENT TEAM

 Stephen O. Ogenga M. Eng. Sc. (Computer Engineering) B. Eng. Tech. (Electrical/Electronic) Member IEEE Member (Inst. of Eng. Australia)	Director General
 William O. Mwanza B. Phil. Mech Eng. Technical University of Kenya	Ag. Director Industrial Training
 Lemunen Solomon Lucas PhD (HRM) JKUAT Ongoing, MBA (HRM) KU BBA (HRM) KEMU	Ag. Director Human Resource and Administration

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 Galm Guyo MBA strategic Management, Degree in Cooperative Management, Diploma in Cooperative Management,	Manager, Levy Administration
 Julius M. Ndenge MBA from Kenyatta University BCOM Finance, CPA (K)	Ag. Manager Finance & Accounting
 Teresa Lagat MBA from University of Nairobi CFE, CPA (K)	Manager Internal Audit
 Eliva Osodo MBA in Procurement and Supply Chain Management from University of Nairobi, BBA(Entrepreneurship)KEMU Diploma in Procurement and Supply Chain Management	Manager, Supply Chain Management

 Festus Kitui MSc.in Management Information system from the Institute of Technology Australia (IOTA) and BSc. in Mathematics, Physics & Computing from Maseno University.	Manager, Information Communication Technology
 Carolyn Kibiwott Bachelor of Laws (LLB) Certified Public Secretary of Kenya Diploma Kenya School of Law	Ag. Manager, Legal Affairs
 Eng. Festus Musyoki MBA (Project Management) Kenyatta University B. Tech (Textile. Eng) Moi University EBK Member	Centre Manager - NITA Textile Training Institute (NTTI)
 Susan Mueni Musau M.ED – Educational, Administrative and Planning – University of Nairobi B.ED (Hons) - Kenyatta University/	Ag. Centre Manager- NITA Nairobi

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 Mary Wamoko Bachelor of Education, Science (Maths, Computer) Mount Kenya University, Higher –Diploma Electrical Engineering, Technical University of Mombasa, Diploma Technical Education, Kenya Technical Trainers College.	Centre Manager NITA Kisumu
 Liban Roba Duba MBA, Bachelor of Arts (BA), Economics, University of Nairobi; Member, Institute of Directors, IOD (K)	Centre Manager NITA Mombasa
 Jane W. Kamau BSc. Mechatronic Eng. JKUAT	Centre Manager NITA Athi River

4. CHAIRMAN'S STATEMENT

On behalf of the National Industrial Training Board members, Management and the Staff of National Industrial Training Authority, I am pleased to present the Authority's Financial Report for the year ended 30th June 2021.

Kenya's global competitiveness depends on its ability to create a human resource base that is constantly subjected to skills upgrading, NITA is aware to this fact and continues to provide strategic leadership in the development and advancement of the industrial skills ecosystem to ensure systemic, deliberate and innovative policy formulation and mobilization of resources to intensively and effectively drive the skills development agenda in the industry.

During the year under review, NITA in line with her strategic plan 2018/2022 has established key programmes and policies to ensure all persons in the industry are adequately trained. These programmes include: Facilitation and provision of adequate, relevant and portable skills for productivity enhancement and competitiveness. The Authority has established an adequate funding model for re-skilling of personnel engaged in the sector through the Industrial Levy Fund, which is payable monthly by every employer to cater for employees re-skilling expenses. To ensure people in Jua Kali sector keep up with the ever changing industry demands, NITA continue to ensure mainstreaming of the informal sector in industrial training through operationalization of the skills sub-framework in the Kenya National Qualification Framework as well as enhancement of quality in industrial training by development of integrated quality assurance framework.

The Authority has been keen on enhancing industry- institutional linkages by partnering with relevant institutions; National and County Governments in ensuring all persons in the industry are adequately trained for enhanced productivity. Further, the Authority has continued to train youth in Jua Kali sector through the Kenya Youth Employment and Opportunities project supported by the World Bank. To bridge performance skills gaps among informal workers, NITA has developed new curricula for industrial training, which will go a long way in ensuring enhanced competencies.

Partnership in skills enhancement is a strategic step taken by the Authority to achieve national economic growth and global competitiveness. NITA in collaboration with Kenya National Qualification Authority (KNQA) has developed frameworks and standards for Recognition of Prior Learning (RPL). The knowledge, skills and attitudes under consideration in RPL are those that are acquired or learnt either non-formally or informally in the formal and informal sectors. Assessment and certification is done against learning outcomes or prescribed standards. The RPL

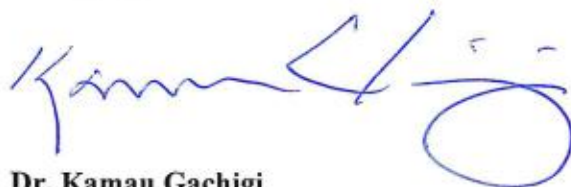
process enables persons to acquire formal qualifications that matches their knowledge and skills and thereby, contributing to improving their employability, mobility, lifelong learning.

The Authority has developed 12 Industrial Training Frameworks/Schemes and Trade Test Rules have been reviewed and developed to standardize training at various levels leading to various qualifications. The review of the Industrial Training Schemes has greatly opened up the industrial training spectrum. Trainees and graduates can now afford vertical and horizontal movement along and across the Kenya National Qualification Framework (KNQF) up until Level 8. KNQF requires that all qualifications awarding bodies be accredited. NITA has developed and reviewed training curricula and Test/Assessment guidelines with several National Occupational Standards. The Authority is in the process to ensure all training in all trades regulated by NITA have up to standard training curricula.

NITA remains committed to playing its critical role in ensuring that industry in Kenya is adequately equipped and supplied with a competent, competitive, quality, relevant and skilled workforce for optimum productivity.

Finally, I would like to thank the Board, Management and the staff for your dedication and resilience to deliver even in the midst of the pandemic. On behalf of the Board, I wish to thank the Government, our partners and all the stakeholders for their continued support and contribution to the Authority.

Thank you

A handwritten signature in blue ink, appearing to read 'Kamau Gachigi', with a large circular flourish at the end.

Dr. Kamau Gachigi
NITB Chairman

5. REPORT OF THE DIRECTOR GENERAL

I am pleased to present the Annual Report and Financial Statement for the Financial Year ended 30th June 2021. The Financial Year 2020/21 was a challenging year in many ways especially in light of the COVID-19. Despite the challenges, the Authority continued to play its role in skilling and re-skilling of persons in the industry.

During the year under review, the Authority adopted various strategies to meet its objective as per the Strategic Plan 2018/2022 which included: Reviewing, developing and implementing the industrial training schemes, improved management of industrial training levy, partnership with key industry players and efficient industrial attachment and placement of students among other strategies.

The Authority partnered with relevant agencies in the industry to develop frameworks and standardize recognition of prior learning (RPL). RPL is the process of identifying, assessing and certifying knowledge, skills and attitudes regardless of how, when or where learning occurred. Through RPL it is expected that persons in the industry will acquire certification in the chosen areas of trade. Recognition of these types of learning will result in benefits in the labour market, formal education and training, greater opportunity for broader development, access to jobs, career progression, fostered remuneration and generally promoted employment equity. The RPL Framework will also include the Vertical Projection for NITA Level 4 to Level 8.

Further, the Authority gazetted the developed industrial training schemes which are key in standardizing training at different levels to various qualifications. This is in realization that aligning industrial training to the government's development agenda is a critical factor where the relevance of training programmes available to the employer is concerned.

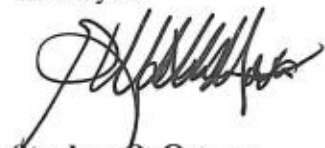
NITA is responsible for assessing and collecting industrial training levy which every employer must remit on behalf of their employees' Kshs 600 annually to cater for their skills advancement. As part of the initiative under the Government of Kenya's "doing business made easier" agenda aimed at simplifying the process of paying the industrial training levy, KRA and NITA developed the Unified Payroll Return (UPR) for joint declaration and payment of Pay As You Earn (PAYE) and Industrial Training Levy (levy). This was rolled out in December 2020. The adopted strategy will go a long way in ensuring there is continuous skills enhancement for the employees/workers in the industry.

National Industrial Training Authority (NITA) put emphasis on partnership with key industry players to realize her mandate and contribute towards national development. Key partnerships during the financial year under review were: Collaboration with County Governments in the realization of the Government's Big Four Agenda: NITA collaborated with various County Governments to enhance the skills of more than 1,000 youths across the Country. These County Governments include: Makueni, Kitui, Bomet, Kisii, Kisumu, Teso, Kakamega, Wajir, Kajiado among others. The youths under the sponsorship underwent training in various trades. This has been instrumental in driving industrial training through proper skills development in support of the 'Big Four Agenda'. This will ensure the channelling into the labour market of a highly trained work force in support of all the sectors of the economy and especially those sectors concerned with the Government BIG Four Agenda in manufacturing, affordable housing, food security and affordable healthcare.

NITA as an industrial training regulator in the country will continue to provide strategic leadership in the advancement of industrial training in Kenya.

On behalf of management and the staff, I appreciate the support that has been accorded to us by all our stakeholders during the year. NITA shall strive to champion the industrial training agenda which plays an essential role in all sectors of our economy.

Thank you.



Stephen O. Ogenga
DIRECTOR GENERAL

6. REVIEW OF NATIONAL INDUSTRIAL TRAINING AUTHORITY PERFORMANCE FOR FY 2020/2021

NITA has four (4) Key Result Areas, namely, Regulation of industrial training; Industrial skills development, Resource mobilization, and Organizational capacity development. In addition, the Authority has seven (7) Strategic Objectives within the Strategic Plan 2018-2022. The Strategic objectives are:

- a) Key Result Area I - Regulation of industrial training;
 - i) To Strengthen the Regulatory Role of NITA
 - ii) To Streamline Quality Assurance in Industrial Training Among Key Interested Parties
- b) Key Result Area II - Industrial skills development,
 - i) To Facilitate Provision of Adequate and Relevant Skills for Productivity Enhancement & Competitiveness
 - ii) To Mainstream Industrial Training in The Informal/Jua Kali Sector
- c) Key Result Area III - Resource mobilization,
 - i) To Enhance the Financial Sustainability of Industrial Training Programmes
- d) Key Result Area IV - Organizational capacity
 - i) To Ensure Adequate, Skilled and Productive Workforce for NITA
 - ii) To Strengthen Governance and Corporate Image

NITA develops its Corporate Work Plan based on the four (4) Key Areas and the seven (7) Strategic Objectives. Assessment of the Board's performance against its annual Corporate Work Plan is done on quarterly basis mainly through the Performance Contracting System. The Authority achieved most of the performance targets set for the FY 2020/2021 period for its four KRAs and seven Strategic Objectives as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
KRA I - Regulation of Industrial Training	To Strengthen the Regulatory Role of NITA	% implementation of Board resolutions	Coordinate the implementation of resolutions of the NITB	90%
		Number of the 5 Terms of Reference Implemented	Coordinate the implementation of the Sector Training Committees	50%
	To Streamline Quality Assurance in Industrial Training Among Key Interested Parties	Number of targeted 110 training providers registered	Standardization of Industrial Training Offered In The Industry	173
		% Review of the Industrial Training Act	Appropriate Policy, Legal and Institutional Frameworks in Place	30%
KRA II - Industrial skills development	To Facilitate Provision of Adequate and Relevant Skills for Productivity	Number of Youth and Women in Textiles and Apparels trained against the target of 10,000	Skills to Actualize the "Big Four" Initiative Enhanced	486

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	Enhancement & Competitiveness	Number of workers approved for training against a target of 40,000	Persons Trained In Industrial Skills Increased	55,366
	To Mainstream Industrial Training in The Informal/Jua Kali Sector	Number of persons attached in industry against a target if 30,000	Trainees and Instructors/Lecturers Attached In Industry Increased	17,109
		Number of persons assessed against a target of 64,000	Persons Assessed In Competencies Increased	45,123
KRA III - Resource mobilization	To Enhance the Financial Sustainability of Industrial Training Programmes	% absorption of allocated funds	Absorption of Allocated Funds (GOK)	85%
		% absorption of Externally Mobilized Resources	Absorption of Externally Mobilized Resources	56%
		Amount of money collected against a target of Ksh 762.2m	A-In-A	Ksh 497.6m
		Amount of levy collected against a target of Ksh 900m	Collection of Industrial Training Levy Enhanced	Ksh 664.17m
KRA IV - Organizational capacity Development	To Ensure Adequate, Skilled and Productive Workforce for NITA	Number of NITA staff trained	Competence Development	3
	To Strengthen Governance and Corporate Image	% implementation of service delivery charter	Implementation of Citizens' Service Delivery Charter	90%
		% of complaints resolved	Resolution of Public Complaints	80%
		% mitigations activity against covid-19	Mitigate the effect of Covid-19 Pandemic	46.12%
		% of brand publicity and corporate image undertaken	Brand Publicity and Corporate Image enhanced	100%
		The number of products and services marketed	Marketing of NITA Products and Services	90%
		% AGPO by youth and women	Access to Government Procurement Opportunities (AGPO) against a target of Ksh 399.2 m	Ksh 116.25m

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		% promotion of local content in procurement	Promotion of Local Content in Procurement against a target of Ksh 532.32m	Ksh 247.97m
		% disability mainstreaming	Disability Mainstreaming	92%
		% corruption prevention interventions	Corruption Prevention	80%

7. CORPORATE GOVERNANCE STATEMENT

The Board of Directors recognizes the importance of applying the highest standards of corporate governance as a key contributor to its long term success, long term value and prosperity. Balancing the interest of the company's many stakeholders. It provides the frame work for attaining the Authority's objectives.

The Board

The size, composition and appointments of the Members of the Board are prescribed in the Training and Industrial Act. NITA Board comprises of eleven (11) independent non-executives board of directors. Each member serves for a maximum of two terms of four (4) years each.

No.	COMMITTEE NAME	NEW MEMBERSHIP
1.	Audit and Risk Management Committee; - ARMC	1. Mr. Mike Macharia - Chair 2. Mr. James Onduru 3. Rev. Joel K. Chebii, OGW 4. Mr. Apollo Kiarie 5. Mr. Rastas Shikuku
2.	Finance and Levy Administration Committee; - FLAC ;	1. Mr. Wilson Ngahu - Chair 2. Dr. Musa Nyandusi 3. Ms. Gilda Odera 4. Mr. Benson Okwaro 5. Mr. Rastas Shikuku
3.	Human Resource, Governance and Administration Committee; - HRG&A ;	1. Mrs. Gilda Odera - Chair 2. Rev. Joel Chebii 3. Mr. James Onduru 4. Ms. Carolyn Rutto 5. Mr. Wilson Ngahu
4.	Industrial Training and Strategy Committee; - IT&SC ;	1. Mr. Benson Okwaro - Chair 2. Mr. Mike Macharia 3. Ms. Carolyn C. Rutto 4. Mr. Apollo Kiarii 5. Mr. James Onduru
	Ad Hoc Steering Committee of The Kenya Youth & Employment And Opportunities Project (KYEOP)	1. Ms. Carolyn C. Rutto - Chair 2. Dr. Kamau Gachigi 3. Mr. Apollo Kiarii 4. Dr. Musa Nyandusi 5. Rev. Joel Chebii

The Board is charged with the following responsibilities:

- Defining the purpose of the National Industrial Training Authority, that is, its strategic intent and objectives, and its values which should be clear, concise and achievable;
- Strategy formulation and ensuring there are appropriate policies, systems and structures to effectively and successfully implement the strategies;
- Provide leadership within a framework of prudent and effective structures which enable risks to be assessed;
- Identify the opportunities as well as the principle risks in its operating environment including the preparation of the risk policy plans/risk management policies and implementation of appropriate measures to manage such risks or anticipated impact on the corporate business;

- e) Review on a regular basis the adequacy and integrity of the internal controls, acquisition and divestures, management information systems including compliance with applicable laws and regulations;
- f) In stewardship and in discharging its obligations, the Board assumes responsibility in the following areas:
 - (i) Retaining full and effective control over NITA, and monitoring management in implementing Board plans and strategies;
 - (ii) Ensuring ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, and NITA's own governing documents and Code of Ethics;
 - (iii) Defining levels of materiality, reserving specific powers to the Board and delegating other matters with the necessary written authority to management and instituting effective mechanisms that ensure Board responsibility for management performance of its functions; among other mandates and responsibilities as stipulated in the Industrial act.

BOARD COMMITTEES

The Board has established the following committees;

- Industrial Training & Strategy committee
- Human Resource, Governance & Administration committee
- Finance & Levy Administration Committee
- Audit & Risk Management committee
- ADHOC Steering Committee on the Kenya Youth Employment and Opportunity Project

FINANCE & LEVY ADMINISTRATION COMMITTEE.

- Terms of reference for the committee include;
- Approve and maintain budgetary systems of Authority.
- Oversee financial reporting process & internal controls
- Monitor the financial reporting process to ensure compliance.
- Review, approve or recommend to the Board on matters pertaining to investments.

HUMAN RESOURCE, GOVERNANCE & ADMINISTRATION COMMITTEE.

- The term of reference for the committee include;
- To approve recommendations on terms and condition of employment in the Authority, recruitment functions and staff appraisals.
- To ensure effective management, succession planning and management development plans are in place.
- Approve programs & policies involving the overall compensation of employees & Authority's collective bargaining agreement.
- Regularly assess staff benefit plans including new trends
- Review & monitor corporate performance against approved targets.

INDUSTRIAL TRAINING & STRATEGY COMMITTEE

- The terms of reference for the committee include;
- To develop strategies for industrial training
- Ensure that implementation of Industrial Training is effective & efficient
- Advice on terms & conditions of industrial training providers.
- Develop regulations to facilitate effective industrial training
- Monitor Industrial training & advice on Industrial training.

AUDIT & RISK MANAGEMENT COMMITTEE.

- The terms of reference for the committee include;
- Establish a NITA'S risk management policy.
- Create an understanding and ensure risk management practices at NITA.
- Review the scope & planning of the external audit.
- Review the annual financial statements of the Authority

Summary of Board and Board Committee Meetings for Financial Year 2020/2021

The following is a summary of the meetings of the Board and its Committees that took place for the year under review:

S/No.	Board / Committee	No. of Meetings
1	National Industrial Training Board	• 12 special meetings • 4 scheduled meetings
2	Finance and Levy Administration Committee	• 3 scheduled meetings • 3 special meetings
3	Human Resource, Governance And Administration Committee	• 3 scheduled meetings • 10 special meetings
4	Industrial Training And Strategy Committee	• 4 scheduled meetings • 1 special meeting
5	Audit and Risk Management Committee	• 2 scheduled meetings • 2 special meetings
6	AD HOC Committee- KYEOP	• 3 scheduled meetings

8. MANAGEMENT DISCUSSION AND ANALYSIS

The National Industrial Training Authority management team oversees development and implementation of annual budget approved by the National Industrial Training Board (NITB). NITA management therefore monitors the use of funds in line with the approved budget and Corporate Work Plan during the financial year. The Authority makes quarterly reports on budget utilization which are submitted to the Board of Directors, Parent Ministry and to The National Treasury. The reports indicate the achievements by the Authority, the challenges experienced during the implementation period and makes recommendations for overcoming the challenges.

The management also gives advice to the Board of Directors on issues related to its budget implementation such as low absorption of funds and revenue performance. This therefore promotes accountability in the use of financial resources.

Compliance with Statutory Requirements

The process of budget implementation ensures compliance to the Public Financial Management (PFM) Act 2012 and all other statutory requirements. NITA management has continued to improve its financial management system to ensure that financial records of the Authority are accurate and offers a true reflection of the financial position.

During the year under review, the Authority reported a reduction in Industrial Training levy collections by 2% compared to the previous year. The decrease is attributed to the negative effects of Covid -19 Pandemic across the globe. The management further recognises that the Training levy collection for the period under review is 30% below the budget. This under achievement of budget can be attributed to challenges faced by the Authority due to many organizations non-compliance to pay the Industrial Training Levy and the effects of Covid-19 that led to closure of all the five Industrial Training Centres. In order to mitigate on this non-compliance, the Authority in consultation with FKE is holding sensitization forums with employers across the country to educate them about the benefits of being compliance with the Industrial Training Levy payments. The Unified Payroll Returns (UPR) introduced in January 2021 through a Government initiative on ease of doing business in the country saw the Authority partner with KRA in collection of Industrial Training Levy. The Authority is also contemplating recovering Industrial Levy contribution in arrears by enforcement of the Act and recover with interest and penalties all outstanding levy contributions due to the Authority. The authority has therefore continued to improve its customer relations with employers, which has been achieved through closer liaison with the Authority's stakeholders. From the implementation of 2020/21 FY budget, it was clear

that about 45% of the total revenue to the Authority was realized from Industrial training levy, Government grants and subsidies 20% while revenue from exchange transactions accounted for 33%. It was also realized that 37% of the total expenditure was on employees cost which is also 45% of the total revenue collected. General expenses were at 37% while Depreciation and amortization of assets was 13% as illustrated below.

Total Revenue Collection

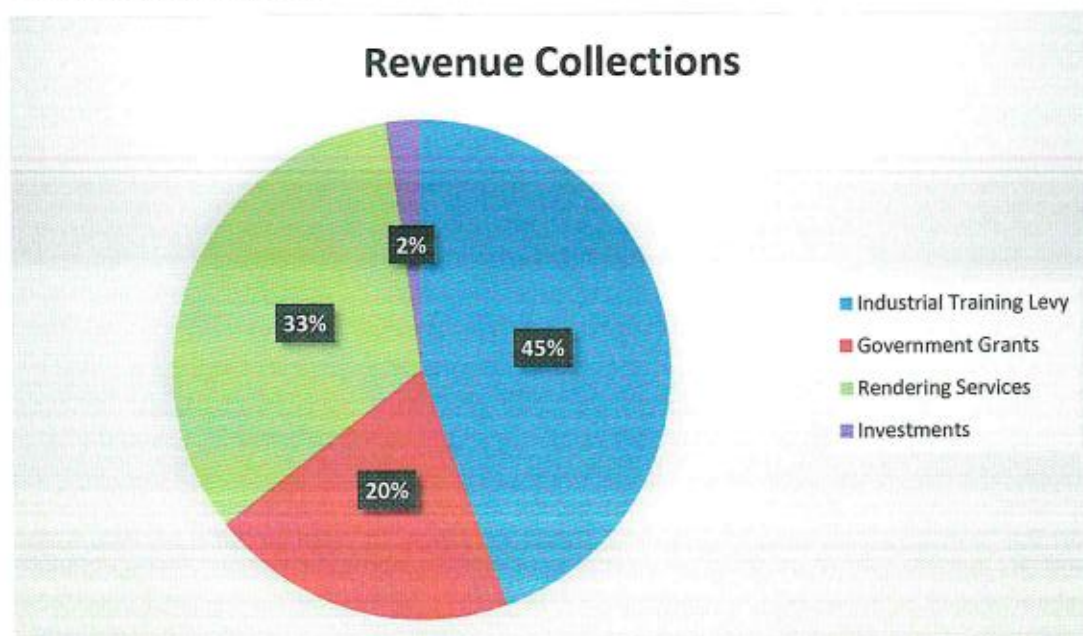


Figure 1.0 Total revenue collected for the year 2020/2021

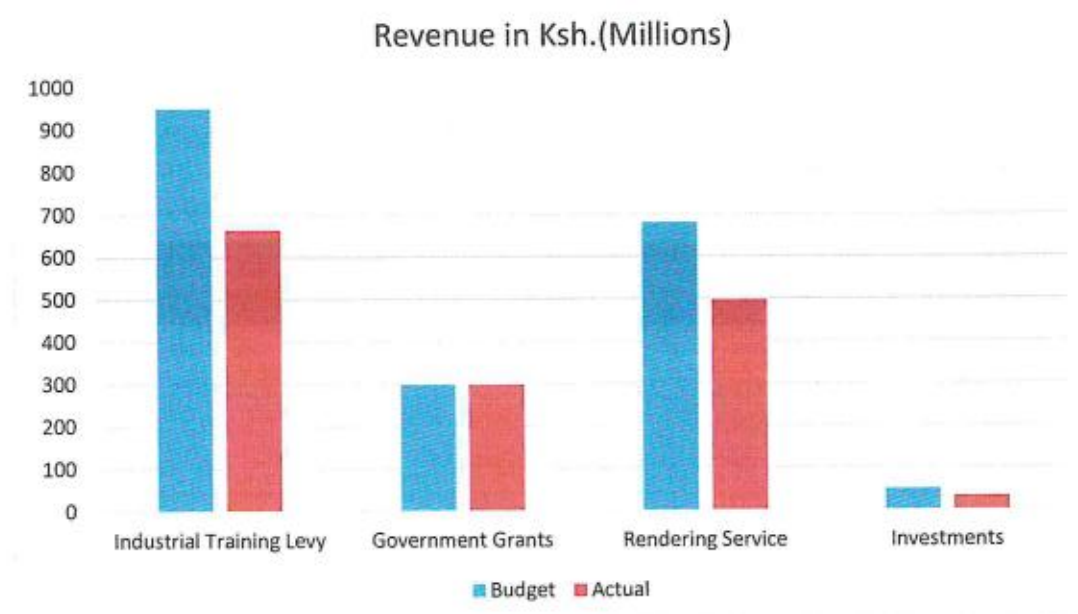


Figure 1.1 Total revenue and Budget for the year 2020/2021

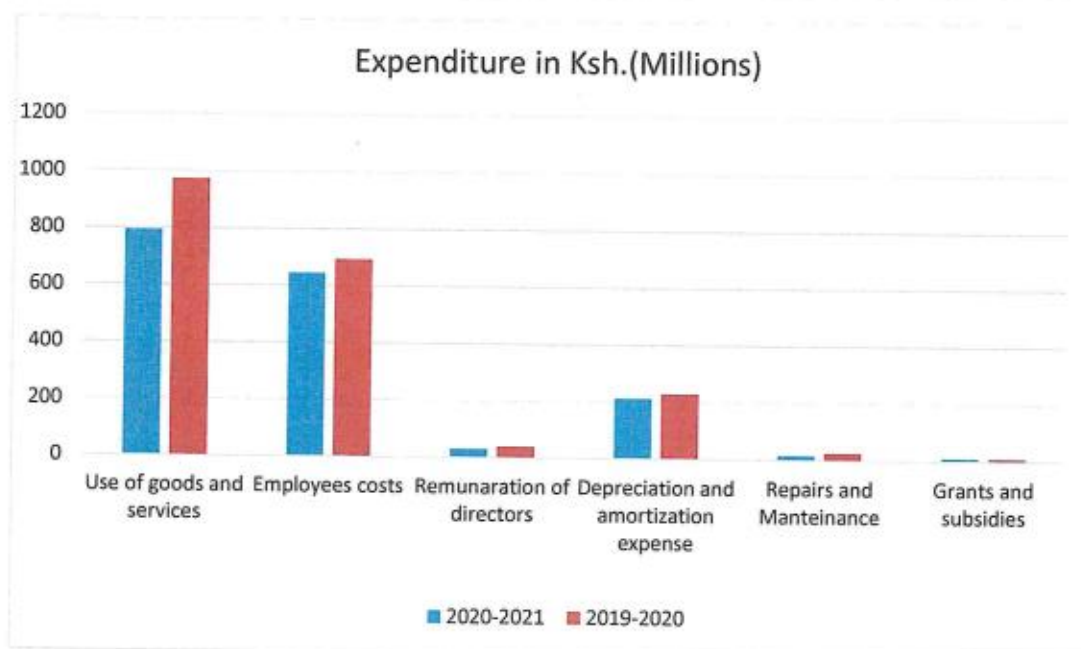


Figure 2.0 Expenditure comparison for the year 2019/20 and 2020/21

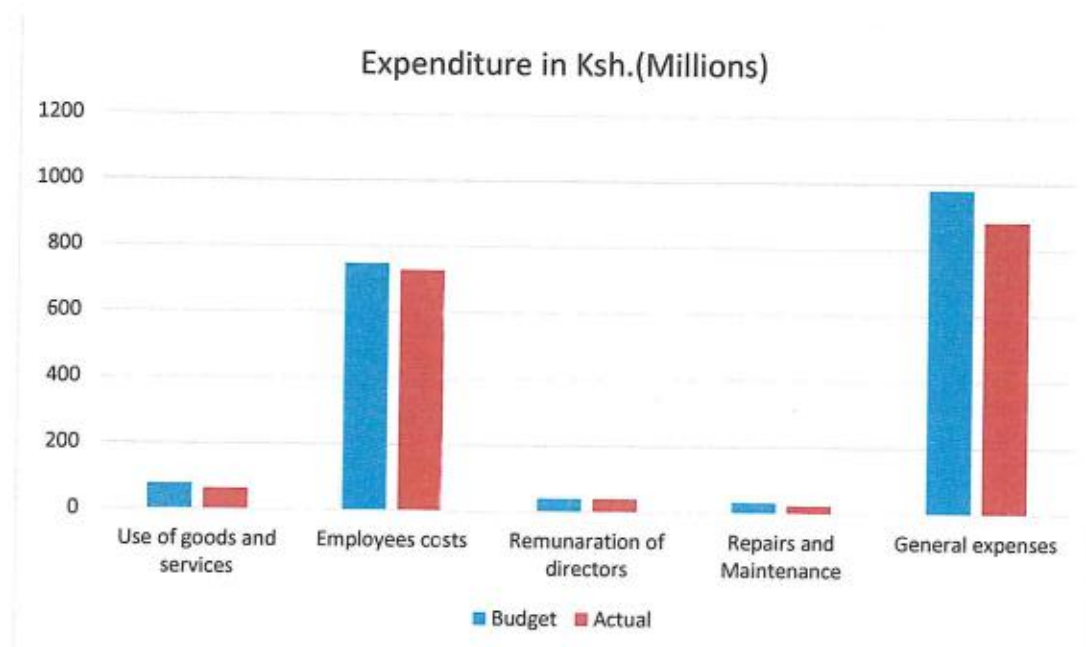


Figure 2.2 Total Expenditure in comparison with Budget for the year 2020/2021

The major risk facing the National Industrial Training Authority are financial and operational risks associated with the Authority's business. During the financial year 2020/2021 the management updated and monitored the risk profiles for each of the operating businesses and major projects to identify the nature and likelihood of its occurrence for specific material risks, key controls that are in place to mitigate and manage the risks, sources and levels of assurance provided on the effective

operations of key controls and responsibilities for managing risks. Therefore, the risk framework, policies and procedures will continue to be enhanced as the Authority's existing operations develop and its range of activities expand. During the year under review the Authority procured and implemented an ERP system as a way of automating and improving on service delivery and strengthening its internal control systems so as to enhance efficiency, accountability and transparency in its operations.

The year 2020/2021 the Authority's income on investment reduced by 35% as compared to the last financial year and 35% below the budget. This under achievement of the budget was attributed to changes in investment when the Authority liquidated part of its investments to procure Training Equipment to Centres. Equity shares with the Consolidated Bank of Kenya is 8.4M

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Corporate Social Responsibility (CSR) is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while at the same time addressing the expectations of its shareholders and stakeholders.

Corporate Social Investment: Nita Female Engineering Programme

Corporate Social Investment is a form of Corporate Social Responsibility, which is a company's over-arching approach or strategy for improving the social, environmental and economic well-being of their community or society at large. Through corporate social responsibility, a corporation may have multiple different tactics for achieving this strategy, including by making corporate social investments. Corporate Social Investment occurs when businesses use money or resources for projects that improve the world around them, without a direct financial benefit to the company and may take the form of money, gifts in kind, employee time or other resources.

For the National Industrial Training Authority, the Corporate Social Investment is in form of sponsorship of 25 Kenyan female students from needy backgrounds annually to pursue engineering courses at craft, certificate and diploma levels in an effort to reduce gender disparity in technical/engineering disciplines as a part of its Corporate Social Investment. Through this affirmative action, this programme has benefitted over two hundred and twenty five (225) Kenyan students across the country to date.

The Female Engineering Training Programme was conceived out of a report on an overseas study tour to fifteen (15) countries with best levy practices in 2005. The objective of the programme was to address the observed gender imbalance in the engineering profession by supporting deserving and needy females to undertake engineering training.

Selected candidates are placed in NITA Centres, other National Polytechnics and technical training institutions. The students have undertaken various courses in electrical engineering (electronics, telecoms and computer), mechanical engineering (plant option and production), land survey, quantity survey, civil engineering, agricultural, and chemical engineering.

Criteria for selection of trainees is based on academic qualifications, and neediness of applicants from Arid and Semi- arid Land [ASAL] areas. Targeted ASAL areas are: Mandera, Turkana, Lamu, Wajir, West Pokot, Kwale, Ijara, Tana River, Garissa, Isiolo, Marsabit, Samburu, Elgeyo - Marakwet, Suba, Kajiado, Kilifi, Taita Taveta, Teso, Mt. Elgon, Kitui, Mwingi, Tharaka, Mbeere, Transmara, Makueni, Kuria and Marigat.

Most females from these marginalised areas fail to take Physics in high schools therefore leaving the subject to be male dominated, a factor which has contributed to a lower number of applicants from these regions.

Through the Female Engineering Sponsorship Committee which oversees the day-to-day running of the Programme, the Authority is working to develop intensive outreach programs in these areas to sensitize the locals on the importance of taking technical courses.

The COVID-19 Effect On Programme Operations

Due to the Presidential Directive on the COVID-19 pandemic, NITA scaled down its' operations and with it the operations of the FEP Programme were also suspended as per the directive of the NITA Management. However in Q3 FY 2020/21 the operations of the Programme resumed and the final shortlisted applicants for the 14th Intake will be placed in various learning institutions across the country according to their various preferred short courses.

Outstanding Scientific Research and Innovation Which Have Contributed to Improvement of Kenya's Welfare During the Covid-19 Pandemic

The Coronavirus disease or COVID 19 as it is commonly known was first discovered in Wuhan, China in December 2019 and has caused untold damage and chaos to the health systems of all countries in the world, Kenya included. Further, the economies of most countries have been partially or totally shut down. This has resulted in huge job losses and in some instances complete closure of major industries. The severity of this closure has been most felt in most if all not all sectors across the country. Towards mitigating the effects of the pandemic, the Authority came up with the following measures;

1. **Production of Masks:** Production of the face masks started at the Authority's NITA Textile Training Institute [NTTI] based in Nairobi. The masks which are re-usable are non-absorbent were made from non-woven fabric. The masks were re-usable and could be re-used up to 3 times if well-disinfected after use. The Authority launched countrywide skills enhancement through partnerships with various counties such as Homabay, Elgeyo Marakwet, Kitui and Teso where some of the beneficiaries who underwent training through the NITA Textile Training Institute took it upon themselves to engage in the production of masks in their respective counties as a form of community social engagement.
2. **Fabrication of contactless hand-washing stations:** The Authority's Industrial Training Centers innovated contactless hand wash basins that are currently in use in all the Centers. The fabricated hand wash basins are twin-pedalled with one pedal dispensing soap while the other one dispenses water.
3. **Production of hand sanitizers:** Through its NITA Athi River Centre the Authority produced hand sanitizers for use by the general public.

Nita in Sports

While NITA is in the frontline in the promotion of industrial training, the Authority has also increased its visibility countrywide by introducing sporting events across the NITA Industrial Training Centres which have enabled the students and staff achieve success beyond the work environment.

The Kenya Technical Institution Sports Association [KETISA] is an umbrella body that manages games across various National Polytechnics and other institutions of higher learning. NITA is currently represented in the Association by three of its Industrial Training Centres; NITA-Athi-River, NITA Nairobi and NITA Textile Training Institute as well as members of staff. The Authority has emerged victorious on several occasions in various events hosted by the Association.

Apart from exposure trainees have also had opportunities to interact with members of other institutions of higher learning country wide. The rigorous training schedules have also enabled the players and staff to develop discipline, team work, dedication, patience as well as punctuality

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the National Industrial Training Authority affairs.

Principal activities

The Principal activities of the Industrial Training Authority are:

- Industrial training;
- Assessing and collecting industrial training levy and fees;
- Regulating trainers registered under section 7C of the Act
- Developing industrial training curricula;
- Integrating labour market information into skills development;
- Harmonizing curricula and certificates of competence;
- Assessing industrial training, testing occupational skills and awarding certificates
- Including Government trade test certificates;
- Equating certificates;
- Accrediting institutions engaged in skills training for industry;
- Associating or collaborating with any other body or organization within or outside Kenya as the Board may consider desirable or appropriate and in furtherance of the purposes for which the Authority is established;

Directors

The members of the Board of Directors who served during the year are shown on page vi to page ix.

Auditors

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

By Order of the Board

Corporate Secretary
Nairobi
Date:.....
.....

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, under the Industrial Training Act 2011 require the Directors to prepare financial statements in respect of that National Industrial Training Authority (NITA) which give a true and fair view of the state of affairs of NITA at the end of the financial year and the operating results of the NITA for that year. The Directors are also required to ensure NITA keeps proper accounting records which disclose with reasonable accuracy the financial position of NITA. The Directors are also responsible for safeguarding the assets of NITA.

The Directors are responsible for the preparation and presentation of the NITA's financial statements, which give a true and fair view of the state of affairs of NITA for and as at the end of the financial year 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 NITA
- (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 NITA
- (v) selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

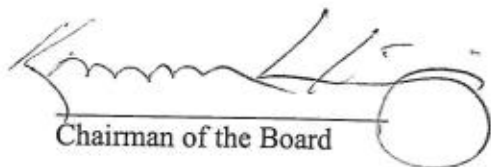
The Directors accept responsibility for NITA financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Industrial Training (Amendment) Act, 2011.

The Directors are of the opinion that NITA financial statements give a true and fair view of the state of NITA transactions during the financial year ended June 30, 2021, and of the NITA's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for NITA which have been relied upon in the preparation of the NITA's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

NITA financial statements were approved by the Board on2021 and signed on its behalf by:


Chairman of the Board


Director General

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NATIONAL INDUSTRIAL TRAINING AUTHORITY 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 National Industrial Training Authority set out on pages 1 to 38, which comprise of the statement of financial position as at 30 June, 2021, statement of financial performance, statement of changes in net assets, statement of cash flows, 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 National Industrial Training Authority as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Industrial Training Act, 2011 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

1.1. Difference in the Financial Statements and the Supporting Documents

The budget balances reflected in the statement of comparison of budget and actual amounts differed from those in the approved budget provided for audit as analyzed below:

Revenue	Budget Balances in Financial Statements (Kshs)	Budget Balances in the Approved Budget (Kshs)	Variances (Kshs)
Government Grants and Subsidies	298,120,000	305,600,000	7,480,000
Expenditure			
Use of Goods and Services	901,560,000	914,757,000	13,197,000
Employee Costs	735,677,000	722,930,000	12,747,000
Depreciation and Amortization	169,100,000	176,600,000	7,500,000
Capital Expenditure	169,100,000	164,000,000	5,100,000

Further, review of payrolls provided for audit revealed unexplained discrepancies with the balances reflected in the statement of financial performance as analyzed below:

Component	Financial Statement Balance (Kshs)	Payroll Analysis Balance (Kshs)	Difference (Kshs)
Basic Salaries and Wages	324,304,000	312,468,002	11,835,998
Staff Pension	49,829,000	33,190,246	16,638,754
Commuter Allowances	57,220,000	57,268,000	48,000
House Allowances	148,565,000	148,695,000	130,000
Other Allowance	9,428,000	25,828,376	16,400,376
NSSF Employer Contribution	0	1,176,800	1,176,800

In addition, the statement of financial performance and as disclosed in Note 11 to the financial statements reflects fuel, oil and lubricants balance of Kshs.8,966,000 out of which an amount of Kshs.10,181,899 spent during the year was not posted to the general ledger.

1.2. Prior Year Comparative Balances

The comparative balances in the 2020/2021 financial statements differs with the balances reflected in the year 2019/2020 audited financial statements although the prior year balances had not been restated. Details are as shown below:

Item	2019/2020 Audited Balance (Kshs)	2020/2021 Comparative Balance (Kshs)	Difference (Kshs)
Use of Goods	62,742,000	939,006,000	876,264,000
Grants and Subsidies	0	7,295,000	7,295,000

1.3. Unsupported Adjustments in the Financial Statements

The following adjustments in the revised financial statements were not supported by the journal vouchers and necessary documentary evidence:

Item	Submitted Financial Statement Balance 29 September, 2021 (Kshs)	Revised Financial Statement Balance 26 May, 2022 (Kshs)	Variance (Kshs)
Training Levy	664,333,000	670,140,000	5,807,000
Use of Goods	807,662,000	791,393,000	16,269,000
Employee Costs	645,563,000	671,200,000	25,637,000
Cash and Cash Equivalents	31,740,000	27,860,000	3,880,000
Trade and Other Payables	311,619,000	315,018,000	3,399,000

Further, the statement of changes in net assets and the statement of cash flows reflect an adjustment balance of Kshs.3,717,000 which was not supported.

In the circumstances, the accuracy and completeness of the above financial statements could not be confirmed.

2. Property, Plant and Equipment

The statement of financial position and as disclosed in Note 21 to the financial statements reflects property, plant and equipment balance of Kshs.9,536,201,000. However, as previously reported, the balance includes land valued at Kshs.6,608,300,000 without title deeds. The balance also includes disputed parcel of land measuring 12.91 hectares valued at Kshs.1,260,000,000 which was allocated to a private developer. In

compensation, the Authority's regional centre in Mombasa, that is, the Mombasa Industrial Training Centre was allocated another parcel of land measuring 6.2 hectares located in Bombolulu area. This fact has not been disclosed in the financial statements and Management, did not show effort made by the Authority in pursuing the matter with the National Land Commission to acquire the titles to avoid losing the property.

Further, motor vehicles with a carrying amount of Kshs.20,578,000 excludes the value of eleven (11) vehicles where ten (10) were registered under the Ministry of Labour and Manpower Development, and one is registered under Danida/Rural Development Fund. No documents were provided for audit to show efforts by the Management to have the vehicles registered in the Authority's name.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.9,536,201,000 2021 could not be confirmed.

3. Cash and Cash Equivalents-Current Account and Cash in Hand

The statement of financial position and as disclosed in Note 17(a) and (b) to the financial statements reflects cash and cash equivalents balance of Kshs.27,860,000. However, the following anomalies were noted:

3.1 Unreconciled Balances - Current Accounts

The current accounts balance of Kshs.27,013,000 reflected in Note 17(a) lacked necessary bank reconciliations supporting documents.

Further, some current accounts balances reflected in Note 17(a) and (b) did not agree with the cash books balances provided for audit. Details are as shown below:

Account	Financial Statements Balance (Kshs)	Cash Book Balance (Kshs)
KCB Payments	16,218,000	16,343,021
KCB Kisumu	19,000	27,918
KCB Kitengela	1,720,000	1,700,356
Standard Chartered Bank	140,000,000	Not provided

3.2 Unsupported Cash in Hand

In addition, the statement of financial position in Note 17(a) reflects a balance of Kshs.847,000 for cash in hand, however, petty cash books for Kisumu, Mombasa and Kitengela centres were not provided for audit verification. As reported in previous year, a loss of Kshs.248,496 which arose in 2008 from one of the officers still remains outstanding as cash in hand and there is no evidence of efforts to recover the same.

Consequently, the accuracy and completeness of cash and cash equivalents balance of Kshs.27,860,000 could not be confirmed.

4. Unsupported Current Provisions

The statement of financial position and as disclosed in Note 24(a) to the financial statements reflects deposits amounting to Kshs.129,466,000 held in various banks that

collapsed over twenty (20) years ago. During the year under review, no contingent liability was provided for the likely loss from these doubtful deposits. The Management did not demonstrate any efforts to recover the deposits through the Deposit Protection Fund.

Further, Note 24(b) to the financial statements reflects provisions for receivables balance of Kshs.31,582,000. Review of the balance revealed that there was no Board approval for the Management to transfer bounced cheques and Diamond Trust Bank (DTB) cheques from receivables from exchange transactions to provisions account.

In the circumstances, the accuracy, completeness and validity of deposits amounting to Kshs.129,466,000 and provisions for receivables balance of Kshs.31,582,000 could not be confirmed.

5. Inaccuracy in Trade and Other Payables

The statement of financial position and as disclosed in Note 23 to the financial statements reflects trade and other payables balance of Kshs.315,018,000 included in the balance is an amount of Kshs.188,622,749 which relates to 2019/2020 and prior years. Some trade payables date back to 2016/2017 and there was no explanation why they had not been paid to date.

Further, the balance excludes audit fees payable. In addition, review of payrolls revealed that an amount of Kshs.48,645,600 being employer contributions equivalent to 15% of basic salaries and Kshs.24,322,800 being employee contribution equivalent to 7.5% of basic salaries both totalling to Kshs.72,968,400. However, only an amount of Kshs.29,375,225 was remitted to the pension scheme, leaving an unremitted amount of Kshs.43,593,175 which was not included in accounts payable balance reflected in the financial statements. It is not clear why the deductions were not remitted to the administrator as required by law.

Consequently, the accuracy and completeness of the balance of Kshs.315,018,000 could not be confirmed.

6. Unsupported Investments

The statement of financial position reflects short term investments balance of Kshs.580,000,000 which, as disclosed in Note 20(a) to the financial statements includes a balance of Kshs.440,000,000 being balance on call deposits. However, fixed deposit receipts, certificate of balance, Board approval and interest earned were not provided. Further, the register provided did not reflect the fixed deposit receipt references, period, date deposited, maturity date and the interest rate.

In addition, included in short term investments balance of Kshs.580,000,000 is Kshs.140,000,000 relating to mortgage (Kshs.120,000,000) and car loan (Kshs.20,000,000) maintained at a commercial bank. The audit revealed that the Authority does not maintain separate cashbook or prepare separate monthly reconciliations for the staff mortgage and car loan.

In the circumstances, the propriety and accuracy of Kshs.580,000,000 could not be confirmed.

7. Long Outstanding Imprest

The statement of financial position and as disclosed in Note 19 to the financial statements reflects receivables from non-exchange transaction balance of Kshs.44,209,000 in respect of outstanding imprest. Examination of the 2020/2021 imprest register revealed outstanding imprest of Kshs.10,572,937 resulting to an unreconciled variance of Kshs.33,636,063. The difference was brought about by incomplete imprest register. Further, outstanding imprest schedule revealed long outstanding imprest some dating back in financial year 2014/2015 contrary to Regulation 93(5) Public Finance Management Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station. In the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate.

Consequently, accuracy and completeness of accounts receivable balance of Kshs.44,209,000 could not be confirmed and Management was in breach of the law.

8. Inaccuracy in Training Levy

The statement of financial performance reflects training levy balance of Kshs.670,140,000 which, as disclosed in Note 6 to the financial statements includes training levy receipt vouchers amounting to Kshs.7,000,166 which were provided for audit but were not posted in the ledger, and in the financial statements.

Consequently, the accuracy and completeness training levy balance of Kshs.670,140,000 could not be confirmed.

9. Inaccuracy in Finance Income

The statement of financial performance reflects finance income of Kshs.32,450,000 which, as disclosed in Note 9 to the financial includes an amount of Kshs.9,629,545 being net interest received on 27 August, 2020 for a principal deposit of Kshs.568,000,000, invested for 31 days in the previous year on 28 May, 2020. The amount of Kshs.9,629,545 should have been prorated and the portion for one month and 27 days (1 July - 27 August 2020) of Kshs.6,031,693 included in the total interest for the year under review. Therefore, the finance income balance is overstated by Kshs.3,597,852.

In the circumstances, the accuracy of Kshs.9,629,545 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Industrial Training Authority 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.

Other Matter

1. Budget and Budgetary Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs.2,010,320,000 and Kshs.1,465,952,000 respectively, resulting to an underfunding amounting to Kshs.544,368,000 or 27% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.2,045,637,000 and Kshs.1,512,764,000 respectively, resulting to an underperformance amounting to Kshs.532,873,000 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 Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given satisfactory explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

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.

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 section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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 section of my report, based on

the audit procedures performed, I confirm that, internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 the Board of Directors

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 Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless Management is aware of the intention to terminate the Authority 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 Directors is responsible for overseeing the Authority'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 overall 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 control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

26 July, 2022

National Industrial Training Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

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

	Note	2020-2021	2019-2020
		Kshs '000'	Kshs '000'
Revenue from non-exchange transactions			
Training Levy	6	670,140	675,568
Transfers from other governments—gifts and services-in-kind	7 (a)	298,120	370,420
		968,260	1,045,988
Revenue from exchange transactions			
Rendering of services	8	387,437	413,191
Finance income-external investments	9	32,450	50,458
Other income	10	77,805	117,112
		497,692	580,762
Total revenue		1,465,952	1,626,750
Expenses			
Use of goods and services	11	791,393	939,006
Employee costs	12	671,200	727,151
Remuneration of directors	13	30,298	38,832
Depreciation and amortization expense	14	211,886	228,915
Repairs and maintenance	15	13,175	23,507
Grants and Subsidies	16	6,699	7,295
Total Expenses		1,724,651	1,964,703
Surplus/(deficit)for the period		(258,699)	(337,953)
		(258,699)	(337,953)

The notes set out on pages 6 to 37 form an integral part of these Financial Statements

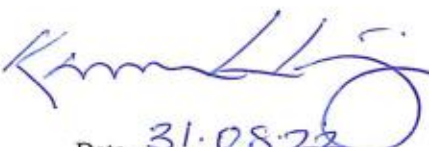
Director General
Name: **Stephen O. Ogenga**

Head of Finance
Name: **Julius Ndenge**
ICPAK Member Number: **8325**

Chairman of the Board
Name: **Dr. Kamau Gachigi**


Date: **31/8/2022**


Date: **31.08.22**


Date: **31.08.22**

National Industrial Training Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020-2021	2019-2020
		Kshs '000'	Kshs '000'
Assets			
Current Assets			
Cash and cash equivalents	17 (a)	27,860	18,718
Receivables from exchange transactions	18	211,113	217,202
Receivables (Staff Debtors)	19	44,209	60,659
Investments	20 (b)	8,400	8,400
Short term Investments	20 (a) (c)	580,000	708,000
		871,582	1,012,979
Non-Current Assets			
Property, Plant and Equipment	21	9,536,201	9,678,272
Intangible assets	22	19,830	5,141
		9,556,031	9,683,413
Total Assets		10,427,613	10,696,392
Liabilities			
Trade and other payables	23	315,018	279,091
Provision for receivables current year	24 (b)	31,582	31,582
Prepaid Fees	23	544	42,835
		347,144	353,508
Net assets		10,080,468	10,342,884
Capital Reserves		90,000	90,000
Revaluation Reserve		9,899,001	9,899,001
Accumulated surplus		91,467	353,883
Total net assets and liabilities		10,080,468	10,342,884

The Financial Statements set out on pages 1 to 43 were signed on behalf of the Board of Directors by:

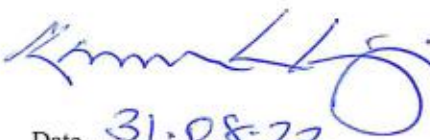
Director General
Name: **Stephen O. Ogenga**

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ICPAK Member Number: 8325

Chairman of the Board
Name: **Dr. Kamau Gachigi**


Date: 31/8/2022


Date: 31.08.22


Date: 31.08.22

National Industrial Training Authority
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For the year ended June 30, 2021

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Capital replacement development reserve/Capital Reserve	Revaluation Reserve	Accumulated surplus	Total
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
As at 30 June 2019	90,000.00	9,854,460.00	695,389	10,639,849
Revaluation		44,541	(3,554)	40,987
(Loss) for the period	-	-	(337,953)	(337,953)
As at 30 June 2020	90,000	9,899,001	353,883	10,342,883
As at 1 July 2020	90,000	9,899,001	353,883	10,342,886
Adjustment (2020-2021)			(3,717)	(3,717)
Revaluation Adjust				-
(Loss) for the period	-	-	(258,699)	(258,699)
As at 30 June 2021	90,000	9,899,001	91,467	10,080,468

Note:

1. *Prior year adjustments were on the opening balance KCB Payments kshs 3,480 , KCB Mombasa kshs 27 , Petty cash Mombasa kshs 5 and KCB Kisumu kshs 205 total 3717*

Director General
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Head of Finance
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ICPAK Member Number: 8325

Chairman of the Board
Name: **Dr. Kamau Gachigi**


Date: 31/8/2022


Date: 31.08.22


Date: 31.08.22

National Industrial Training Authority
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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs '000'	Kshs '000'
Cash flows from operating activities			
Receipts			
Training Levy	6	670,140	675,568
Government grants and subsidies	7	298,120	370,420
Rendering of services	8	387,437	413,191
Finance income	9	32,450	50,458
Other income ,rentals and agency fees	10	77,805	117,112
Total Receipts		1,465,952	1,626,749
Payments			
Compensation of employees	12	649,207	693,535
Goods and services	11	813,386	972,619
Other payments	13,15&16	50,171	69,634
Increase in receivables exchange	18	(6,089)	67,209
Decrease in receivables Staff Debtors	19	(16,450)	17,549
Decrease/Increase in Account Payables	23	(35,928)	(123,751)
Decrease/Increase in prepaid fees	23	42,291	-
Total Payments		1,496,589	1,696,795
Net cash flows from operating activities		(30,637)	(70,046)
Cash flows from investing activities			
Purchase of property, plant, equipment	21	(63,521)	(110,875)
Purchase of intangible assets	22	(20,984)	(28,059)
Net cash flows used in investing activities		(84,505)	(138,934)
Cash flows from financing activities			
Adjustments		(3,717)	-
Cash flows from financing activities		(3,717)	-
Net increase/(decrease)incashandcash equivalents		(118,858)	(208,980)
Cash and cash equivalent as at 1 JULY	17	726,718	935,698
Cash and cash equivalents at 30 JUNE		607,860	726,718

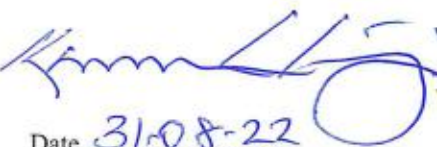
Director General
Name: **Stephen O. Ogenga**

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Date 31/8/2022


Date 31.08.22


Date 31.08.22

National Industrial Training Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

17. 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
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021
Revenue	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Fines, penalties and levies	950,000	-	950,000	670,140	(279,860)
Government grants and subsidies	305,620	(7,500)	298,120	298,120	-
Rendering of services	680,300	-	680,300	387,437	(292,863)
Investment Income	50,000	-	50,000	32,450	(17,550)
Other income, rentals and agency fees	31,900	-	31,900	77,805	45,905
Total income	2,017,820	(7,500.00)	2,010,320	1,465,952	(544,368)
Expenses					
Use of goods and services	903,060	(1,500)	901,560	813,386	88,174
Employee costs	734,627	1,050	735,677	649,207	86,470
Remuneration of directors	40,100	-	40,100	30,298	9,802
Repairs and maintenance	21,000	-	21,000	13,175	7,825
Grants and Subsidies	9,100	-	9,100	6,699	2,401
Depreciation and Amortization	176,600	(7,500)	169,100	211,886	(42,786)
Capital Expenditure	176,600	(7,500)	169,100	93,418	75,682
Total Expenses	2,061,087	-15,450	2,045,637	1,512,764	194,673

Budget notes

1. REVENUE BUDGET

The under collection of Revenue of 30% of the Budget was as a result of Covid -19 pandemic that resulted to closing the 5 Industrial Training centres. The Industrial Training levy paid by employers also reported a low collection attributed to the effects of the economy where employers dismissed many employees. There was also a reduction by 50% of the GOK Development grant through the supplementary budget.

2. EXPENSES

The overall under expenditure of 13% is also attributed to the effects of Covid 19 where some planned activities could not be carried out due to lock downs and restrictions on movements. Also the poor collection of revenues as reported resulted into implementing austerity measures due to liquidity challenges. The changes between the original and final budget were due to Re-allocation of funds from low absorption vote heads to areas reported to have exhausted its allocation and supports the core mandate of the Authority.

18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

National Industrial Training Authority (NITA) is a state corporation established under the Industrial Training (Amendment) Act 2011. Its mandate is to promote the highest standards in the quality and efficiency of Industrial Training in Kenya and ensure adequate supply of properly trained manpower at all levels in industry.

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 authorities accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements.

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (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,	Applicable: 1st January 2022: 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.

Standard	Effective date and impact:
Financial Instruments	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. 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.
Other Improvements to IPSAS	Applicable: 1st January 2021: 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 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 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. 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

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

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

Rendering of services

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

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

Sale of goods

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

Interest income

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2020-2021 was approved by the National industrial Training Board on 26th January 2020. 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 Authority upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Authority did not have any additional appropriations on the 2020-2021 budget.

NITA'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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Sales tax

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

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

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

c) 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 30-year period.

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

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

d) 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)

e) Leases

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

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

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

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

f) Intangible assets

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

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

g) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

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

h) Financial instruments

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

NITA 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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. NITA 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 labor 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 Authority 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 Authority 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

NITA 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

NITA 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 Authority 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

NITA does not create and maintains reserves in terms of specific requirements.

l) Changes in accounting policies and estimates

NITA 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

NITA provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the Authority pays fixed contributions into a separate 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

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

q) Service concession arrangements

NITA 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 Authority 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority 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 Authority. 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 LEVIES, FINES AND PENALTIES

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Industrial Training Levy	670,140	675,568
Total	670,140	675,568

(Training levy collected from employers for the purpose of skill upgrading of employees as per the industrial training act)

7 TRANSFERS FROM OTHER GOVERNMENTS

(a)

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Operational Grant	290,620	345,420
Development Grant	7,500	25,000
Total	298,120	370,420

7 b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred	Amount recognized in capital fund.
National Treasury			
Ministry of Labour and Social Services	298,120	-	-
Total	298,120	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 RENDERING OF SERVICES

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Tuition Fees and Accommodation	85,704	137,330
Registration of Trainers	10,098	5,082
Trade Test Fees	288,321	245,333
Conference	3,315	25,446
Total revenue from rendering of services	387,437	413,191

(Trade test Fees for assessment and certification of skills, Tuition and Accommodation for student trainers at the Authority centres, Registration of Trainers fees for the regulation of Training providers, Conference Fee)

9 FINANCE INCOME - EXTERNAL INVESTMENTS

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Income from on call deposits	32,450	50,458
Total other income	32,450	50,458

(Interest from investment on call deposit with KCB)

10 OTHER INCOME

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Miscellaneous Receipts	77,805	117,112
Total other income	77,805	117,112

(Income from sale of Curriculum, Face Masks, Rent from staff houses, Interest on Bank account, Amount on Insurance claims for staff).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 USE OF GOODS AND SERVICES

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Advertising and Publicity	7,881	14,475
Audit fees	-	50
Bedding & Linen	1,436	5,134
Chemicals, Detergents & Industrial gases	2,991	6,206
Claims, Damages & Compensation	2,565	4,028
Conference Expenses	9,134	29,185
Curriculum Development	5,173	13,082
Domestic Travel	31,466	35,044
Electricity	17,353	20,622
Bank Charges	7,562	9,940
Food & Ratio	32,534	66,212
Foreign Travel	17	1,779
Fuel, Oil and Lubricants	8,966	8,061
Hospitality	12,756	12,242
Industrial Attachment	45,270	35,678
Insurance	3,774	5,503
Internal Audit Expenses	3,599	8,290
Legal Expenses	8,743	7,276
Library	614	1,571
Management Consultancy	104	157
Marketing Expenses	8,522	8,237
Office and General Supplies	21,620	29,645
Parttime Lectures	11,050	24,815
Planning Expenses	2,088	7,545
Professional Services	-	4,298
Quality Assurance Expenses	4,278	4,858
Registration of Training Providers Expenses	4,654	3,148
Reimbursements for Management Expenses	113,316	139,719
Rent & Rates	827	632
Sector Committees	19,265	24,634
Security	27,493	24,191
Seminars & Workshops	5,382	4,242
Specialized Materials	29,616	37,323
Student Examination	2,219	10,322
Subscriptions	1,349	2,187
Supplies Chain Management Expenses	4,149	8,151
Telecommunication	6,045	6,510
Trade Test Expenses	267,120	274,546

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Training Levy Expenses	50,651	27,031
Uniforms & Protective Clothing	36	993
Water	9,777	11,444
Total good and services	791,393	939,006

12 EMPLOYEE COSTS

	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Salaries and wages Basic	324,304	341,104
Commuter Allowance	57,220	61,236
House Allowance	148,565	158,716
Staff Pension	49,829	47,003
Medical Expenses	59,861	67,917
Other Allowance	9,428	17,560
Staff Development	8,988	16,358
Welfare	13,004	17,257
Employee costs	671,200	727,151

13 REMUNERATION OF DIRECTORS

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Chairman's Honoraria	657	1,030
Board Other Expenses	17,828	11,542
Board Capacity Building	4,531	20,200
Board Sub Committee	7,282	6,060
Total director emoluments	30,298	38,832

14 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Property ,Plant and Equipment	205,590	199,329
Intangible Assets	6,295	29,586
Total Depreciation and amortization	211,886	228,915

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 REPAIRS AND MAINTENANCE

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Maintenance of Equipment	479	813
Maintenance of Buildings	5,702	14,792
Maintenance of Furniture	424	120
Maintenance of Grounds	186	714
Maintenance of Motor Vehicle	5,720	6,676
Maintenance of Software	664	392
Total repairs and maintenance	13,175	23,507

16 GRANTS AND SUBSIDIES

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Female Engineering	6,699	7,295
Total grants and subsidies	6,699	7,295

17 (a) CASH AND CASH EQUIVALENTS

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Current account	27,013	17,940
Cash in Hand	847	778
	27,860	18,718
On Call deposits	440,000	568,000
Staff car loan/ mortgage	140,000	140,000
	580,000	708,000
Total cash and cash equivalents	607,860	726,718

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 (b) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account number	2020-2021 Kshs '000'	2019-2020 Kshs '000'
a) Current account			
KCB Industrial Area (Revenue)	1102588075	7,422	8,617
KCB Industrial Area (Payments)	1158641931	16,218	5,374
KCB Kisumu	1144138434	19	855
KCB Mombasa	1144254639	215	1,772
KCB Kitengela	1170854729	1,720	39
Standard Chartered Bank Industrial Area	104031408200	140	140
National Bank Harambee Avenue	1001000902800	1,279	1,144
Sub- total		27,013	17,940
b) On Call deposits			
Kenya Commercial bank		440,000	568,000
Sub- total		440,000	568,000
c) Staff car loan/ mortgage			
Kenya Commercial bank (Car)	1206410337	20,000	20,000
Kenya Commercial bank (Mortgage)	1206410248	120,000	120,000
Sub- total		140,000	140,000
d) Others(specify)			
Cash in hand		847	778
Sub- total		847	778
Grand total		607,860	726,718

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Current receivables		
Receivables - Conference	44,896	48,785
Receivables- Students	125,718	119,350
Receivables- DTB	12,823	12,823
Receivables- Bounced Cheques	18,759	18,759
Receivables- Others	8,917	17,485
Total current receivables	211,113	217,202

19 STAFF DEBTORS (IMPREST)

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Current receivables		
Receivables – Staff	44,209	60,659
Total current receivables	44,209	60,659

20 INVESTMENTS

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
a) On call Deposits		
KCB	440,000	568,000
Sub- total	440,000	568,000
b) Equity Investments	8,400	8,400
Equity in Shares	8,400	8,400
c) Staff Car Loan and Mortgage		
Car Loan	20,000	20,000
Mortgage	120,000	120,000
	140,000	140,000
Grand total	588,400	716,400

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant & Machinery	Motor Vehicles	Computer & Accessories	Furniture	Equipment	Books	Capital Work in Progress	Totals
Cost	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'		Kshs '000'
At 1st July 2018	5,653,615	2,734,589	237,084	188,614	163,366	65,736	196,944	1,233		9,241,181
Revaluation	954,685	(125,311)	204,437	(134,870)	(127,564)	(9,737)	(186,196)	-		575,444
Additions	-	4,002			58,073	10,807	10,040			82,922
At 30 June 2019	6,608,300	2,613,280	441,522	53,744	93,874	66,807	20,788	1,233		9,899,548
At 1st July 2019	6,608,300	2,613,280	441,522	53,744	93,874	66,807	20,788	1,233		9,899,548
Adjustment Revaluation	-	55,850	(32,187)	28,571		(7,693)				44,541
Additions	-	2,014	-	-	50,984	9,243	48,634	-		110,875
At 30 June 2020	6,608,300	2,671,144	409,335	82,315	144,858	68,357	69,422	1,233	-	10,054,964
At 1st July 2020	6,608,300	2,671,144	409,335	82,315	144,858	68,357	69,422	1,233		10,054,964
Additions		38,649	-	-	12,500	622	11,750			63,521
At 30 June 2021	6,608,300	2,709,793	409,335	82,315	157,358	68,979	81,172	1,233		10,118,485
Depreciation and Impairment										
At 1st July 2019	-	241,722	120,590	144,663	101,285	22,261	51,289	492		682,302
Depreciation	-	65,375	29,636	-	47,128	7,654	17,420	123		167,336
Accumulated Dep 30 June 2019	-	307,097	150,226	144,663	148,413	29,915	68,709	615		849,638
Revaluation Reserve	-	(307,097)	(150,226)	(144,663)	(148,413)	(29,915)	(68,709)	-		(849,023)
Depreciation	-	65,332	55,192	13,437	28,162	8,351	2,599	124		173,197

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Accumulated Dep as at 1 st July 2019	-	65,332	55,192	13,437	28,162	8,351	2,599	739	-	173,812
Adjustment for Depreciation	-	1,396	(4,023)	7,143	-	(962)	-	-	-	3,554
Depreciation	-	66,779	51,167	20,579	43,457	8,545	8,678	123	-	199,327
Accumulated Dep 30 June 2020	-	133,507	102,336	41,159	71,619	15,934	11,277	863	-	376,694
Depreciation		67,745	51,167	20,579	47,207	8,622	10,147	123		205,590
Accumulated Dep 30 June 2021	-	201,252	153,502	61,737	118,827	24,556	21,423	986		582,284
Net Book Values										
At 30 June 2021	6,608,300	2,508,541	255,833	20,578	38,531	44,423	59,749	247		9,536,201
At 30 June 2020	6,608,300	2,537,637	307,000	41,157	73,239	52,423	58,145	370		9,678,270
Depreciation Rate		2.5%	12.5%	25.0%	30.0%	12.5%	12.5%	10.0%		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 INTANGIBLE ASSETS-SOFTWARE

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Cost		
At beginning of the year	98,620	70,561
Additions	20,984	28,059
At end of the year	119,604	98,620
At end of the year	119,604	98,620
At beginning of the year	93,479	63,893
Amortization	6,295	29,586
At end of the year	99,774	93,479
NBV	19,830	5,141

23 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Trade payables	315,018	279,091
Payment received in advance	544	42,835
Employee advance		
Other payables		
Total trade and other payables	315,562	321,926

24 CURRENT PROVISIONS

a) Deposits in collapsed Banks

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Prudential Bank Ltd	50,595	50,595
Thabiti Finance Company	26,029	26,029
Pioneer Building Society	15,000	15,000
Continental Credit Finance Ltd	8,830	8,830
Nairobi Finance Company	8,530	8,530
Allied Credit Limited	5,388	5,388
Middle Africa Finance Co. Ltd	5,345	5,345
Meridian BIAO Bank (K) Ltd	3,988	3,988
Inter Africa Credit Ltd	2,461	2,461
Country Building Society	2,000	2,000
United Trustee Finance Co. Ltd	1,300	1,300
Total Deposits held in collapsed banks	129,466	129,466
Provision for Deposits in collapsed Banks	129,466	129,466
Total Deposits held in collapsed banks	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Provisions for Receivables

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Provisions for Bounced Cheques	18,759	18,759
Provisions for DTB Cheques	12,823	12,823
Total Provisions	31,582	31,582

25 CASH GENERATED FROM OPERATIONS

	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Surplus for the year before tax	(258,699)	(337,953)
Adjusted for:		
Depreciation	211,886	228,915
Working Capital adjustments		
Increase in receivables	6,089	(17,549)
Increase in receivables non exchange	16,450	(67,209)
Increase in payables	35,927	123,751
Increase in payments received in advance	(42,291)	-
Net cash flow from operating activities	(30,637)	(70,046)

26 FINANCIAL RISK MANAGEMENT

NITA's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Authority'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 Authority 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 Authority's financial risk management objectives and policies are detailed below:

(i) Credit risk

NITA 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 entity's management based on prior experience and their assessment of the current economic environment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

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:

Description	Total Amount	Fully Performing	Past due
	kshs '000'	kshs '000'	kshs '000'
At 30 June 2021			
Receivables from Exchange Transactions	44,158	38,568	5,590
Conference Fees	44,896	10,663	34,233
Student Fees	125,718	99,952	25,766
Other Receivables	8,917	8,917	
Bank Balances	607,860	612,094	
Total	831,549	765,960	59,999
At 30 June 2020			
Receivables from Exchange Transactions	60,659	55,069	5,590
Conference Fees	48,785	14,552	34,233
Student Fees	119,350	93,584	25,766
Other Receivables	17,485	17,484	-
Bank Balances	726,718	726,718	
Total	972,997	907,407	65,589

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 entity 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 entity'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 entity 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

Description	Less than 1 Month	Between 1-3 Months	Over 5 Months	Total
	kshs '000'	kshs '000'	kshs '000'	kshs '000'
At 30 June 2021				
Trade Payables	61,767	253,795		315,562
Total	61,767	253,795	-	315,562
At 30 June 2020				
Trade Payables	47,756	231,335	-	279,091
Total	47,756	231,335	-	279,091

iii) Capital Risk Management

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

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Revaluation Reserve	9,899,001	9,899,001
Retained Earnings	91,469	353,884
Capital Reserve	90,000	90,000
Total Funds	10,080,470	10,342,885
Current liabilities	315,562	321,926
Total Current Liabilities	315,562	321,926
Net debt ratio to Equity	3%	3%

29 RELATED PARTY BALANCES

Nature of related party relationships

NITA's and other parties related to the Authority 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 Authority, holding 100% of the NITA'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; Ministry of Labour and Social Protection, State Department for Labour.
- iii) Key management;
- iv) Board of directors;

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. RELATED PARTY BALANCE (Continued)

	2020-2021	2019-2020
	Kshs'000;	Kshs'000'
Transactions with related parties		
a) Sales to related parties		
Sales of goods	Nil	Nil
Sales of services		
Total	Nil	Nil
b) Grants from the Government		
Grants from National Govt	298,120	370,420
Grants from County Government	-	-
Donations in kind	-	-
Total	298,120	370,420
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for 480 employees	578,153	608,059
Total	-	-
d) Key management compensation		
Directors' emoluments	1044	1030
Compensation to the CEO	1046	0
Compensation to key management	79,787	96,629
Total	95,814	1,076,138

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Court Litigations	38,000	38,000
Audit fee	1,500	1,500
Totals	39,500	39,500

(Court Litigations refers to pending cases in court for former DG 38M. Audit fee payable to OAG for the F/Y 2020-2021. Invoices for the same are yet to be received.)

31 CAPITAL COMMITMENTS

Description	2020-2021	2019-2020
	Kshs '000'	Kshs '000'
Authorized for		44,255
Authorized and Contracted for	8,913	57,394
Total	8,913	101,649

(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 board but at the end of the year had not been contracted or those already contracted for and ongoing)

32 EVENTS AFTER THE REPORTING PERIOD

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

33 ULTIMATE AND HOLDING ENTITY

NITA is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Labour and Social Protection, State Department for Labour. Its ultimate parent is the Government of Kenya.

34 Currency

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

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19. APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1. Budget and Budgetary Performance	The Authority incurred an under expenditure of Ksh 140,752 or 7.5% mainly under use of goods and services, repairs and maintenance and general expenses as follows:	It should be noted that due to Covid- 19 most activities were not undertaken given that from March 2020 up to the closure of the Financial year there was a Lock down which restricted movements	A.g Manager Finance- Julius Ndenge	Resolved	
2. Stale Cheques and failure to prepare bank reconciliation for Staff House Mortgage and Car Loan Account	That as at 30 June 2020 the entity had un-presented cheques amounting to Kshs 33,870,918.20 out of which cheques amounting to Kshs. 407,320.00 as detailed below relates to the period 31 December 2020 and are therefore stale	That as at 30 June 2020 the entity had un-presented cheques amounting to Kshs33,870,918.20 out of which cheques amounting to Kshs. 407,320 were stale. This was as a result of VAT changes during Covid and failure by clients not picking the cheques.	Cashier- Mr. Joseph Korir	Resolved	
3. Incomplete Assets Register	As previously reported the Authority did not maintain a complete fixed assets register for Property Plant and Equipment with necessary details such as: depreciation of asset, location, serial	The Authority has updated its assets in the Asset Register and all records are available for verification	Julius Ndenge Ag. Manager Finance	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	number, date purchased, source, cost price, additions depreciation and disposal to requirements of Part XII of PFM Act, 2012 on assets management.				
4. Unsupported Board Expenditure	The statement of Financial Performance for the year ended 30th June 2020 reflects an amount of Kshs 38,832,000.00 as board expenses for which payment vouchers and imprests were availed for audit review. However, although the board minutes were also reviewed, board attendance register was not availed for audit review and consequently the expenditure cannot be fully confirmed.	The Board expenditure is both supported by the Board Minutes and payment Vouchers availed for purposes of this Audit.	Julius Ndenge Ag. Manager Finance	Resolved	
5. Allocation of NITA Land to a Private Developer	As previously reported, included in the Property Plant and Equipment balance of Kshs 9,678,273,000 is land valued at Kshs 6,608,300,000 which includes disputed plots No. 6229 measuring 12.91 hectares valued at Kshs 1,260,000,000 which had been carved out and allocated to a private developer.	The grabbed land is a National Government issue and is being followed by National Lands Commission. The report is in the Ndung'u report (copy attached).	Carol Kibiwot Ag. Manager Legal	Not Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
6. Deposits held in collapsed banks	NITA held deposits amounting to Ksh 129,466,000 in various Banks that had collapsed over twenty years ago as reflected in Note 28 of the financial statements	The Deposits held in collapsed Banks is an historical case and the Authority is in the process of seeking an approval for write off since the recoverability of this funds is doubtful.	Ag. Manager Finance	Not resolved- Process on going	31 st December 2021
7. Lack of Secure Offsite Storage Facility	An analysis of records and documentary evidence availed revealed that the entity do not have data backups stored in a secure offsite location.	The tendering process is ongoing and therefore the risk will be resolved.	Festus Kitui Manager ICT	Resolved	

Stephen O.Ogenga
 Director General


 Date..... 31/8/2022.....

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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	IDA-5812-KE	WORLD BANK	5 YEARS	KSH. 3,500,000,000	YES	NO

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	KYEOP	KSH.3,500,000,000	KSH.2,409,871,487	69%	KSH.1,033,473,937	KSH.581,153,179	DONOR FUNDS

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APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from the State Department of Labour			
	FY 2020/2021			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		18/09/2020	72,655,000	2020/2021
		26/01/2021	60,000,000	2020/2021
		18/02/2021	12,655,000	2020/2021
		10/05/2021	72,655,000	2020/2021
		28/06/2021	72,655,000	2020/2021
		Total	290,620,000	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		26/01/2021	7,500,000	2020/2021
		Total	7,500,000	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	Nil	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	IDA	04/09/2020	150,927,779.70	2020/2021
		08/01/2021	294,403,645.95	2020/2021
		14/04/2021	34,710,333.00	2020/2021
		30/04/2021	188,998,367.25	2020/2021
		Total	669,040,125.90	

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

Finance Manager
National Industrial Training Authority

Sign



Head of Accounting Unit
Ministry of Labour & Social Protection

Sign



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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized				Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific
Ministry of Labour and Social Protection	18/09/2020	Recurrent	72,655,000	72,655,000	-	-	-	-
Ministry of Labour and Social Protection	26/01/2021	Recurrent	60,000,000	60,000,000	-	-	-	-
Ministry of Labour and Social Protection	18/02/2021	Recurrent	12,655,000	12,655,000	-	-	-	-
Ministry of Labour and Social Protection	10/05/2021	Recurrent	72,650,000	72,650,000	-	-	-	-
Ministry of Labour and Social Protection	28/06/2021	Recurrent	72,655,000	72,655,000	-	-	-	-
Ministry of Labour and Social Protection	26/01/2021	Development	7,500,000	7,500,000	-	-	-	-
Total			298,115,000	298,115,000				298,115,000

