

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 23 FEB 2022

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BY:

HON. JIMMY ANGANYI, MP

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REPORT

OF

THE AUDITOR-GENERAL

ON

**AHMED SHAHAME MWIDANI
TECHNICAL TRAINING INSTITUTE**

**FOR THE SEVENTEEN (17) MONTHS
PERIOD ENDED 30 JUNE, 2018**



**AHMED SHAHAME MWIDANI TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR 17-MONTHS PERIOD ENDED
30TH JUNE 2018**

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

AHMED SHAHAME MWIDANI TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR 17-MONTHS ENDED 30TH JUNE 2018

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II. KEY COLLEGE INFORMATION AND MANAGEMENT

(a) Background information

Ahmed Shahame Mwidani Technical Training Institute (ASMTTI) is a Public Technical and Vocational Training Institution established under the Ministry of Education State Department of Technical and Vocational Education and Training. It was established under the TVET Act 2013 Section 26(1)(a) and (b). The College is governed and managed in accordance with the provisions of the TVET Act 2013 and any instrument of governance approved by the Board.

The Board OF Governors was appointed by the Cabinet Secretary in the Ministry of Education according to the TVET Act No.29 of 2013 S.28(1)(b).

The College registered as Ahmed Shahame Mwidani Technical Training Institute in December 2016. It was mandated to provide training in industry relevant employable technical and innovative skills for gainful employment and job creation through self-employment.

(b) Principal Activities

The principal activity of the college is to provide training in industry relevant employable technical and innovative skills for gainful employment and job creation through self-employment.

VISION

To be a world class center of excellence in technical and vocational training.

MISSION

To produce highly skilled hands on middle level man power for the global technical Industry.

MANDATE

To train skill-oriented workforce that is suitable further professional development through quality competency based technical and vocational education and training programs responsive to national and global industrial productivity.

CORE VALUE

At Ahmed Shahame Mwidani T.T.I we are committed to the following values:

- Honesty, integrity and accountability
- Quality leadership, innovativeness and creativity
- Professionalism
- Consultative decision making
- World class standards and programs

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KEY COLLEGE INFORMATION AND MANAGEMENT (Continued)

- Respect for gender, disability and human rights
- Team spirit and discipline

The Following are objectives and Functions:

- To adopt new competence-based curriculum for artisan, certificate and diploma programmes.
- To increase infrastructure and physical facilities to respond to the expected influx of trainees due to reforms on education and training.
- To source and develop a pool of skilled, qualified and professional staff.
- To conduct research, innovation and Development to promote science and technology and innovation
- To strengthen good governance and effective management of the Institute.
- To diversify sources of and increase revenue.
- To develop linkages and collaborations.
- To continually equip workshops and laboratories with adequate and relevant equipment.

(c) Key Management

AHMED SHAHAME MWIDANI day-to-day management is under the following key organs:

- Board of GOVERNORS
- Accounting officer/ Principal
- Finance Department
- Procurement Department

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	STEPHEN NGOME GOFWAH
2.	DEPUTY PRINCIPAL	SAMIRA SOUD ABDALLAH
3.	Ag REGISTRAR	VICTOR S. MCHANA
4.	Head of Finance	ELISHA KAHINDI MRIMI

(e) Fiduciary Oversight Arrangements

- (i) The Board of Directors
- (ii) The Finance and Human resource committee

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KEY COLLEGE INFORMATION AND MANAGEMENT (Continued)

(f) College Headquarters

P.O. Box 93800-80102
Mombasa, Kenya
Airport Road Chagamwe
Mombasa Kenya

(g) College Contacts

Telephone :(254)746748481/0739209337
E-mail: asmwidanitvc@gmail.com
: info@ahmedmwidanitvc.ac.ke
Website: www.ahmedmwidanitvc.ac.ke

(h) College Bankers

1. Kenya Commercial Bank
Haile Selassie Avenue
P.O. Box 90254, Mombasa
City/Town: Mombasa
Email Address: treasurysqr@cb.co.ke

(i) Independent Auditors

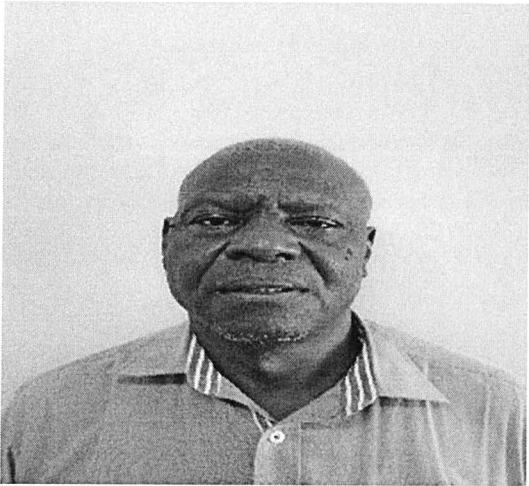

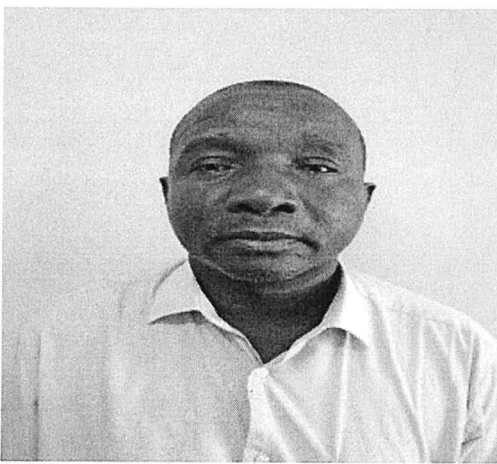
Auditor General
Office of Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

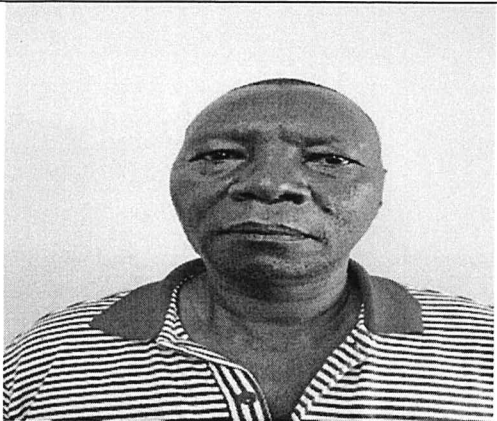


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III. THE BOARD OF GOVERNORS

1. PASSPORT SIZE AND NAME	DETAILED INFORMATION
 <p>1. JOSEPH T. NGUMA</p>	<p>Mr Joseph Tommy Nguma was born on 1956. He is currently the chairperson of the Board of Governor of the technical. He has master experience in Consultancy and management having worked in public colleges and carrying out private consultation. He is a graduate in MBA (Strategic Management option) at University of Nairobi (UON) 2013. B.Ed. (second class Honors Science option) at UON between 1978-1981.</p>
 <p>2. AISHA SAIDI RASHID</p>	<p>Mrs Aisha was born on 1956. She is currently a member of financial committee. She is highly dedicated professional. She worked in public school as high school principal. She is a holder of BOE (Math and Physics option) Also she is a private consultancy.</p>
 <p>3. NYUNDO N. KATEMBOH</p>	<p>Mr. Nyundo N. Katemboh was born on 10th May 1967. He has vast experience in financial matters. He served as Auditor service manager of Coast Water Service Board and also as the Managing Director of Kwale Water Sewerage. He also saved as National Chairman of water companies association WASPA. Currently he is a member of BOG and the chairman of finance committee.</p>

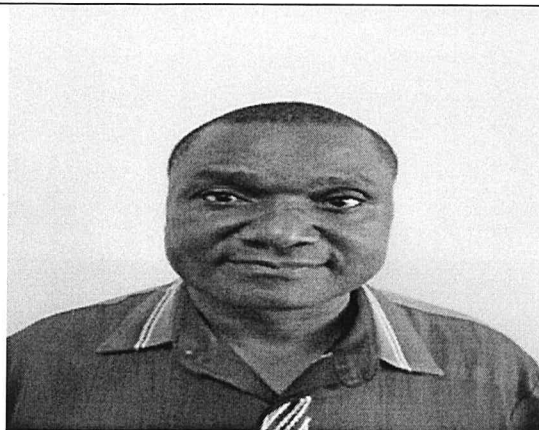
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THE BOARD OF GOVERNORS (Continued)

 <p>4. AUGUSTINE M. KAVYU</p>	<p>Mr. Augustine M. Kavyu was born on 1957. He is currently a member of Board of Governors. He is at the moment Manager of Kenya Petroleum Ltd; He is a holder of BSc in Civil Engineering from University of Nairobi in 1983.</p>
 <p>5. FRIDAH V. KILIRU</p>	<p>Mrs Fridah V. Kiliru was born on 1955. She is currently a member of Board of Governors. She is a holder of Bachelor of Education Arts (Horns) from university of Nairobi. She has a diverse experience of leadership skills. She was The principal of St. Charles Lwanga Secondary school from (2010 to 2015) and Sacred Heart High School from (2010 to 2015)</p>
 <p>6. HANNAH M. SALIM</p>	<p>Mrs Hannah M. Salim was born on 1955. She is currently a member of Board of Governors . She is a holder of Higher National Diploma in counselling PGD in Human Resource Management from KIM in (2004 to 2004) D (1999-2000) She also having a Diploma in Education (Business Education KTTC 1979).</p>

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THE BOARD OF GOVERNORS (Continued)

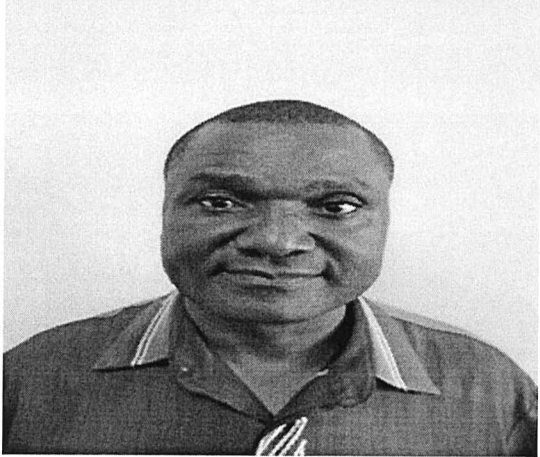



7.STEPHEN NGOME GOFWAH

Mr Stephen Ngome Gofwah was on 22/12/1964. He is currently the Principal of Ahmed Shahame Mwidani T.T.I. He is a holder of Bachelor of Education Technology (Mechanical Engineering (2nd class upper, 2004) Moi University. Currently pursuing MSC Project Management at JKUAT.

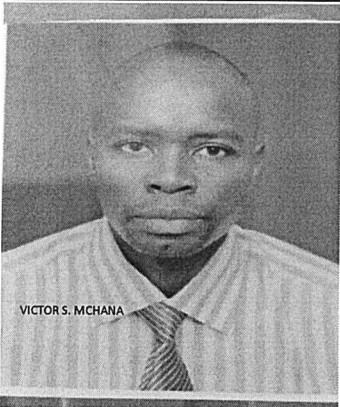

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III. MANAGEMENT TEAM

Insert each key manager's/Principal passport-size photo and name, and key profession/academic qualifications	Indicate the main area of responsibility – without details
 <p>1. STEPHEN NGOME GOFWAH (Bachelor in Education)</p>	<p>PRINCIPAL</p>
 <p>2 SAMIRA SOUD ABDALLAH (DEGREE IN COMMUNICATION & PUBLIC RELATION)</p>	<p>DEPUTY PRINCIPAL</p>

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MANAGEMENT TEAM (Continued)

 <p>VICTOR S. MCHANA</p> <p>3 VICTOR S. MCHANA (MASTERS IN FINANCE & ECONOMICS)</p>	<p>Ag. Registrar</p>
 <p>ELISHA K. MRIMI</p> <p>4 ELISHA K. MRIMI (CPA III SEC V)</p>	<p>ACCOUNTS ASSISTANCE</p>

AHMED SHAHAME MWIDANI TECHNICAL TRAINING INSTITUTE
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IV. CHAIRMAN'S STATEMENT

It is great humility that I present the Annual Financial Report and Financial Statements for the seventeen (17) Month period ended 30th June, 2018.

During the Financial Year the College endeavoured to improve enrolment of trainees in the existing program, thus improving access to training in technical skills.

The Mandate of the College is to train skill-oriented workforce that is suitable further professional development through quality competency based technical and vocational education and training programs responsive to national and global industrial productivity.

The Vision of Ahmed Shahame Mwidani Technical and Vocational College is to be a world class Centre of excellence in technical and vocational training.

The College is establishing links and collaborations with other colleges, industrial partners, County Government, NG-CDF, Government Agencies and other stakeholders in order to realize its mandate.

I would like to appreciate what the Government of Kenya for supporting TVET institutions through Recurrent Grants and Capitation, and also for mobilizing stakeholders and Industry to support Skills training in our college.

The college has experienced a fast increase in enrollment hence the need for expansion of infrastructural facilities including workshops, tuition block and ablution block. The college is requesting for enhanced Recurrent Grants instead of capitation which is limited in effectiveness and efficiency.

We are striving to offer good governance and higher levels of achievements with the continued support of all relevant stakeholders.

Signature: 

Date: 18/02/2020

JOSEPH TOMMY NGUMA

CHAIRMAN- AHMED SHAHAME MWIDANI TVC

AHMED SHAHAME MWIDANI TECHNICAL TRAINING INSTITUTE
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V. REPORT OF THE PRINCIPAL

Ahmed Shahame Mwidani Technical Training Institute is a Public College established under the Ministry of Education State Department of Technical and Vocational Training under the 160 technical training institutions spread across the country to constituencies with none. The college is providing industrial relevant employable technical and innovative skills for job creation through self-employment. Ahmed Shahame Mwidani Technical Training Institute has a Vision to be a world class Centre of Excellence in Technical and Vocational Training.

Financial Performance:

The college received KShs. 4,910,739 in Grants which accounted for 61% of the total receipts by the college while the rest 39% was generated through internally.

The Government KShs. 2,000,000 as operational Grants and Development Grants of Ksh. 1,000,000 for the seventeen (17) Month period ended 30th June 2018 which was fully utilized.

The college faces a shortage of class rooms and workshops as well as offices and furniture to match the growing trainee's population.

Appreciation

On behalf of the College Board of Governors, I would like to thank the Government of Kenya through the Ministry of Education State Department of Vocational and Technical Training for their continued financial support.

Finally, I would like to thank the staff, the students, parents, sponsors and all other stakeholders for their cooperation which made it successful to run the institution during the financial year in review.

Principal

STEPHEN NGOME GOFWAH

SIGN.....

DATE: 18/2/2020



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VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY

The institution has not yet engaged on social responsibility activity

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VII. REPORT OF THE COUNCIL/BOARD OF GOVERNORS

The Council/Board members submit their report together with the audited financial statements for the seventeen (17) month period ended June 30, 2018 which show the state of the *Ahmed Shahame* affairs.

Principal activities

The principal activities of the College are on page ii

Results

The results of the Ahmed Shahame T.T.I for the seventeen (17) months ended June 30th 2018 are set out on page 1.

COUNCIL/BOARD OF GOVERNORS

The members of the Board of Governors who served during the year are shown on page v to vii. During the year 2017/18 no member resigned nor retired.

Auditors

The Auditor General is responsible for the statutory audit of *Ahmed S. Mwidani T.T.I* in accordance with Article 229 of the Constitution of Kenya 2010 and the Public Audit Act 2015 which empower the Auditor General to Nominate other Certified Public Accountants to carry out the audit on his behalf for the year/period ended June 30, 2018 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Mr. Stephen Ngome Gofwah.

Bog Secretary/Chairman
Mombasa

Date: 18/2/2020



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

The Board of Governors are responsible for the preparation and presentation of the College's financial statements which give a true and fair view of the state of affairs of the college for the seventeen (17) Month period ended on 30, June 2018. This responsibility includes; ensuring proper keeping of accounting records, installing of proper control of the institutional assets, and designing implementing and maintaining internal control relevant to the preparation and presentation of financial statements and ensuring that they are free from material misstatements whether due to error or frauds.

The Board accept responsibility for the College's financial statements, which have been prepared using appropriate accounting policies (accrual basis).

Approval of the financial statements

Ahmed Shahame Mwidani T.T.I financial statements were approved by the Board on _25_ /09/2018 and signed on its behalf by:

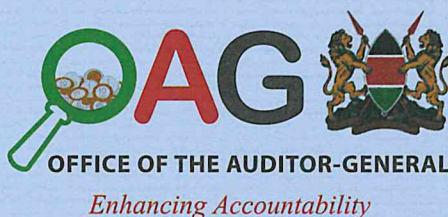

BOG Chairman


BOG Member


BOG Member

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON AHMED SHAHAME MWIDANI TECHNICAL TRAINING INSTITUTE FOR THE SEVENTEEN-MONTHS PERIOD ENDED 30 JUNE, 2018

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Ahmed Shahame Mwidani Technical Training Institute set out on pages 1 to 28, which comprise the statement of financial position as at 30 June, 2018, and statement of financial performance, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the seventeen-month period 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 Ahmed Shahame Mwidani Technical Training Institute as at 30 June, 2018, and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Technical and Vocational Education and Training Act, 2013.

Basis for Adverse Opinion

1.0 Presentation and Disclosure

The names of the expenditure accounts reflected in the statement of comparison of budget and actual amounts and those reflected in the statement of financial performance, which should be identical, differ significantly

Consequently, the presentation of the financial statements does not comply with the reporting format prescribed by the Public Sector Accounting Standards Board.

2.0 Unconfirmed Balances

The following balances were not adequately supported with records or other relevant information:

2.1 Revenue from Non-Exchange Transactions

The statement of financial performance for the period under review reflects revenue from non-exchange transactions totalling Kshs.3,000,000 being grant transfers received from the National Government, as disclosed in Note 6 to the financial statements. Records provided for audit review indicated that the Institute had a total of thirty-two (32) employees as at 30 June, 2018, out of whom four (4) were teachers whose salaries were paid by the Ministry of Education. However, data on the salaries paid to the teachers was not presented for audit review and further, the salary payments made by the Ministry were not recognized as revenue grants in these financial statements. The omission of the revenue was contrary to the matching principle of accounting which requires revenues and any related expenses to be recognized together in the financial statements for the reporting period in which they occur.

In view of the anomaly, the accuracy and completeness of revenue from non-exchange transactions balance totalling Kshs.3,000,000, for the seventeen-month period ended 30 June, 2018 could not be confirmed.

2.2 Cash and Cash Equivalents

The statement of financial position as at 30 June, 2018 reflects cash and cash equivalents balance totalling Kshs.1,963,498, as further disclosed in Note 15 to the financial statements. However, the following anomalies were noted in respect to the balance:

2.3 Unreconciled Bank Balance

The statement of financial position as at 30 June, 2018 reflects a cash and cash equivalents balance totalling Kshs.1,963,498 which includes a bank balance of Kshs.1,820,737 reflected in Note 15 to the financial statements. However, the bank reconciliation statement as at 30 June, 2018 reflected a cash book balance totalling Kshs.1,832,946, resulting to an unexplained variance of Kshs.12,209 between the two sets of records. In addition, the Institute's bank reconciliation statements and cash book prepared by the Accountant were not verified by any other officer. As a result, the risk of errors and other incorrect data passing undetected was high.

Consequently, the accuracy and completeness of the bank balance totalling Kshs.1,820,737 as at 30 June, 2018 could not be confirmed.

2.4 Cash in Hand

Note 15 to the financial statements reflects cash in hand balance totalling Kshs.142,761 which was, however, not supported by a cash count report as required by Regulation 93(17) of the Public Finance Management (National Government) Regulations, 2015. As a result, the accuracy and completeness of the balance could not be confirmed.

2.5 Receivables from Exchange Transactions

The statement of financial position as at 30 June, 2018 reflects receivables from exchange transactions totalling Kshs.2,839,600 relating to student debtors, as disclosed in Note 16 to the financial statements. Records provided for audit review indicated that

student fees totalled Kshs.3,052,100 in the year under review, out of which only Kshs.212,500 or 6.97% had been collected as at 30 June, 2018, leaving Kshs.2,839,600 outstanding. Further, there was no Debt Management Policy to guide collection of the outstanding amounts and the debts were not analyzed to show how long they had been outstanding.

In the circumstances, recoverability of the student debts totalling Kshs.2,839,600 as at 30 June, 2018 could not be confirmed.

2.6 Property, Plant and Equipment

The statement of financial position as at 30 June, 2018 reflects property, plant, and equipment balance totalling Kshs.65,389,370, as further disclosed in Note 17 to the financial statements. However, the following anomalies were noted in respect to the balance:

2.6.1 Fixed Assets

Note 17 to the financial statements, 2018 reflects property, plant and equipment additions totalling Kshs.67,795,269, comprised of land and buildings valued at Kshs.67,761,269 and furniture and fittings valued at Kshs.34,000. However, the Management did not disclose the costs incurred in constructing the Institute's buildings, or provide records on their valuation as at 30 June, 2018.

Consequently, it was not possible to confirm the valuation and accuracy of property, plant and equipment balance totalling Kshs.67,795,269 as at 30 June, 2018.

In addition, Note 17 reflects nil additions for computers and plant and other equipment. However, records provided for audit review and physical verification of the Institute's assets revealed that numerous assets of unknown value were received from the Ministry of Education, and which had since been put to use by the Institute, were omitted from the financial statements. The assets are listed in the **Appendix** to this report.

Further, the Note indicates that the land on which the Institute is located was donated by the Ministry of Education. However, records to confirm the assertion were not made available for audit verification and as a result, ownership of the land by the Institute could not be confirmed.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance totalling Kshs.65,389,370 and the rights and obligations of the Institute over these assets as at 30 June, 2018 could not be confirmed.

2.6.2 Capital Fund

The statement of financial position as at 30 June, 2018 reflects a capital fund balance totalling Kshs.67,761,269. However, records on the corresponding assets were not provided for audit and as a result, the accuracy and completeness of the balance could not be confirmed.

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

Key Audit Matters

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

Other Matter

1.0 Budgetary Control and Performance

1.1 Revenue Budget

The statement of comparison of budget and actual amounts reflects a final revenue budget totalling Kshs.23,060,000 against actual collections totalling Kshs.6,267,380, resulting to a revenue shortfall of Kshs.16,792,620 or 72.8% of the budget as detailed below:

Revenue		Approved Final Budget (Kshs.)	Actual Collections (Kshs.)	Under Collections (Kshs.)	Over Collections (Kshs.)	% Variance
1.	Transfer from Other Government Entities	20,000,000	3,000,000	17,000,000		85.00
2.	Rendering of Services – Fees from Students	3,060,000	3,052,100	7,900		0.26
3.	Other Income	-	215,280		215,280	100.00
Total		23,060,000	6,267,380	17,007,900	215,280	72.83

As the data indicates, transfers from other government entities had a significant shortfall totalling Kshs.17,000,000 or 85% of the budgeted amount while other income realized over-collection of Kshs.215,280 or 100% since it was not originally budgeted for. The overall under-collection totalling Kshs.16,792,620 or 73 % of the budget may have constrained the Institute's capacity to meet its mandate to deliver quality training to students.

1.2 Expenditure Budget

1.2.1 Recurrent Budget

The statement of comparison of budget and actual amounts for the seventeen (17) months period ended 30 June, 2018 reflects a recurrent expenditure budget totalling Kshs.16,039,420 against actual expenditure of Kshs.5,188,181 or 32%, resulting to net under-expenditure of Kshs.10,851,239 or 68% of the budget as detailed below:

Expenditure Item		Final Budget (Kshs.)	Actual on Comparable Basis (Kshs.)	Under-Expenditure (Kshs.)	%
1.	Compensation of Employees	2,620,920	588,370	2,032,550	78
2.	Other Operating Expenses	11,468,500	3,881,561	7,586,939	66
3.	Remuneration of Board of Governors	1,950,000	718,250	1,231,750	63
Total		16,039,420	5,188,181	10,851,239	68

As the data shows, the net under-expenditure amounted to Kshs.10,851,239 or 68% of the budgeted expenditure. The high under-expenditure ratio meant that a large proportion of programmes and activities of the Institute planned for the year under review were not executed.

1.2.2 Development Budget

The Institute's development budget for the period under review totalled Kshs.7,206,574. However, no expenditure was incurred, and as a result, various assets and facilities required for students' training were not procured. This may have hindered effective delivery of the Institute's mandate.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Use of Goods and Services

Records on expenditure incurred on purchase of goods and services indicated that Management engaged a security firm to provide two (2) guards at Kshs.15,000 each per month. Requests for Quotations were sent to three (3) firms but contrary to Section 105 of the Public Procurement and Assets Disposal Act, 2015, the firm invited to provide the service was not in the register of shortlisted suppliers. Therefore, Management procured the security services contrary to the law.

2.0 Unapproved Budget

The statement of comparison of budget and actual amounts reflects a revenue budget of Kshs.23,060,000, recurrent expenditure budget totalling Kshs.16,039,420 and development budget totalling Kshs.7,206,574. However, approval of the budget by the Cabinet Secretary as required by Section 13(3) of the Technical and Vocational Education and Training Act of 2013, was not presented for audit review. As a result, the regularity of the budget could not be confirmed.

3.0 Remuneration of Board of Governors

The statement of financial performance for the seventeen (17) months period ended 30 June, 2018 reflects payments to Board of Governors totalling Kshs.718,250. Records on the Board indicated that it was appointed on July, 2017 in line with Section 28(1) of the Technical and Vocational Education and Training Act, 2013. It held its first sitting on 19 July, 2017 when the allowances were approved. However, there were no records to indicate that payment of the allowances was approved by the Cabinet Secretary as required in Paragraph 17 of the Second Schedule of the Technical and Vocational Education and Training Act, 2013.

Further, included in the payments was Kshs.185,750 paid to persons who were not Board members.

In view of these issues, the regularity of the payments totalling Kshs.718,250 made to the Board of Governors could not be confirmed.

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 described in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that, based on the audit procedures performed, internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0 Lack of Segregation of Duties

Human resource records indicated that the Institute had a staff establishment of four (4) employees undertaking management duties during the period under review. However, accounting and procurement functions were performed by the same officer who also prepared bank reconciliation statements which, as mentioned elsewhere in this report, were not counter-checked by a senior officer.

Lack of segregation of duties denotes weak internal control and may result in failure to prevent or detect errors and misstatements in accounting and other entity records.

2.0 Lack of Internal Audit Function, Audit Committee and Risk Management Policy

Audit review of the Institute's operational systems revealed that Management had not set up an Internal Audit Function as required by Section 73(1-a) of the Public Finance

Management Act, 2012. In addition, the Board of Governors had not established an Audit Committee as required by Section 73(5) of the Act, 2012. Further, Management had not developed a risk management policy in compliance with Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015.

In the circumstance, governance and internal control and risk management in the Institute were inadequate which may have hindered effective management of the affairs of the Institute.

3.0 Lack of Operational Manuals

During the period under review, the Institute did not have manuals to provide guidance on its financial, accounting, human resource and procurement operations. In the absence of the manuals, critical functions of the Institute may not have been executed in an effective way.

4.0 Inadequate Control on Refundable Customer Deposits

The statement of financial position as at 30 June, 2018 reflects refundable deposits from customers totalling Kshs.641,850. However, records provided for audit review indicated that the money was held in the Institute's main operations bank account and not in a separate account. In the absence of a separate bank account for students' deposits, the risk of irregular use of the deposits to fund operations of the entity was high.

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

Responsibilities of Management and the Board of Governors

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements follow the authorities which govern them, and that public money is applied in an effective manner in line with Article 229(6) of the Constitution of Kenya, 2010.

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the Institute's financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 Institute's 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 Institute's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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

12 January, 2022

Appendix

Omitted Assets

No.	Asset Name	Date of Receipt	Quantity	Unit
1.	Desktop Computers	11/02/2018	20	Pieces
2.	Laptops	11/02/2018	3	Pieces
3.	Uninterruptable Power Supply	11/02/2018	20	Pieces
4.	LCD Projector with Screens	11/02/2018	2	Pieces
5.	LaserJet Printer	11/02/2018	3	Pieces
6.	Un-assemble Industrial Manipulator Training Device & Accessories	03/10/2017	25	Pieces
7.	Computer Host	03/10/2017	25	Pieces
8.	Computer Monitors	03/10/2017	25	Pieces
9.	Accessories	03/10/2017	6	Sets
10.	Distribution Box	03/10/2017	5	Sets
11.	Construction Material Cable	03/10/2017	1045	Metre
12.	Air Compressor	03/10/2017	25	Pieces
13.	Projector	03/10/2017	5	Sets
14.	Manual Hydraulic Lifter	03/10/2017	1	Pieces
15.	Manual Hydraulic Control	03/10/2017	2	Pieces
16.	Uninterrupted Power Supply	03/10/2017	25	Pieces
17.	Cabinet	03/10/2017	10	Pieces
18.	Plastic Trunking	03/10/2017	200	Metre
19.	Steel Trunking	03/10/2017	60	Metre
20.	Operation Manual	03/10/2017	36	Pieces
21.	Hydraulic Valve+Pnematic Valve	03/10/2017	5	Sets
22.	Hydraulic Power Unit	03/10/2017	5	Pieces
23.	Boardroom Table	15/11/2017	1	Pieces
24.	Board Room Chairs	15/11/2017	10	Pieces
25.	Principal's Office Desk	15/11/2017	1	Pieces
26.	Principals Executive Seat	15/11/2017	1	Pieces
27.	Filing Cabinet	15/11/2017	1	Pieces
28.	Computer Table	15/11/2017	1	Pieces
29.	Fireproof Compact Safe	15/11/2017	1	Pieces
30.	Bookshelf	15/11/2017	1	Pieces
31.	Visitors Chairs	15/11/2017	6	Pieces
32.	Staffroom Writing Tables	15/11/2017	10	Pieces
33.	Staff Chairs	15/11/2017	10	Pieces
34.	Teachers Desk with Drawer	15/11/2017	10	Pieces
35.	Classrooms Chairs with Armrest	15/11/2017	80	Pieces
36.	Generator		1	Pieces
37.	Land		Unknown	Acres

AHMED SHAHAME MWIDANI TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR 17-MONTHS ENDED 30TH JUNE 2018

XI. STATEMENT OF FINANCIAL PERFORMANCE FOR 17-MONTHS PERIOD ENDED 30 JUNE 2018

	Notes	2017/2018
		Kshs
Revenue from non-exchange transactions		
Transfers from the National Government – grants/ gifts in kind	6	3,000,000
Total Revenue from non-exchange transactions		3,000,000
Revenue from exchange transactions		
Rendering of services- Fees from students	7	3,052,100
Other income	8	215,280
Revenue from exchange transactions		3,267,380
Total revenue		6,267,380
Expenses		
Use of goods and services	9	239,990
Employee costs	10	588,370
Remuneration of Governor's	11	718,250
Depreciation and amortization expense	12	2,405,899
Repairs and maintenance	13	373,010
General expenses	14	862,662
Total expenses		5,188,181
Net Surplus for the year		1,079,199

The notes set out on pages 8 to 27 form an integral part of the Annual Financial Statements.”

AHMED SHAHAME MWIDANI TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR 17-MONTHS ENDED 30TH JUNE 2018

XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2017/2018
		Kshs
Assets		
Current assets		
Cash and cash equivalents	15	1,963,498
Receivables from exchange transactions	16	2,839,600
Receivables from non-exchange transactions		-
Total Current Assets		4,803,098
Non-current assets		
Property, plant and equipment	17	65,389,370
Total Non-current Assets		65,389,370
Total assets		70,192,468
Liabilities		
Current liabilities		
Trade and other payables from exchange transactions	18	710,150
Refundable deposits from customers	19	641,850
Total Current Liabilities		1,352,000
Total liabilities		1,352,000
Capital and Reserves		
Accumulated surplus		1,079,199
Capital Fund		67,761,269
Total Capital and Reserves		68,840,468
Total Liabilities and Capital & Reserves		70,192,468

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Institute Council/ Board of Governors by:


Chairman of Council/Board of Governors

Date: 18/02/2020


Finance Officer

Date: 18/2/2020


Principal

Date: 19/2/2020



XIII. STATEMENT OF CHANGES IN NET ASSETS FOR 17-MONTHS ENDED 30 JUNE 2018

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
Balance as at February 1, 2017	-	-	-	67,761,269	67,761,269
Revaluation gain					-
Fair value adjustment on quoted investments					-
Total comprehensive income			1,079,199	-	1,079,199
Capital/Development grants received during the year					-
Transfer of depreciation/amortisation from capital fund to retained earnings					-
Balance c/d as at June 30, 2018	-	-	1,079,199	67,761,269	68,840,468

AHMED SHAHAME MWIDANI TECHNICAL TRAINING INSTITUTE**ANNUAL REPORT AND FINANCIAL STATEMENTS**FOR 17-MONTHS ENDED 30TH JUNE 2018**XIV. STATEMENT OF CASH FLOWS FOR 17-MONTHS ENDED 30TH JUNE 2018**

		2017/2018
	Note	Kshs
Surplus for the year before tax		1,079,199
Adjusted for non-cash activities		
Depreciation		2,405,899
Increase in provisions		
Adjustment for Working Capital adjustments		
Increase in receivables		(2,839,600)
Increase in payables		1,352,000
Net cash flow from operating activities	20	1,997,498
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets		(34,000)
Net cash flows used in investing activities		(34,000)
Cash flows from financing activities		
Increase in capital funds		-
Net cash flows used in financing activities		-
Net increase/(decrease) in cash and cash equivalents		1,963,498
Cash and cash equivalents at 1 Feb 2018		-
Cash and cash equivalents at 30 June 2018		1,963,498

Cash and cash equivalents as per the Balance Sheet**1,963,498**

AHMED SHAHAME MWIDANI TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR 17-MONTHS ENDED 30TH JUNE 2018

XV. STATEMENT OF COMPARISON OF BUDGET VS ACTUAL AMOUNT FOR THE SEVENTEEN (17) MONTHS PERIOD
ENDED 30 JUNE 2018

	Original budget	Adjustment	Final budget	Actual on comparable basis	Performance difference	VARIANCE %
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						a
Transfers from other Govt entities Govt grants	20,000,000		20,000,000	3,000,000	17,000,000	85
Rendering of services- Fees from students	3,060,000		3,060,000	3,052,100	7,900	0
Other income	-		-	215,280	(215,280)	
Total income	23,060,000	0	23,060,000	6,267,380	16,792,620	
Expenses						
Compensation of employees	2,620,920		2,620,920	588,370	2,032,550	b 78
Operating Administrative Expense	750,000		750,000	357,667	392,333	c 52
Students And Staff Activity	900,000		900,000	5,400	894,600	d 99
RMI	2,400,000		2,400,000	373,010	2,026,990	e 84
Bog Allowances	1,950,000		1,950,000	718,250	1,231,750	f 63
Exhibition & Trade Fair	1,500,000		1,500,000	50,000	1,450,000	g 97
Internet & office Airtime	480,000		480,000	-	480,000	100
Insurance & Attachment	36,000		36,000	-	36,000	100
Equipment hiring Cost	450,000		450,000	-	450,000	100
Stationary	450,000		450,000	-	450,000	100

AHMED SHAHAME MWIDANI TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR 17-MONTHS ENDED 30TH JUNE 2018

**XV. STATEMENT OF COMPARISON OF BUDGET VS ACTUAL AMOUNT FOR THE SEVENTEEN (17) MONTHS PERIOD
ENDED 30 JUNE 2018 (Continued)**

Toner	224,000		224,000		224,000	100
Water	180,000		180,000	39,165	140,835	h 78
Electricity	1,200,000		1,200,000	50,825	1,149,175	96 i
Advertisement & Marketing	598,500		598,500	120,995	477,505	80 j.
Local Travel & Transport	600,000		600,000	328,600	271,400	45 k.
Conference & Workshop	800,000		800,000	-	800,000	100
Fuel for Generator	300,000		300,000		300,000	100
Affiliation/Subscription	600,000		600,000		600,000	100
Depreciation Cost	-	0	-	2,405,899	(2,405,899)	
Security Cost	-	0	-	150,000	(150,000)	
Total Recurrent Expenditure	16,039,420	-	16,039,420	5,188,181	10,851,239	
Development Expenditure	-		-		-	
Water Tank & connection	150,000	0	150,000			100
Hostel Beds	260,000		260,000			100
Institution Vehicle	4,000,000		4,000,000			100
Borehole/Water	150,000		150,000			100
Creditor KCNP	2,200,000		2,200,000			100
Other Creditors	446,574		446,574			100

AHMED SHAHAME MWIDANI TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR 17-MONTHS ENDED 30TH JUNE 2018

XV. STATEMENT OF COMPARISON OF BUDGET VS ACTUAL AMOUNT FOR THE SEVENTEEN (17) MONTHS PERIOD
ENDED 30 JUNE 2018 (Continued)

TOTAL DEVELOPMENT EXP	7,206,574	-	7,206,574	-	-	100
Total Expenditure	23,245,994	-	23,245,994	5,188,181	10,851,239	
Surplus for the period	- 185,994	-	- 185,994	1,079,199	5,941,381	

- a) The movement due to by the time of estimating the government was not yet release the circular of disbursing 500,000 per quarter for the new TTI
- b) The movement was due poor inflow of funds to recruit and attain the estimated number of staff
- c) The movement was due low number of students during the financial year which lead to limit the expenditure
- d) This also in connection to note (C)
- e) The Movement was due to poor flow of money
- f) The changes was in connection to note (e)
- g) The changes was in connection to note (e)
- h) The movement was due to low operation of machines and other activities due to low number of students
- i) The changes was in connection to note (e)
- j) The changes was in connection to note (e)
- k) The changes was in connection to note (e)

Note. All Notes with movement of 100% did not take place during the year.

AHMED SHAHAME MWIDANI TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR 17-MONTHS ENDED 30TH JUNE 2018

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Ahmed S. Mwidani T.T.I is established by and derives its authority and accountability from TVET Act 2013. The College is wholly owned by the Government of Kenya and is domiciled in Kenya. The College's principal activity is on page ii.

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 *Institution* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Notes

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

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

AHMED SHAHAME MWIDANI TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR 17-MONTHS ENDED 30TH JUNE 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS

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

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

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

Standard	Effective date and impact:
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 College's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an College's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy

AHMED SHAHAME MWIDANI TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR 17-MONTHS ENDED 30TH JUNE 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

The College 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 College.

Interest income

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

Dividends

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

AHMED SHAHAME MWIDANI TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR 17-MONTHS ENDED 30TH JUNE 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2017/2018 was approved by the Council or Board on **15/01/2018**

The Institution 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.

c) Taxes

Current income tax

The College is exempt from paying taxes as per schedule of the *income* Act cap 470.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (continued)

Sales tax/ Value Added Tax

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

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

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

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of *1* year.

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.

AHMED SHAHAME MWIDANI TECHNICAL TRAINING INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR 17-MONTHS ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the College 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.

The annual depreciation was prorated for the seventeen (17) months using straight line method, and the rates used are:

Building -----	2.5%
Furniture & Equipment-----	12.5%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) 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 College 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.

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Nature and purpose of reserves

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

j) Changes in accounting policies and estimates

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

k) Employee benefits

Retirement benefit plans

The College is yet to have retirement benefits for its employees

l) 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)

m) Related parties

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

n) Service concession arrangements

The College 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 College 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 College also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

o) 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.

p) Comparative figures

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

q) 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, 2018.

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6. TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2017-2018
	KShs
Unconditional grants	
Operational grant	2,000,000
Conditional grants	
Water	1,000,000
Total government grants and subsidies	3,000,000

Note: The institution has four (4) teachers who receive salaries from the Ministries but their records didn't recognised in the financial report because of un accessibility of their payment record

7. RENDERING OF SERVICES

Description	2017-2018
	KShs
Tuition fees	2,967,800
Activity fees	64,700
Registration fees	19,600
Total revenue from the rendering of services	3,052,100

8. OTHER INCOME

Description	2017-2018
	KShs
Application Fee	35,800
Income Generation Project	179,480
Total other income	215,280

9. USE OF GOODS AND SERVICES

Description	2017-2018
	KShs
Electricity	50,825
Water	39165
Security	150,000
Total good and services	239,990

10. EMPLOYEE COSTS

	2017-2018
	KShs
Salaries and wages	588,370
Employee costs	588,370

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11. REMUNERATION OF GOVERNOR'S

Description	2017-2018
	KShs
BOGs emoluments	718,250
Total Governor's emoluments	718,250

12. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2017-2018
	KShs
Building (Tuition Block)	2,399,878
Furniture & Fittings	6,021
Total depreciation and amortization	2,405,899

13. REPAIRS AND MAINTENANCE

Description	2017-2018
	KShs
Property	373,010
Total repairs and maintenance	373,010

14. GENERAL EXPENSES

Description	2017-2018
	KShs
Advertisement	120,995
Administrative Expenses	357,667
Local Transport and Travel	328,600
Activity cost	5,400
TVET Fair	50,000
Total general expenses	862,662

15. CASH AND CASH EQUIVALENTS

Description	2017-2018
	KShs
Current account	1,820,737
Cash in Hand	142,761
Total cash and cash equivalents	1,963,498

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(a). DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

		2017-2018
Financial institution	Account number	KShs
a) Current account		
Kenya Commercial bank	1215853955	1,820,737
Sub- total		1,820,737
b) Others(specify)		
cash in hand		142,761
Grand total		1,963,498

16. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018
	KShs
Current receivables	
Student debtors	2,839,600
Total current receivables	2,839,600

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

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17. PROPERTY, PLANT AND EQUIPMENT

Cost	Building	Motor vehicles	Furniture and fittings	Computers	Plant and equipment	Total
	Shs	Shs	Shs	Shs	Shs	Shs
At 1 Feb 2017						
Additions	67,761,269		34,000			67,795,269
At 30 th June 2018	67,761,269	-	34,000	-	-	67,795,269
Depreciation and impairment						-
At 1 July 2017						-
Depreciation	2,399,878		6,021			2,405,899
At 30 June 2018	2,399,878	-	6,021	-	-	2,405,899
Net book values						-
At 30 th June 2018	65,361,391	-	27,979	-	-	65,389,370

Note:1. LAND & BUILDING

The Land of the institution donated by the Government through the Ministry of Education but no documents so far handed over to Ahmed Shahame TTI

2. FURNITURE & FITTINGS

The Ministry of Education donated furniture & fitting without the cost of the furniture & fitting

5 COMPUTER

The Ministry of Education donated 20cumputer, 3 Laptops, 20 uninterruptible power supply, 2 projector and 3printers without the cost schedule.

6 PLANT AND EQUIPMENT.

The ministry of Education donated Mechatronics Machine to the institution without values

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018
	KShs
Trade payables	169,040
Fees paid in advance	169,800
Other payables	371,310
Total trade and other payables	710,150

19. . REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2017-2018
	KShs
Students Council	26,800
Caution money	47,500
Examination fee	555,550
Kuccps	12,000
Total deposits	641,850

20. CASH GENERATED FROM OPERATIONS

	2017-2018
Surplus for the year before tax	KShs
Adjusted for:	1,079,199
Depreciation	2,405,899
Working Capital adjustments	
Increase in receivables	(2,839,600)
Increase in payables	1,352,000
Net cash flow from operating activities	1,997,498

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. FINANCIAL RISK MANAGEMENT

The College's activities expose it to a variety of financial risks including credit risk and capital risk.

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

(i) Credit risk

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

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

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

	Fully performing Kshs	Past due Kshs	Impaired Kshs	Total Amount
At 30 June 2018				
Trade Receivable	2,839,600	0	0	2,839,600
Bank balances	1,820,737	0	0	1,820,737
Total	4,660,337	00	00	4,660,337

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

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

The College has significant concentration of credit risk on amounts due from 2017/2018

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

(ii) Market risk

a) Interest rate risk

Sensitivity analysis

Ahmed S. Mwidani analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant.

iv) Capital Risk Management

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

	2017-2018
	Kshs
Retained earnings	1,079,199
Total funds	1,079,199
Total borrowings	0
Less: cash and bank balances	1,963,498
Net debt/(excess cash and cash equivalents)	(1,963,498)
Gearing	-182%

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the College 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 *Ahmed Shahame Mwidani Tech.* holding 100% of the *Asmtti* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the College, both domestic and external. Other related parties include:

- i) The National Government;
- ii) The Parent Ministry;
- iii) Board of GOVERNORS
- iv) Accounting officer/ Principal
- v) Finance Department

	2017-2018
	Kshs
Transactions with related parties	
a) Grants from the Government	
Grants from National Govt	3,000,000
Grants from County Government	0
Donations in kind	0
Total	3,000,000
b) Expenses incurred on behalf of related party	
Payments of salaries and wages for 22 employees	588,370
Payments for goods and services	239,990
Total	828,360
c) Key management compensation	
Governor's' emoluments	718,250
Total	718,250

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**XVII. 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)
N/A	N/A	N/A	N/A	N/A	N/A

Guidance Notes:

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

Principal

Stephen Ngome Gofwah

Signature

Date.....18/2/2020



Chairman of the Board

Joseph Tommy Nguma

Signature

Date...18/02/2020

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XVIII. APPENDIX II: INTER-COLLEGE TRANSFERS


	COLLEGE NAME:	AHMED SHAHAME MWIDANI TECHNICAL TRAINING INST.		
	Break down of Transfers from the State Department of TVET			
	FY 2017/2018			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		10/11/2017	500,000	2017/2018
		31/01/2018	500,000	2017/2018
		28/05/2018	1,000,000	2017/2018
		Total	2,000,000	2017/2018
b.	Conditional Grants			
	Water	28/05/2018	1,000,000	2017/2018
	Grand Total		3,000,000	

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

Accountant
 Ahmed S. Mwidani T.T.I

Head of Accounting Unit
 Ministry of Education

Sign


 18/2/2020

Sign-----

AHMED SHAHAME MWIDANI TECHNICAL TRAINING INSTITUTE
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XIX. APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Donor Fund/Direct Payment	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 Education	0	Recurrent	2,000,000	2,000,000	0	0	2,000,000	0	2,000,000
Ministry of Education	0	Development	1,000,000	1,000,000	0	0	1,000,000	0	1,000,000
USAID	0	Donor Fund	0	0	0	0	0	0	0
Ministry of Education	0	Direct Payment	0	0	0	0	0	0	0
Total			3,000,000	3,000,000	0	0	3,000,000	0	3,000,000

