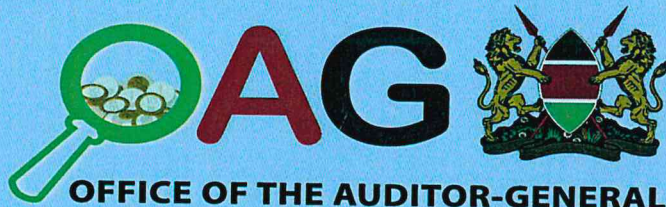


REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY	
P	
DATE: 22 MAR 2022	DAY: WEDNESDAY
TABLED BY:	MAJORITY WHIP HON. E. WANGWE
CLERK-AT THE TABLE:	SAMUEL KALAMA

OF

**THE AUDITOR-GENERAL**

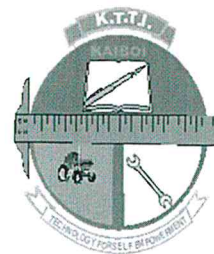
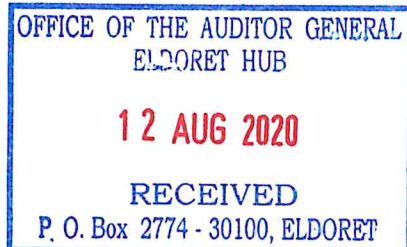
**ON**

**KAIBOI TECHNICAL TRAINING  
INSTITUTE**

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







# **KAIBOI TECHNICAL TRAINING INSTITUTE**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**JUNE 30, 2019**

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

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**KEY ENTITY INFORMATION AND MANAGEMENT****(a) Background information**

Kaiboi Technical Training Institute is situated in Nandi County, Kenya. It was established in 1962 as a Trade School by the Roman Catholic Church offering Trade Courses in Carpentry.

The Government of Kenya took over its management in 1969 and turned it into a National Technical School and it started offering Technical Courses leading to Kenya Certificate of Secondary Education (KCSE).

With the introduction of the 8-4-4 system of education, Kaiboi Technical School was changed to a Public Technical Training Institute, a status it has maintained to date. The institute derives its mandate and functions from the Technical and Vocational Education and Training Act, 2013. Currently, it is managed by the Board of Governors under the Ministry of Education.

**(b) Principal Activities**

The principal activity of the entity is to offer high quality Technical Training, carry out innovative research and community outreach programmes for sustainable socio-economic development.

Promote and adopt principle of good governance and achieve high quality work aligned to ISO 9001:2015 standards.

**Vision**

A world class model in the provision of quality and relevant technical training.

**Mission**

To provide quality and relevant technical training responsive to the dynamic market needs.

**Strategic Objectives**

- 1) To produce relevant skilled manpower suitable for market needs through training and research;
- 2) To provide technological solutions through Research and Innovations;
- 3) To promote technology transfer to the community and industry;
- 4) To improve on the human, physical and organizational capacity;
- 5) To maintain a competitive edge and corporate image through quality service delivery, good governance and Corporate Social Responsibility activities.

**Core Values**

To meet the expectations of our stakeholders, we are committed to the following values: -

- 1) Professionalism,
- 2) Transparency
- 3) Accountability
- 4) Integrity
- 5) Efficiency
- 6) Team Spirit
- 7) Ethical and evidence-based decision-making



**(c) Key Management**

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

1. Board of Governors
2. Accounting officer/ Principal
3. Deputy principal in charge of Administration
4. Deputy Principal in charge of Academics
5. Registrar
6. Dean of Students
7. Finance Officer
8. Procurement officer
9. Heads of Departments

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Principal	Charles Koech
2.	Deputy Principal administration	James Chirchir
3.	Deputy Principal Academics	Ronald Mujumba
4.	Finance Officer	CPA Jemima Muten
5.	Registrar	Emmy Lagat
6.	Dean of students	Job Barkebo
7.	Procurement Officer	Julia Birech



## KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

### (e) Fiduciary Oversight Arrangements

Name of the Committee	Members	Function
Finance, Infrastructure and General Purpose	Mr. Isaac Mukenya (Chairman) Hon. Silas Kipkemboi Mr. Michael Otieno Mr. Charles Koech (Secretary)	<ul style="list-style-type: none"> <li>• Oversee and monitor strategic developments and projects by Business cases for major developments Space and infrastructure planning Progress on designated strategic projects</li> <li>• Review of the institute budget by reviewing the draft operating budget ahead of its presentation to board of Governors, Reviewing the draft and Capital Management Plan ahead of its presentation to the board of Governors</li> <li>• Monitoring of financial performance by Regular financial reporting to the Treasury, investment performance and review the annual financial statements of the institute</li> <li>• Monitoring of performance through the review of strategic key performance indicators that include research performance, human resources, marketing performance and operational policies</li> </ul>
Education, Research and Training	Eng. Wesley Barmosop (Chairman) Prof. Violet Mugalavai Dr. Henry Rotich Charles Koech (Secretary)	<ul style="list-style-type: none"> <li>• Review of the institute R&amp;D policies.</li> <li>• Monitor education &amp; research activities</li> <li>• Source for funding for the R&amp;D activities</li> </ul>

**(f) Headquarters & Address**

P.O. Box 937-30100

Eldoret - Kenya

22 km off Eldoret – Kapsabet highway, approximately 50 km from Eldoret.

**(g) Contacts**

Telephone : (254) 734937937/727937937/733659780

E-mail: [kaiboi@kaiboitech.ac.ke](mailto:kaiboi@kaiboitech.ac.ke)/[principal@kaiboitech.ac.ke](mailto:principal@kaiboitech.ac.ke)

Website: <https://www.kaiboitech.ac.ke>

**(h) Entity Bankers**

1) Barclays Bank  
Eldoret branch

2) Kenya Commercial Bank  
Eldoret branch

**(i) Independent Auditors**

Auditor General

Kenya National Audit Office

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





## BOARD OF GOVERNORS

Insert each Director's passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Director's date of birth, key qualifications and work experience
 <p>Ms. Perpetua Bartoo - BOG Chairperson MA(Moi Uni) BED( Moi Uni)</p>	<p>Perpetua was born on 7/10/1967. She is the Board's Chairperson. She has a wealth public service experience having been a District Officer, Personal Assistant to a Minister in the Ministry of Higher Education and a teacher. She has served in various administrative positions at Moi University and is currently the Deputy Registrar Examinations Department. She is a member of the Governing council of the Great Lakes University of Kisumu. She has a Master's Degree of Philosophy in Education from Moi University and a Bachelor of Education Arts from the same University. She is currently pursuing a doctorate degree in Educational Psychology from Moi University.</p>
 <p>PRINCIPAL/BoG SECREATARY Mr.Charles Koech -MBA(Moi Uni)BED( Moi Uni)</p>	<p>Born on 22/2/1974. He is the Chief Executive officer of the Institute serving as the Principal and secretary to the board. He holds a Master of Education (Leadership and policy Education) and Bachelor of Education (Technology education) both from Moi University. Mr. Koech has vast experience in education administration management having served as a Principal for close to ten years. He has been a Deputy Principal, Registrar and HoD Mechanical Engineering. He has undergone various short courses in Education Management and Governance. He also serves as KATTI National treasurer and has in the past served as KATTI Rift Valley chair Sports and Recreations and as a Secretary/Treasurer.</p>

 <p>Mr. Michael Rugut MBA(K.U), Bsc(Production &amp; Technology) MEMBER/REP PS-CDTVET-Uasin Gishu/Nandi /ElgeyoMarakwet</p>	<p>Mr. Rugut was born on 10th June, 1967. He is career civil servant currently serving as the Uasin Gishu/Nandi /Elgeyo Marakwet County Director of TVET and represents the Principal Secretary, State Department of Vocational &amp; Technical Training in the Governing Council having worked previously at the Head Office, Ministry of Education, Science &amp; technology Nairobi. He also worked for National Youth Service as a lecturer in the Department of Technology. He has a degree in Production Technology from Moi University. He has also attended several training and seminars in the field of technology. He attained a certificate in Automotive Engineering and Construction Plant Engineering from the Polytechnic University of Japan. Mr. Rugut holds a Master's Degree in Administration (Project Management) from Kenyatta University.</p>
 <p>Dr. Henry Rotich PHD(Jilin university,China) MSC(Northeast Normal university,china) EMBA(JKUAT) BSC-Chemistry (UoN)</p>	<p>Dr. Rotich was born on 29/7/1970. He is a member of Education, Research and Training Committee of the Institutes Board. He is a researcher and quality management professional with Technical Knowledge and Application of Quality Management Systems in Corporate Governance, Management and Strategy formulation. He holds a Doctorate Degree (Hydrology and Water Resources from Jilin University, china and a master of Science Degree (Analytical Chemistry) from Northeast Normal University, China. He has an Executive Master of Business Administration from JKUAT and a Bachelor of Science (Chemistry) from The University of Nairobi. He has worked as lead consultant with Envisolve consultant- Beijing China providing technical guidance on development of antifouling agent to replace TBT used in antifouling paints. He also worked as a teaching Assistant at Julin University, China and as a Laboratory Analyst at The Kenya Bureau of standards. Currently, Dr. Rotich is the Director Metrology and Testing Division at KEBS</p>



 <p>Prof. Violet Mugalavai PHD( Moi University) M.ED (KU) BED (KU)</p>	<p>Prof. is a member of Education, Research and Training at Institute Board. Prof. is an Associate Professor with a wealth of experience in Teaching. Currently, she is a Lecture at The University of Eldoret and also a director of Industrial Linkages, Partnerships and Collaborations. She has developed various University Curricula and supervised many Thesis for post graduate students. Prof. has a Doctorate in Human Ecology from Moi University and Master of Education (Home Economics) from Kenyatta University and Bachelor of Education (Home Economics) from KU.</p>
 <p>Welikhe Isaac Mukenya MBA( Moi Uni) BSC (KU)</p>	<p>Isaac was born in the year 1982. He is currently the chairman of Finance, Infrastructure and General Purpose committee in the Institute Board. He holds an MBA in Strategic Management from Moi University and a Bachelor of Science-Environmental Studies from KU. He also has a Diploma in Military Science from Egerton University and various courses on Leadership and Governance, Community Enterprises and Financial Management. Isaac has worked as Project Manager Youth Enterprise at the Catholic Diocese of Eldoret partnership with Catholic Relief services, Kenya and Savings and Internal Lending Communities. Currently, he is serving as the Deputy County Secretary Bungoma County.</p>

 <p>Mr. Silas Kipkemboi MBA (CUEA) BED(KU)</p>	<p>Silas was born on 10/11/1974. He is a member of Finance committee, Infrastructure and General Purpose committee in the Institute Board. He has a wealth of experience in financial management &amp; general administration having worked in various organisations including being the Managing Director at Nandi Hekima Sacco, supervisor at Eastern Produce and majorly as the County Executive Committee Vihiga County where he served in different dockets including; Roads and Infrastructure, Health Services and Land, Housing, Urban and Physical Planning. His main discipline is in Strategic management. He undertook his master's degree in business administration (MBA) in The Catholic University of Eastern Africa and Bachelor of Arts Education from Kenyatta University.</p>
 <p>Mr. Oloo Michael Otieno MBA(Moi Uni) BA(Moi Uni)</p>	<p>Michel is currently pursuing a Doctorate Degree in Philosophy, Communication and Governance (Participatory Communication) at Moi University. He holds a Masters and a Bachelor's Degree in Philosophy of Public Relations and Communication from Moi University. He is a member of Finance, Infrastructure and General Purpose committee in the Institute Board. He is re-known City Valuer and has served in several Boards of Management including the Finance Council of Catholic Diocese of Eldoret and Kenya National Chamber of Commerce.</p>









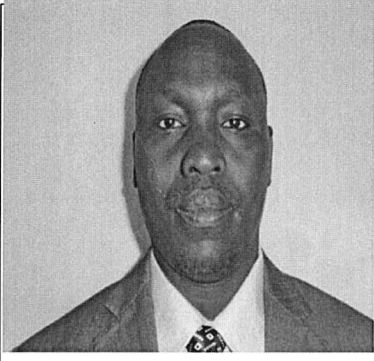

Eng .Wisley Barmosop  
BSC- Agriclatural Engineering(EGERTON UNI)

Engineer is the chair Education, Research and Training Committee of the Institute's Board and also serves as a member of Board of Directors Hills Sacco Ltd. Wisley has a Bachelor of Science in Agricultural Engineering from Egerton University. He has a vast experience in Sustainable Agribusiness Production having served as a senior Estate Manager Field Operations at Eastern Produce (K) Ltd. He is currently serving as the Manager Factory Operations.

## MANAGEMENT TEAM

Name of the Staff	
 <p>Mr. Charles Koech MBA(Moi Uni)BED( Moi Uni)</p>	<p>He holds a Master of Education (Leadership and policy Education) and Bachelor of Education (Technology education) both from Moi University. Mr. Koech has vast experience in education administration management having served as a Principal for close to ten years and previously as a Deputy Principal and HoD. He is also serving in the KATTI council as the Treasurer.</p>
 <p>Mr. James Chirchir Dip Tech (KTTC)</p>	<p>Mr. Chirchiris currently serving as the Deputy Principal in charge of Administration, Chair of the Institutes Academic Board committee and a Lecturer of Automotive Engineering. He holds a Diploma of Education (Automotive Engineering) from Kenya Technical Trainers College. He has vast experience in leadership and management having served previously as the Head of Department and Deputy Principal in charge of Academics.</p>
 <p>Mr. Ronald Mujumba BED(UOE) Dip Tech(KTTC)</p>	<p>Ronald is currently serving as the Deputy Principal in charge of Academics Chair timetabling committee and a Lecturer of Electrical and Electronics Engineering. He holds a Bachelor of Education Technology from University of Eldoret and a Diploma Technical Education (Electrical Engineering) from KTTC. He has vast experience in leadership and management having served previously as the Dean of students and Sports Officer.</p>
 <p>Ms. Emmy Lagat MED(Moi Uni) BED(Egerton Uni)</p>	<p>Emmy is currently serving as the Registrar, chair Marketing Committee and a lecturer of agricultural Engineering. She holds a Master of Education (Curriculum Development) from Moi University and Bachelor of Education (Agriculture &amp; Economics) from Egerton University.</p>

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

 <p>Mr. Job BarkeboBED( Moi Uni) Dip Tech (KTTC)</p>	<p>Mr. Barkebo is the current Dean of Students and a lecturer for Agricultural Engineering. He is in charge of student's welfare. He holds a Bachelor of Education( power Mechanics) from Moi University and Diploma in Technical Education (Agricultural Engineering)</p>
 <p>CPA Jemima Muten MBA (UOE) BCOM(CUEA) CPA(K)</p>	<p>Currently serving as the Finance officer, Jemima holds a Master of Business Management (Finance) from University of Eldoret and Bachelor of Commerce (Accounting) from CUEA. She has vast experience in financial management having served as a Finance officer for close to five years and previously as an assistant finance officer and accounts clerk</p>

## CHAIRMAN'S STATEMENT

The Board of Governors together with the Management and Staff have worked hard in setting up structures and policies aimed at guiding the institution in the right strategic direction. The attainment and sustenance of ISO 9001-2015 certification is one principle of good governance that has helped the institution achieve high quality work and good corporate image. Through the direction of the Board of Governors, we have ensured that financial resources are utilized efficiently and effectively for optimum output. Despite the many challenges brought about by economic constraints, the Institute nevertheless continued to discharge its mandate of teaching, research and outreach.

The FY 2018/2019 was a very successful year having had the Government putting more effort in revamping TVET Sector. During this year under focus, there has been renewed focus on Corporate Governance and the Institute has spent significant proportion of its time examining and strengthening its processes. This was majorly done while developing the strategic plan 2018-2023 that saw all stakeholders engaged. The success of the year focused on ISO 9001:2015 implementation, Infrastructure upgrade and renovations, purchase of training materials and training of staff on Competency Based Education and Training (CBET) implementation and management.

I wish to recognize the role of the Government and Development Partners for the support in provision of modern Mechanical and Agricultural Equipment that will enhance training. Capitation and Development Grants boosted the financial strength of the institute making it easy for service delivery.

On behalf of the Board of Governors I would wish to thank the Management of the institute and staff for their continued hard work, dedication and commitment through strong foundation. I believe that we have focused on the right priorities as we continue to rebuild and strengthen the Institute.

Finally, it is through our relentless focus on meeting our customer needs which will help us to achieve our goals for the long term success and the benefit of all our stakeholders.

BoG Chairperson



Dr. James Sang

Date: August 12, 2020



## REPORT OF THE PRINCIPAL

Kaiboi Technical Training Institute endeavours to offer high quality technical training, carry out innovative research and community outreach programmes for sustainable socio-economic development. This also enables the institute to contribute towards the attainment of our country's Vision 2030 strategic objectives and support the drive in realising the objectives of the National Government's 'Big Four' agenda.

The FY 2018/2019 has been a significant year with unprecedented changes made by the Government on Management of TVET Sector. The Institute has taken decisive, immediate actions and deliberate changes to match the dynamics. We have concentrated our efforts on the under listed priority areas in the year under review:

1. Development of strategic plan 2018-2023
2. Modernization of training equipment
3. Training of Staff on CBET Programme
4. Prudent Financial Management
5. Marketing of the Institute's Programmes
6. Mentoring of five new TVCs

Due to increased Student Population, the Institute expanded the Agricultural and Mechanical workshops. With popularization of TVET that lead to increased student population, it is imperative that funds are provided for expansion of classrooms and other facilities to avoid congestion and disruption of services. During the year under review, we constructed the Science and Engineering Complex upto first floor slab at a cost of KSh 9,740,071 bringing the cumulative cost to date at KSh 11,210,831. The Complex contract sum totals to ksh.72, 816,850 and we appeal to Government to fund the project to completion.

During the year under review we received equipment for Mechanical and Agricultural Engineering departments. The modern equipment is critical in training on current trends in the industry. During the year, a number of staff were facilitated for training ranging from Management to CBET technical programmes as the Institute management is keen in having skilled staff. The Board employed a number of teaching staff to curb the shortage and also offered internships and attachment. There was significant support from the Ministry in deployment of staff and we are awaiting recruitment of at least 16 trainers whose positions have been advertised by the Public Service Board.

The Institute continued to implement sound financial management policies and efficient utilization of funds which ultimately led to realization of set goals.

With a total revenue of ksh. 267,658,489, Ksh 10,904,025 was spent on employee cost, ksh. 101,024,251 on tuition related expenses, ksh. 2,070,544 on electricity (use of goods) and ksh. 988,440 on general repairs and maintenance while Ksh 53,506,221 are receivables from exchange transactions and Ksh 22,440, 000 was from non-exchange transactions that meets the second half Capitation from the Government. The receivables are attributed to outstanding arrears from NYS sponsored trainees Ksh 49,972,691, NG CDF Kipkelion East Constituency sponsored trainees Ksh 672,265, rent Ksh 522,623 and Kenya National Highway Authority and self-sponsored trainees KSh 2,338,642 totaling to KSh 59,451,357. Measures have been put in place to recover the outstanding debtors so that the institute is able to deliver in its mandate.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **Kaiboi Technical Training Institute operational and financial performance**

We realized total income of KSh. 167,987,122, Recurrent Exchequer grants was Ksh. 99,671,367 in the financial year 2018/2019. The Exchequer grants was utilized as follows;.Ksh 48,834,817 was transferred to Mentoring Institutions and Capital fund for construction of Science and Engineering, and KSh 22,440,000 were receivables for Capitation. During the year, total recurrent expenditure totalled to Ksh. 187,086,050. KSh 34,944,026 was utilized for capital projects including improvement of workshops, purchase of computers, and settlement of van purchase among others. We closed the year with a surplus of Kshs 31,737,622 attributed to receivables from fees and government grants.

### **STRENGTHS**

- Experienced, committed and supportive BoG
- Modern training equipment
- Community good will
- Existence of students' council
- Space for expansion

### **OPPORTUNITIES**

- Diversity of training programmes
- Strategic location-proximity to industries
- Increasing demand for technical education
- Harmonious relationship with the community
- Populous catchment area
- Reliable food and affordable supplies
- Existence of HELB, CDF and other Bursaries
- Partnership with other institutions
- Placement of trainees by KUCCPS
- Opportunity for environmental conservation through research and extension

### **THE ENTITIES CHALLENGES**

- Inadequate PSC trainers
- Inadequate class rooms
- Constraint budgetary allocation
- Delayed disbursement of GOK grants

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

The institute undertakes one major open day annually. The event was organized and held successfully on the 28<sup>th</sup> June 2019 at the institute's field. Through partnership with financial institutions, ministry of agriculture and other stakeholders, farmers are trained on current trends of farming and financial management. Institutions are also able to showcase their equipment. Trainees are also given an opportunity to exhibit projects done in their departments.

## **REPORT OF THE BOARD OF GOVERNORS**

The Board members submit their report together with the audited financial statements for the year ended June 30<sup>th</sup>, 2019 which show the state of Kaiboi Technical Training Institute state of affairs.

### **Principal activities**

The principal activity of the entity is to offer high quality Technical Training, carry out innovative research and community outreach programmes for sustainable socio-economic development.  
Promote and adopt principle of good governance and achieve high quality work aligned to ISO 9001:2015 standards

### **Results**

The results of the entity for the year ended June 30, 2019 are set out on page 1-6

## **BOARD OF GOVERNORS**

The members of the Board who served during the year are shown on page VI.

### **Auditors**

The Auditor General is responsible for the statutory audit of Kaiboi Technical Training Institute in accordance with Article 229 of the Constitution of Kenya, the Public Audit Act 2015 and PFM Act, 2012.

By Order of the Board



BoG Chairperson

Date: August 12, 2020

## BOARD OF GOVERNORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013*) require the Board of Governors to prepare financial statements in respect of Kaiboi Technical Training Institute, which give a true and fair view of the state of affairs of the Institute at the end of the financial year 2018/2019 and the operating results of Institute for that year 2018/2019. The Board of Governors are also required to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the institute. The Board of Governors are also responsible for safeguarding the institute's assets.

The Board of Governors are responsible for the preparation and presentation of Kaiboi Technical Training Institute financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year 2018/2019 ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Institute; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Governors accept responsibility for the Institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*the State Corporations Act, and the TVET Act- 2013*). The Board of Governors are of the opinion that the Institute's financial statements give a true and fair view of the state of Institute's transactions during the financial year ended June 30, 2019, and of the Institute's financial position as at that date. The Board of Governors further confirm the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the institute's financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

The Kaiboi Technical Training Institute financial statements were approved by the Board on August 12, 2020 and signed on its behalf by:



BoG chair



BoG Member

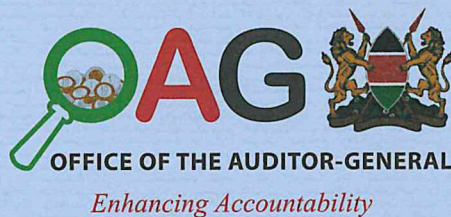


BoG secretary/principal



# REPUBLIC OF KENYA

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

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kaiboi Technical Training Institute set out on pages 1 to 33, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts combined 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, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kaiboi Technical Training Institute as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Technical and Vocational Education and Training Act, 2013.

#### Basis for Qualified Opinion

##### 1.0 Refundable Deposits from Customers

As disclosed under Note 30 to the financial statements, the statement of financial position as at 30 June, 2019 reflects refundable deposits from customers of Kshs.1,882,779. However, the management did not maintain a separate account for refundable deposits. Further, a list of the students with deposits to support the amount was not provided for audit review.

Consequently, the validity, existence and completeness of the refundable deposits balance of Kshs.1,882,779 as at 30 June, 2019 could not be confirmed.

##### 2.0 Receivables from Exchange Transactions

As disclosed under Note 24 to the financial statements, the statement of financial position as at 30 June, 2019 reflects receivable from exchange transactions (student



debtors) of Kshs.53,506,221. Although the aging analysis was provided, management had not made available any policy on managing any long outstanding debts.

Consequently, the validity and proper valuation of the student debtors balance of Kshs.53,506,2121 as at 30 June, 2019 could not be confirmed.

### **3.0 Trade and other Payables from Exchange Transactions**

As disclosed under Note 29 to the financial statements, the statement of financial position as at 30 June, 2019 reflects trade and other payables from exchange transactions of Kshs.22,746,954. However, the aging analysis schedule and creditors policy were not made available for audit verification.

Under the circumstances, the validity, accuracy and existence of other payables from exchange transactions of Kshs.22,746,954 as at 30 June, 2019 could not be confirmed

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kaiboi Technical Training Institute 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 opinion.

### **Key Audit Matters**

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

### **Other Matter**

### **Budgetary Control and Performance**

The statement of comparison of budgets and actual amounts combined reflects a revenue and expenditure budget of Kshs.210,452,317 and Kshs.314,789,817 respectively resulting to a budget deficit of Kshs.104,337,500. During the same period, the institute incurred expenditure of Kshs. 270,864,893 of the approved budgets resulting to an over-expenditure of Kshs.43,924,924 or 14 % of the approved budget as detailed below:

<b>Receipts</b>	<b>Final Budget (Kshs.)</b>	<b>Actual on Comparable Basis (Kshs.)</b>	<b>Variance (Kshs.)</b>	<b>%</b>
<b>Approved Budget</b>	210,452,317	248,783,489	(38,331,172)	(18)
<b>Payments</b>				
Compensation of Employees	10,580,000	10,904,025	(324,025)	(3)
Use of Goods and Services	5,400,000	2,070,544	3,329,456	62
Repairs and Maintenance	2,700,000	988,440	1,711,560	63
Plant, Property and Equipment	45,500,000	34,944,026	10,555,974	23
Transfers to Mentoring Institutions	48,834,817	48,834,817	0	0
General Expenses	126,775,000	101,024,251	25,750,749	20
Provision for Depreciation	75,000,000	72,098,790	2,901,210	4
<b>Totals</b>	<b>314,789,817</b>	<b>270,864,893</b>	<b>43,924,924</b>	<b>14</b>

Consequently, the institute was unable to align its activities within the approved budgetary provisions.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter(s) described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### 1.0 Failure to Observe One Third Rule on Staff Establishment

As reported in the previous period, a review of personnel records presented for the audit revealed that as at 30 June, 2019 Kaiboi Technical Training Institute had eighty-seven (87) employees out of which seventy-eight (78) employees (90%) came from the same ethnic community contrary to Sections 7(1) and (2) of National Cohesion and Integration Act, 2008 that advocates for diversity in recruitment.

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

## **2.0 Transfers to Mentoring Institutions**

As disclosed under note 12 to the financial statements, the statement of financial performance for the year ended 30 June, 2019 reflects transfers to mentoring institutions of Kshs.48,834,817. According to a letter from the Principal Secretary, Ministry of Education, Science and Technology, Ref No. MST/DTE/6/5/VOL.V of 21 May, 2015, a mentoring institution is responsible for management of the project implementation process from tendering, construction and finally handing over completed institution to the ministry. Further, the mentoring institution will be accountable to the Ministry and will be guided by the provisions of Public Procurement and Disposal Act, its regulations and the Public Finance Management (PFM) Act, 2012 and Chapter 12 of the Constitution of Kenya, 2010. However, the Institute's Management has not provided tender documents, bills of quantities, contract documents, technical drawings, tender opening minutes, evaluation committee minutes, adverts/quotations, certificates of completion, site meeting minutes and certificates of handing over for audit review.

Consequently, it was not possible to confirm whether the transfers to mentoring institutions of Kshs.48,834,817 for the year ended 30 June, 2019 to Technical Training Institutes have been applied lawfully and in an effective way.

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, based on the audit procedures performed, except for the matter(s) described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

#### **Basis for Conclusion**

##### **1.0 Risk Management Policy**

During the year under review, the Institute did not have a Risk Management Policy, risk management strategies and a system of risk management to enable them develop appropriate risk strategies in order to improve on effective and efficient management of public resources, therefore, contravening the requirement of the Treasury Circular No.3/2009 of 23 February, 2009 which provided a broad policy framework for developing and implementing customized Risk Management Strategies in Public



Institutions. The circular required all heads of Public Institutions to develop and implement a Risk Management Framework as a fundamental step towards establishing an accountable and innovative public service. The circular requires that all Public Institutions develop an institutional Risk Management Policy Framework (IRMPF). The circular also requires accounting officers and others to put in place structures and systems to manage their identified risks, considering their legal obligations, policy decisions, business objectives and public sector expectations.

Failure to develop a risk management policy exposes the Institute and in the event of a risk, there may not be strategies to counter that risk.

## **2.0 Lack of Internal Audit Committee**

During the year under review, the Institute had not established an audit committee contrary to Section 73(5) of the Public Finance Management Act, 2012 which requires every national government entity to establish an audit committee whose composition and functions shall be as prescribed by the regulations.

No reasonable assurance can be provided on the state of risk management, internal controls and governance within the organization and no review of the effectiveness of the financial and non-financial performance management systems of the entities has been provided in the absence of an audit committee.

No satisfactory explanation has been provided for the failure to establish the audit committee.

## **3.0 Failure to Establish an Internal Audit Function**

Audit review of the institution charter and human resource documents provided for audit revealed that the Management of Kaiboi Technical Training Institute had not established an internal audit department to carry out internal audit functions contrary to Section 73(1)(a) of the Public Finance Management Act, 2012.

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

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 those Charged with Governance**

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

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Kaiboi Technical Training Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

19 January, 2022



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


	Notes	2018/2019	2017/2018
<b>Revenue from non-exchange transactions</b>		<b>Kshs</b>	<b>Kshs</b>
Transfers from the National Government – grants/ gifts in kind	6	99,671,367	51,254,534
Grants from donors and development partners	7	-	-
Transfers from other levels of government	8	-	-
<b>Total Revenue from non-exchange transactions</b>		<b>99,671,367</b>	<b>51,254,534</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Fees from students	9	166,020,859	71,489,029
Sale of goods	10	1,677,671	1,119,465
Rental revenue from facilities and equipment	11	288,592	308,284
<b>Revenue from exchange transactions</b>		<b>167,987,122</b>	<b>72,916,778</b>
<b>Total revenue</b>		<b>267,658,489</b>	<b>124,171,312</b>
<b>Expenses</b>			
Transfers to mentoring institutions	12	48,834,817	27,254,534
Use of goods and services	13	2,070,544	1,560,335
Employee costs	14	10,904,025	10,337,136
Remuneration of directors	15	-	-
Depreciation and amortization expense	16	72,098,790	-
Repairs and maintenance	17	988,440	1,283,043
Contracted services	18	-	-
General expenses	19	101,024,251	87,139,595
Finance costs	20		
<b>Total expenses</b>		<b>235,920,867</b>	<b>127,574,643</b>
Other gains/(losses)		-	-
Gain on sale of assets	21	-	-
Unrealized gain on fair value of investments	22	-	-
<b>Total other gains/(losses)</b>		<b>-</b>	<b>-</b>
<b>Net Surplus for the year</b>		<b>31,737,622</b>	<b>(3,403,331)</b>


The notes set out on pages 6-36 form integral part of the Annual Financial Statements


**V. STATEMENT OF FINANCIAL POSITIONAS AT 30 JUNE, 2019**

	Notes	2018/2019	2017/2018
Assets		Kshs	Kshs
<b>Current assets</b>			
Cash and cash equivalents	23	30,117,494	12,446,393
Receivables from exchange transactions	24	53,506,221	7,722,446
Receivables from non-exchange transactions	25	22,440,000	-
Inventories	26	2,326,565	1,575,340
Investments	27	-	-
<b>Total Current Assets</b>		<b>108,390,280</b>	<b>21,744,179</b>
<b>Non-current assets</b>			
Property, plant and equipment	28	672,556,152	709,710,916
<b>Total Non-current Assets</b>		<b>672,556,152</b>	<b>709,710,916</b>
<b>Total assets</b>		<b>780,946,432</b>	<b>731,455,095</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	29	22,746,954	9,439,643
Refundable deposits from customers	30	1,882,779	1,001,375
<b>Total Current Liabilities</b>		<b>24,629,733</b>	<b>10,441,018</b>
<b>Non-current liabilities</b>			
Borrowings	31	-	-
<b>Total Non-current liabilities</b>			
<b>Total liabilities</b>		<b>24,629,733</b>	<b>10,441,018</b>
<b>Capital and Reserves</b>			
<b>Reserves</b>			
Accumulated surplus as at 1st July 2018		15,625,896	19,029,227
Surplus for the year		31,737,622	(3,403,331)
<b>Accumulated surplus</b>		<b>47,363,518</b>	<b>15,625,896</b>
Capital Fund		708,953,181	705,388,181
<b>Total Capital and Reserves</b>		<b>756,316,699</b>	<b>721,014,077</b>
<b>Total Liabilities and Capital &amp; Reserves</b>		<b>780,946,432</b>	<b>731,455,095</b>

The Financial Statements set out on pages 1 to 36 were signed on behalf of the Institute Board of Governors by:

  
Dr. James K Sang  
Chairman of Board of Governors

  
CPA Jemima Muten  
Finance Officer ICPAK No 19614

  
Mr. Charles Koech  
Principal

Date: August 12, 2020

Date: August 12, 2020

Date: August 12, 2020

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

	Revaluation reserve	Fair value adjustmen t reserve	Retained earnings/Accumu lated Reserves	Capital/ Development Grants/Fund	Total
<b>Balance b/f at July 1, 2017</b>			19,029,227	701,888,181	720,917,408
Revaluation gain					-
Fair value adjustment on quoted investments					-
Net surplus for the year.			(3,403,331)		(3,403,331)
Capital/Development grants received during the year				3,500,000	3,500,000
Transfer of depreciation/amortisation from capital fund to retained earnings					-
<b>Balance c/d as at June 30, 2018</b>	-	-	15,625,896	705,388,181	721,014,077
<b>Balance b/f as at July 1, 2018</b>	-	-	15,625,896	705,388,181	721,014,077
Revaluation gain					-
Fair value adjustment on quoted investments					-
Net surplus for the year			31,737,622	-	31,737,622
Capital/Development grants received during the year			-	3,565,000	3,565,000
<b>Balance c/d as at June 30, 2019</b>	-	-	47,363,518	708,953,181	756,316,699

**VI.STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2019**

	<b>2018/2019</b>	<b>2017/2018</b>
<b>Cash flows from operating activities</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Receipts</b>		
Transfers from other Government entities/Govt. grants	77,231,367	51,254,534
Public contributions and donations		
Rendering of services- Fees from students	112,514,638	67,339,074
Sale of goods	1,677,671	1,119,465
Rental revenue from facilities and equipment	288,592	308,284
Finance income	-	-
Consultancy income	-	-
Other income, rentals and agency fees	-	-
<b>Total Receipts</b>	<b>191,712,268</b>	<b>120,021,357</b>
<b>Payments</b>		
Transfers to mentoring institutions a	48,834,817	27,254,534
Compensation of employees	10,904,025	10,337,136
Use of goods and services	2,070,544	1,560,335
Finance cost	-	-
Repairs and maintenance	988,440	1,283,043
General expenses	82,027,398	77,699,952
Other payments		
<b>Total Payments</b>	<b>144,825,224</b>	<b>118,135,000</b>
<b>Net cash flows from operating activities</b>	<b>46,887,044</b>	<b>1,886,357</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant, equipment and intangible assets	(32,780,943)	(7,869,216)
Proceeds from sale of property, plant and Equipment	-	-
Decrease in non-current receivables	-	-
Increase in investments	-	-
<b>Net cash flows used in investing activities</b>	<b>(32,780,943)</b>	<b>(7,869,216)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Increase in deposits - capital grants	3,565,000	3,500,000
<b>Net cash flows used in financing activities</b>	<b>3,565,000</b>	<b>3,500,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>17,671,101</b>	<b>(2,482,859)</b>
Cash and cash equivalents at 1 July 2018	12,446,393	14,929,252
<b>Cash and cash equivalents at 30 June 2019</b>	<b>30,117,494</b>	<b>12,446,393</b>

(IPSAS 2: the direct method has been used to present the statement of cash flows .



**VIII. STATEMENT OF COMPARISON OF BUDGETS AND ACTUAL AMOUNTS COMBINED (RECURRENT & DEVELOPMENT) FOR THE YEAR ENDED 30 JUNE, 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers from national government recurrent grants	24,000,000	35,400,000	59,400,000	28,396,550	(52.19%)
Transfer from Govt for mentoring institutions		48,834,817	48,834,817	48,834,817	0.00%
Transfers from national government development grants	5,000,000	-	5,000,000	3,565,000	(28.70%)
Rendering of services- Fees from students	59,900,000	34,655,000	94,555,000	166,020,859	75.58%
Sale of goods	2,302,500	-	2,302,500	1,677,671	(27.14%)
Gains on disposal, rental income and agency fees	360,000	-	360,000	288,592	(19.84%)
<b>Total income</b>	<b>91,562,500</b>	<b>118,889,817</b>	<b>210,452,317</b>	<b>248,783,489</b>	
<b>Expenses</b>					
Compensation of Employees	10,580,000	-	10,580,000	10,904,025	3.06%
Use of Goods and Services	5,400,000	-	5,400,000	2,070,544	(61.66%)
Repairs and Maintenance	2,700,000	-	2,700,000	988,440	(63.39%)
Property Plant and Equipment	45,500,000	-	45,500,000	34,944,026	(23.20%)
Transfers to mentoring Institutions	-	48,834,817	48,834,817	48,834,817	0.00%
General expenses	85,125,000	41,650,000	126,775,000	101,024,251	(20.31%)
Provision for depreciation	75,000,000		75,000,000	76,610,214	(3.87%)
<b>Total expenditure</b>	<b>224,305,000</b>	<b>90,484,817</b>	<b>314,789,817</b>	<b>267,299,893</b>	
<b>Surplus for the period</b>	<b>(132,742,500)</b>	<b>28,405,000</b>	<b>(104,337,500)</b>	<b>(18,516,404)</b>	

**Budget notes**

- The institute did not receive the full budgeted national government recurrent grants leading to a deficit of 52.19%
- The institute did not receive the full budgeted national government development grants leading to a deficit of 28.70%
- The institute had an increase in enrolment leading to increase in fees from rendering services by 75.58%.
- There is a decrease of farm output leading to decrease of sale of goods revenue by 27.14%
- Rental income decreased by 19.84% because some of the house were vacant during the financial year.
- There was increase of compensation of employees by 3.06% from the budget because more casual employees were hired.
- Actual amount of use of goods and services reduced by 61.66% due to reduction of electricity cost.
- Repairs and maintenance reduced by 63.39% because some of the repairs were done by students.
- Property plant and equipment cost reduced by 23.20% due to price reduction.
- General expenses reduced by 20.31% due to economies of scale..

## IX. NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Kaiboi Technical Training Institute entity is established by and derives its authority and accountability from TVET Act, 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Technical and Vocational Training.

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at estimated amounts of property, plant and equipment. 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 *institute's* accounting policies.

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

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 is on first time adoption.

### 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
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> 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 2019

Standard	Effective date and impact:
<b>IPSAS 41:</b> Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2022:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cashflows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>
<b>IPSAS 42:</b> Social Benefits	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul>

#### iii. Early adoption of standards

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

**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 entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

**ii) Revenue from exchange transactions**

**Rendering of services**

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

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

**Sale of goods**

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

**Interest income**

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

**Dividends**

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



**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 2018/2019 was approved by the Board of Governors on 18/6/2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 period of xxx years.

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

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

**d) Property, plant and equipment**

International public sector Accounting standard (IPSAS) 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first time adopters three years to recognise specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.

However, in the year under review, we have applied straight line depreciation method at the following depreciation at the rates: -

Buildings and structures	2.5%
Motor vehicle	25%
Furniture and fittings	12.5%
Computers	33 1/3%
Plant and Equipment	20%

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Leases**

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

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

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

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

**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. 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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*

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



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Financial instruments (Continued)**

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

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

*Financial liabilities*

*Initial recognition and measurement*

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

*Loans and borrowing*

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

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

**i) Inventories**

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### i) Inventories (Continued)

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

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

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

#### j) Provisions

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

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

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

#### *Contingent liabilities*

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

#### *Contingent assets*

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k) Nature and purpose of reserves**

The Entity does not create and maintain reserves in terms of specific requirements..

**l) Changes in accounting policies and estimates**

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

**m) Employee benefits**

**Retirement benefit plans**

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

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

**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**p) Related parties**

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

**q) Service concession arrangements**

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

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Subsequent events**

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



## **5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

### **Estimates and assumptions**

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

### **Useful lives and residual values**

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

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

### **Provisions**

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

## 6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2018-2019	2017-2018
	KShs	KShs
<b>Unconditional grants</b>		
Recurrent grant (Capitation)	50,836,550	24,000,000
Mentoring institutions	48,834,817	27,254,534
<b>Conditional grants</b>	-	-
<b>Total government grants and subsidies</b>	<b>99,671,367</b>	<b>51,254,534</b>

## 7 GRANTS FROM DONORS AND DEVELOPMENT PARTNERS

Description	2018-2019	2017-2018
	KShs	KShs
JICA- Research grant	-	-
World Bank grants	-	-
Other grants	-	-
<b>Total grants from development partners</b>	<b>-</b>	<b>-</b>

### Reconciliations of grants from donors and development partners

Description	2018-2019	2017-2018
	KShs	KShs
<b>Balance unspent at beginning of year</b>	<b>-</b>	<b>-</b>
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions to be met - remain liabilities</b>	<b>-</b>	<b>-</b>

## 8 TRANSFERS FROM OTHER LEVELS OF GOVERNMENT

Description	2018-2019	2017-2018
	KShs	KShs
Transfer from County	-	-
Transfer from xxx University	-	-
Transfer from xxx institute	-	-
<b>Total Transfers</b>	<b>-</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**9 RENDERING OF SERVICE**

Description	2018-2019	2017-2018
	KShs	KShs
Tuition fees and related income	43,838,169	17,444,044
Examination fees	33,219,471	11,398,962
Boarding	22,896,352	9,565,212
contingencies	775,620	793,970
Electricity Water & Conservancy	6,120,260	1,881,687
Gratuity	829,911	725,006
Students ID	892,465	65,800
Local Transport & Travel	5,927,388	3,083,944
Medical	1,427,635	394,000
Personal Emolument	31,680,452	10,104,128
Graduation	-	477,650
Development Fund (PTA)	552,313	728,335
Repair Maintenance & Installation	2,558,043	797,737
Computer classes	499,230	520,061
Caution fees	1,094,734	349,150
Tender fees	51,000	44,000
Library charges	2,350	-
Application fees	890,700	186,310
Activity fees	6,246,354	2,431,892
Attachment fees	3,737,265	1,108,645
Students council fees	2,621,875	527,700
Debtors	-	8,580,496
GPA Insurance	159,272	280,300
<b>Total Rendering of Services</b>	<b>166,020,859</b>	<b>71,489,029</b>

**10 SALE OF GOODS**

Description	2018-2019	2017-2018
	KShs	KShs
Sale of books	-	
Sale of publications	-	
Sale of farm produce	1,677,671	1,119,465
Other (include in line with your organisation)		
<b>Total Sale of goods</b>	<b>1,677,671</b>	<b>1,119,465</b>

**11 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT**

Description	2018-2019	2017-2018
	KShs	KShs
rent from staff quarters	288,592	308,284
Contingent rentals- debtors	-	
<b>Total rental Revenue</b>	<b>288,592</b>	<b>308,284</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12 TRANSFERS TO MENTORING INSTITUTIONS AND DEVELOPMENT**

Description		2017-2018
		KShs
Tinderet technical	27,002,192	5,754,534
Emgwen tvc	8,748,363	10,000,000
Bomet central	9,539,262	10,000,000
Emsos TVC	2,545,000	1,500,000
Kimasian TVC	1,000,000	-
<b>Total</b>	<b>48,834,817</b>	<b>27,254,534</b>

**13 USE OF GOODS AND SERVICES**

Description	2018-2019	2017-2018
	KShs	KShs
Electricity	2,070,544	1,560,335
Water		
Security	-	
Professional services	-	
<b>Total</b>	<b>2,070,544</b>	<b>1,560,335</b>

**14 EMPLOYEE COSTS**

Description	2018-2019	2017-2018
	KShs	KShs
Salaries and wages	5,349,697	4,983,522
Advances	728,200	383,000
NHIF	506,550	409,400
Gratuity	134,144	358,476
PAYE	575,069	477,495
Staff SACCO	2,793,909	3,053,439
Mwalimu SACCO	70,800	40,650
HELB deductions	73,176	49,474
Staff UNION	25,200	28,000
Social contributions-NSSF	647,280	553,680
<b>Total Employee costs</b>	<b>10,904,025</b>	<b>10,337,136</b>

**15 REMUNERATION OF DIRECTORS**

Description	2018-2019	2017-2018
	KShs	KShs
Chairman's Honoraria	-	-
Directors emoluments	-	-
Other allowances	-	-
<b>Total director emoluments</b>	<b>-</b>	<b>-</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**16 DEPRECIATION AND AMORTIZATION EXPENSE**

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	72,098,790	-
Intangible assets		-
Investment property carried at cost		-
<b>Total depreciation and amortization</b>	<b>72,098,790</b>	<b>-</b>

**17 REPAIRS AND MAINTENANCE**

Description	2018-2019	2017-2018
	KShs	KShs
General Repairs	988,440	1,283,043
Investment property – earning rentals		
Equipment and machinery		
Vehicles		
Furniture and fittings		
Computers and accessories		
Other		
<b>Total Repairs and Maintenance</b>	<b>988,440</b>	<b>1,283,043</b>

**18 CONTRACTED SERVICES**

Description	2018-2019	2017-2018
	KShs	KShs
Actuarial valuations	-	-
Investment valuations	-	-
Property valuations	-	-
<b>Total contracted services</b>	<b>-</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**19 GENERAL EXPENSES**

Description	2018-2019	2017-2018
	KShs	KShs
Training Materials (SES)	39,626,056	34,574,412
Boarding	17,630,830	15,982,793
Contingencies	356,125	349,734
Local Transport & Travelling	6,042,346	4,455,919
Medical	578,017	409,498
Bank charges and commission	135,195	149,336
GPA Insurance	203,864	-
KATTISO	2,445,670	749,815
Cautions	36,000	91,200
PTA	2,719,923	1,709,550
Attachment	677,864	232,100
Activity	2,613,733	1,867,213
Application	295,167	30,685
Exam	17,364,070	10,302,620
Farm	2,250,000	3,278,813
Fees refund	1,850,961	243,561
Others	800,830	245,200
Computer classes-pu	310,514	2,169,453
Provision for Bad and Doubtful Debt	5,087,086	858,050
Creditors	-	9,439,643
<b>Total general expenses</b>	<b>101,024,251</b>	<b>87,139,595</b>

**20 FINANCE COSTS**

Description	2018-2019	2017-2018
	KShs	KShs
Borrowings (amortized cost)*	-	-
Finance leases (amortized cost)	-	-
Unwinding of discount	-	-
Interest on Bank overdrafts	-	-
Interest on loans from commercial banks	-	-
<b>Total finance costs</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 21 GAIN ON SALE OF ASSETS

Description	2018-2019	2017-2018
	KShs	KShs
	-	-
Property, plant and equipment	-	-
Intangible assets	-	-
Other assets not capitalised	-	-
<b>Total gain on sale of assets</b>	-	-

### 22 UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

Description	2018-2019	2017-2018
	KShs	KShs
Investments at fair value	-	-
<b>Total gain</b>	-	-

### 23 CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018
	KShs	KShs
KCB Bank -1102452637	12,691,542	2,401,153
KCB Bank -1131415027	311,501.00	556,833
Barclays bank-0031091527	4,898,002	317,627
Barclays bank-0031030404	665,483.00	607,875
Barclays bank-0034394393	9,342,657.00	8,561,717
Cash in Hand, money orders	2,208,309.00	1,188
<b>Total cash and cash equivalents</b>	<b>30,117,494.00</b>	<b>12,446,393</b>

### 24 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
<b>Current receivables</b>		
Student debtors	59,451,357	8,580,496
Rent debtors	-	
Consultancy debtors	-	
Other exchange debtors	-	
Less: provision for doubtful debts (10%)	(5,945,136)	(858,050 )
<b>Total current receivables</b>	<b>53,506,221</b>	<b>7,722,446</b>
<b>Non-current receivables</b>		
Refundable deposits	-	-
Advance payments	-	-
Public organizations	-	-
Less: impairment allowance	(-)	(-)
<b>Total</b>	-	-
Current portion transferred to current receivables	(-)	(-)
<b>Total non-current receivables</b>	-	-
<b>Total receivables</b>	<b>53,506,221</b>	<b>7,722,446</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 25 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
<b>Current receivables</b>		
Transfers from govt. entities (Capitation)	22,440,000.00	-
Undisbursed donor funds	-	-
Other debtors(non-exchange transactions)	-	-
Less: impairment allowance	-	-
<b>Total current receivables</b>	<b>22,440,000.00</b>	<b>-</b>

### 26 INVENTORIES

Description	2018-2019	2017-2018
	KShs	KShs
Consumable stores	300,975	385,100
Maintenance stores	772,060	-
Health Unit stores	277,855	-
Electrical stores	-	347,000
Cleaning materials stores	41,605	88,900
Catering stores	934,070	754,340
<b>Total inventories at the lower of cost and net realizable value</b>	<b>2,326,565</b>	<b>1,575,340</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**27 INVESTMENTS**

Description	2018-2019	2017-2018
	KShs	KShs
<b>a) Investment in Treasury bills and bonds</b>		
<b>Financial institution</b>		
CBK	-	-
CBK	-	-
<b>Sub- total</b>	-	-
<b>b) Investment with Financial Institutions/ Banks</b>		
Bank x	-	-
Bank y	-	-
<b>Sub- total</b>	-	-
<b>c) Equity investments (specify)</b>		
Equity/ shares in company xxx	-	-
<b>Sub- total</b>	-	-
<b>Grand total</b>	-	-

**d) Shareholding in other entities**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**28 PROPERTY, PLANT AND EQUIPMENT**

	Land		Buildings and structures		Motor vehicles		Furniture and fittings		Computers		Plant, machinery and Equipment		Capital Work in progress		Total	
Cost	Shs		Shs		Shs		Shs		Shs		Shs		Shs		Shs	
At 1 July 2017	74,000,000		344,800,000		10,940,000		18,416,700		21,185,000		232,500,000		-		701,841,700	
Additions			6,398,456										1,470,760		7,869,216	
Disposals																
At 30th June 2018	74,000,000		351,198,456		10,940,000		18,416,700		21,185,000		232,500,000		1,470,760		709,710,916	
Depreciation and impairment																
At 1 July 2017																
Depreciation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
On Disposals																
Impairment																
At 30 June 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net book values																
At 30 June 2018	74,000,000		351,198,456		10,940,000		18,416,700		21,185,000		232,500,000		1,470,760		709,710,916	
At 30 June 2017	74,000,000		344,800,000		10,940,000		18,416,700		21,185,000		232,500,000				701,841,700	
Cost At 1 July 2018	74,000,000		351,198,456		10,940,000		18,416,700		21,185,000		232,500,000		1,470,760		709,710,916	
Additions	0		6,021,037		3,630,182		5,760,280		7,447,660		2,344,796		9,740,071		34,944,026	
Disposals																
At 30th June 2019	74,000,000		357,219,493		14,570,182		24,176,980		28,632,660		234,844,796		11,210,831		744,654,942	
Depreciation and impairment																
At 1 July 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation		-	8,930,487		3,642,546		3,022,123		9,534,676		46,968,959		-		72,098,790	
On Disposals																
At 30 June 2019	-	-	8,930,487		3,642,546		3,022,123		9,534,676		46,968,959		-		72,098,790	
Net book values																
At 30 June 2019	74,000,000		348,289,006		10,927,637		21,154,858		19,097,984		187,875,837		11,210,831		672,556,152	
At 30 June 2018	74,000,000		351,198,456		10,940,000		18,416,700		21,185,000		232,500,000		1,470,760		709,710,916	
Depreciation rates	0.00%		2.50%		25%		12.50%		33.30%		20%		0			

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**29 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Description	2018-2019	2017-2018
	KShs	KShs
Trade payables	22,746,954	9,439,643
Fees paid in advance	-	-
Employee advances	-	-
Third-party payments	-	-
Other payables	-	-
<b>Total trade and other payables</b>	<b>22,746,954</b>	<b>9,439,643</b>

**30 REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS**

Description	2018-2019	2017-2018
	KShs	KShs
Consumer deposits	-	-
Caution money	1,882,779.00	1,001,375
<b>Total deposits</b>	<b>1,882,779.00</b>	<b>1,001,375</b>

**31 BORROWINGS**

Description	2018-2019	2017-2018
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Balance at end of the period	-	-

**32 FINANCIAL RISK MANAGEMENT**

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

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

**(i) Credit risk**

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

Management assesses the credit quality of each customer, taking into account its financial

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 32. FINANCIAL RISK MANAGEMENT (Continued)

#### (i) Credit risk (continued)

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

#### (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.

#### (iii) Market risk

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

##### a) Foreign currency risk

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 32. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

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

#### Foreign currency sensitivity analysis

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

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

b) Interest rate risk

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

*Management of interest rate risk*

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 32. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Interest rate risk(continued)

*Sensitivity analysis*

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

iv) **Capital Risk Management**

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

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
	-	-
<b>Total funds</b>	-	-
	-	-
	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	-	-

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 32. RELATED PARTY BALANCES

#### Nature of related party relationships

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

#### Government of Kenya

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

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

	2018-2019	2017-2018
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of goods	-	-
Sales of services	-	-
<b>Total</b>	-	-
	-	-
<b>b) Grants from the Government</b>	-	-
Grants from National Govt	-	-
Grants from County Government	-	-
Donations in kind	-	-
<b>Total</b>	-	-
	-	-
<b>c) Expenses incurred on behalf of related party</b>	-	-
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
<b>Total</b>	-	-
	-	-
<b>d) Key management compensation</b>	-	-
Directors' emoluments	-	-
Compensation to the CEO	-	-
Compensation to key management	-	-
	-	-
<b>Total</b>	-	-

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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						
2						

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Science and engineering complex	72,816,850	11,210,831.00	20	72,816,850	11,210,831.00	GoK
2	CCTV upgrade	3,500,000	2,089,500.00	80	3,500,000	2,089,500.00	AIA
3	Renovations of workshop to include extensions	6,000,000	6,021,037.00	100	6,000,000	6,021,037.00	AIA
4	Purchase of computers	7, 000,000	6,497,660.00	100	7, 000,000	6,497,660.00	AIA

Science and engineering complex is being funded in phases and phase I which is to the extend of 20% is already complete and certificate of completion has been issued. However, funding for phase II is in the process of approval and disbursement by the ministry.



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**APPENDIX III: INTER-ENTITY TRANSFERS**

	ENTITY NAME:	KAIBOI TECHNICAL TRAINING INSTITUTE		
	Break down of Transfers from the State Department of Vocational Technical and Training Education FY 2018/2019			
a.	Recurrent Grants	Bank Statement Date	Amount (KShs)	2018/2019
		5/10/2018	5,956,550	
		28/02/2019	22,440,000	
		TOTAL	28,396,550	
b.	Development Grants			2018/2019
		18/10/2018	1,782,500	
		18/03/2019	1,782,500	
		TOTAL	3,565,000	
C	MENTEES			2018/2019
	EMSOS TVC	8/10/2018	500,000	
		12/2/2019	2,045,000	
	KIMASIAN TVC	8/10/2018	500,000	
		28/2/2019	500,000	
		28/6/2019	1,000,000	
	BOMET CENTRAL TVC	18/10/2018	9,539,262	
	EMGWEN TVC	18/10/2018	13,407,689	
		17/01/2019	8,748,363	
	TINDERET TVC	18/10/2018	2,718,901	
		20/12/2018	10,875,602	
		TOTAL	48,834,817	

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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	
Ministry of Education	5/10/2018	Recurrent	5,956,550	5,956,550	-	-	-	5,956,550
Ministry of Education	8/10/2018	Development	1,782,500	-	1,782,500	-	-	1,782,500
Ministry of Education	28/2/2019	Recurrent	22,440,000	22,440,000	-	-	22,440,000	-
Ministry of Education	11/3/2018	Development	1,782,500	-	1,782,500	-	-	1,782,500
Ministry of Education		Mentoring institutions	48,834,817					48,834,817
<b>TOTAL</b>			<b>80,796,367</b>	<b>28,396,550</b>	<b>3,565,000</b>	<b>-</b>	<b>22,440,000</b>	<b>80,796,367</b>