

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

## REPORT

DATE: 01 MAR 2022

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**THE AUDITOR-GENERAL**

**ON**

**KIAMBU INSTITUTE OF SCIENCE  
AND TECHNOLOGY**

**FOR THE YEAR ENDED  
30 JUNE, 2020**





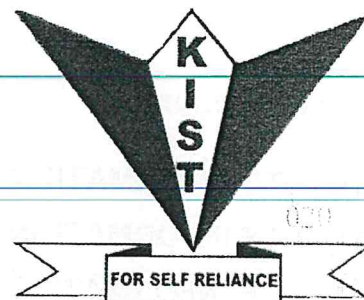
**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**



OFFICE OF THE AUDITOR GENERAL  
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**International Public Sector Accounting Standards (IPSAS)**  
**Annual Financial Reporting**

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**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**  
**30<sup>TH</sup> JUNE 2020**

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

**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**

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## **INSTITUTE INFORMATION AND MANAGEMENT**

### **(a) Background information**

Kiambu Institute of Science and Technology (KIST) is one of the colleges in Kenya that has produced thousands of graduates since 1973. KIST falls under the auspices of the Ministry of Education, State Department of Technical and Vocational Education and Training. It is a registered Institution under the TVET Act 2013 of the Laws of Kenya to offer Technical and Vocational Education and Training (TVET). The Board of Governors (BOG) which is appointed by Ministry of Education in Consultation with the stakeholders oversees the day-to-day running of the Institute.

### **(b) Principal Activities**

The principal activity/mission of KIST is to provide Technical and Vocational Education and Training.

#### **i. Vision**

A centre of Excellence in Technical and Vocational Education and Training

#### **ii. Mission**

To provide and promote quality training in science and technology that is responsive to the needs of a changing society

#### **iii. Strategic Objectives**

- To provide access and equity to TVET and higher education
- To improve infrastructure
- To enhance customer satisfaction
- To ensure prudent management of resources
- To promote Research, Development and Innovations in KIST
- Uphold institutional Governance

### **(c) Key Management**

The KIST day-to-day management is under the following key organs:

- Board of Governors
- Accounting officer/ Principal
- Management

### **(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	Mr. Michael Gaitho Njunga
2.	Head of Finance	Ms. Rahab M. Kibacio
3.	Head of Procurement (Ag.)	Ms. Beth Ngonyo Mbuthia
4.	D/ Principal Administration	Dr. Jane Gitau
5.	D/ Principal Academics	Mr. John Nyoike
6.	Registrar	Ms. Joan Saina
7.	Dean of Students	Ms. Alexandrina Ngugi

**INSTITUTE INFORMATION AND MANAGEMENT (Continued)**

**(e) Fiduciary Oversight Arrangements**

**Academic and Human Resource Committee:**

The Academic and Human Resource Committee monitor the academic performance of the Institute. The committee is mandated to handle human resource issues for both teaching and nonteaching personnel and recruitment of staff.

**Executive Committee Board of Governors:**

The Executive Committee is appointed by the Board to oversee the overall performance of the Institute, staff and student welfare.

The committee reports to the Board on its undertaking for approval and implementation

**Technical and Finance Committee:**

The Technical and Finance Committee is appointed by the Board to oversee and monitor on-going projects and report status to the Board and any recommendations for approval and implementation.

The committee monitors finance performance of the Institute

**Risk, Audit and Compliance Committee:**

The committee monitor the integrity of the financial statements of the Institute, review the Institute's internal financial controls systems and oversee the internal audit function.

**Senior Management:**

Senior management comprise of Principal, Deputy Principal Administration, Deputy Principal Academics, Registrar and Dean of Students. The senior management is appointed by the Principal in consultation with the Board are responsible in the overall running of the Institute.

**Management:**

The management report direct to the senior management.

The management comprise of Head of Departments, Deputy Head of Departments, Head of Sections and their deputies. The management is responsible in day to day running of their departments and sections.



**INSTITUTE INFORMATION AND MANAGEMENT (Continued)**

**(f) Kiambu Institute of Science and Technology Headquarters**

P.O. Box 414 – 00900  
Kiambu, KENYA

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**(g) Kiambu Institute of Science and Technology Contacts**

Telephone : (254) 727807713

E-mail: [principal@kist.ac.ke](mailto:principal@kist.ac.ke)

Website: [www.kist.ac.ke](http://www.kist.ac.ke)

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**(h) Kiambu Institute of Science and Technology Bankers**

1. Cooperative Bank of Kenya Limited  
Kiambu Branch  
P.O. Box 1064 - 00900  
Kiambu
2. KCB Bank Kenya Limited  
Kiambu Branch  
P.O. Box 81 – 00900  
Kiambu
3. Housing Finance Corporation  
Rehani house Branch – Koinange Street  
P.O. Box 30088-00100  
Nairobi

**(i) Independent Auditors**

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





**(j) Principal Legal Adviser**

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

# **KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020






## **THE BOARD OF GOVERNORS**

Insert each Director's passport-size photo and name, and key profession/academic qualifications	Passport-size photo	Provide a concise description of each Director's date of birth, key qualifications and work experience
1. Dr. Josiah K. Kamau		DOB: 9 <sup>th</sup> November 1961 Bachelor of Pharmacy degree Private practice as a consultant Pharmacist
2. Mr. Charles Nyota		DOB: 10 <sup>th</sup> October 1970 Masters in Computer Science 20 Years' Experience in TVET Technical Managements County Director Of TVET
3. Mr. Jeremy Miriti Naivasha		DOB: 30 <sup>th</sup> May 1955 BCOM, MSC Entrepreneurship CPAK, CPSK Practicing Accountant
4. Mr. Jared Ongwae		DOB: February 1976 Master of Science in clinical Microbiology Masters in Hematology and blood transfusion Chief Laboratory Technology – Kisii University






# KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020

5. Rev. Eng. Sospeter F. Mbogo		DOB: 23 <sup>rd</sup> September 1953 Masters of Arts Bsc. Mechanical Engineering Reverend and Church Minister, ACK Diocese of Mt. Kenya, Kiambu, Vicar St. Pauls' Church, former Engineer KenGen
6. Eng. Beatrice Kung'u		DOB: 3 <sup>rd</sup> January 1973 Master degree in Construction Engineering and Management Civil Engineer, Private Sector, Votex Ltd Nairobi
7. Mrs. Grace Tole		DOB: 19 <sup>th</sup> June 1953, Masters in Business Admin, Bachelor of Arts(Hons), 30years banking professional and consultant in management
8. Ms. Esther Ndirangu		DOB: 02/08/1966 Masters in Educational leadership and management B.Ed Science 29 years of experience 15 years in senior leadership
9. Mr. Michael Gaitho Njungu		Chief Executive Officer/ Principal DOB: 14 <sup>th</sup> June 1965 BED Arts, CPA 1 and MBA in Finance 30 years of experience

**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**

**MANAGEMENT TEAM**

Name of the Staff	Passport photo	Responsibility
1. Mr. Michael Gaitho Njugu		Chief Executive Officer/ Principal
2. Dr. Jane Gitau		Deputy Principal Administration
3. Ms. Alexandrina H. Ngugi		Deputy Principal Academics & Quality Assurance



**MANAGEMENT TEAM (Continued)**

<b>S/No.</b>	<b>Name of the Staff</b>	<b>Responsibility</b>
1.	Ms. Phena Mate Owiye	Registrar
2.	Mr. Charles Mwangi Ndirangu	Dean of Students
3.	Ms. Irene Wanjiru Karebe	Guidance and Counselling Coordinator
4.	Ms. Rahab M. Kibacio	Finance Officer
5.		Performance Contract and Strategic Plan
	Ms. Jeniffer Nyambura Mugo	Coordinator
6.	Ms. Norah Eileen Nyakira	ISO Certification Management Representative
7.	Ms. Eunice Ndiga Ileri	HOD Hospitality Department
8.	Ms. Alice Gitika	HOD Baking Technology Department
9.	Mr. Jack Wasike Masinde	HOD Applied Science Department
10.	Mr. Samuel Muthui Nzilu	HOD Building and Civil Engineering Department
11.	Mr. David Baiya Mwathi	HOD Computer Studies Department
12.	Mr. Samuel Mulandi Matheka	HOD Electrical and Electronics Department
13.	Ms. Esther Nyambura Muthini	HOD Business, Entrepreneur and Social Studies Department
14.	Ms. AnnMary Nkirote Kamundi	Human Resource Officer
15.	Ms. Mary Nduta Ngugi	Supply Chain Officer





**CHAIRMAN'S STATEMENT**

The year 2019/2020 was a success despite few challenges faced in the course of the year.

The students' population stood at 5268 students with the Building Technology department having the highest number of students being 1608 students. This has contributed to growth in financial status and the Institute is able to meet its financial obligations as they fall due. The Institute thus is able to comply with legal requirements in filing and remitting statutory payments.

The Institute was able to meet its financial obligations as they fall due and at the close of the year on 30<sup>th</sup> June 2020, no pending bills were outstanding. The Institute managed to pay its staff on time and also managed to pay its suppliers within the agreed time period.

The Institute managed to make a surplus of Ksh. 213.7 Million, despite students' fees arrears stood at Ksh. 75.3 Million. The high fees arrears were as a result of receiving capitation fees after we had closed the financial year at end of June 2020.

The Institute has acquired a new Institute bus in order to meet its students demand during various academic and co-curriculum activities. The Board is constructing a tuition block; the project will be done in phases. The award of tender was done and site handed over in June 2019. The Board has completed phase 1 of the five storey tuition block by constructing the structural framework: columns, beams and slabs by 30<sup>th</sup> June, 2020. The proposed tuition block is being financed by internally generated funds. The phase 2 project has been advertised.

The Institute is planning to acquire a new generator in order to meet power demand as the enrolment continues to increase.

The Institute has a loan balance of Ksh. 97.5 Million whose installment is Ksh. 10.9 Million per term and is pegged on students' fees collection. The loan payment is up to date in repayment of interest and principal.

The Institute is facing a major challenge in terms of improving its infrastructures and tuition facilities as the land is registered by another name different from Kiambu Institute of Science and Technology as a Government training Institution. The Board of Trustees claims the ownership of Institute land and property. This hampers the desired developments in terms of building more tuition areas. This in the long run will hinder the Institute in enrolling more students due to limited space, thus limited growth.

  
Chairman, Board of Governors

Date: 14/04/2021



**REPORT OF THE PRINCIPAL**

The year 2019/2020 is our second year to report under International Public Sector Accounting Standards (IPSAS) Annual Financial Reporting.

The Institute has experienced major growth in terms of students' enrolment and recruitment of trainers by the public service in consultation with the Board of Governors. The staff population stood at 123 support staff and 230 trainers.

At the close of the year the students' population stood at 5268 students with the Building Technology department having the highest number of students being 1608 students. This has contributed to growth in financial status and the Institute is able to meet its financial obligations as they fall due. The Institute thus was able to comply with legal requirements in filing and remitting statutory payments.

The Institute hosted Kenya National Examination Board examiners in August and December 2018 and this improved our revenue.

The Institute had a loan balance of Ksh. 97.5 Million as at 30<sup>th</sup> June 2020 whose installment is at Ksh. 10.9 Million per term and is pegged on students' fees collection. The loan payment is up to date in repayment of interest and principal. The Loan facility was acquired in June 2014 and be repaid in 45 termly installments of Ksh. 10.9 Million. The loan will be fully paid in year 2024.

The Institute was able to meet its financial obligations as they fall due and at the close of the year on 30<sup>th</sup> June 2020, no pending bills were outstanding. The Institute managed to pay its staff on time and also managed to pay its suppliers within the agreed time period.

The Institute managed to make a surplus of Ksh. 213.7 Million, despite students' fees arrears which stood at Ksh. 75.3 Million at the close of the financial year. The high fees arrears were as a result of receiving capitation fees after we had closed the financial year at end of June 2020. The number of students who benefited from capitation fees was 3994 students.

The Institute has acquired a new Institute bus at a cost of Ksh. 11 Million in order to meet its students demand during various academic and co-curriculum activities.

The Board is constructing a tuition block; the project will be done in phases. The award of tender was done and site handed over in June 2019. The Board has completed phase 1 of the five storey tuition block by constructing the structural framework: columns, beams and slabs by 30<sup>th</sup> June, 2020. The phase 1 of the project was awarded at Ksh. 75 Million. The proposed tuition block is being financed by internally generated funds. Phase 2 of the project has been advertised. The evaluation process is ongoing.

The Institute holds its graduation every year, the graduation was held on 18<sup>th</sup> October 2019 and we graduated 406 students in artisans, certificates and diplomas. These are the students who complete 1 year





# KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020

Artisan Certificate, 2 years Certificate and 3 years Diploma. All the courses at the Institute are examined by Kenya National Examination Board.

The Institute was allocated 70 acres of land under 99 years lease by the Board of Trustees of Kiambu Institute of Science and Technology. The land will be utilised for the expansion of the Institute and for the upcoming Centre of Excellence (CoE) in Industrial Mechatronics whose foundation stone was jointly laid by His Excellency the President of Kenya and The President of the Federal Republic of Germany on 25<sup>th</sup> February 2020 at Kiambu Institute of Science and Technology.



Principal

Date: 14/04/2021



**CORPORATE GOVERNANCE STATEMENT**

The Board held quite a number of meetings during the year; for the first half of the year the Board met 5 times to deliberate on the issues of the KIST land whose title and ownership is in the hands of Board of Trustees. The Board also met in preparation of Presidential visit by His Excellency the President of Kenya and The President of the Federal Republic of Germany on 25<sup>th</sup> February 2020 at Kiambu Institute of Science and Technology.

The Technical and Finance committee of the Board met sixteen times during the site meetings and inspection of projects and on financial performance of the Institute. The Human Resource committee of the Board met two times during the financial year on matters to human resource.

The attendance to these meetings is at one hundred per cent with one apology on few occasions.

The Board of Governors consists of eight members who were appointed by the Cabinet Secretary, Ministry of Education and comprise of Chairman, representative of Principal Secretary, Ministry of Education, representative of Kiambu County Governor and five other persons appointed on the basis of their knowledge and experience. The Principal of Kiambu Institute of Science and Technology is the Secretary to the Board.

The Board of Governors has four sub-committees, that is, Academic & HR, Technical & Finance, Risk, Audit & Compliance and Executive Committee.

The Board members were inducted on the new issues of International Public Sector Accounting Standards (IPSAS) Annual Financial Reporting, TVET Act, 2013 and requirements under Public Finance Management Act

Functions of the Board of Governors include:

- The Board Discuss and approves the budget for each financial year. The Board approves financial reports for every quarter and for each year. The Board negotiates and approves performance contracts for each year;
- The Board administer and manage property of the Institution;
- The Board develop and implement the Institute Strategic Plan;
- The Board determine the fees payable and method of payment;
- Receive on behalf of the Institution, fees, grants, subscriptions, donations, bursaries;
- Recruit and appoint trainers from among qualified professionals;
- Determine suitable terms and conditions of service for support staff, trainers and remunerate staff of the Institute;
- Provide the welfare of the students and staff of the Institute;
- Prepare annual financial statements and submit to the relevant authority



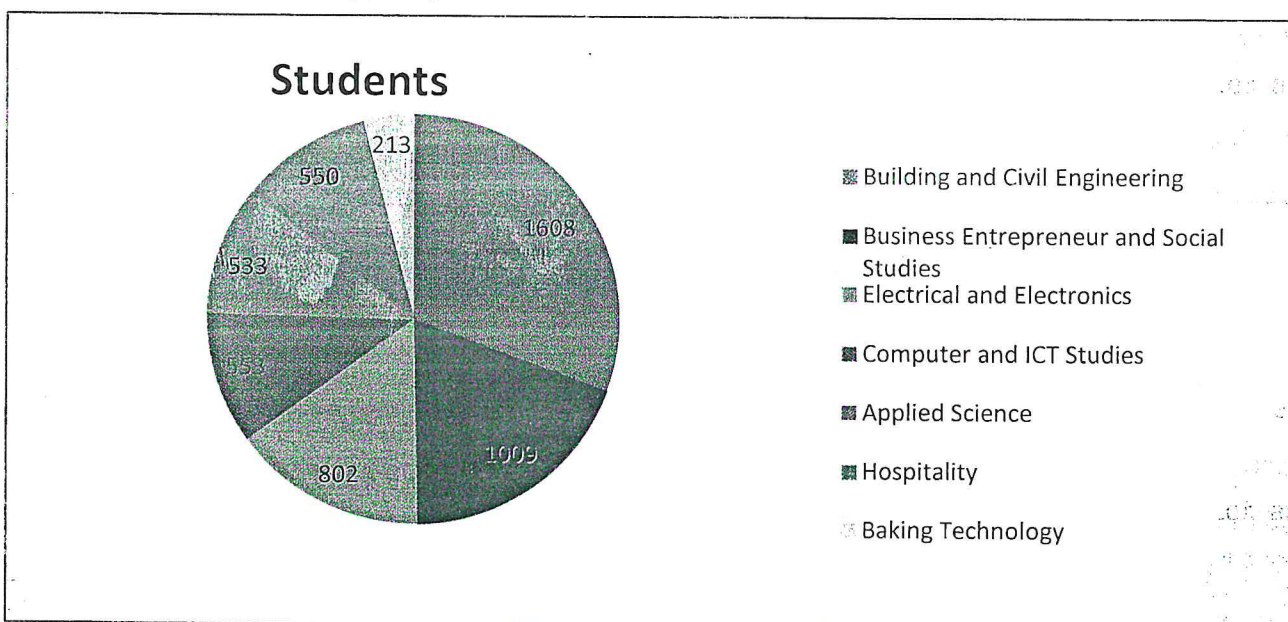
**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
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**MANAGEMENT DISCUSSION AND ANALYSIS**

**The entity's operational and financial performance**

The students' population stands at 5268 students as represented by each department;

- i. Building Technology department – 1608 students
- ii. Business Entrepreneur and Social Studies Dept. – 1009 students
- iii. Electrical and Electronics Dept. - 802 students
- iv. Computer and ICT Studies Dept. - 553 students
- v. Applied Science Dept. - 533 students
- vi. Hospitality Dept. - 550 students
- vii. Baking Technology Dept. - 213 students



*The Pie chart shows students distribution per department*

The Institute enrolled 1981 new students in September 2019. The Institute expected to have a new intake in May 2020, but this was not possible due to effects of covid-19 pandemic.

The NYS will sponsor more students and we are expecting 92 new students in September 2020.

The Institute has received capitation grants for the first, second and third quarter as tabulated below;

Quarter	Amount (Ksh.)	Date received
1	29,955,000.00	18-10-2019
2	53,445,000.00	10-06-2020
3	41,700,000.00	03-07-2020

This has contributed to growth in financial status and the Institute is able to meet its financial obligations as they fall due. The Institute thus is able to comply with legal requirements in filing and remitting statutory payments.

The Institute within its strategy is expanding by adding more tuition facilities. The main challenge being faced is in fees collection especially now the students are away due to the closure of all learning institutions by the government due to the effects of covid-19 pandemic.

#### **Entity's compliance with statutory requirements**

The Institute has complied with the statutory requirements. The Institute is fully accredited with TVETA. All statutory remittances are paid to the respective authorities and in due time.

#### **Key projects and investment decisions the entity is planning/implementing**

The Institute has acquired a new Institute bus at a cost of Ksh. 11Million in order to meet its students demand during various academic and co-curriculum activities. The Institute is constructing a tuition block and it will have 6 floors; the project will be done in phases. The phase 1 which is constructing the Structural framework: columns, beams and slabs have been completed at a contract sum of Ksh. 93.2Million. The phase 2 will be finishing works and will be awarded after completion of phase 1 and is estimated at a cost of Ksh. 175.5Million.

The Institute is planning to drill a water borehole in order to meet its water demand. This is expected to save on water bills paid to external provider. The project will cost the Institute an estimated cost of Ksh. 3.45Million.

The Institute is also planning to acquire a new generator at an estimated cost of Ksh. 7.2Million in order to meet power demand as the enrolment increase.

The Institute's MIS was installed in 2009 and has since not upgraded, thus, the MIS will be upgraded at an estimated cost of Ksh.16Million.

The above projects will be financed by savings realised through prudent financial management internal funds.

#### **Major risks facing the entity**

The Institute has a loan balance of Ksh. 97.5Million whose installment is Ksh. 10.9Million per term and is pegged on students' fees collection. With the capping of fees by the Government and not receiving the same as expected may affect loan repayment negatively.

Covid-19 risk at work place:

There will be increased cost associated with effect of covid-19. Frequently cleaning and

## **KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**

disinfecting objects and surfaces that are touched regularly particularly in areas of high use such as washrooms, offices, door handles, light switches, reception area using appropriate cleaning products and methods, purchase of personal protective equipment(PPE) will increase the cleaning expenditure.

The increased cost followed by low fees collection may affect projects implementations.

#### **Material arrears in statutory/financial obligations**

The Institute has not defaulted in loan repayment. The Institute has no outstanding pending bills. The staff salary deductions are remitted to the respective institutions as they fall due.

#### **The entity's financial probity and serious governance issues**

The Institute is facing governance challenges as there are two Boards; The Registered Board of Trustees of KIST who are in office by succession and the Board of Governors who are appointed by the Cabinet Secretary, Ministry of Education. The Board of Trustees is not recognized under the TVET Act, 2013, and has vested interest on the Institute land claiming the ownership of the land and property. The Board of Governors is answerable to Cabinet Secretary, MOE and is responsible for the management of Kiambu Institute of Science and Technology as a Government training Institution.

#### **MILESTONE**

Part of the Institute land is in the name of Kiambu Institute of Science and Technology and the Board of Governors has been issued with a copy of the title deed for 70 acres. The rest of the land which is about 122 acres is in the custody of the Registered Trustees of KIST (Board of Trustees). The title deed for the 70 acres is in the custody of Cabinet Secretary for National Treasury. The allocation of the 70 acres to KIST is a milestone as the Institute will be able to improve the tuition facilities and implement the Centre of Excellence (CoE) in Industrial Mechatronics whose foundation stone was jointly laid by His Excellency the President of Kenya and The President of the Federal Republic of Germany on 25<sup>th</sup> February 2020 at Kiambu Institute of Science and Technology.

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY  
REPORTING**

The Institute trained 20 women from the local community on basic skills in cooking and food presentation for one week. The activity cost the Institute Ksh. 394,000 to buy training materials. The activity benefited the trainees to be able to self-employ themselves and train others.

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**REPORT OF THE COUNCIL/BOARD OF GOVERNORS**

The Board/Board members submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of Kiambu Institute of Science and Technology affairs.

**Principal activities**

The principal activities of Kiambu Institute of Science and Technology is to provide Technical and Vocational Education and Training.

**Results**

The results of Kiambu Institute of Science and Technology for the year ended June 30 are set out on page 1.

**BOARD/BOARD OF GOVERNORS**

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

**Auditors**

The Auditor General is responsible for the statutory audit of Kiambu Institute of Science and Technology in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of Kiambu Institute of Science and Technology for the year/period ended June 30, 2019 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

  
Principal

Date: 14/04/2021



**STATEMENT OF BOARD OF GOVERNORS' RESPONSIBILITIES**

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

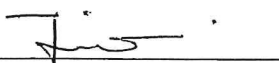
The Board members are responsible for the preparation and presentation of the Kiambu Institute of Science and Technology financial statements, which give a true and fair view of the state of affairs of Kiambu Institute of Science and Technology for and as at the end of the financial year ended on June 30, 2020. 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 Kiambu Institute of Science and Technology; (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 Kiambu Institute of Science and Technology; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board members accept responsibility for the Kiambu Institute of Science and Technology financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the TVET Act)). The Board members are of the opinion that the Kiambu Institute of Science and Technology financial statements give a true and fair view of the state of Kiambu Institute of Science and Technology transactions during the financial year ended June 30, 2020, and of the Kiambu Institute of Science and Technology financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for Kiambu Institute of Science and Technology, which have been relied upon in the preparation of the Kiambu Institute of Science and Technology financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board members to indicate that Kiambu Institute of Science and Technology 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 Kiambu Institute of Science and Technology financial statements were approved by the Board on 21<sup>st</sup> September 2020 and signed on its behalf by:

  
Chairman, Board of Governors

  
Principal





# REPUBLIC OF KENYA

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



*Enhancing Accountability*

HEADQUARTERS  
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Monrovia Street  
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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2020

### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of Kiambu Institute of Science and Technology set out on pages 1 to 39, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the Kiambu Institute of Science and Technology as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (Accrual Basis), and do not comply with the Public Finance Management Act, 2012 and Technical and Vocational Education and Training Act, 2013.

#### Basis for Adverse Opinion

##### 1.0 Inaccuracies in the Financial Statements

##### 1.1 Unreconciled differences in Use of Goods and Services

The statement of financial performance for the year ended 30 June, 2020 reflects use of goods and services expenditure amounting to Kshs.113,226,425. However, the ledger provided for audit reflects an amount of Kshs.111,853,340 resulting to unexplained an unreconciled variance of Kshs.1,373,084.

As a result, the accuracy and completeness of the use of goods and services of Kshs.113,226,425 for the year ended 30 June, 2020 could not be confirmed.

##### 1.2 Unreconciled Revenue

The statement of financial performance reflects Kshs.128,862,250 and Kshs.276,831,655 in respect of transfers from National Government - grants and gifts in kind, and rendering of services - fees from students respectively. However, the revenue amounts are at variance with supporting schedules reflects Kshs.125,100,000 and



Kshs.214,492,918 for the respective revenue streams resulting in unexplained and unreconciled variances of Kshs.1,215,000 and Kshs.62,338,737 respectively.

Consequently, the accuracy and completeness of total revenue of Kshs.415,896,731 for the year ended 30 June, 2020 could not be ascertained.

### **1.3 Unreconciled Variances in the Statement of Cash Flows**

The statement of cash flows for the year ended 30 June, 2020 reflects total receipts from operating activities of Kshs.405,371,575. However, the receipts include items described as receivables from exchange transactions, refundable deposits from students, and receivables from exchange transactions amounting to Kshs.27,201,547, Kshs.26,234,508 and Kshs.446,643 respectively, which were not supported with schedules. Further, fees paid in advance reflected as Kshs.15,267,084 was at variance with the computed amount of Kshs.10,859,330 resulting in unexplained and unreconciled difference of Kshs.4,407,754.

Consequently, the accuracy, completeness and validity of the receipts amounting to Kshs.405,371,575 reflected in the cash flows statement for the year ended 30 June, 2020 could not be confirmed.

### **2.0 Lack of Ownership Documents and Valuation of Property, Plant and Equipment**

The statement of financial position as at 30 June, 2020 reflects property, plant and equipment valued at Kshs.369,050,159. However, as previously reported, the value excludes other assets comprising a parcel of land of undetermined value measuring approximately 70 acres where the Institute is located, immovable properties and a farmland. Further, the title deed for the land and an updated fixed assets register were not provided for audit review. In addition, the Institute furniture, fittings and equipment were not tagged for identification.

Further, as previously reported, the Board of Trustees of the Institute purchased 200 acres of land through public contribution ("Harambee activities") by the then Kiambu District community in the 1970s. The Board of Trustees has continued to control the parcel land on which the Institute is situated and other immovable investments on that land through presumed ownership. In addition, available information indicates that the parcel of land is registered in the name of Board of Trustees instead of Kiambu Institute of Science and Technology.

Although a letter Ref: KIST/BOT/C/2019/011/18 dated 20 December, 2019 drawn by the Registered Board of Trustees of the Institute indicates that the Board had transferred to the Institute approximately 70 acres out of the 200 acres of land L.R No. 81/47 through a lease of 99 years to the National Treasury/KIST, the title deed for the whole parcel or the portion was not provided for audit review.

Further, no information and records were provided for audit review on the Board of Trustees operations including audited financial statements. Apart from the 70 acres of land claimed to have been transferred to Institute, the Board of Trustees also controls a



section of another parcel of land registered as Riara Coffee Estate and has constructed rental houses which are occupied by the Institute's staff and members of public from which the Board of Trustees collects rent. The Board of Trustees also supplies water to the Institute at a fee. Another portion of the land was allocated to Nairobi Water and Sewerage Company under unclear terms.

In view of the foregoing, the accuracy, completeness, ownership and valuation of property, plant and equipment balance of Kshs.369,050,159 could not be ascertained and the amount of revenue received from the activities and operations on the remaining parcel of public land not used by Institute and controlled by the Trustees could not be ascertained.

### **3.0 Unsupported Transfer of Work In Progress to Property, Plant and Equipment**

The statement of financial position as at reflects property, plant and equipment balance of Kshs.369,050,159. As disclosed in Note 17 to the financial statements, the assets include buildings valued at Kshs.105,969,946 transferred from capital work in progress during the year. However, supporting schedules provided for audit reflects an amount of Kshs.107,190,761 in relation to the transferred buildings resulting in an unexplained and unreconciled difference of Kshs.1,220,815.

Consequently, the accuracy and completeness of the property, plant and equipment value of Kshs.369,050,159 as at 30 June, 2020 could not be confirmed.

### **4.0 Irregularities in Receivables from Exchange Transactions**

The statement of financial position and as disclosed in Note 14 to the financial statements reflects current and long-term receivables from exchange transactions amounting to Kshs.77,478,014 and Kshs.7,603,493 respectively. The amount includes receivables from Riara Coffee Farm and Board of Trustees of the Institute amount of Kshs.5,205,562 and 1,993,392 respectively after netting off unsupported receipts of Kshs.5,561,895. These balances which have been classified as due from Riara Coffee Farm and Board of Trustees of the Institute were not supported by an analysis, ledgers, or schedules.

Further, review of loan records revealed that the receivable balance from Riara Coffee Farm relates to a loan of Kshs.20,000,000 advanced to the estate by the Institute. Records provided revealed that the Institute borrowed Kshs.158,000,000 Bank loan between 2012 and 2014 and advanced an amount Kshs.20,000,000 of the loan to the Board of Trustees. However, the arrangement was irregular since the Board of Trustees is a body corporate distinct from the Institute and also serves as the governing body for the Institute and also, the terms and conditions of the loan to the Board of Trustees and repayment including interest charged were not made provided for audit.

In addition, records provided for audit indicated that the Institute borrowed the Bank loans from Cooperative Bank in three tranches of Kshs.9,000,000, Kshs.58,000,000 and Kshs.100,000,000 in 2012, 2013 and 2014, respectively for operational and development expenses. The institute incurred interest charges on the loan amounting to



Kshs.14,156,939 whereby am outstanding principal loan amount to BOT as at 30 June, 2020 stood at Kshs.7,199,494. It was not explained why the Institute continues to pay interest on the loan advanced to Board of Trustees.

Consequently, the accuracy, completeness, validity and recoverability of the receivables from exchange transactions amounting to Kshs.85,081,508 as at 30 June, 2020 could not be confirmed and the validity of the loan interest paid on behalf of the Board of Trustees could not be ascertained.

## 5.0 Irregular Variation of Contracts and Undisclosed Contingent Liabilities

The statement of financial position and as disclosed in Note 20 to the financial statements reflects current liabilities amounting to Kshs.5,026,539 in respect to transfers to other institutions. Review of records revealed that the balance relates to unspent grants received by the Institute on behalf of newly established technical institutions for recurrent and development purposes over a period of five financial years from the financial year 2015/2016.

Expenditure documents on the mentorship of other technical institutes reflects that the Ministry of Education Science and Technology appointed the Institute to mentor technical institutions within Kiambu County to construct twin workshop, classrooms and office blocks in four Vocation Traininf Institutes namely; Nachu, Lari, Limuru and Gatundu South through the supervision of the Kiambu Institute of Science and Technology. However, review of the project files revealed that total claims of Kshs.183,543,898 were made in respect of three projects exceeding the contract sum by Kshs.32,822,785 as detailed below:

<b>Name of Mentored Technical Institute</b>	<b>Claimed sum (Kshs.)</b>	<b>Tender and Contract sum (Kshs.)</b>	<b>Variation Amount (Kshs.)</b>
Nachu Technical Training Institute	59,957,248	48,568,202	11,389,046
Lari Technical Training Institute	57,760,615	47,671,746	10,088,869
Gatundu South Technical Training Institute	65,826,035	54,481,165	11,344,870
<b>Total</b>	<b>183,543,898</b>	<b>150,721,113</b>	<b>32,822,785</b>

However, the above variations amounting to Kshs.32,822,785 was not approved by the Ministry of Education and the Tender Committee as required by Section 139(1)(a) of the Public Procurement and Asset Disposal Act 2015. Further, a contingent liability in respect of these variations has not been disclosed in these financial statements.

Consequently, the institute's liabilities are understated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kiambu Institute of Science and Technology Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I

believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

### **Key Audit Matters**

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

### **Other Matter**

#### **1.0 Unresolved Prior Year Issues**

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

#### **2.0 Failure to Submit Financial Statements for Audit**

Management did not submit financial statements for the 2017/2018 financial year to the Auditor General for audit. This was contrary to the requirements under section 47 of the Public Audit Act, 2015. This affected the opening balances and the comparatives figures for 2018/2019 and 2019/2020.

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

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **1.0 Unauthorised Variation of Contract Costs for the Construction of Tuition Block**

Included in the property, plant and equipment values amounting to Kshs.369,050,150 is work-in-progress of Kshs.75,048,970 relating to construction of a tuition block. Review of procurement records provided for audit revealed that the contract for the block was awarded at a contract sum of Kshs.75,048,970. However, scrutiny of the certificates raised and approved for payment revealed the total payments for the project amounted to Kshs.82,616,652.75 instead of the contract sum of Kshs.75,048,970 resulting in unexplained price variation of Kshs.7,567,683 which was not approved by the Ministry

of Education and the Tender Committee as required by Section 139 (1)(a) of the Public Procurement and Asset Disposal Act, 2015. Further, the contract sum included unaccounted provisional sum of Kshs.1,050,000 and contingency of Kshs.2,500,000.

As a result, the Institute Management was in breach of law.

## **2.0 Staff Recruitment**

Review of employees' records revealed that during the year under review, the Institute Management appointed 27 new trainers to fill vacant positions in departments of hospitality, building and civil engineering. However, Management did not provide evidence on the advertisement of the positions.

Consequently, it has not confirmed whether the employees were recruited competitively.

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1.0 Lack of Approved Information Technology Security Policy**

Review of the Company's information technology systems revealed that it has in place Enterprise Resource Planning (ERP) to manage its operations. However, the Company did not have an approved IT policy for governance and management of its ICT resources. In addition, there is no ICT steering committee in place to assist in development of ICT policy framework to enable the company realize long term ICT strategic goals. Lack of an approved IT policy may result in unclear direction regarding maintenance of information security across the organization and safeguarding the Company's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

## **2.0 Weaknesses in Internal Controls Over Operations**

The following anomalies were noted regarding enforcement of internal controls designed for ensuring effective administration of public funds:

- 
- i. Bank reconciliation statements are not checked by a senior officer as provided for in the Public Finance Management Act, 2012. The accuracy of the reconciliations is therefore, not be verified.
- 
- ii. There was inadequate segregation of responsibilities in the accounting department. Officers involved in verification and approval of payments also performed the duties of cashiers.
  - iii. Although the Institute has a finance manual, the Finance department appear to have discarded it in its operations, including staffing, duties, responsibilities approval and authorization of transactions.
  - vii. Management did not carry out stock take exercise as at 30 June 2020 despite having stocks in store.
  - viii. The revenue collection system in place is limit data availability to the current period only, hence not possible for the audit to confirm the transactions and events that occurred in the previous year including the fees collected and/or the number of students who were in session.

The absence of these internal controls, may lead to inefficient operations, errors, non-compliance with laws and regulations and the Institute's assets are prone to fraud and loss.

## **3.0 Unclear Corporate Governance Roles**

Records provided for audit revealed that the Institute has a Board of Trustees which is a body corporate incorporated under the Trustee Perpetual Succession Act, Chapter 164 and a Board of Governors appointed under the Technical and Vocational Education and Training Act, 2013.

Existence of the two Boards has brought about persistent conflicts concerning planned developments and management of finances leading to inefficient formulation of policies, procedures, and execution of other functions of the Board.

## **4.0 Composition of the Board of Governors**

The Institute's Board of Governors does not include a member representing County Government of Kiambu. As such, the composition of the membership of the Board did not meet the requirements of Section 2(c) of the second schedule for Technical and Vocational Education and Training Act, 2013 which requires county government be represented in the Board of Governors.



The Board of Governors is not therefore lawfully constituted.

## **5.0 Noncompliance with e-procurement**

Review of the procurement process revealed that that the institute had not fully embraced the e-procurement of goods and services in accordance with Executive Order no.6 of 2016. Further, although advertisements, purchase requisitions, processing of local purchase orders and the goods received notes were done in the management information system, other procurement functions such as tender opening, evaluation and eventual award of tenders, quotations or proposals to the winning bidder are done outside the system. Further, the system lacked audit trails, and any employee with access credentials could alter the tender document details in the system and delete, replace, or modify tender documents and information without trace or controls.

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

### **Responsibilities of Management and the Board of Governors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards 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 sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Institute or to cease operations.

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

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

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



and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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

14 February, 2022

**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**

**IV. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2019/2020	2018/2019
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the National Government – grants/ gifts in kind	1	128,862,250	8,273,625
Public contributions and donations	2	33,000	100,000
<b>Total Revenue from non-exchange transactions</b>		<b>128,895,250</b>	<b>8,373,625</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Fees from students	3	276,831,655	288,338,017
Sale of goods	4	83,495	73,910
Finance income - external investments	5	9,659,691	3,958,466
Other income	6	426,640	419,690
<b>Revenue from exchange transactions</b>		<b>287,001,481</b>	<b>292,790,083</b>
<b>Total revenue</b>		<b>415,896,731</b>	<b>301,163,708</b>
<b>Expenses</b>			
Use of goods and services	7	113,226,425	109,773,007
Employee costs	8	66,261,954	56,057,337
Board of Governors Expenses	9	6,727,190	2,353,000
Depreciation and amortization expense	10	25,382,490	21,817,149
Repairs and maintenance	11	16,161,785	9,356,679
Finance costs	12	14,156,939	16,707,927
<b>Total expenses</b>		<b>241,916,783</b>	<b>216,065,099</b>
<b>Net Surplus for the year</b>		<b>173,979,948</b>	<b>85,098,609</b>

The notes set out on pages 8 to 41 form an integral part of the Annual Financial Statements.



V. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2019/2020	2018/2019
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	310,164,386	269,101,393
Receivables from exchange transactions	14	77,478,014	26,052,983
Receivables from non-exchange transactions	15	1,990,153	2,436,796
Inventories	16	927,443	-
<b>Total Current Assets</b>		<b>390,559,996</b>	<b>297,591,171</b>
<b>Non-current assets</b>			
Property, plant and equipment	17	369,050,159	285,548,945
Intangible assets	18	500,000	325,000
Long term receivables from exchange transactions	14	7,603,494	13,162,889
<b>Total Non-current Assets</b>		<b>377,153,653</b>	<b>299,036,833</b>
<b>Total assets</b>		<b>767,713,649</b>	<b>596,628,004</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	19	623,276	3,383,206
Refundable deposits from customers	21	40,023,879	13,789,371
Transfer to other Institutions	20	5,026,539	23,677,399
Deferred income	22	7,959,952	15,633,480
Payments received in advance	23	15,267,084	4,407,754
<b>Total Current Liabilities</b>		<b>68,900,730</b>	<b>60,891,211</b>
<b>Non-current liabilities</b>			
Non-current provisions		-	-
Borrowings	24	97,470,593	116,047,944
<b>Total Non-current liabilities</b>		<b>97,470,593</b>	<b>116,047,944</b>
<b>Total liabilities</b>		<b>166,371,323</b>	<b>176,939,155</b>
<b>Capital and Reserves</b>			
Accumulated surplus		439,696,497	265,716,548
Capital Fund		161,645,829	153,972,301
<b>Total Capital and Reserves</b>		<b>601,342,326</b>	<b>419,688,849</b>
<b>Total Liabilities and Capital &amp; Reserves</b>		<b>767,713,649</b>	<b>596,628,004</b>

The Financial Statements set out on pages 1 to 41 were signed on behalf of the Institute Council/ Board of Governors by:

Chairman, Board of Governors

Date: 14/04/2021

Finance Officer

ICPAK No. 8793

Date: 14/04/2021

Principal

Date: 14/04/2021



## VI. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2020

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
<b>Balance b/f at July 1, 2018</b>			180,617,940	153,972,301	334,590,241
Assets estimated cost				-	-
Fair value adjustment on quoted investments					-
Total comprehensive income			85,098,609	-	85,098,609
Prior year adjustments - To write off Development account, GOK projects, Engineering lab grants and water harvesting grants as funds were fully utilised and projects completed			-		-
Prior year adjustments - To adjust to the correct position the New TTIs balance of unutilised funds, loan balance, debtors			-		-
Capital/Development grants received during the year					-
Transfer of depreciation/amortisation from capital fund to retained earnings					-
<b>Balance c/d as at June 30, 2019</b>	-	-	265,716,548	153,972,301	419,688,849
<b>Balance b/f as at July 1, 2019</b>	-	-	265,716,548	153,972,301	419,688,849
Assets estimated cost				-	-
<b>Deferred Income transferred to capital fund</b>			-	7,673,528	7,673,528
Total comprehensive income			173,979,948	-	173,979,948
Capital/Development grants received during the year					-
Transfer of depreciation/amortisation from capital fund to retained earnings					-
<b>Balance c/d as at June 30, 2020</b>	-	-	439,696,497	161,645,829	601,342,326

**VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

		2019/2020	2018/2019
	Note	Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other Government entities/Govt. grants	1	128,862,250	8,273,625
Public contributions and donations	2	33,000	100,000
Rendering of services- Fees from students	3	197,156,718	283,458,521
Sale of goods	4	83,495	73,910
Finance income	5	9,659,691	3,958,466
Other income	6	426,640	419,690
Receivables from Exchange Transactions	14	27,201,547	11,382,449
Refundable Deposits from customers/students	21	26,234,508	-
Fees paid in advance	23	15,267,084	4,407,754
Receivables from Non-exchange transactions	15	446,643.00	-
Transfer to Mentoring Institutions	20	-	2,455,693
<b>Total Receipts</b>		<b>405,371,575</b>	<b>314,530,108</b>
<b>Payments</b>			
Compensation of employees	8	66,261,954	56,057,337
Board of governors expenses	9	6,727,190	2,353,000
Use of goods and services	7	113,530,592	106,389,800
Finance cost	13	14,156,939	16,707,927
Repairs and Maintenance	11	16,161,785	9,356,679
Supplier payments	19	3,351,441	909,840
Rent Arrears paid	19	31,765	-
Refundable Deposits Paid	21	-	772,174
Receivables from Non-exchange transactions	15	-	2,436,796
Transfer to Mentoring Institutions	20	18,650,860	-
<b>Total Payments</b>		<b>238,872,527</b>	<b>194,983,553</b>
<b>Net cash flows from operating activities</b>		<b>166,499,049</b>	<b>119,546,554</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	17	- 106,683,704	- 15,783,509
Intangible Asset	18	- 175,000	- 325,000
<b>Net cash flows used in investing activities</b>		<b>- 106,858,704</b>	<b>- 16,108,509</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings			-
Repayment of borrowings	24	- 18,577,351	- 16,026,363
<b>Net cash flows used in financing activities</b>		<b>- 18,577,351</b>	<b>- 16,026,363</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>41,062,994</b>	<b>87,411,682</b>
Cash and cash equivalents at 1 July 2019		269,101,393	181,689,710
<b>Cash and cash equivalents at 30 June 2020</b>	14	<b>310,164,386</b>	<b>269,101,393</b>



## VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Variance	Explanation of material variances
	2019-2020 Kshs	2019-2020 Kshs	2019-2020 Kshs	2019-2020 Kshs	2019-2020 Kshs		
<b>Revenue</b>							
Transfers from other Govt entities	78,000,000	-	78,000,000	128,862,250	- 50,862,250	-65%	a)
Public contributions and donations	100,000	-	100,000	33,000	67,000	67%	b)
Rendering of services	251,572,100	-	251,572,100	277,258,295	- 25,686,195	-10%	c)
Sale of goods	200,000	-	200,000	83,495	116,505	58%	d)
Finance Income	7,000,000	-	7,000,000	9,659,691	- 2,659,691	-38%	e)
<b>Total income</b>	<b>336,872,100</b>	<b>-</b>	<b>336,872,100</b>	<b>415,896,731</b>	<b>- 79,024,631</b>		
<b>Expenses</b>							
Compensation of employees	72,196,920	-	72,196,920	66,261,954	5,934,966	8%	
Use of Goods and services	141,223,690	-	141,223,690	113,226,425	27,997,265	20%	f)
Repairs and Maintenance	13,047,120	-	13,047,120	16,161,785	- 3,114,665	-24%	g)
Finance costs	14,356,939	-	14,356,939	14,156,939	200,000	1%	
Board of Governors Expenses	4,821,200	-	4,821,200	6,727,190	- 1,905,990	-40%	h)
Contracted Services	4,250,000	-	4,250,000	-	4,250,000	100%	i)
<b>Total expenditure</b>	<b>249,895,869</b>	<b>-</b>	<b>249,895,869</b>	<b>216,534,294</b>	<b>33,361,575</b>		
<b>Surplus for the period</b>	<b>86,976,231</b>	<b>-</b>	<b>86,976,231</b>	<b>199,362,437</b>	<b>- 112,386,206</b>		

*Explanation of material variance*

- a) We budgeted for capitation, operational and development grants total for the year Ksh 78million but we have a revenue of Ksh 170.56 million which include accrued capitation grants of Ksh. 41.7 Million.
- b) The institute received Ksh. 33,000 as a graduation ceremony contribution.
- c) The variance is due to full payment of fees arrears by NYS Ksh. 1.1million and capitation grants of ksh 42 million for FY 2018/2019 received in July 2019 .
- d) Farm sales from Agricultural students improved
- e) The institute was able to put funds in short term deposits and earn interest.
- f) The variance is due to practicals usage of materials reduced due to shorter terms. Jan./March 2020 term training was interrupted by covid -19 pandemic. The students did not sit for end of term exams and KNEC examination in March 2020 due to COVID-19 pandemic
- g) Major repairs on hostels were done in August and December 2019 and rehabilitation of washrooms to accommodate KNEC Examiners. More repairs have been done in preparation of Presidential visit to launch Megatronics project at the Institute.
- h) The variance is due to increased site meetings, consultative meetings with stakeholders on matters concerning KIST land and Presidential visit In Feb. 2020, short listings and interviews of trainers conducted at Nyeri.
- i) The institute did not procure services on consultancy and asset valuations. Operations of 3rd and 4th quarter were affected by to Covid-19 pandemic.

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**IX. SIGNIFICANT ACCOUNTING POLICIES**

**1. GENERAL INFORMATION**

Kiambu Institute of Science and Technology is established by and derives its authority and accountability from TVET Act 2013. The Kiambu Institute of Science and Technology is wholly owned by the Government of Kenya and is domiciled in Kenya. Kiambu Institute of Science and Technology principal activity is 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 re-valued amounts of certain items 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 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 adopted have been consistently applied to all the years presented.

This is the first time of adoption of accrual basis of accounting. The comparative balances have been restated to accrual basis of accounting.

**3 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 Kiambu Institute of Science and Technology 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



**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ii) Revenue from exchange transactions**

**Rendering of services**

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

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

**Sale of goods**

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

**Interest income**

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

**b) Budget information**

The original budget for FY 2019/2020 was approved by the Council or Board on 25<sup>th</sup> July 2019.

The Institute 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.

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Taxes**

***Current income tax***

Kiambu Institute of Science and Technology is exempt from paying taxes as a public training institution

***Sales tax/ Value Added Tax***

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

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

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**d) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, Kiambu Institute of Science and Technology recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on Property, plant and equipment is recognized in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Land	-
Buildings	2.5%
Motor vehicles	25%
Furniture and Fittings	12.5%
Computer	30%
Office Equipment	12.5%

A full year depreciation charge is recognised in the year of asset purchase. Depreciation charge is not recognised in the year of disposal.

The financial report for the period under review does not reflect the value of the land on which the Institute sits on as it is yet to be valued.

Part of the Institute land is in the name of Kiambu Institute of Science and Technology and the Board of Governors, on January 2020, was issued with a copy of the title deed for 70 acres. The rest of the land which is about 122 acres is in the custody of the Registered Trustees of KIST (Board of Trustees). The title deed for the 70 acres is in the custody of Cabinet Secretary for National Treasury.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Intangible assets**

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

**e) Research and development costs**

Kiambu Institute of Science and Technology expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when Kiambu Institute of Science and Technology 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.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**f) Financial instruments**

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*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

*Held-to-maturity*

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

*Impairment of financial assets*

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



**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**f) Financial instruments (Continued)**

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

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

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

*Loans and borrowing*

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

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.

**g) 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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**g) Inventories (Continued)**

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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.

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

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

**h) Provisions**

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

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

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

***Contingent liabilities***

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

***Contingent assets***

The Institute does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Institute 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.

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**i) Nature and purpose of reserves**

The Institute creates and maintains reserves in terms of specific requirements. The Institute maintains Capital and Revenue reserves.

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

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

**k) Employee benefits**

**Retirement benefit plans**

The Institute operates a defined contribution scheme, Kiambu Institute of Science and Technology Staff Retirement scheme for its employees who are on permanent employment. Defined contribution plans are post-employment benefit plans under which an Institute pays fixed contributions into a separate Institute (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.

**l) 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.

**m) 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.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**n) Related parties**

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

**o) Service concession arrangements**

The Institute analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Institute recognizes that 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 Institute also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**p) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

**q) Comparative figures**

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

**r) 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.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Institute'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 Institute based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Institute. 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 Institute
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**Provisions**

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

**Provision for Depreciation**

This caters for reduction in the value of asset with the passage of time, due to wear and tear. The Institute use reducing balance method to depreciate its assets using the applicable rates of depreciation as given in note 4(d) above



**X. NOTES TO THE FINANCIAL STATEMENTS**

**1 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

<b>Unconditional grants</b>		
Operation / Capitation Grants	126,315,000	<b>7,000,000</b>
<b>Conditional grants</b>		
Library grant	2,547,250	<b>1,273,625</b>
<b>Total Government grants and subsidies</b>	<b>128,862,250</b>	<b>8,273,625</b>

**2 PUBLIC CONTRIBUTIONS AND DONATIONS**

Graduation contribution	33,000	-
Bursary Fund	-	100,000
<b>Total Public Contributions and Donations</b>	<b>33,000</b>	<b>100,000</b>

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

**3 RENDERING OF SERVICES**

	<b>FY/2019/2020</b>	<b>FY/2018/2019</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Tuition fees, part time courses	112,764,615	139,196,682
Activity fees	11,077,736	8,984,565
Library fees	19,750	69,748
Facilities and materials seminars food & Boarding, graduation gowns	25,450,111	28,618,814
Boarding fees	13,797,241	10,445,323
bakery & hospitality class sales	391,328	644,522
catering sales	11,046,720	9,897,108
centre fees	751,300	474,340
certificate storage, course cancellation, lost documents	241,989	331,873
KNDI Indexing, practicum in nutrition & dietetics	76,650	332,632
Development levy	217,265	1,416,961
Electricity water & conservancy	11,097,695	9,260,201
Equipment maintenance	209,058	1,236,532
Exam materials External, exam processing, passports supp exam	2,998,208	2,235,603
Generator fuel	32,156	251,297
ICT and Internet	163,922	1,347,016
industrial attachment ,Medical, insurance & OJT	10,616,464	9,396,791
personal emolument	40,134,758	34,429,518
Repairs maintenance &,improvement( R.MI)	5,708,271	4,623,901
Sports & games	158,330	855,735
Student Id ,Boarding pass	1,490,600	1,396,950
Training materials	12,762,861	11,586,527

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Local Transport and Travel (LT&T)	10,067,749	8,308,601
Application Fees	549,112	912,911
Registration fees	2,126,620	2,083,870
ICDL compute log books	7,300	-
Kuccps registration fee	2,873,847	-
<b>Total Rendering of Services</b>	<b>276,831,655</b>	<b>288,338,017</b>

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

**4 SALE OF GOODS**

	<b>FY/2019/2020</b>	<b>FY/2018/2019</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Sale of farm produce	73,495	43,910
Kitchen waste	10,000	30,000
<b>Total Sale of goods</b>	<b>83,495</b>	<b>73,910</b>

**5 FINANCE INCOME**

Cash investments on short term deposits	9,659,691	3,958,466
<b>Total Finance Income</b>	<b>9,659,691</b>	<b>3,958,466</b>

Finance income is revenue realised from interest earned on 3 months fixed deposits from commercial banks.

**6 OTHER INCOME**

Sale of tender	368,000	293,000
Disposal of assets, grass, empty containers	58,640	126,690
<b>Total other income</b>	<b>426,640</b>	<b>419,690</b>

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

**7 USE OF GOODS AND SERVICES**

catering goods	12,375,351	18,612,892
Baking Unit	565,453	1,124,998
Training expenses	12,097,478	14,750,598
Cleaning materials	1,229,653	1,678,500
peri urban farm	239,338	5,235
Security costs	49,000	96,000
internet bills	3,110,362	3,037,500
Knec exam materials	5,734,156	5,050,468
Library Books purchases	114,447	109,960
office Expenses	129,686	22,685
office printing and stationery	3,438,603	3,538,739
Sewarage bills	5,006,976	888,081
seminar food & boarding and staff honoraria	16,941,663	18,694,016
Electricity	5,581,240	6,150,044
Water	7,745,796	2,567,528
iso certification consultancy fee	411,405	683,853
Uniform	928,580	108,404
staff development and training	245,640	798,918
kuccps registration fee	1,342,500	-
Advertising	944,925	1,605,460
Bank charges	180,303	391,866
Workshops and seminars	4,136,644	5,055,042
Tivet fair & Robotics	1,793,485	1,188,431
Consulting fees	851,000	182,328
Consumables	3,587,177	-
Performance contracting	500	868,516
Fuel and oil	2,191,735	1,458,750
Insurance	2,532,861	1,503,468
Student insuarance	148,552	417,160
Student medical	287,873	970,140
Legal expenses	800,000	390,000
Licenses and permits	8,000	709,431
Hire charges transport	310,240	392,800
Rent expenses	12,706	76,236
Graduation expenses	1,676,148	2,093,721
Newspapers and periodicals	498,438	389,517
Gatundu TTI General expenses	-	1,602,970
LARI TTI General expenses	692,036	-
Telephone, postage and airtime	626,378	712,881
student clubs	29,500	141,630
On job Training costs	1,182,000	1,333,500
Educational trip	137,367	396,520
Prayer day	15,180	21,400
Travelling & subsistence	10,176,217	6,590,361
replacement damages	8,400	185,780
Welfare expenses	53,606	116,000
sports and games	1,044,745	2,317,160
New TTIs site meeting expenses	376,200	743,520
Team building activities	1,636,883	-
<b>Total use of good and services</b>	<b>113,226,425</b>	<b>109,773,007</b>

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

**8 EMPLOYEE COSTS**

Salaries and wages	60,764,996	51,089,113
Employee related costs - contributions to retirement benefit scheme	1,090,748	846,495
management allowances	3,824,500	3,624,500
staff leave travelling allowances	581,710	497,229
<b>Total Employee costs</b>	<b>66,261,954</b>	<b>56,057,337</b>

**9 BOARD OF GOVERNORS EXPENSES**

Sitting Allowances	6,727,190	2,353,000
<b>Total Board of Governors Expenses</b>	<b>6,727,190</b>	<b>2,353,000</b>

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

**10 DEPRECIATION AND AMORTIZATION EXPENSE**

	<b>FY/2019/2020</b>	<b>FY/2018/2019</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Property, plant and equipment	25,382,490	21,817,149
<b>Total depreciation and amortization</b>	<b>25,382,490</b>	<b>21,817,149</b>

**11 REPAIRS AND MAINTENANCE**

Property	14,348,382	8,426,937
Equipment and machinery	1,189,510	86,800
Vehicles	623,893	842,942
<b>Total Repairs and Maintenance</b>	<b>16,161,785</b>	<b>9,356,679</b>



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

**12 FINANCE COSTS**

Interest on loans from commercial banks	14,156,939	16,707,927
<b>Total finance costs</b>	<b>14,156,939</b>	<b>16,707,927</b>

**13 CASH AND CASH EQUIVALENTS**

	<b>FY/2019/2020</b>	<b>FY/2018/2019</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Current account Cooperative bank	763,932	2,564,117
current account Kenya commercial bank	980,164	73,302
Dollar account Kenya commercial bank	-	2,512,656
Housing Finance	1,052,700	1,052,700
main savings account cooperative	54,808,696	111,220,710
kcb savings	97,607,729	37,072,251
exam savings cooperative	-	160,520
Development account cooperative	5,708,020	10,835,378
cash & cheques current	1,600	51,110
petty cash	-	80,250
Fixed deposits account	144,273,923	88,952,043
kist Nachu TTI	725,777	744,640
Kist Lari TTI	337,513	2,065,899
Kist Gatundu TTI	395,545	396,025
kist Limuru TTI	3,508,788	11,319,792
<b>Total cash and cash equivalents</b>	<b>310,164,386</b>	<b>269,101,393</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 RECEIVABLES FROM EXCHANGE TRANSACTIONS

<b>Current receivables</b>		
<b>(a) Students debtors</b>		
Student debtors b/f	23,803,880	31,478,805
less receipts	- 23,803,880	- 7,674,926
Add student debtors for the year	75,267,183	-
	<b>75,267,183</b>	<b>23,803,880</b>
<b>(b) Advances</b>		
Staff Advances b/f	49,103	- 97,327
Add paid during the year	457,480	193,805
Less recovered	- 381,232	- 47,375
Staff Advances c/f	<b>125,351</b>	<b>49,103</b>
<b>(c) Motor Vehicle Deposit</b>		
Bus Deposit b/f	2,200,000	2,200,000
Trasfered to Property Plant and Equipment	- 2,200,000	-
Bus Deposit c/f	-	<b>2,200,000</b>
<b>(d) Other Debtors</b>		
Ministry of education b/f	-	400,000
Less Received	-	- 400,000
Ministry of education c/f	-	-
Advance payment on staff training	<b>2,085,480</b>	
<b>Total current receivables</b>	<b>77,478,014</b>	<b>26,052,983</b>
<b>Non-current receivables</b>		
<b>(e) Board of Trustees</b>		
Riara Farm Coffee Estate -loan b/f	<b>10,767,457</b>	<b>16,421,410</b>
Less: Receipts from Riara Coffee Estate	- 5,561,895	- 5,653,953
Receivable from Riara Coffee Estate c/f	<b>5,205,562</b>	<b>10,767,457</b>
<b>(f) Other Non-recurrent receivables</b>		
Electricity Deposit b/f	<b>401,500</b>	<b>401,500</b>
Electricity Deposit during the year	2,500	-
Electricity Deposit c/f	<b>404,000</b>	<b>401,500</b>
Board of Trustees Account	1,993,932	1,993,932
<b>Total non-current receivables</b>	<b>7,603,494</b>	<b>13,162,889</b>
<b>Total receivables</b>	<b>85,081,507</b>	<b>39,215,871</b>

The Institute received capitation grant of Ksh. 41,700,000 for the third quarter on 3<sup>rd</sup> July 2020. The grant is not accrued for the year as students are charged full fees and fees debtors of Ksh.75,267,183 include capitation fee.

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

**15 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

<b>Current receivables</b>		
<b>Receivables from Mentoring Institutions</b>		
<b>KIST Nachu operations cost</b>		-
<b>Balance b/f</b>	550,000	
Expenses incurred on behalf during the year	2,070,000	1,865,000
Less Recovered during the year	- 2,470,000	- 1,315,000
	<b>150,000</b>	<b>550,000</b>
<b>KIST Lari operation cost</b>		
<b>Balance b/f</b>	1,312,912	
Expenses incurred on behalf during the year	2,095,747	1,312,912
Less Recovered during the year	-2,091,060	-
Transfer to LARI TTI General expenses	-692,036	-
	<b>625,563</b>	<b>1,312,912</b>
<b>KIST Gatundu operation cost</b>		
<b>Balance b/f</b>	573,884	-
Expenses incurred on behalf during the year	2,404,706	573,884
Less Recovered during the year	-2,075,000	-
	<b>903,590</b>	<b>573,884</b>
<b>KIST Limuru operation cost</b>		
<b>Balance b/f</b>	-	-
Expenses incurred on behalf during the year	311,000	-
Less Recovered during the year	-	-
	<b>311,000</b>	-
<b>Total current receivables from non-exchange transactions</b>	<b>1,990,153</b>	<b>2,436,796</b>

**16 INVENTORIES**

Consumable stores	-	-
Hospitality and Bakery stores	128,614	-
Clinic stores	224,504	-
Catering stores	574,325	-
<b>Total inventories at the lower of cost and net realizable value</b>	<b>927,443</b>	<b>-</b>

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

**17 PROPERTY, PLANT AND EQUIPMENT**

	Buildings	Motor vehicles	Furniture and fittings	Computers	Plant and Equipment	Capital In Progress	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2018	53,088,048	8,670,000	27,368,440	31,005,695	151,332,954	98,296,418	369,761,555
Additions	9,287,016	-	436,972	584,000	5,475,521	-	15,783,509
At June 2019	62,375,064	8,670,000	27,805,412	31,589,695	156,808,475	98,296,418	385,545,064
Additions		8,873,500	4,848,137	380,000	2,291,886	90,290,181	106,683,704
Transfer/adjustments	105,969,946	2,200,000	-	-	-	105,969,946	2,200,000
At end of year - June 2020	168,345,011	19,743,500	32,653,549	31,969,695	159,100,361	82,616,653	494,428,768
Depreciation and impairment							
At 1 July 2018	10,350,814	8,021,018	13,899,352	26,991,168	18,916,619	-	78,178,970
Depreciation	1,300,606	162,245	1,738,258	1,379,558	17,236,482	-	21,817,149
At 30 June 2019	11,651,420	8,183,264	15,637,609	28,370,726	36,153,101	-	99,996,120
Depreciation	3,917,340	2,890,059	2,126,992	1,079,691	15,368,407	-	25,382,490
At 30 June 2020	15,568,760	11,073,323	17,764,602	29,450,417	51,521,509	-	125,378,609
Net book values							
At 30 June 2020	152,776,251	8,670,177	14,888,947	2,519,278	107,578,852	82,616,653	369,050,159
At 30 June 2019	50,723,645	486,736	12,167,803	3,218,969	120,655,374	98,296,418	285,548,945





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**18 INTANGIBLE ASSETS-SOFTWARE**

	<b>FY/2019/2020</b>	<b>FY/2018/2019</b>
	<b>Ksh.</b>	<b>Ksh.</b>
<b>Cost</b>		
At beginning of the year	325,000	-
Additions	175,000	325,000
<b>Cost end of the year</b>	<b>500,000</b>	<b>325,000</b>

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

Trade payables b/f	3,351,441	909,840
Trade payables for the year	623,276	3,351,441
	3,974,717	4,261,281
Trade payables b/f paid during the year	- 3,351,441	- 909,840
<b>Total trade payables</b>	<b>623,276</b>	<b>3,351,441</b>
Riara Estate-house rent arrears b/f	31,765	31,765
Rent Arrears paid during the year	- 31,765	
Riara Estate-house rent arrears c/f	-	31,765
<b>Total trade and other payables</b>	<b>623,276</b>	<b>3,383,206</b>

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

**20 TRANSFER TO OTHER INSTITUTIONS**

<b>New TTIs Project Funds:</b>		
<b>(a) Nachu TTI</b>		
KIST Nachu TTI b/f	776,128	780,448
less payments	-	-
less Bank charges	-	- 4,320
kist Nachu TTI c/f	<b>776,128</b>	<b>776,128</b>
<b>(b) Lari TTI</b>		
KIST Lari TTI b/f	2,065,899	1,554,121
Add receipts	-	2,000,000
less payments	-1,723,302	-1,483,254
less Bank charges	-	- 4,968
Kist Lari TTI c/f	<b>342,598</b>	<b>2,065,899</b>
<b>(c) Gatundu South TTI</b>		
KIST Gatundu TTI b/f	396,025	389,835
Add receipts	-	6,621,790
Less payments	-	- 6,615,000
Less Bank charges	-	- 600
Kist Gatundu TTI c/f	<b>396,025</b>	<b>396,025</b>
<b>(d) Limuru TTI</b>		
KIST Limuru TTI b/f	17,439,346	18,497,301
Add receipts	-	16,998,762
Less payments	- 13,927,558	-18,054,707
Less Bank charges	-	- 2,010
kist Limuru TTI c/f	<b>3,511,788</b>	<b>17,439,346</b>
<b>(e) New TVCs Operational grants:</b>		
<b>Balance b/f</b>	3,000,000	-
KIST Nachu TTI	-	1,000,000
KIST Lari TTI	-	1,000,000
KIST Gatundu TTI	-	1,000,000
Operational grants transferred to mentoring TTIs	- 3,000,000	-
	-	<b>3,000,000</b>
<b>Total Transfer to other Institutions</b>	<b>5,026,539</b>	<b>23,677,399</b>

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

**21 REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS**

<b>(a) Caution Money</b>		
Caution money b/f	7,235,452	5,564,577
add receipts	2,133,505	2,274,875
less payments	- 1,117,000	- 604,000
Caution money c/f	<b>8,251,957</b>	<b>7,235,452</b>
<b>(b) Student Council</b>		
student council b/f	2,400,198	1,211,781
Add receipts	3,083,804	2,609,116
Less payments	- 2,160,170	- 1,420,699
student council c/f	<b>3,323,832</b>	<b>2,400,198</b>
KISA photocopy project b/f	-	21,065
KISA photocopy project Receipts	-	-
KISA photocopy project refunded	-	- 21,065
KISA photocopy project c/f	-	-
student council c/f	<b>3,323,832</b>	<b>2,400,198</b>
<b>(c) Examination Fees</b>		
Examination fee b/f	4,153,721	7,764,121.65
add receipts	35,808,749	29,170,059.50
less payments	- 11,514,380	- 32,780,460.00
<b>Balance c/f</b>	<b>28,448,090</b>	<b>4,153,721</b>
<b>(c) Graduation Gown Deposit</b>		
<b>Graduation gown deposit</b>		
Receipt during the year	439,500	478,500.00
less payment	- 439,500	- 478,500.00
Balance c/f	-	-
<b>Total deposits</b>	<b>40,023,879</b>	<b>13,789,371</b>

**22 DEFERRED INCOME**

Library construction grants	15,633,480	15,633,480
Transfer to capital fund	- 7,673,528	-
<b>Total Deferred Income</b>	<b>7,959,952</b>	<b>15,633,480</b>

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

**23 PAYMENTS RECEIVED IN ADVANCE**

Student Fees	15,267,084	4,407,754
	<b>15,267,084</b>	<b>4,407,754</b>

**24 BORROWINGS**

Balance at beginning of the period	116,047,944	132,074,307
Repayments of domestics borrowings during the period	18,577,351	16,026,363
Balance at end of the period	<b>97,470,593</b>	<b>116,047,944</b>

**24 a) ANALYSIS OF EXTERNAL AND DOMESTIC BORROWINGS**

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
<b>Domestic Borrowings</b>		
Kenya Shilling loan from Cooperative Bank	97,470,593	116,047,944
<b>Total balance at end of the year</b>	<b>97,470,593</b>	<b>116,047,944</b>

**24 b) BREAKDOWN OF LONG AND SHORT TERM BORROWINGS**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
Short term borrowings(current portion)	-	-
Long term borrowings	97,470,593	116,047,944
<b>Total</b>	<b>97,470,593</b>	<b>116,047,944</b>

Loan facility is payable over forty five (45) termly instalments of Kshs. 10,911,430 which is inclusive of interest and principal repayment.

The interest rate applicable is 14% p.a.

The loan security is the fixed and floating debenture over the assets of KIST for an amount of Ksh. 158,000,000.00 equivalent to principal amount borrowed on June 2014.

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

**25 Reconciliation of Cash flow Items**

Rendering of services	3	276,831,655	288,338,017
Less Fees paid in advance in previous year	23	- 4,407,754	- 4,879,497
Less Fees Student debtors during the year	14(a)	- 75,267,183	-
<b>Cash Inflow</b>		<b>197,156,718</b>	<b>283,458,521</b>

Use of goods and services	7	113,226,425	109,773,007
Less Accrued Expenses as at 30th June	19	- 623,276	- 3,351,441
Less Accrued Rent as at 30th June	19	-	- 31,765
Add Inventories at the close of the year	16	927,443	-
<b>Cash outflow</b>		<b>113,530,592</b>	<b>106,389,800</b>

Receivables from Exchange Transactions	14		
Receipts from Student debtors		23,803,880	7,674,926
Riara Farm Coffee Estate loan payment		5,561,895	5,653,953
Advance payment for staff training	-	2,085,480	-
Advance payment for deposit of the bus		-	- 2,200,000
Advances paid	-	457,480	- 193,805
Advances recovered		381,232	47,375
Rent deposit paid	-	2,500	
Advances for meals to students sponsored by the Ministry		-	400,000
<b>Cash Inflow from Exchange Transactions</b>		<b>27,201,547</b>	<b>11,382,449</b>



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

**26 FINANCIAL RISK MANAGEMENT**

The Institute 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 Institute 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 Institute financial risk management objectives and policies are detailed below:

**(i) Credit risk**

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

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

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

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2020</b>				
Receivables from exchange transactions	77,478,014	77,478,014	-	-
Receivables from non-exchange transactions	1,990,153	1,990,153	-	-
Bank balances	310,164,386	310,164,386		
<b>Total</b>	<b>389,632,553</b>	<b>389,632,553</b>	<b>-</b>	<b>-</b>

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<b>At 30 June 2019</b>				
Receivables from exchange transactions	26,052,983	2,249,103	23,803,880	-
Receivables from non-exchange transactions	2,436,796	2,436,796	-	-
Bank balances	269,101,393	269,101,393	-	-
<b>Total</b>	<b>297,591,172</b>	<b>273,787,292</b>	<b>23,803,880</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****27. 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.

The Institute has significant concentration of credit risk on amounts due from student debtors.

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

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Institute Board, who has built an appropriate liquidity risk management framework for the management of the Institute short, medium and long-term funding and liquidity management requirements. The Institute manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Institute under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2020</b>				
Trade payables	-	623,276	-	623,276
Current portion of borrowings		10,911,430	-	10,911,430
Provisions	-	-	-	-
Deferred income	-	-	7,959,952	7,959,952
Employee benefit obligation	-	-	-	-
<b>Total</b>		<b>11,534,706</b>	<b>7,959,952</b>	<b>19,494,658</b>
<b>At 30 June 2019</b>				
Trade payables	-	4,293,046	-	4,293,046

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Current portion of borrowings		10,911,430	-	10,911,430
Provisions	-	-	-	-
Deferred income	-	-	15,633,480	15,633,480
Employee benefit obligation	-	-	-	-
<b>Total</b>		<b>15,204,476</b>	<b>15,633,480</b>	<b>30,837,956</b>

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

**27. FINANCIAL RISK MANAGEMENT (Continued)**

**(iii) Market risk**

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The Board is in the process of establishing an internal audit function to assist it in assessing the risk faced by the Institute on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the Institute exposure to market risks or the manner in which it manages and measures the risk.

**Foreign currency risk**

The Institute 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 Institute foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The Institute 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.



**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**NOTES TO THE FINANCIAL STATEMENTS (Continued)****27. FINANCIAL RISK MANAGEMENT (Continued)****(iii) Market risk (Continued)****a) Interest rate risk**

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

**b) Interest rate risk(continued)***Sensitivity analysis*

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 96,597 (2019: KShs 39,585). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 482,985 (2019 – KShs 197,923)

**iv) Capital Risk Management**

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

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	447,370,024	265,716,548
Capital reserve	153,972,301	153,972,301
<b>Total funds</b>	<b>601,342,325</b>	<b>419,688,849</b>
Total borrowings	97,470,593	116,047,944
Less: cash and bank balances	( 310,164,386)	( 269,101,393)
Net debt/(excess cash and cash equivalents)	(212,693,793)	(153,053,448)
<b>Gearing</b>	<b>16.21%</b>	<b>27.65%</b>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the Institute 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.

The Institute related parties include:

- i) The National Government;
- ii) Ministry of Education;
- iii) KIST Board of Trustees
- iv) Key management;
- v) Board of Governors;

	2019-2020	2018-2019
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of goods to xxx	83,495	73,910
<b>Total</b>	<b>83,495</b>	<b>73,910</b>
<b>b) Grants from the Government</b>		
Grants from National Govt	128,862,250	8,273,625
<b>Total</b>	<b>128,862,250</b>	<b>8,273,625</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for 205 (2019, 175) employees	62,437,454	52,432,837
Extraneous allowances for 40 (2019, 38) management staff	3,824,500	3,624,500
<b>Total</b>	<b>66,261,954</b>	<b>56,057,337</b>
<b>d) Key management compensation</b>		
Board sitting allowance	6,727,190	2,353,000
<b>Total</b>	<b>6,727,190</b>	<b>2,353,000</b>

**KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**

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

**28 CAPITAL COMMITMENTS**

<b>Capital commitments</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Purchase of Institute Bus	-	11,000,000
Water borehole	3,450,000	-
Generator	7,151,511	-
Construction of tuition block, Phase 2	175,500,000	93,193,149
<b>Total</b>	<b>186,101,511</b>	<b>104,193,149</b>

**29 EVENTS AFTER THE REPORTING PERIOD**

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

**30 ULTIMATE AND HOLDING KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY**

The Kiambu Institute of Science and Technology is a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

**31 Currency**

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

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

FY 2018/2019 was the first year reporting under the IPSAS Accrual Accounting. This is also the first audit by the Office of Auditor General. Previously, the audit was carried out by the School's Audit under the Ministry of Education. No progress on follow up of auditor recommendations as the FY 2018/2019 is under audit review.

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**APPENDIX II: PROJECTS IMPLEMENTED BY KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY**

**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)
Library and ICT Resource Centre	1	GOK				Yes

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Library and ICT Resource Centre	200,000,000	114,864,289	80%			GOK
2							
3							





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Head of Accounting Unit  
Ministry of Education

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

ENTITY NAME	KIAMBUI INSTITUTE OF SCIENCE AND TECHNOLOGY		
Break down of transfers from the State Department of Vocational and Technical Training			
FY 2019/2020			
a	Recurrent Grants	Bank statement Date	Amount (Kshs)
			FY
	KIST capitation	18/10/2019	29,955,000.00
	Nachu TVC		
	capitation	18/10/2019	547,500.00
	Nachu TVC operation	27/04/2020	1,000,000.00
	Lari TVC operation	27/04/2020	1,000,000.00
	Gatundu South TVC operation	27/04/2020	1,000,000.00
	Nachu TVC		
	capitation	07/05/2020	607,500.00
	KIST capitation	10/06/2020	53,445,000.00
	KIST capitation	03/07/2020	41,700,000.00
	Total		129,255,000.00
b	Development Grants	Bank statement Date	Amount (Kshs)
			FY
	KIST Library		
	Limuru TVC		
	Gatundu South TVC		
	Limuru TVC		
	Limuru TVC		
	KIST Library		
	Total		-
	Bank statement Date	Amount (Kshs)	FY
c	Disengaged youth at Certificate level under G.O.K/AFDB project phase II	06/12/2019	2,186,940.00
	Total		2,186,940.00
d	Donor receipts	The Institute didn't receive any donor funding	