REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT OF THE AUDITOR-GENERAL

ON

MICHUKI TECHNICAL TRAINING INSTITUTE

FOR THE YEAR ENDED 30 JUNE, 2020

MICHUKI TECHNICAL TRAINING INSTITUTE

P.O. BOX 4 10202
KANGEMA

MICHUKI TECHNICAL TRAINING INSTITUTE
PROFESSIONAL & TECHNICAL SKILLS TO EMPOWER

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE 2020

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

I. Table of Contents

II. 1.KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background Information

Michuki Technical Training Institute, MTTI is located in Iyego Location, Kangema Sub-county in Murang'a County. It was started in 1956 under the name Michuki Youth Centre offering artisan courses. The institute is under Ministry of education and incorporated under TVET Act.

(b) Principal Activities

The Mandate of Michuki Technical Training Institute is to provide Technical, Vocational and Entrepreneurship Training (TVET) using appropriate technology to empower trainees for individual and national development. The Institute provides leadership in designing suitable plans and strategies that contribute to high and sustainable socio-economic development; The Institute has a credible strategic plan and performance contract that delivers the desired goals. It is also our undertaking that we will perform our responsibilities diligently and to the best of our abilities to support the achievement of the agreed performance targets.

Vision

Our vision is "A leader in the provision of Technical, Vocational, and Entrepreneurial Training".

Mission

Our mission is to provide quality technical, vocational and entrepreneurship training (TVET) to empower graduates for individual development and global competitiveness.

(c) Key Management

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

- Board of council members
- Accounting officer/Principal
- Heads of departments

Name	Responsibility
TOP MANAGEMENT	
John G Ndirangu	Chief Executive Officer/ Principal
Joseph Njuguna	Deputy Principal/ Administration
Mercy N Kamau	Deputy Principal/Academic
Henry Kihara	Registrar
Michael N Muthembwa	Dean
Nelius W Mwangi	Finance Officer
Gibson Kariuki	Procurement Officer
ACADEMIC MANAGEMENT	
Philip Mutisya	H O D Electrical
LydiahWatheka	H O D Institutional Management
Leah W Chege	H O D I C T

James I Mukura	H O D Mechanical
John Gakinya	H O D Building
Simon Njoroge	H O D Business
Newton shivachi	H O D Mathematics
NON ACADEMIC	
Gerald Wachira	ISO Management Representative
Hannah Mutiga	Industrial Liaisons' Officer
Hosea Yegon	Sports Office
June Karea	Guidance & Counselling

(d) Fiduciary Management

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

No.	Designation	Name
1.	Principal	**John G Ndirangu**
2.	Head of Finance	**NeliusMwangi**
3.	Head of Procurement	**Gibson Kariuki**

(e) Fiduciary Oversight Arrangements

Name of the Committee	Members
Finance and quality Assurance Committee	1. Dr James GichanaOngwae 2. Veronicah W Maina 3. Paul Kubai 4. John G Ndirangu
Governance and Ethics Committee	1. Eng. Alexander Mukui 2. Jane N Muthoka 3. Dr Bashir Bachami 4. John G Ndirangu
Strategic and Development committee	1. Eng. Alexander Mukui 2. Jane N Muthoka 3. Dr Bashir Bachami

(f) Entity Headquarters

P.O. Box 4-10202 Kangema
Muranga County
Kangema Sub County
ST. Marys - Iyego road off Karugia Shopping Centre

(g) Entity Contacts

Telephone :(+254)0725-912313
E-mail: michukitech@yahoo.com
Website: www.michukitech.co.ke

(h) Bankers

i) Kenya Commercial Bank Ltd
Muranga Branch
Muranga Town

ii) Equity Bank Ltd
Kangema Branch
Kangema Town

iii) Amica Savings & Credit
Kangema Branch
Kangema Town

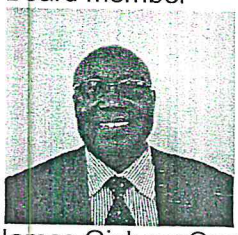
(i) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

III. 2.BOARD OF GOVERNORS

Director's passport-size photo, name, and key profession/academic qualifications	Date of birth, key qualifications and work experience
1. Board of governor (chairman)  Silas MuguongoGithinji Profession: Medical Laboratory technologist Academic qualifications : A - Level	Date of birth: 07. 08.1961 **Qualifications:** Candidate Msc (Micro biology) Bsc medical laboratory Science HND Micro biology Dip (medical laboratory Technology) Certificate (medical laboratory Technology) Advanced Dip (Technical Education) **Work experience:** Laboratory Technology (1986-1989) Lecturer KMTC (1990 - 2010) Lecturer Outspan (2010 - todate) Dean of student
2. Board member  Dr James GichanaOngwae Profession: Academic qualifications Ph.D Entrepreneurship Msc Entrepreneurship B.E.D Vocational Education Dip Ed Technical Education (Electrical Engineering)	Date of birth:20/11/1953 Qualifications:ph.DEnterpreneneurship Work experience : Assistant Director (Retired) Cnsultant in education research and training Lecturer in innovation and development finance
3. Board member  Dr Bashir Bachami Profession:Business Administrator Academic qualifications MBA in Business Administrator	Date of birth:1950 Qualifications:MBA Work experience :Business man

4. Board member (Independent Member)  **M/S Veronicah W Maina** **Profession:** Environmentalist **Academic qualifications** Masters in climate change and Environmental Sustainability	**Date of birth: 19 July 1972** Qualifications:Bsc Natural Resources Management Environmental Inspector **Work experience:** Nominated councillor Murang'a county Council Untrained graduate Teacher District Environmental Officer Senior Compliance and Enforcement officer (NEMA)
5. Board member  **M/S Jane N Muthoka** Profession: Information Technology Academic qualifications Masters Degree in Computer systems ongoing Bachelors degree in Information science	Date of birth:**16th June 1979** **Qualifications:** Project management Software development implementation Database management **Work experience:** 2013 to date Technical director – Highend Solutions 2007 – 2012 Software project manager – Circuit business systems 2005 – 2006 system librarian – Kenya Technical Teachers College
6. Board member  **Mr Alexander Mukui** Profession:Civil Engineer Academic qualifications Msc civil Engineering Bsc Civil Engineering	Date of birth: 16/01/1972 Qualifications: Registered Civil Engineer Work experience : Since 1996

7. Board member  **Mr Paul Kubai** Profession:instrumentor&Electical engineering Academic qualifications Engineer	Date of birth:10/01/1983 Qualifications :Bphil in Electrical Engineering Work experience : Site service Engineering(Rotor Africa Pty)ltd
8. Board member(CDTVET)  **MR .CHARLES NYOTA** Profession:CDTVET Academic qualifications Masters in Computer Science	Date of birth:10/10/1970 Qualifications :Masters in computer Science Work experience :Quality Assurance office for 20years
9. Principal/ BOG Secretary  **John G Ndirangu** Profession: **Academic qualifications**	Diploma in Education HND E.P.E Date of birth: 01/04/1959 **Qualifications :** MBA – Strategic management BBA – Business management Work experience : TSC teacher 1990 – 2017 TSC Trainer 2017 – to date Principal Michuki TTI since 2005

IV. 3. MANAGEMENT TEAM

1. Principal/ BOG Secretary  **John G Ndirangu**	**Academic qualifications :** MBA – Strategic management BBA – Business management

V. 4 .CHAIRMAN'S STATEMENT

On behalf of the BOG, management, staff and students of Michuki TTI I would like to thank the government through the Cabinet Secretary Ministry of Education for giving me the opportunity to serve in this great institution. The following was achieved in just ended financial year 2019-2020 under my leadership.

In the financial year 2019/2020 the board achieved the following-:

1. The Management trained 2 members of staff in sign language and translated the serviceCharter to Braille.
2. 2 trainers were trained in food processing
3. The management commenced the construction of four staff houses.
4. 2 Computer labs were established and equipped with 60 desktops.
5. The management conducted two medical camps on HIV&AIDS and Non Communicable diseases.
6. The management updated data on the existing accommodation spaces within the community.
7. The management engaged in corporate social responsibility of distributing free tree seedlings and branded dust bins.
8. There was construction of a basket ball pitch and it was competed.
9. There was increase in gross enrolment from 2750 to 3308 and increment of 558.
10. Continued with the construction of Library block phase two (2nd floor) .
11. Assets register was established and updated all records.The net value of asset of the institution is Kshs 573,593,968.00
12. 29 youths were attached within the Institute
13. We conducted staff training on CBET-CDACC.
14. The Institute participated in the Mt Kenya region Athletics and we attained position number 1 with 17 Gold medals, 5 Silver medals and 4 Bronze medals.
15. The BOG implemented the cross cutting issues in compliance with the Performance Contracting requirements i.e.

- Implementation of Service delivery Charter
- resolution of public complaints
- Disability mainstreaming
- Prevention of HIV and AIDS and Non Communicable Diseases.
- Continual enhancement of staff competence.

- Corruption Prevention
- ICT Integration in Education
- Asset Management

16. Reviewed the strategic plan
17. Acquired the Principal's Vehicle – Toyota Fortuner KCT 674Y at a cost of Kshs 7,930,000.00
18. Acquired an Institute Bus KCT 799Y (46 seater) at a cost of Kshs 7,162,250

Future Projections:

1. To operationalize food processing unit (under value additional equipment).
2. Construct library 3rd floor and roof
3. Complete construction of staff quarters
4. Complete construction of phase II of perimeter wall.
5. Drill a bore hole
6. Construct tuition blocks
7. Construct Catering and Accommodation workshop and an additional Food and Beverage workshop.
8. Construct a modern male hostel
9. Acquire a staff utility vehicle.
10. Establish a staff lounge.
11. Review BOG staff terms and conditions of service
12. Increase acreage of the college
13. Increase student enrolment to 5000 students
14. Acquire National Polytechnic status

Signed by

Silas G Muguongo
BOG Chairman

VI. 5. REPORT OF THE PRINCIPAL

Michuki Technical Training institute is well placed to providing adequate and relevant training to her graduates that will enable them to contribute towards the attainment of our country's Vision 2030 strategic objectives. In furtherance of our mandate therefore, we have committed ourselves to consistently and regularly review, improve and consolidate our academic programs in several ways that will ensure their competitiveness in terms of quality and relevance.

With the guidance of the Governing Board, we worked hard in setting up structures and policies aimed at guiding the institution in the right strategic direction. We were able to start training ontheimplementationof integrated management systems on ISO 9001:2015 (QMS) and ISO/IEC 27001:2013 (ISMS) during the year. Under my leadership and the overall direction of the Institute's Board, we were able to ensure that financial resources were utilized efficiently and effectively for optimum result. Despite the many challenges brought about by economic constraints, the Institute nevertheless continued to discharge its mandate of training, research and outreach programmes.

HIGHLIGHTS OF FY 2019/2020 PERFORMANCE

The Financial Year 2019/2020 started on a high note with the Government keen to ensure TVET Institutions absorb as many Form 4 leavers as possible.

Previously, in a move to boost student enrolment the Government had introduced Capitation to the tune of Ksh. 30,000/= p.a to all joining and current students in all Technical Training Institutions. Annual students fee nationally is capped at Ksh. 56,420/= with the Government pledging the above Ksh. 30,000/= capitation, while encouraging the needy students to apply through HELB for the balance of Ksh. 26,420/=

During the year under review, the total capitation received from the government amounted to Kshs. 71,895,000 while an operation grant for the mentored intuition was KShs. 3,000,000. Income from rendering of services was in the tunes of 117 million despite the disruptions caused by Covid – 19 leading to closure of learning institutions.

Students Enrolment;

During the year 2019/2020, there was increase in student enrolment 558 making the student number to 3308.

During the financial year under review, 2019/2020, the institute developed and delivered on the following targets:

- On population, the institute was able to increase its enrolment from 2750 to 3308
- We also held several co-curricular activities boosting the team work and improved the social aspects of trainers/trainees.
- We were ranked number 3 in the regional ball games as well as athletics
- We also participated in the national innovations/robotics where Michuki TTI scored trophy number 2 in the national level for innovation in mechanical engineering.
- The ministry also trained our staff on Value additional equipment at Sigalagala TTI
- During the period we received our strategic plan to incorporate strategic growth through collaboration with the community and other stake holders
- Its under the same period that we acquired several computers for our ICT workshops.
- Under the same year, the community around the institute managed to construct hostels to accommodate over 4,000 students.
- We also trained additional staff on ICT integration .

Projects Undertaken

During the Financial Year under review:-

- The Board started mentoring KandaraTvc ,handed over TetuTvc and started construction of KigumoTvc .
- Construction of a basketball pitch
- Continued construction of Library block phase two (2nd floor)
- Acquired an executive Vehicle for the management – Toyota Fortuner and an institute bus of 46 seater .They are KCT 674Y and KCT 799Y respectively.

Under my leadership, we were able to review the strategic plan, update assets register and also value the assets of the institution which stands at KShs. 573,593,968.
In our contribution to the Big 4 Agenda, 29 youths were attached within the Institute, conducted staff training on CBET-CDACC and the Institute participated in the Mt Kenya region Athletics and we attained position number 1 with 17 Gold medals, 5 Silver medals and 4 Bronze medals.

I have confidence that the trainees are well equipped with the necessary skills that strategically aligns them with opportunities within the country, regionally and globally at the same time contributing to the realization of the Big 4 Agenda: (Health, Manufacturing, Affordable Housing and Food security.)
MichukiTechnical Training Institute being a Tertiary institution desires to enhance its visibility, performance, and competitiveness in the tertiary education sector in the face of stiff

competition. To do so, the Institute requires a lot of support from the Government and other stakeholders in this crucial transitional stage to a National polytechnic in terms of funding, material support and other contributions.

On behalf of the Institute Board and Management, I take this opportunity to thank the Government for its unequivocal support during the year under review.

I also appreciate the financial, material and moral support of our collaborators, partners and friends during the year. It is because of the understanding and guidance of the Chairman of the Board as well as the cooperation of the Management team, all staff and our students that we ended the year within an environment of peace and stability. I wish to register my sincere gratitude to them all.

I look forward to their continued support in the new financial year and the years ahead.

Signed by

PRINCIPAL
Michuki Technical Training Institute
P.O. Box 1,
KANGEMA - Kenya

John G Ndirangu
Principal/BOG Sec

VII. 6. REVIEW OF MICHUKI TECHNICAL TRAINING INSTITUTE PERFORMANCE FOR FY 2019/2020

Under the reviewed strategic plan for FY2017-2022 the institute achieved and plans to achieve the following objectives and strategies as tabulated below

Strategic Objectives and Strategies

Strategic Pillar		Objective (s)	Key Performance Indicators	Strategies / Activities	Achievements
Governance		Improve on operational efficiency	Certification of IMS based on ISO9001:2015 and ISO27001:2013	Integrate implementation of management systems based on ISO9001:2015 and ISO27001:2013	For 2020/2021
			Number of trained staff	Training for integrated management system maintenance	25 implementers trained on IMS – 29/12/2020
			No of internal audits and surveillance audits held	Execution of internal and external audits	1 internal audit held in 25/02/2020 1 surveillance audit held in 01/01/2019.
		Improve on customer feedback		Carry out customer satisfaction tracking survey	For 2020/2021
			Done in 2015/2016	Implement recommendations from customer satisfaction survey	For 2020/2021
Access and Equity		Expand the physical infrastructure	Infrastructure	Completion library block complex	Construction in progress
				Completion of electrical/electronic workshop project	Construction in progress
				Undertake phase II of dining hall project	- Construction in progress
				Construction of a staff quarter (Phase)	- Construction in progress
				Acquire additional 62 seater bus	- Acquired a 51 seater
				Acquire principals vehicle	- Acquired
				Drill and operationalize a water bore	- For 2020/2021

				hole	
				Construct an ablution block	- For 2020/2021
		To increase students enrolment	- Occupational standards - Request letters - List of students admitted.	Introduction of 3 new courses	- Certificate in Computer Operator Course introduced in January 2020 - Solar Photo voltaics introduced in August 2019. - CBET Course in Plumbing Level 4 introduced in Jn. 2020 - CBET Course in Electrical Installation Level 4 introduced in Jan 2020
				Open a satellite campus at Kangema Town	
				Conduct a graduation	Done in 2018/2019
		To enhance customer service delivery	Reviewed Service delivery charter	Review and effectively implement the service delivery charter	Reviewed in 2019
		To improve students' academic performance		Equipping of the electronic workshop and the labs	For 2020/2021
Resources		Deploy technology in fees collection		Identify an appropriate biometric identification system	For 2020/2021
				Install a biometric identification system to enhance fees collection	For 2020/2021
				Maintain the biometric system	For 2020/2021
		To maintain a motivated workforce	Scheme of service	Develop a scheme of service for BOG staff	For 2020/2021
			Human Resource Procedure Manual	Implementation of the scheme of service	To be done in 2020/2021 Human Resource Procedure in the IMS
				Develop a staff motivation policy	For 2020/2021

			Working gear	Provision of appropriate working gear to staff	Done in 2019/2020
ICT		Enhance process automation	MIS library module	Procure MIS module for library, accommodation	For 2020/2021
				Improve internet bandwidth from 40mbps to 60mbps	For 2020/2021
		Integrate ICT in training		Purchase additional LCD projectors	For 2020/2021
				Purchase additional laptops	For 2020/2021
Research and Development		Institutionalize Effective Research and Development	Appointment letters	Appointment of the R&D committee members	The R&D committee appointed on 15/10/2019
			Invitation letter Attendance list Report Patented Projects	Participation in exhibitions and trade fairs	Participated in Mount Kenya Regional TVET fair from 19/02/2020 – 22/02/202 in Kerugoya Qualified for National TVET fair.
Collaboration and linkages		To enhance collaborations and linkages	C&L policy	Develop the C&L policy	C&L policy

VIII. 7. CORPORATE GOVERNANCE STATEMENT

During FY 2019/20, there was 98% eligible attendanceat all meetings of the Board.

The following table shows the number of meetings held during 2019/2020, the attendance of each Member;

	27th Sep 2019	26th to 28th Nov 2019	23rd Jan 2020	5th March 2020	30th June 2020	Total meetings attended
Silas GithenjiMuguongo (BOG Chairperson)	Present	Present	Present	Present	Present	5/5
John G Ndirangu (Principal)	Present	Present	Present	Present	Present	5/5
Joseph Njuguna(Deputy Principal)	Present	Present	Absent	Absent	Absent	2/5
Simon NjorogeDeputy PrincipalAdm)	Absent	Absent	Present	Present	Present	3/5
Mercy Kamau (Deputy Principal Ac)	Absent	Absent	Present	Absent	Present	2/5
Eng.AlexanderKunguMukui (Member)	Present	Present	Present	Present	Absent	4/5
Dr James O Gichana(Member)	Present	Present	Present	Present	Present	5/5
Paul KubaiMwaniki(Member)	Present	Present	Present	Present	Present	5/5
Dr Bashir A H Bachami (Member)	Present	Present	Present	Present	Absent	4/5
Ms Jane N Muthoka (Member)	Present	Present	Present	Absent	Absent	3/5
VeronicahMaina (Member)	Present	Present	Present	Present	Present	5/5

Note:

1) There were 4 full board meetings and 1 Executive board meetings
2) No board charter exists at the moment.
3) Succession plan is after 3 years.

On Board of Governors appointment and tenure of office, removal, the process starts from:-

1) Establishing the expirely of the current Board of office(6 months before its term of office comes to an end.
2) Then a committee is constituted to nominate a new BOG. This panel is chaired by the County Director TVET. Other members to the nomination panel are:-
   (i) Principal
   (ii) County Commissioner to represent GOK.
   (iii) Sponsor incase the Institution is sponsor.
   (iv) The Area M.P or his Representative.

The above committee nominates a maximum of 21 members, 3 per category as prescribed in the areas of specialization and then the list is sent to the Ministry for verification and appointment of a BOG.
The BOG is normally appointed for a term of 3 years, after which to ensure continuity of the Institutional memory 1/3 of the past members are retained.

REMOVAL OF BOG MEMBER/MEMBERS

A Board member may be removed for the following reasons:-
(1) Failing to attend 3 consecutive meetings without a valid reason.
(2) Major conflict of Interest
(3) By tendering his resignation to the appointing authority.
(4) Failing to take up his position as an appointed BOG.
(5) Being declared Bankrupt by a Court of law.

RULES AND FUNCTION OF BOARD OF GOVERNORS

The Board of Governors is normally appointed for a term of 3 years after which the Board expires. However, in constituting a new BOG a 1/3 of the members are retained for the sole purpose of Institution memory.
The role and function of the Board of Governors are therefore:-

1) Attend to all scheduled BOG meetings.
2) Discuss and formulate institutional policies on staff recruitment and promotion.
3) Identify in consultation with the Principal the recruitment of all PSC trainers
and BOG employees and therefore recruit them.
4) Reprimand or recommend for interdiction of non performing PSC & BOG Employees.
5) Formulate policies on revenue generation, utility and account for it to the Public through the Auditor General.
6) Link with all relevant ministries, agents and stakeholders to promote the importing of relevant and technological skills.
7) Link with industries for the purpose of attaching the students.
8) Maintaining proper inventory of its property and assets through a Register/inventory.
9) Performing supervision role or oversight role on the management of the Institution and advising appropriately.
10) Maintaining a motivated workforce as well as a secure environment to work in.

INDUCTION OF THE BOARD OF GOVERNORS

Once a BOG has been appointed, it's the responsibility of the Principal to liaise with the County Director and the Ministry to ensure that the BOG is inaugurated and inducted on its core mandate.

In conjunction with the Principal and the Ministry, the Board is supposed to be trained on the current trends in the training, Industry to make it relevant and vibrant.

BOARD OF GOVERNORS REMURATION

The Board of Governors are paid some sitting allowances and other allowances depending on the strength or financial ability of the Institution to sustain the payments. It's purely based on realistic and affordable rates.

The payments also vary from Institution to another base on their financial resources.

IX. 8.MANAGEMENT DISCUSSION AND ANALYSIS

Michuki Technical Training Institute operational and financial performance

As a key driver to the attainment of the BIG 4 agenda Michuki TTI ensures that we offer the best courses that are streamlined to meet the technical growth and business needs of global competitiveness. The Institute has developed world class infrastructure and facilities required for providing quality technical education.

Our main focus is to motivate and empower the talent, skills and ability to each student need to be identified and encouraged so that he/she is able to reach at great heights.

Operational and financial Performance

During the year ended June 2020, the Institution had 3308 students compared to 2750 in year 2018/2019. The increased number of students attributed to Institutions increase in revenue

Michuki TTI is experiencing tremendous growth and the management is vigorously pursuing additional funding and technical support from the Government agencies and development partners. At the Institution level, activity-based costing method will be adopted both as a tool for activity planning and financial control. This will serve the role of ensuring that the Institution allocates resources based on planned and prioritized activity. This means that the cost of each activity will be traced to the product or service as per the Institution plan.
To further enhance service delivery through effective financial management, the Institute will concentrate on eliminating wastages.
In this regard, the Institution will lobby and mobilize financial resources for Technical Training, Innovation and creativity.

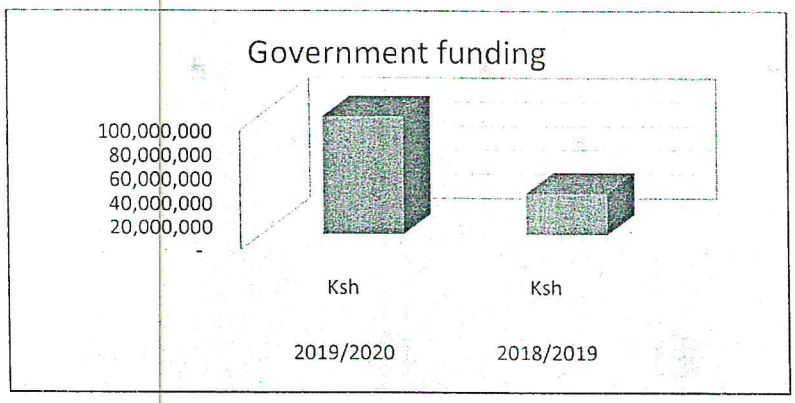
i. Government Funding

During the financial year 2019/2020, the operations of the institution both current and development were affected by delay in receipt of the capitation where second and third quarter were at the end of the fourth quarter. This delayed the implementation of the budget per quarter.

i. Student fees

The closure of institution on March by the Government due to the COVID Pandemic affected the fees expected from the parents on the fourth quarter since the students were at home. As a result, income from exchange transactions decreased during the year 2019/2020.

The graphs below show analysis the revenues and expenses of the institution for both year 2018/2019 and 2019/2020.The government funding increased by 182% due to funds meant for other institutions being mentored by Michuki TTI. Also the capitation increased due to increased number of students.



compliance with statutory requirements

Michuki Technical Training Institution has been submitting the monthly statutory deductions on the due date.

They include

- H E L B loan recoveries
- N I T A contributions
- KRA PAYE & Withholding taxes
- N S S F
- N H I F

Statutory/financial obligations

The institute does not have any pending obligations

The entity's financial probity and serious governance issues

The institute does not have any improbity and governance issues

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR RISKS FACING THE ENTITY

RISK	INTERNAL CONTROLS IN PLACE	MITIGATION MEASURES	RESPONSIBILITY	TIMELINE	KPI/OVI
System hacking	• Assigned individual user accounts in place • Use of passwords • Bank reconciliation	Put in mechanism to prevent hacking of system	Finance Officer	Accept and Continually monitor	Maintain a register on incidences of interference with payments
Unbudgeted expenditure	• Engagement of all HODs in the budgeting process • Budget review	Avoid unbudgeted expenditure by adhering to budget	Principal	Accept and Continually monitor	Minutes of BoG on budget review
Unauthorized expenditure	• Compliance with of Financial Management and EACC Acts	Reduce unauthorised expenditure	Principal	Accept and Continually monitor	Accounting records
Uncollected fees	• Use of exam cards • Admission upon payment of at least 75% of total fees	Reinforce on class attendance to only paid up student	Principal	Termly	
Theft college property	• Circumference fence • Security office • Rock and keys • Security light	Installation of CCTV Introduce checking at the gate	Principal	By June 2019	Installed CCTV

RISK	INTERNAL CONTROLS IN PLACE	MITIGATION MEASURES	RESPONSIBILITY	TIMELINE	KPI/OVI
Loss of revenue due to payment for hours not worked.	• Clocking in register for workers • Time table for lecturers • Lecturer monitoring tool • Disciplinary measures	Propose for recovery of hours not worked for	Principal	• Daily • Every Term / Semester	• Lecture attendance reports • Clocking register reports • Disciplinary records
Accidents	• Comprehensive insurance for institute vehicles • Employment of competent drivers	Undertake the follow up with insurance company	Transport manager	Annual	Insurance covers Driver records
Delayed in completion of budgeted projects due to delayed GoK/ sponsor grants	Lobbying with MoE/sponsors for funds Intensify internal revenue collection	Make continuous follow up with GOK/sponsor	Principal	Accept and Continually monitor	Receivables records

X. 9.CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITYREPORTING

Michuki Technical Training Institute exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

a. Sustainability strategy and profile -

The triple Bottom Line concepts analyses the sustainability of an organization based on three concepts: Profits, people (social) and Planet (environment).

Profit: The institute has benefited greatly through the financial Support received from national government through NGCDF, NGAAF, HELB, grants and capitation. This has seen to Improved and expanded infrastructure and resulted in increased student enrolment.

Social: Devolution system of Government has contributed to the increased demand for skills at the county level hence increased student enrolment. This has a direct positive impact to the community around the institution.

Environment: The board of governance has plans to undertake an environmental sustainability audit and developed an environmental policy to address the issues of environmental sustainability that will be identified during the audit.

Category	Issue(s)	Description of effect	Action to mitigate
Political	Favourable Political situation	➢ Increased student enrolment ➢ Conducive learning environment	➢ Surveillance and intelligence on potential risks
	Devolution system of Government	➢ Demand for skills at the county level hence increased student enrolment	➢ Lobby/create linkages with the County Governments.
	Financial Support from national government through NGCDF, NGAAF,	➢ Improved and expanded infrastructure ➢ Increased students enrolment	➢ Prudent use of government funds ➢ Accountability in the use of available resources

Category	Issue(s)	Description of effect	Action to mitigate
	HELB, grants and capitation.		

b.Environmental performance

Category	Issue(s)	Description of effect	Action to mitigate
Environmental/ Ecological	Overcrowded classes and workshops	➢ Ineffective imparting of skills ➢ Increased waste pollution	➢ Proper waste management system ➢ Expansion of physical infrastructure
	Inadequate / unreliable supply of water	➢ Water borne diseases ➢ Negatively affecting operations in the Institute	➢ Water harvesting ➢ Drilling of borehole
	Environment free from air and noise pollution	➢ Favourable working / learning conditions	➢ Continually initiate environmental conservation initiatives

c.Employee welfare

At Michuki Technical Training Institute, we integrate the principles of social responsibility into our core mandate internally by exhibiting the behaviors of good corporate governance, ethical decision making, and providing our personnel with opportunities to develop and excel. We integrate the principles of social responsibility into our training activities externally by minimizing our environmental impact and seeking to enhance the amenity of residential communities.

we value our employees who are directly or indirectly involved in training of our students and contributes to their potential to bring positive social and environmental change. We value the contribution that individuals and external entities make to our Institute through community consultation process.

The Institutes Human resource manual guides on hiring and appraisal of the staff. Staff training and development has been factored in the annual budget to ensure that our staff are trained and equipped in regard to emerging issues.

d.Market place practices-

Responsible Supply Chain and Supplier relations

As per the government policy and Section 227 of The Constitution of Kenya, the institute has ensured that it complies with procurement regulations.

1. All procurement activities are carried out where Supply Chain ensured that there are sufficient funds to meet the obligations of the resulting contract and are reflected in the approved budget estimates. Knowledge of available funds acts as a guide in knowing what to procure and when to procure.
2. The Institute has maintained and continuously updated list of registered suppliers, contractors and consultants in various specific categories of goods, works or services according to its procurement needs.

Michuki Technical Training Institute ensures that;

i) Customers are provided with support when and where required. This entails listening keenly to suppliers, contractors and consultants and responding appropriately.
ii) Proper communication channels e.g. Telephone lines and emails are open so as to make sure information is passed across efficiently and effectively between the procurement department and the suppliers.
iii) When doing procurement planning, the institute has complied with preference and reservation requirements.
iv) Supply Chain function has ensured timely submission of the suppliers' invoices to facilitate payment process by the finance department after delivery of goods, services or works is completed. This helps in making sure that the payment process is not delayed. Timely payment of suppliers helps in maintaining a good relationship with the supplier and also avoiding of penalties that may arise from delayed payment.
v) Supply Chain also makes follow ups of invoices issued to finance for payment process to ensure timely payments of suppliers.

e.Community Engagements-

The Institute carried out various CSR activities during the year under review. These activities include:

- Providing tree seedlings,
- tree planting,
- cleaning the environment amongst others.
- Provide free dustbins to the community within the county (KangemaandKiriaini)
- Under the same financial year 2019/2020,the community around the Institute managed to construct hostels to accommodate over 4,000 students.
- Participated in the Regional Athletic held at Kigali Teachers College and emerged position No.1 with 17 Gold medals, 5 silvers and 4 Bronze medals.
- The PSC recruited for us 15 trainers on different training field |(i.e,Building,Electrical,Hair dressing.)

XI. 10.REPORT OF THE BOARD OF GOVERNORS

The Board members submit their report together with the unaudited financial statements for the year ended June 30, 2020 which show the state of the *entity's* affairs.

Principal activities

The principal activity of the entity to provide Technical, Vocational and Entrepreneurship Training (TVET) using appropriate technology to empower trainees for individual and national development

Results

The results of the entity for the year ended June 30 are set out on page 14.

BOARD OF GOVERNORS

The members of the Board who served during the year are shown on page 4-6.

Auditors

The Auditor General is responsible for the statutory audit of the *entity* in accordance with Article 229 of the Constitution of Kenyaand the Public Audit Act 2015.

By Order of the Board

.....

Institute's Secretary

Date 6/9/2021

PRINCIPAL
Michuki Technical Training Institute
P.O. Box 1,
KANGEMA - Kenya

XII. 11.STATEMENT OF BOARD OF GOVERNORs RESPONSIBILITIES

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

The board members are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* 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 the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

Nothing has come to the attention of the Board of Governor members to indicate that the *entity* 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 *entity's* financial statements were approved by the Board on 30th June 2020 and signed on its behalf by:

PRINCIPAL
Michuki Technical Training Institute
P.O. Box 4,
KANGEMA - Kenya

John G Ndirangu
Principal/Sec BoG

Silas G Muguongo
BOGChairman

REPUBLIC OF KENYA

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

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON MICHUKI TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Michuki Technical Training Institute set out on pages 1 to 34, 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 a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Michuki Technical Training Institute 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 comply with Technical and Vocational Education and Training Act, 2013.

Basis for Qualified Opinion

1. Revenue from Exchange Transaction-Rendering of Services

Note 2 to the financial statements on revenue from exchange transaction- rendering of services of Kshs.49,416,041 includes tuition fees, administration and receivable from student fees of Kshs.8,199,048, Kshs.5,895,326 and nil balances respectively which did not agree with supporting schedules figure resulting variance of Kshs.77,518,043 as indicated below:

	Amount as per Financial Statements Kshs.	Supporting Schedules Amounts Kshs.	Variance Kshs.
Tuition Fees	8,199,048	85,728,315	(77,529,267)
Administration	5,895,326	5,810,326	85,000
Receivable from Student Fees	0	73,776	(73,776)
Total	**14,094,374**	**91,612,417**	**(77,518,043)**

Management has not reconciled or explained the variances and adjustments in the respective ledger accounts.

As a result, the accuracy of revenue from rendering of services of Kshs.49,416,041 reflected in the financial statements could not be confirmed.

2. Property, Plant and Equipment-Lack of Ownership Documents for Land

Note 16 to the financial statement reflects property, plant and equipment balance of Kshs.584,016,974 which includes Kshs.42,100,000 representing the value of two parcels of land number LOC12/4/611 and LOC/12/4/138 measuring approximately 1.05 hectares and 2.02 hectares respectively. However, the Institute had not obtained the ownership document for parcel of land number LOC/12/4/138.

Under the circumstances, the accuracy and ownership of property, plant and equipment balance of Kshs.584,016,974 as at 30 June, 2020 could not be ascertained.

3. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.82,232,794 as at 30 June, 2020 consisting of cash at hand of Kshs.870 and balances in four (4) bank accounts totalling Kshs.82,322,92. However, the Institute did not provide updated cashbook for audit verification. Further, the bank reconciliation statements availed for audit included unpresented cheques whose dates of issue and cheque numbers were not indicated and could not be verified.

As a result, the accuracy and completeness of bank balances of Kshs.82,323,794 as at 30 June, 2020 could not be confirmed.

4. Unsupported Figures in the Statement of Cash Flows

The statement of cash flows for the year ended 30 June, 2020 includes debts recovered during the year of Kshs.71,951,173, cash inflows and outflows from KASNEB of Kshs.749,000 and prior year liabilities paid during the year of Kshs.2,228,561 all totalling to Kshs.74,928,734 for which supporting documents, explanatory notes and reconciliations were not provided for audit.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

1. Non-Compliance with Ethnic Diversity

During the year under review, the Institute had a total of one hundred and forty one (141) employees out of which one hundred and three or 73% were from one dominant ethnic community contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008 which requires all public establishments to represent the diversity of the people of Kenya.

2. Non-Compliance with Recommended Financial Reporting Template

In the report of the previous year, several issues were raised under Report on the Financial Statements and Effectiveness of Internal Controls, Governance and Risk Management. However, the Management has not resolved or explained the failure to report on the progress made in resolving the issues as prescribed in the reporting template.

Further, a confirmation schedule attached to the financial statements for inter-entity transfers / grants from the State Department of Vocational and technical Training amounting to Kshs.98,736,253 had not been was not signed by Head of Accounting Unit of the state department as required by the financial reporting template recommended by the Public Sector Accounting Standards Board (PSASB).

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Internal Audit Function

In the year under audit, the Institute had not established an internal audit function contrary to Section 73(1) of the Public Finance Management Act, 2012. As a result, the Institute lacks internal structures which could provide advice and assurance to the management regarding systems of internal control and governance and risk management.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue 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 dissolve the Institute or cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 ability of the Institute 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 sustaining its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 February, 2022

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

	Notes	2019/2020	2018/2019
		Kshs	Kshs
Revenuefromnon-exchangetransactions			
Transfers fromthe National Government–grants	1	98,736,253	36,910,557
Total Revenuefromnon-exchangetransactions		**98,736,253**	**36,910,557**
Revenuefromexchangetransactions			
Renderingofservices- Fees from students	2	49,416,041	141,420,230
Rentalrevenuefromfacilitiesandequipment	3	317,000	64,340
Otherincome	4	5,009,394	8,599,089
Michuki for Tetu income		-	5,737,906
Revenuefromexchangetransactions		**54,742,435**	**155,821,565**
Totalrevenue		**153,478,688**	192,732,122
Expenses			
Use of goods and services	5	75,079,536	84,985,622
Employeecosts	6	15,866,939	12,629,747
Depreciationandamortizationexpense	7	35,537,143	34,887,591
Repairsandmaintenance	8	9,532,635	8,250,620
Government grants transferred to mentored Institutions	9	23,000,000	
Other expenses	10	959,678	2,020,037
Other transfers to mentored Institutions	11	5,099,847	7,177,835
Impairment loss	12	33,210,012	-
Totalexpenses		**198,285,790**	**149,951,452**
Net (deficit)/surplus for the year		**(44,807,102)**	**42,780,670**

The Financial Statements were signed on behalf of the Institute Council/ Board of Governors by:

Chairman of Council/Board of Governors
Date 6/4/2021.

Finance Officer
ICPAK No 24462
Date 6/04/2021

Principal
Date 6/4/2021

PRINCIPAL
Michuki Technical Training Institute
P.O. Box 4,
KANGEMA - Kenya

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2019/2020	2018/2019
		Kshs	Kshs
Assets			
Currentassets			
Cashandcashequivalents	13	82,323,794	28,670,788
Cash and cash equivalent for mentoring institution	14	-	5,099,847
Receivablesfromexchangetransactions	15	14,257,323	75,073,895
Total Current Assets		**96,581,117**	**108,844,530**
Non-currentassets			
Property,plantandequipment	16	584,016,974	497,456,451
Biological assets	17	650,000	200,000
		584,666,974	497,656,451
Totalassets		**681,248,091**	**606,500,981**
Liabilities			
Currentliabilities			
Trade and other payables from exchange transactions	18	1,323,789	5,917,106
Total Current Liabilities			
Totalliabilities		**1,323,789**	**5,917,106**
Reserves			
Capital reserve		566,714,000	524,614,000
Accumulated surplus		31,162,773	75,969,875
Valuation reserve	20	81,597,529	-
Fair value adjustment	21	450,000	-
Total Capital and Reserves		**679,924,302**	**600,583,875**
Total Liabilities and Capital & Reserves		**681,248,091**	**606,500,981**

The Financial Statements were signed on behalf of the Institute Council/ Board of Governors by:

Chairman of Council/Board of Governors	**Finance Officer**	**Principal**
Date 6/4/2021	ICPAK No 24462	Date 6/4/2021
	Date 6/04/2021	PRINCIPAL Michuki Technical Training Institute P.O. Box 1, KANGEMA - Kenya

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

	Notes	Revaluation reserve	Accumulated surplus	Capital reserves	Fair value adjustment reserve	Total
Balance c/d as at June 30, 2018		-	33,189,205	524,614,000		**557,803,205**
Surplus for the year		-	42,780,670	-	-	**42,780,670**
Balances as at June 30, 2019		-	75,969,875	524,614,000	-	**600,583,875**
As at 1st July 2019		-	75,969,875	524,614,000	-	**600,583,875**
Additional capital reserve (land at market price)				42,100,000		**42,100,000**
Revaluation reserve	**20**	81,597,529	-			**81,597,529**
Fair value gain	**21**				450,000	**450,000**
Surplus for the year		-	(44,807,102)	-	-	**(44,807,102)**
Balance c/d as at June 30, 2020		81,597,529	31,162,773	566,714,000	450,000	**679,924,302**

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

		2019/2020	2018/2019
	Note	Kshs	Kshs
Cashflowsfromoperatingactivities			
Receipts			
Transfers from other Government entities/Govt. grants	1	98,736,253	**36,910,557**
Renderingofservices- Fees from students	2	40,376,641	**69,395,281**
Rental revenue from facilities and equipment	3	317,000	**64,340**
Otherincome	4	5,009,394	**8,599,089**
Clearance accounts:NITA	13	1,148,595	**750,729**
Clearance accounts:KASNEB		749,000	**898,343**
Clearance accounts:KNEC		25,552,720	**18,443,665**
Prepaid fees		1,896,245	**3,690,819**
Debts recovered during the year		71,951,173	-
Total Receipts		**245,737,021**	**138,752,823**
Payments			
Employee cost	7	15,866,939	**12,629,747**
Use of goodsandservices	6	75,079,536	**84,276,266**
Repair and maintenance	8	9,532,635	**8,250,620**
Grants transferred to other institution	9	23,000,000	
General expenses	9	959,678	**2,020,037**
Clearance accounts:NITA	13	1,148,595	**514,950**
Clearance accounts:KASNEB		749,000	**890,050**
Clearance accounts:KNEC		25,552,720	**16,546,419**
Transferred to TetuTvc		3,102,368	**3,048,946**
Transferred to KandaraTvc		2,419,783	-
Other prior year liabilities paid during the year		2,228,561	-
Prepaid fees refund		749,051	624,387
Advance to staff		85,000	
Total Payments		**160,473,866**	**128,801,422**

Net cash flows from operating activities		**85,263,155**	**9,951,401**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		31,610,149	**7,930,042**
Proceeds from sale of property, plant and Equipment			
Decrease in non-current receivables			
Increase in investments			
Net cash flows used in investing activities		**31,610,149**	**7,930,042**
Cash flows from financing activities			
Proceeds from borrowings			
Repayment of borrowings			
Increase in deposits			
Net cash flows used in financing activities		-	-
Net (decrease) in cash and cash equivalents		**53,653,006**	**2,021,359**
Cash and cash equivalents at 1 July 2019		28,670,788	**26,649,429**
Cash and cash equivalents at 30 June 2020	10	**82,323,794**	**28,670,788**

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

	Original budget	Adjustments	Final budget	Actual	Performance difference	Explanation of variance
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Transfers from other Govt entities Govt grants	144,000,000		**144,000,000**	98,736,253	45,263,747	a
Rendering of services-Fees from students	142,750,482		**142,750,482**	49,416,041	93,334,441	b
Rental revenue	432,000		**432,000**	317,000	115,000	c
Other income	14,710,000		14,710,000	5,009,394	9,700,606	d
Clearance account	28,450,000		28,450,000			
Total income	**330,342,482**		**330,342,482**	**153,478,688**	**148,413,794**	
Expenses						
Employee cost	22,712,546		22,712,546	15,866,939	6,845,607	e
Use of Goods and services	263,306,936		263,306,936	75,079,536	188,227,400	f
Repair and maintenance	13,500,000		13,500,000	9,532,635	3,967,365	g
Other expenses	2,373,000		2,373,000	959,678	1,413,322	h
Clearance account	28,450,000		28,450,000			
Depreciation				35,537,143		
Total expenditure	**330,342,482**	-	**330,342,482**	**136,975,931**	**200,453,694**	
Deficit for the period	**0**	-		**16,502,757**	**(52,039,900)**	

Notes to the statement of comparison of budget and actual amounts

a. **Transfers from other Government entities &Government grants (31%)**

In the financial year 2019-2020 the institute received Less Funding from the Ministry

b. **Rendering of services (65%)**

The year under review student did not report for one term and there was no intake due to COVID 19

c. **Rental revenue (27%)**

The year under review some of the house had no occupants because there was renovation done to increase capacity

d. **Other income (66%)**

During the year under review there was no income from other services rendered by the institutiondue to COVID 19

e. **Employee cost (30%)**

The employee cost was unfavourable because trainers employed by the Board were terminated due to COVID 19

f. **Use of Goodsandservices (71%)**

Included in the budget use of goods and services is development expenditure of 120,000,000 this was to be funded by the government but was not fundedand project of 30,000,000

g. **Repair and maintenance (29%)**

Due to COVID 19 which lead to closure of institution there were no maintenance and repairs that took place within the period under review

h. **Other expenses (60%)**

During the year under review there was decrease in other services rendered by the institution

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Michuki Technical Training Institute is established by and derives its authority and accountability from TVET Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide Technical, Vocational and Entrepreneurship Training (TVET)

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

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

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

Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2022:** a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other Improvements to IPSAS	**Applicable: 1st January 2021:** a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).Amendments to the implementation guidance ondeemed cost in IPSAS 33 to make it consistentwith the core principles in the Standard.

iii. **Early adoption of standards**

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Dividends

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2019/2020 was approved by the Council or Board on 27th June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not recorded additional appropriations on the FY 2019/2020budgetfollowing the Council/ Board's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 17 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (continued)

Sales tax/ Value Added Tax

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

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

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

c) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of *50*years.

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

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

d) Property, plant and equipment

All property, plant and equipment are stated at costless accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the

plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The annual depreciation rates of assets in use are as follows:-

Assets	Rate (p.a)
Buildings	2%
Furniture, plant and equipment	12.5%
Motor vehicles	25 %
Computers	33.3 %

Freehold land is not depreciated as it is deemed to have an infinite life.

e) Fixed assets are stated at cost or valuation, less accumulated depreciation .Depreciation is on reducing balance bases

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Leases

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

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

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible assets

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

g) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization andaccumulated impairment losses. Amortization of the asset begins when development is complete and the asset isavailable for use. It is

amortized over the period of expected future benefit. During the period of development, theasset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classifiedas financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments oravailable-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets atinitial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quotedin an active market. After initial measurement, such financial assets are subsequently measured at amortized costusing the effective interest method, less impairment. Amortized cost is calculated by taking into account anydiscount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Lossesarising 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 tomaturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, lessimpairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and feesor costs that are an integral part of the effective interest rate. The losses arising from impairment are recognizedin surplus or deficit.

Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrearsor 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 ordeficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities atinitial recognition.
All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directlyattributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized costusing the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities arederecognized 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 thatare an integral part of the effective interest rate.

i) Inventories

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

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 ofmanufacturing overheads based on the normal operating capacity, but excluding borrowing costs

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs ofcompletion 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 ofoperations of the Entity.

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

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

o) Borrowing costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity's financial statements in conformity with IPSAS requires management to makejudgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets andliabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertaintyabout these assumptions and estimates could result in outcomes that require a material adjustment to thecarrying 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 withinthe next financial year, are described below. The Entity based its assumptions and estimates on parametersavailable when the consolidated financial statements were prepared. However, existing circumstances andassumptions about future developments may change due to market changes or circumstances arising beyond thecontrol of the Entity. Such changes are reflected in the assumptions when they occur.IPSAS 1.140

Useful lives and residual values

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

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

Provisions

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

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

TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2019-2020 KShs	2018-2019 KShs
Unconditional grants		
Operational grant(recurrent for KandaraTvc-1,000,000 and Tetu Tvc-2,000,000)	3,000,000	-
Capitation grants	71,895,000	-
	74,895,000	-
Conditional grants		
Library grant	-	-
Hostels grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
Learning facilities grant(Kigumo TVC)	20,000,000	-
Otherorganizationalgrants	3,841,253	-
Totalgovernmentgrantsandsubsidies	**98,736,253**	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Financial Year	FY/2019/2020	FY/2018/2019
	Currency	**Kshs**	**Kshs**
1	**Revenue from Non exchange transaction**		
	25/07/2019 149341	1,000,000	5,959,305
	26/07/2019 149362	3,841,253	1,920,626
	29/07/2019 149369	20,000,000	1,100,000
	29/07/2019 149370	26,010,000	26,010,000
	30/10/2019 153062	16,050,000	1,920,626
	19/05/2020 158072	1,000,000	-
	19/05/2020 158073	1,000,000	-
	18/06/2020 158082	29,835,000	-
	Total revenue from non exchange transaction	**98,736,253**	**36,910,557**
	Net revenue from non exchange transaction	**98,736,253**	**36,910,557**
2	**Rendering of Services**		
	Tuition fees	8,199,048	36,751,621
	Administration	5,895,326	5,207,197
	Practicals	1,277,619	1,406,120
	capacity building	410,064	415,054
	P/E non teaching staff	2,922,828	3,023,847
	Gratuity	628,132	679,251
	local transport and Travel	3,210,710	3,798,187
	Repair and maintenance	1,513,148	1,640,910
	Electricity Water and Conservation	3,732,414	4,140,140
	Activity fees	3,356,765	3,625,290
	Student welfare	1,263,427	1,250,217
	Computer maintenance	780	44,600
	school fund	1,173	19,914
	Students attachment	1,168,870	951,200
	Boarding fee	734	
	Development fee	31,573	
	Insurance	424,508	432,977
	Medical	1,127	14,329
	P/E teaching staff	4,331,626	4,027,681
	P/E Casual	1,990,003	1,936,209
	P/Emolument	16,766	30,537
		40,376,641	**69,395,281**
	Receivable from National Youth Service	9,039,400	71,568,544
	Receivable from student fees	-	456,405
	Total Rendering of Services	**49,416,041**	**141,420,230**
3	**Rental Revenue from Facilities and Equipment**		
	House rent	317,000	64,340
	Total rentals	**317,000**	**64,340**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		FY/2019/2020	FY/2018/2019
		Kshs	Kshs
4	**Other income**		
	College ID Cards	500	14,720
	Library Cards	1,040	1,690
	Hostel fee (Accommodation)	3,974,880	5,411,430
	Computer packages	117,112	217,790
	Driving course	557,509	1,621,796
	Driving Truck	1,667	7,179
	Registration fee		18,348
	T- shirts	228	141,126
	Caution	139	23,874
	Contingencies		714,499
	Miscellaneous	186,348	416,637
	Farm Account	781	10,000
	Bus hire	169,190	-
	Total otherincome	**5,009,394**	**8,599,089**
	Expenditure		
5	**Use of Goods and Services**		
	Electricity Water & Conservation	5,367,236	5,945,872
	Hostel expenses(Accommodation)	4,500	260,392
	Pay As You Eat	7,161,120	7,699,090
	Activity & sports	3,015,586	3,537,505
	Caution money refunds	57,000	165,500
	Students Welfare	276,300	623,251
	Loan repayment	-	684,716
	Students attachment	879,300	1,179,794
	Contingencies expenses		1,054,524
	Bursary expense	10,000	
	NITA expense	39,750	
	Practical Materials	12,812,143	5,729,227
	Development	-	5,003,112
	College id expenses	-	224,000
	Administration cost	29,358,613	26,631,938
	Capacity building expenses	508,404	1,668,387
	Stationery,learning&trainining material	11,942,062	17,365,134
	Transport and Travelling	1,725,390	1,644,643
	Fuel and gas	1,922,132	1,838,554
		75,079,536	**81,255,639**
	Trade payable	-	709,356
	Total good and services	**75,079,536**	**81,964,995**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		FY/2019/2020	FY/2018/2019
		Kshs	Kshs
6	**Employee Costs**		
	P/E teaching staff	8,829,526	6,281,204
	P/E Non teaching staff	5,104,520	3,601,938
	Gratuity	92,593	52,875
	Casual	1,840,300	1,162,136
	NSSF		246,800
	NHIF		375,250
	PAYE		736,489
	HELB loan repayment		173,055
	Total Employee costs	**15,866,939**	**12,629,747**
7	**Depreciation and Amortization Expense**		
	Property, plantandequipment	35,537,143	34,887,591
	Total depreciationandamortization	**35,537,143**	**34,887,591**
8	**Repairs and maintenance**		
	Repairs and Maintenance	9,532,635	8,167,084
	Withholding tax		83,536
	Total	**9,532,635**	**8,250,620**
9	**Government grants transferred to mentored institutions**		
	Government grant transfer to Kigumo	20,000,000	
	Government grant transfer to TetuTvc	2,000,000	
	Government grant transfer to KandaraTvc	1,000,000	
			1,100,000
		23,000,000	**1,100,000**
10	**Other expenses**		
	Driving course expenses	265,423	1,083,167
	Farm expenses	143,755	319,520
	Computer packages	120,050	40,500
	T-shirts expenses	430,450	517,850
	Advertising	-	59,000
		959,678	**2,020,037**
11	**Other transfers to mentored institution**		
	Expenditure for TetuTvc	-	7,177,835
	Opening bank balance transferred during the year	5,099,847	-
		5,099,847	**7,177,835**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		FY/2019/2020	FY/2018/2019
		Kshs	Kshs
12	**Impairment losses**		
	Equipment and machinery		
	Cost of Equipment and machinery	157,000,000	
	Less: value after revaluation	(104,164,988)	
	Reversal of depreciation	(19,625,000)	
	Impairment loss on furniture	**33,210,012**	
13	**Cash and Cash Equivalents**		
	Amica saving &credit	27,274	28,327,299
	Equity Bank	1,741,276	-
	KCB Current Account	68,113,600	-
	KCB Saving Account	12,440,774	-
	cash at hand	870	343,489
	Total cashandcashequivalents	**82,323,794**	**28,670,788**
14	**Mentoring institution**		
	Opening balance		6,539,776
	Add receipts		5,737,906
	Less payment		7,177,835
	Closing balance		**5,099,847**
15	**Receivables from Exchange Transactions**		
	Current receivables		
	Student debtors	73,776	456,405
	Receivable from National Youth Service	9,039,400	71,568,544
	Receivable from TetuTvc	2,639,364	3,048,946
	Receivable from KandaraTvc	2,419,783	-
	Salary Advance	85,000	-
	Total currentreceivables	**14,257,323**	**75,073,895**
15.a	**NYS receivable movement**		
	At start of year	71,568,544	
	additions during the year	9,039,400	71,568,544
	Payment during the year	(71,568,544)	-
	At end of year	**9,039,400**	**71,568,544**
17	**Biological assets**		
	At start of year	200,000	200,000
	Additions	-	-
	Fair value gain	450,000	-
	At end of year	**650,000**	**200,000**

		FY/2019/2020	FY/2018/2019
		Kshs	Kshs
18	**Trade and other Payables from Exchange Transactions**		
	Fees paid in advance	1,896,245	3,690,819
	Less refund of prepaid fee	749,051	624,387
	Prepaid fees	**1,147,194**	3,066,432
	Trade payables	-	709,356
	Prepaid NITA exam fee	176,595	235,779
	KASNEB	-	8,293
	KNEC	-	1,897,246
	Total tradeandotherpayables	**1,323,789**	**5,917,106**
19	**Clearance account**		
	A NITA Exam		
	Receipts during the year	1,148,595	750,729
	Less payment during the year	1,148,595	514,950
		-	**235,779**
	B KASNEB Exam		
	Receipts during the year	749,000	898,343
	Less payment during the year	749,000	890,050
		-	**8,293**
	C KNEC Exam		
	Receipt during the year	25,552,720	18,443,665
	Less payment during the year	25,552,720	16,546,419
		-	**1,897,246**
	SUMMARY		
	Total receipt	27,450,315	20,092,737
	Total payment	27,450,315	17,951,419
		-	**2,141,318**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20.Revaluation reserve

	Buildings	Motor vehicles	Computers	Furniture and fittings	Total
	KShs	KShs	KShs	KShs	KShs
Cost before revaluation	320,002,042	15,000,000	9,350,000	15,992,000	360,344,042
Market values at revaluation	377,890,000	15,150,000	10,040,800	23,598,180	426,678,980
Gain in value	57,887,958	150,000	690,800	7,606,180	66,334,938
Brought forward depreciation reversed	6,400,041	3,750,000	3,113,550	1,999,000	15,262,591
Revaluation reserve	**64,287,999**	**3,900,000**	**3,804,350**	**9,605,180**	**81,597,529**

21	**Fair Value adjustment**	
	Cost of the biological assets	200,000
	Market value on valuation	650,000
	Fair value adjustment	450,000

16.PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

	LAND	BUILDINGS	MACHINERY	MOTOR VEHICLES	COMP EQUIP	FURNITURE & FITTINGS	Library books	Work in progress	TOTAL
Cost	Shs	Shs	Shs	Shs	Shs	Shs		Shs	Shs
		2%	12.50%	25.00%	33.30%	12.50%			
At 30th June 2018		313,000,000	157,000,000	15,000,000	9,350,000	15,064,000	15,000,000	-	524,414,000
Additions		7,002,042	-	-	-	928,000	-	-	7,930,042
At 30th June 2019		320,002,042	157,000,000	15,000,000	9,350,000	15,992,000	15,000,000	-	532,344,042
Additions	-	2,420,215		14,803,120	2,484,950	2,409,500		9,492,364	31,610,149
Valuation	42,100,000	57,887,958	(52,835,012)	150,000	690,800	7,606,180		-	55,599,926
At 30th June 2020	42,100,000	**380,310,215**	**104,164,988**	**29,953,120**	**12,525,750**	**26,007,680**	**15,000,000**	**9,492,364**	**619,554,117**
Depreciation and impairment									
At 30 June 2019	-	6,400,041	19,625,000	3,750,000	3,113,550	1,999,000	-	-	**34,887,591**
Reversal upon valuation	-	(6,400,041)	(19,625,000)	(3,750,000)	(3,113,550)	(1,999,000)	-	-	(34,887,591)
Depreciation	-	7,606,204	13,020,624	7,488,280	4,171,075	3,250,960	-	-	35,537,143
At 30th June 2020	-	7,606,204	13,020,624	7,488,280	4,171,075	3,250,960	-	-	**35,537,143**
Net book values									
At 30th June 2020	**42,100,000**	**372,704,011**	**91,144,364**	**22,464,840**	**8,354,675**	**22,756,720**	**15,000,000**	**9,492,364**	**584,016,974**
At 30th June 2019	-	**313,602,001**	**137,375,000**	**11,250,000**	**6,236,450**	**13,993,000**	**15,000,000**	-	**497,456,451**

NOTE

The valuation for Property, plant and equipment is based on the professional valuer. The institute received value additional equipment

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(i) Credit risk management

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

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

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

	Total Amount	Fully performing	Past due	Impaired
At 30th June 2020	Kshs	Kshs	Kshs	Kshs
Receivables from exchange transactions	14,257,323	14,257,323	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	82,322,924	82,322,924	-	-
Total	**96,580,247**	**96,580,247**	-	-

(ii) Liquidity risk management

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

The table below represents cash flows payable by the 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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30th June 2020				
Trade payables	-	-	-	-
Prepaid fees		57,652	1,266,137	1,323,789
Total		**57,652**	**1,266,137**	**1,323,789**

18.NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

RELATED PARTY

Nature of related party relationships

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

Government of Kenya

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

i) The National Government;
ii) The Parent Ministry;
iii) Students
iv) Parents/Guardians/ Sponsors
v) Community
vi) Government
vii) Staff
viii) External Providers (Suppliers)
ix) Key management;
x) Board of directors;

19. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The institute had no legal case during the year

20.EVENTS AFTER THE REPORTING PERIOD

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

21.Currency

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Construction of perimeter wall phase 1	3,240,250	3,240,250	100%	4,000,000	3,240,250	A-A
2	Construction of second floor Library Block	8,968,330	8,968,330	100%	20,000,000	8,968,330	A-A
3	Construction of third floor electrical workshop	2,148,685	992,970	100%	10,000,000	2,148,685	G.O.K

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

INTER-ENTITY TRANSFERS

ENTITY NAME:

Break down of Transfers from the State Department ofMICHUKI T T I

FY 2019-2020

a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		27/06/2019	1,000,000	2018-2019
		27/04/2020	1,000,000	2019-2020
		27/04/2020	1,000,000	2019-2020
		Total	**3,000,000**	
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		08/07/2019	3,841,253	2018-2019
		02/07/2019	20,000,000	2019-2020
		Total	**23,841,253**	
c.	Capitation Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		10/07/2019	26,010,000	2018-2019
		18/10/2019	16,050,000	2019-2020
		11/06/2020	29,835,000	2019-2020
		Total	**71,895,000**	
		Grand Total	**98,736,253**	

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

Finance Officer
Michuki TTI

Sign ----------

Head of Accounting Unit
Ministry of Education

Sign----------