REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 22 FEB 2023 DAY
TABLED BY: HON. OWEN BAYA, MP DEPUTY LEADER OF MAJORITY
CLERK-AT THE-TABLE: CHRISTINE NDIRITU

REPORT

OF

THE AUDITOR-GENERAL

ON

RIFT VALLEY TECHNICAL TRAINING INSTITUTE

FOR THE YEAR ENDED 30 JUNE, 2021

International Public Sector Accounting Standards (IPSAS)
Annual Financial Reporting Template for
Technical Vocational Education Training (TVET) Institutions, National Polytechnics and Teacher Training Colleges

RIFT VALLEY TECHNICAL TRAINING INSTITUTE(RVTTI)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2021

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

Table of Contents

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Rift Valley Technical Training Institute is a Technical and Vocational Education and Training (TVET) Institute located in the County of Uasin Gishu in Kenya along Eldoret-Kaptagat road; it is 3 kilometers to the East of Eldoret town which is the administrative and commercial centre of Uasin Gishu County, in the Western part of Kenya. It was started in 1962 as a technical and trade school and over the years evolved from a Technical trade school to a Technical Secondary school, to a Technical High School (1979) and finally became a Technical Training Institute in 1986 offering Artisan, Craft, and Diploma courses.

It became an EAC Centre of Excellence in TVET in 2013, and a UNESCO-UNEVOC network member in 2016. It is ISO 9001:2015 certified as of June 2017.

The Institute is managed by a 9 members board of governors (BOG) appointed by the Cabinet Secretary for Education in accordance with the TVET Act of 2013. The day to day running of the Institute is done by the Principal (Secretary to the BOG) assisted by a management team comprising two Deputy Principals, Administration and Academics, Registrar, Dean of Students and Finance officer (top management) and academic and no-academic heads of department (middle level management). These are supported by deputies, section heads and various implementation committees. In total there are 280 members of staff.

As a leading TVET institution, the Institute has 8 admitting departments and a number of other support departments that facilitate the smooth delivery of TVET training and research, the key mandate and products of the Institute. Since 2016, the Institute has held annual graduations at which more than 700 qualified graduates are released into the world of work. Since 2012 the Institute has held annual International research conferences where research findings in TVET are presented and suitable ones published in an Institute owned peer refereed international journal. The first publication was the KJ-TVET – done up to the 3rd volume. The current publication is the Africa Journal of TVET (Afri-TVET) which is currently in its 3rd Volume as at 2018. Since 2016, the institute has run annual innovation awards open to all TVET students in East Africa.

The Institute is Registered and licensed by TVETA with a training capacity of 5200 students. It has over 60 tuition rooms 5 computer labs and over 20 workshops and laboratories for various trades. A spacious library (940 m^2 floor space) with more than 10,000 books, journals and other literature complete with an E-section with 40 computers provides a rich reference resource for training and research.

(b) Principal Activities

The principal activities of the Rift Valley Technical Training Institute are:

(a) To offer Quality Technical, and Vocational Education and Training
(b) Introduce, review and alter programs so as to provide and promote lifelong education and training
(c) Contribute to industrial and technological development in Kenya through Competence Based Education and Training (CBET)
(d) Promote and participate in technological innovation and in the discovery, transmission and enhancement of knowledge for economic social, cultural, scientific and technological development
(e) Advance knowledge and its practical application by research and the dissemination of outcomes of research by various means and the commercial exploitation of research results

Vision

To be an international centre of excellence in
Technical Training and Research.

Mission

To train competent and innovative manpower in technical and vocational disciplines to meet the changing needs of industry and society.

Core Values

The guiding values to which the institution has committed itself pivot around the tenets of good governance and include:

Responsiveness

Versatility

Teamwork

Transparency

Integrity

(c) Key Management

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

- Board of governors
- Key Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30 June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	Mr. Isaac Bwambok
2.	Deputy Principal Administration	Florah Mossop
3.	Deputy Principal Academics	Janet Otieno

No.	Designation	Name
4.	Registrar	John Kikwai
5	Dean of students	Stephen Kemboi
6	Head of Finance	James K. Kimaiyo
7	Head of Procurement	Charles Koech

(e) Fiduciary Oversight Arrangements

BOARD OF GOVERNORS COMMITTEE

S/No	Name of committee	Chairman	Members
1.	Audit & Risk	Eng. Benjamin Mumia	a) Mr. Gichuru Mutulili b)Mrs. Susan Sang c) Internal Auditor
2.	Infrastructure ,Education and Research	Mr.,Robert Bungei	a)Mr. Edward Kasaya b)Governors Representative c)Mrs. Dorothy Owiro d)The Principal c)The D/P Academics
3	Operations/Finance/HR and Resource mobilization	Mrs. Dorothy Owiro	a)Mr Richard Kipkemboi b)The Principal c)Governors Representative d)The D/P Administration

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Rift Valley Technical Training institute

P.O. Box 244 - 30100
Kaptagat Road opposite KCC
Eldoret, Kenya

(g) Entity Contacts

Telephone: (254)704244244
E-mail: info@rvti.ac.ke
Website: www.rvti.ac.ke

(h) Entity Bankers

1. Kenya Commercial Bank
   Eldoret West Bank
   P. O Box 5197 - 30100
   ELDORET

2. Absa Bank
   P.O. Box 22 - 30100
   ELDORET

3. Standard Chartered Bank
   Eldoret Branch
   P. O Box 30003 - 00100
   ELDORET

4. SBM Bank
   Eldoret Branch
   P.O BOX 34886 – 00100
   ELDORET

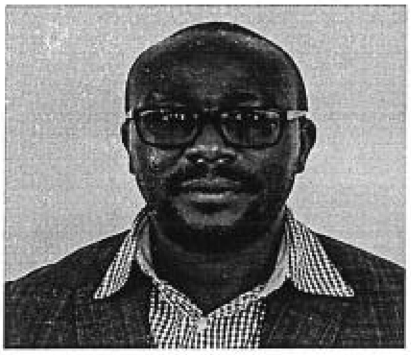
5. Independent Auditors

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

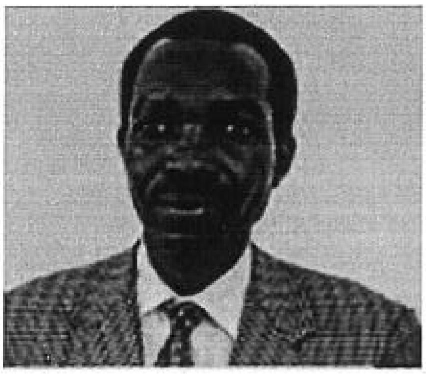
6. Principal Legal Adviser

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

II. THE BOARD OF GOVERNORS
RVTTI MEMBERS OF THE BOARD OF GOVERNORS

Member's photo and name	Member's brief
 **CHAIRMAN BOARD OF GOVERNORS** **ENG. PROF. DAVID K. SOME**	**Ph.D. Agricultural Engineering,** University of Newcastle-upon Tyne, U.K. **M.Sc. Agricultural Process Engineering,** Cranfield University, U.K. **B.Sc. (Hons), Agricultural Engineering,** University of Newcastle-upon Tyne, U.K. **Post Graduate Diploma Certified Fundraising Executive**, Indiana University, USA Associate Professor, University of Eldoret, Department of Agricultural & Biosystems Engineering. CEO, Commission for University Education. Chairman, Task force on HEST Sector Chairman, Inter Universities Council for East Africa (IUCEA). Council Member, Association of Commonwealth Universities (ACU). Vice Chancellor, Moi University. Director, Kenya Reinsurance Corporation. Chairman & Senior Lecturer, University of Nairobi.
 **MEMBER BOARD OF GOVERNORS** **ENG. BENJAMIN MUMIA WAMUKOYA**	**B.TECH – Civil and Structural Engineering** (Moi University) Dip. Project Management (Moi University) Has a world of experience as a Design and Projects Engineer.
 **MEMBER BOARD OF GOVERNORS** **MR. EDWARD KASAYA**	**(M.Sc) in social policy and planning**. London School of Economics and political Science (University of London) L.S.E) **Master's Degree (M.Sc) in Demography/population studies,** London School of Economic and political Science (University of London) (L.S.E). **(B.Ed) Arts,** University of Nairobi He is the Principal Consultant of Rurad Consultants and the Proprietor of Nangeni Motors Bazaar and Garage. Chairman, Constituency Aids Control Committee (CACC) Webuye East. A member of Population Association of Kenya, America and Royal Population Association of United Kingdom.

Member's photo and name	Member's brief
MEMBER BOARD OF GOVERNORS  DOROTHY A. OWIRO	**MBA, B.COM, Dip. HRM** Director Administration and Logistics, Vihiga International College of skills and a partner, Maisha Caterers Eldoret and Precious Events Mbale. Long standing experience cutting across several counties as an Administrator
MEMBER BOARD OF GOVERNORS  SUSAN JELAGAT KORIR	**BSc. Computer Science** Digital Learning Program Training Supervisor (Moi University). An experienced ICT trainer having trained in several institutions of higher learning. ISO 9001:2015 and ISO/IEC 27001:2013 auditor.
MEMBER BOARD OF GOVERNORS  MR. ROBERT K. BUNGE	Bachelor of Engineering (Civil and Structural Engineering). Currently working as the Assistant Chief Engineer in charge of Civil Works and Utilities and also as a Clerk of works in Rivatex East Africa Ltd in modernization project which entails both Civil & Installation works within the Factory.

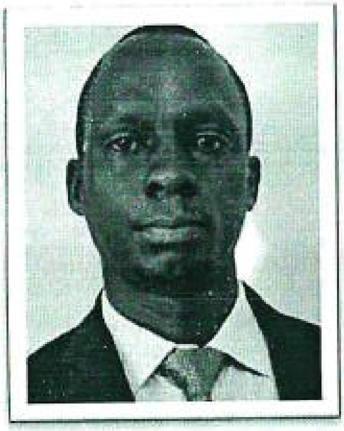
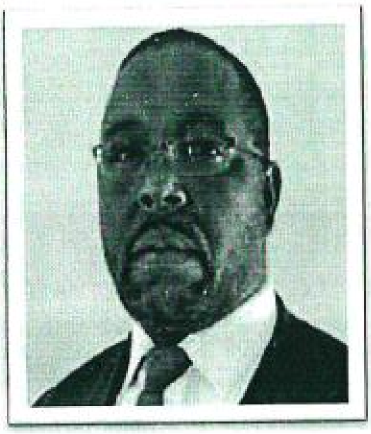
MEMBER BOARD OF GOVERNORS  **MR. RICHARD KIPKEMBOI**	MBA (Sociology). BA (Sociology) Lecturer - Moi University, Department of History, Political Science and Public Administration.
MEMBER BOARD OF GOVERNORS  **MR. GEOFFREY MUTULILI**	Master's in Business Administration (management information system) and B.ed.(Arts)Mathematics and Business studies.
MEMBER BOARD OF GOVERNORS  **MR. ISAAC BWAMBOK** **Principal/Secretary to the Board of Governors**	B.ed(Technology Education)Moi University,Diploma In Techincal Education.

MEMBER BOARD OF GOVERNORS  **ISAAC KIPRUTO KEROR**	PHD on-going in Environmental Economics at University of Eldoret, M.Phil in Development studies, B.Ed. Economics and Geography (hons). Currently working as a lecturer in School of Human Resource Management, University of Eldoret and the School's representative of Quality Assurance. Also working as coordinator School of human resource town campus. Is experienced and update on the contemporary issues in Education, development, environment and related issues.

III. MANAGEMENT TEAM

Principal  Mr.Isaac Bwambok B.ed(Technology Education)Moi University,Diploma In Techincal Education	In charge of all Rvtti day to day Operations
Deputy Principal Administration  Florah Mossop B.ed Writing and Office Management Kampala International University	In charge of administration and Finance

DEPUTY PRINCIPAL ACADEMICS  Janet Otieno M phil in Educational psy	In charge of all Academic activities including teaching staff
REGISTRAR  John Kikwai M.Ed (Mechanical & Automotive Engineering – Moi University) B.Ed (Technology Education – Moi University)	• Admissions • Marketing and Recruitment • Records – Academic • Examination • Graduation
Dean of student  Bed Sci Senior management course	In Charge of Students Affairs

Head of Finance  James K. Kimaiyo B.BM Accounting option Moi University, CPA K, Ongoing MBA UOE	In charge of institute financial/non-financial matters.
Head of Procurement  Charles Koech MCom. (Gwaliar University- India), BCom (Gwaliar University- India), Dip. Supply Chain Mgt, CPSP-K - Ongoing	In charge of all supplies and procurement processes

IV. CHAIRMAN'S STATEMENT

I have the pleasure to present an overview of the Rift Valley Technical Training Institute performance for the year ended 30 June 2021. Notwithstanding the many challenges facing the institute's operating environment, especially the presence and continuous entry of the new funded Technical and Vocational Colleges by the National Government in every constituency, Rift Valley Technical Training Institute remains as a leader in the TVET Sector and continues through continuous improvements in implementation and focus on its mission and Objectives.

Governance

We have focused to position the Rift Valley Technical Training Institute as a Centre of Excellence on TVET training research and innovation and policy formulation to promote highly and advanced technical trained manpower in the various fields as part of the institute's contribution towards the achievement of Vision 2030.

Financial Policies

During the year ended 30 June 2021, the Rift Valley Technical Training Institute was mainly funded through the Government capitation (35%) and own generated revenue (65%) for its recurrent expenditure.

I wish to finally thank the government of Kenya, Board of Governance, Management and staff for their dedication and participation over the year in striving to make Rift Valley Technical Training Institute a World class institute for the advancement of humanity.

Eng. Prof. David K. Some
Chairman, Board of Governors
Rift Valley Technical Training Institute

V. REPORT OF THE PRINCIPAL

As a technical institute, the institution is well placed to provide adequate and relevant knowledge to its graduates that will enable them contribute towards the attainment of our country's vision 2030 strategic objectives and supporting the drive in realizing the objectives of the national government "Big Four Agenda"

In furtherance of our mandate therefore, we have committed ourselves to consistently and regularly review, improve and consolidate our academic programmes in several ways that will ensure their competitiveness in terms of quality and relevance in varied job markets/industries. With the guidance of the governing executive board, we worked hard in setting up structures and policies aimed at guiding the institution in the right strategic direction. We have been able to attain and comply with the ISO 9001-2015 certifications. Under my leadership and the overall direction of the Institute governing board, we were also able to be on the forefront in ensuring that the financial resources were utilised efficiently and effectively for the optimum output. Despite the numerous challenges brought about by the economic constraints, the rift valley technical institute nevertheless continued to discharge its mandate of teaching, research and outreach.
The sources of funding to the institute during the financial period ended 30 June 2021 was internally generated revenue (fees from students & other income) of Kshs. 208,764,551 and from the operational grants of Kshs.112,125,000 totalling to Kshs.320,889,551The recurrent expenditure amounted to Kshs.286,846,615. Therefore, the institute closed the financial year 2020/2021 with a surplus of Kshs.34,042,936. The surplus is attributed to the prudent spending measures and controls put in place.

The Institute being one of the national centres of excellence, the institution desires to enhance its visibility, performance and competitiveness in the tertiary education sector in the face of stiff competition. To do so, however the technical institute requires a lot of support from the national government and other stakeholders in this crucial transitional stage to international centre of excellence in TVET in east and central Africa in terms of funding, material support and other contributions. We shall continue to appeal to such support for several years to come.

On behalf of the Rift valley technical training institute governing board and entire management, I take this opportunity to thank the national government for its unequivocal support during this financial year under review. I also appreciate the financial, material support from our collaborations, partners and friends during the period ended 30 June 2021. It is because of this co-operation with the national government through the ministry of education, other stake holders and more importantly guidance of the governing board steered by the able chairman of the board as well as the mutual co-operation of the management team, all staff and our students that we ended the financial year within an environment of team work, peace and stability. I wish to register my gratitude to all.
I look forward to their continued support in new financial year 2021/2022 and the subsequent periods ahead.

Mr. Isaac Bwambok
Principal/Secretary BoG

VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the Accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

The institute has 11 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019-2022/2023. These strategic pillars are as follows:

Pillar 1: Curriculum implementation and development
Pillar 2: Facilities & infrastructure
Pillar 3: Human resource
Pillar 4: Enrolment and tracer studies
Pillar 5: Resource mobilization
Pillar 6: Linkages, partnerships and networking
Pillar 7: Governance
Pillar 8: Student welfare
Pillar 9: Research, innovation and development
Pillar 10: ICT integration
Pillar 11: Education and sustainable development

The institute develops its annual work plans based on the above 11 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The institute achieved its performance targets set for the FY 2020/2021 period for its 11 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Curriculum implementation and development	To increase and diversify number of courses offered in RVTTI	Number of courses offered Number of accredited and licensed courses	Acquire approved course syllabi Obtain accreditation and licensing from legal and regulatory bodies Promote flexible and blended learning Introduce virtual learning	Achieved Achieved Blended
Pillar 2: Facilities & infrastructure	To upgrade the institute facilities and infrastructure	Number of renovations and expanded facilities maintenance reports	Renovate existing facilities Improve the existing pathways	Done
Pillar 3: Human resource	To recruit, upgrade and maintain qualified staff	Number of qualified staff recruited Review terms and conditions of service Number of staff appraised	Conduct competitive recruitment of non-teaching staff Review terms and conditions of service Appraise staff annually	Done

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 4: Enrolment and tracer studies	To optimise student enrolment	Carrying capacity report Evidence of marketing enrolment statistics Number of online courses	Monitor the optimum capacity per course Carry out continuous marketing to maintain visibility Increase the enrolment by 500 students annually to achieve student population of 7500 by 2023 Commence online courses and progressively enrol 300 students per year to have a student population of 1500 on online training by the end of the period	Done
Pillar 5: Resource mobilization	To identify secure and manage financial resources efficiently and effectively	Audit reports Accounts statement Progress reports	Lobby National and county governments for additional funds Expansion of income generating activities Lobby for funding from international Donors partners and industry	Done
Pillar 6: Linkages, partnerships and networking	To strengthen and enlarge linkages with strategic partners nationally and internationally	Number of established linkages	Establish partnerships with industrial organizations to explore ways of putting into use technologies or innovations that have been developed Establish linkages with research institutes to conduct joint research in various fields Liaising with industry to provide attachment and internships for students	Done
Pillar 7: Governance	To maintain and continually improve principles of good governance	Adaptive structure adopted and personnel deployed Job descriptions and Job evaluations established	Review organizational structure to make it responsive to the emerging trends Develop job descriptions and job specifications Make appointments of staff on merit Conduct job evaluations Sensitize staff on issues of administration	Ongoing

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 8: Student welfare	To enhance the students training experience	Number of playing fields Number of indoor sports facilities New bus purchased	Upgrading of the playing fields Increase number of indoor sport facilities Purchase of a third 62 seater bus	Done
Pillar 9: Research, innovation and development	To enhance research over the planned period	Funding agreements Number of funding agencies identified Number of research awards	Liaise with NACOSTI for research Identify potential external funding agencies	Done
Pillar 10: ICT integration	To integrate ICT in management and teaching-learning	Audit reports Number of computers Range of application software Number and quality of CTTV Camera points	Conduct a systems audit of existing ICT infrastructure Acquisition and installation of requisite hardware Acquisition development and application of supportive software Expand and improve on existing CCTV network Expand internet bandwidth based on usage and demand Expand Wi-Fi coverage to the entire institute compound	Ongoing process
Pillar 11: Education and sustainable development	Managing the campus to strengthen operational sustainability mechanisms	Reports on sustainability practices Number of green spaces created and maintained	Identify spaces or activities that contribute to deterioration /unsustainable use Determine ways to transform spaces into green spaces or activities into green practices Develop sustainability plan for newly created green spaces and practices Deploy materials and services that help maintain these green spaces and practices Develop a monitoring and assessment scheme to measure improvements	Ongoing process

VII. CORPORATE GOVERNANCE STATEMENT

RVTTI Board is committed to the values and principles of good corporate governance. Good corporate governance requires that the Board of Governors must govern the Corporation with integrity and enterprise in a manner which entrenches and enhances the mandate it has under Tvet Act to operate

The Board of Governors are given appropriate information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day to day business to the Principal and Top management. The Board nonetheless retains oversight responsibility for establishing and maintaining the control of financial, operational and compliance issues. The Board of Management of RVTTI regard corporate governance as vital to the successes of the Institute and are unreservedly committed to ensuring that good corporate governance is practiced so that RVTTI remains a sustainable and viable institution for providing Quality education services

Composition of the Board

The current board consists of 9 directors drawn from the professional bodies, resident communities and Representative from the County Government of Uasin Gishu. Their nominations are ratified during the Annual Board meeting for a three year term renewable once. The Chairman of the Board is appointed during the Board first meeting after the annual meeting. New members joining the board are inducted on Institute's operations and also trained adequately to enable them execute their mandate effectively.

Board Diversity

The Board is constituted by members who have a good mix of skills, experience and competencies in various fields such as ICT, Finance, Human Resource, Business, and Engineering. The Institute Quality technical 's mandate is to provide quality technical Education. The Institute has two (2) female board members out of nine (9) and therefore meets the constitutional threshold of being gender balance.

Roles and Responsibilities of Board of Governors

The roles and responsibilities of members are outlined in the Institute's Board Charter

Board attendance

Best practice requires that every Board member attends a minimum of 75% of all Board meetings. The full Board of Directors meets at least four times a year as per the guidelines Board Charter. Special Board meetings are held to deliberate on emerging issues. The decisions of the Board are collective.

Conflict of interest and declaration of interest

The Board have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the RVTTI. All transactions with all parties, directors or their related parties are carried out at arm's length. Board members are obligated to disclose to the Board any real or potential conflict of interest, which may come to their attention whether direct or indirect.

Board Charter

RVTTI has a Board Charter. It outlines powers and responsibilities of the Board and its members, appointment, remuneration, terms of the Board members, conduct of meetings, Committee 'terms of reference, conflict of interest among others.

The Rift Valley Technical Training Institute is committed to good corporate governance, which promotes the long-term interests of the Government of Kenya and any other stakeholder, strengthens Board of Governors and management accountability and helps build public trust in the institute.

The Board of Governors is appointed by the Government of Kenya through the Cabinet Secretary, Ministry of Education, science and technology to oversee their interest in the long-term health and the overall success of the business and its financial strength in order to discharge its mandate in training. The Board of Governors serves as the ultimate decision making body of the institute, except for those matters reserved to or shared with the Government of Kenya. The Board of Governors selects and oversees the members of senior management, who are charged by the Board of Governors with conducting the business of the institute in line with the Technical, Vocational, Education &Training Act of 2013 and the constitution of the Republic of Kenya.

The Board of Governors has established Corporate Governance Guidelines which provide a framework for the effective governance of the institute. The guidelines address matters such as the Governing board Vision and mission, overall strategy, members' responsibilities, Board of Governors committee structure, recommendation of the Principal, Over-sighting the performance and evaluation of management. The Board of Governors regularly reviews developments in corporate governance and updates the Corporate Governance Guidelines and other governance materials as it deems necessary and appropriate.

The institute's corporate governance materials, including the Corporate Governance Guidelines, the institute's legal order, the terms and reference for each Board of Governors committee, the institute's Codes of Business Conduct, information about how to report concerns about the institute and the institute's public policy engagement and technological contributions policy, can be accessed by visiting the institute's website: *www.rvti.ac.ke.*

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financiall Performance

Rift Valley Technical Training Institute realized total revenue of ksh. 320,889,551 composed of revenue from non-exchange transactions of Kshs. 112,125,000 and revenue from exchange transactions Kshs. 208,764,551. Expenditure for the same period stood at Kshs.286,846,615. Therefore, the institute managed to close the period with a surplus of Kshs. 34,042,936

RVTTI promotes and facilitates Quality education in technical training in Kenya this mandate has continued to be delivered in the year. .RVTTI is in a strong cash flow position capable of meeting its obligations as they fall due.

Compliance with statutory requirements

RVTTI is in compliance with all statutory obligations including but not limited to: remittances of PAYE, NHIF, NSSF, VAT, HELB and Withholding tax within the stipulated deadlines.

Key projects being implemented

The virtual learning center is the major project being implemented at RVTTI, the project is Funded by the Gok and RVTTI.

Also we have projects funded by the Gok but supervised by RVTTI Board of governors under mentorship programs in this Financial period ended 30th June 2021 the institute is supervising Ngeria TTI which is still on going.

Financial probity and serious governance issues

There are no issues of financial improbity reported by any board committee or by external auditors. There are no governance issues and no undisclosed conflicts of interest at the Board or top management of the Institute.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Rift Valley Technical Training Institute strategy for social responsibility includes a commitment to pursue change across the following priority areas:

- **Research with impact**

Our research is making a positive difference to society, addressing the major challenges of the 21st century.

- **Socially responsible graduates**

Our graduates are learning to exercise ethical, social and environmental responsibility.

- **Engaging our communities**

Our events and activities are harnessing our knowledge, resources and visitor attractions for the benefit of our communities.

- **Responsible processes**

Our processes are balancing efficiency with opportunities to create social and environmental benefit.

- **Environmental sustainability**

Our research, teaching and activities are guided by our commitment to environmental sustainability.

We also have a number of Technological areas for our research, teaching, community engagement and processes, allowing us to focus and measure our efforts in making a difference to society.

X. REPORT OF THE BOARD OF GOVERNORS

The Board of Governors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Rift Valley Technical Training Institute's affairs.

Principal activities

The principal activities of the Rift Valley Technical Training Institute are:

(a) To offer Quality Technical, and Vocational Education and Training
(b) Introduce, review and alter programs so as to provide and promote lifelong education and training
(c) Contribute to industrial and technological development in Kenya through Competence Based Education and Training (CBET)
(d) Promote and participate in technological innovation and in the discovery, transmission and enhancement of knowledge for economic social, cultural, scientific and technological development
(e) Advance knowledge and its practical application by research and the dissemination of outcomes of research by various means and the commercial exploitation of research results

Results

The results of the institute for the year ended June 30, 2021 are set out on page 1-50.

Board of Governors

The members of the board of governors who served during the year are shown on page vi-ix in accordance with the appointments made then by the Cabinet Secretary, Ministry of Education, Science & Technology.

Auditors

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

By Order of the Board of Governors

Principal/BoG Secretary
Date.....28/6/2022

XI. STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITIES

Public Finance Management Act 2012 Section 81(1), requires the Board of Governors to prepare financial statement in respect of the Institute, which gives a true and fair view of the state of affairs of the Institute at the end of the financial year/period and the operating results of the Institute for that year/period.

The Board of Governors is responsible for the preparation and presentation of the Institutes financial statements which give a true and fair view of the state of affairs of the institute for and as at the end of the year (period) ended on 30 June, 2021. This responsibility includes:

(i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
(ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute.
(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 misstatement, whether due to error or fraud.
(iv)Safeguarding the assets of the Institute
(v) Selecting and applying appropriate accounting policies.
(vi)Making accounting estimates that are reasonable in the circumstances.

The Board of Governors accept responsibility for the institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the TVET Act. The council board members are of the opinion that the institute's financial statements give a true and fair view of the state of institute's transactions during the financial year ended June 30, 2021, and of the institute's financial position as at that date. The Board of governors further confirm the completeness of the accounting records maintained for the institute, which have been relied upon in the preparation of the institute's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements.
The Institutes draft financial statements were approved by the Board of Governors on 28 June, 2022 and signed on its behalf by:

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Eng. Prof. David K. Some	Mr. Isaac Bwambok
Chairman, Board of Governors	Principal/Secretary BoG

XII. REPORT OF THE AUDITOR GENERAL ON THE RIFT VALLEY TECHNICAL TRAINING INSITUTE.

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 RIFT VALLEY TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Rift Valley Technical Training Institute set out on pages 1 to 45, which comprise of the statement of financial position as at 30 June, 2021, 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 Rift Valley Technical Training Institute as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with Technical and Vocational Education and Training Act 2013 and the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance and Management Act, 2012.

Basis for Qualified Opinion

1. Rental Revenue from Facilities and Equipment

The statement of financial performance reflects rental revenue from rental facilities and equipment of amount Kshs.461,111 as disclosed in Note 3 to the financial statements. The Institute houses thirty-seven (37) members of staff who are charged monthly rental income. However, rent agreements for twenty six (26) tenants and a list of tenants occupying canteens located at the student hostels and the corresponding rent or lease agreements were not provided for audit.

In the circumstances, the completeness and accuracy of rental revenue from rental facilities and equipment amount of Kshs.461,111 could not be confirmed.

2. Property, Plant and Equipment

2.1 Non-Separation of Land and Buildings

The statement of financial position reflects property, plant and equipment balance of Kshs.1,743,266,938 which includes land and building balance of Kshs.1,440,067,046 as disclosed in Note 15 to the financial statements. The land and buildings balance of Kshs.1,440,067,046 relates to net book value for buildings and land combined.

Therefore, the cost of land and building in respect of the property is not separated as required by paragraph 74 of IPSAS 17 – property, plant and equipment which provides that land and buildings are separable assets and are accounted for separately, even when they are acquired together.

In the circumstances, the completeness and accuracy of the land and buildings balance Kshs.1,440.067,046 could not be confirmed.

2.2 Valuation of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.1,743,266,938 which includes land and building, motor vehicles, furniture and fittings, computers and plant and equipment and library books as disclosed in Note 15 to the financial statements. However, the fair value of the fixed assets differs from its carrying amount/Net book value thus necessitating the need of valuation of fixed assets in accordance with paragraph 49 of IPSAS 17- property, plant and equipment which provides that the frequency of revaluations depends upon the changes in the fair values of the items of property, plant, and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.1,743,266,938 could not be confirmed.

3. Inaccuracies in Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.104,039,050 which includes student debtors balance of Kshs.98,141,599 as disclosed in Note 12(a) to the financial statements. However, student debtors aging analysis was not provided for audit review. Further, provision for bad debts in relation to overdue outstanding student debtors was not provided for in the financial statements .

In the circumstances, the accuracy of receivables from exchange transactions balance of Kshs.104,039,050 could not be confirmed.

4. Unrealizable Receivables from Non-Exchange Transactions

The statement of financial position reflect receivables from non-exchange transactions balance of Kshs.70,875,000 owed by the State Department of Vocational Training in respect of under disbursed student capitation fees for the year as disclosed in Note 13 to the financial statements. However, the outstanding amount had not been settled by the State Department of Vocational Training and therefore its recoverability is doubtful.

In the circumstances, the accuracy and completeness of receivables from non-exchange transactions balance of Kshs.70,875,000 could not be confirmed.

5. Unsupported Inventories

The statement of financial position reflects inventories balance of Kshs.1,958,559 comprising of consumable stores, maintenance stores, electrical stores, catering stores and stationery stores and as disclosed in Note 14 to the financial statements. The summary of accounting policies on inventories indicates that inventories are measured at lower of cost and net realizable value.

However, there was no support evidence to confirm that stock take was carried out on 30 June, 2021 and stocks were valued at lower of cost and net realizable value in accordance with International Public Sector Accounting Standards (IPSAS) 12-Inventories.

In the circumstances, the accuracy and completeness of inventories balance of Kshs.1,958,559 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Rift Valley 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.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total actual revenue on comparable basis of Kshs.379,809,101 and total revenue budget of Kshs.392,364,004 resulting to underfunding of Kshs.12,554,903 or 3% of the budget. Similarly, the actual expenditure was Kshs.392,364,004 against final budget of Kshs.296,741,469 resulting in under-expenditure of Kshs.95,622,535 or 24% of the budget.

The shortfall in revenue and under-expenditure constrained execution of planned activities and affected delivery of services to the public.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates

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

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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Employee Costs

1.1 Lack of Approved Staff Establishment

The statement of financial performance reflects employee costs of Kshs.61,059,375 and as disclosed in Note 6 to the financial statements. However, no evidence was provided to confirm that the Management maintained staff establishment approved by the Board as provided for under Section B.2(1) of Human Resource Policies and Procedures Manual for the Public Service May, 2016.

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

1.2 Failure to Observe One Third Rule on Staff Composition

A review of personnel records provided for audit revealed that the Institute had ten (10) members of the Board of Governors where five (5) or 50% were from the dorminant community. Further, the Institute employed a total of two hundred and three (203) employees where one hundred and fifty seven (157) or 73%, were from dorminant community contrary to Sections 7(1)(2) of National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

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

1.3 Employees Receiving Net Pay Less Than a Third of their Basic Salaries

Review of the payroll revealed instances where some employees of the Institute were receiving net salaries which were less than a third of their respective basic salaries contrary to Section 19(3) of the Employment Act, 2007 which provides that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

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

2. Lack of Occupational Safety and Health Committee

Audit review of the institution, as an occupier, revealed that the institution did not have in place a safety and health committee at the workplace during the year . contrary to Section 9(1) of the Occupational Safety and Health Act, 2007 which requires every occupier to establish a safety and health committee at the workplace in accordance with regulations prescribed by the Minister if - (a) there are twenty or more persons employed at the workplace; or (b) the Director directs the establishment of such a committee at any other workplace. Further, there was no evidence of safety and health audit contrary to Section 11(1) which stipulates that the occupier of a workplace shall cause a thorough safety and health audit of his workplace to be carried out at least once in every period of twelve months by a safety and health advisor.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Tagging of Fixed Assets

The statement of financial position reflects property, plant and equipment amount of Kshs.1,743,266,938 which includes land and buildings, furniture and fittings, computer and plant and equipment all totaling to Kshs.1,643,680,861 as disclosed in Note 15 to the financial statements. However, Management has not tagged or branded its assets.

In the circumstances, the institution is likely to lose its assets due to weak controls in asset monitoring and controls.

2. Weak ICT Internal Control Environment

A review of ICT Internal control environment revealed that the Institute did not have IT strategic Committee and Steering Committee responsible for providing guidance on IT-related decision-making processes. The Management did not have a back-up data stored in an off-site location, off-site secondary servers and IT business continuity plan. Further, the Institute does not have a documented training program to build IT capacity, a documented change request procedure to guide on system upgrades and provide basis for system changes backed up by approval from relevant authorities. In addition, the Institute did not carry out termly system maintenance and troubleshooting in line with procedures 3(3.1) and 4(2.6) of the Institution's documented MIS procedures manual.

In the circumstance, there is a risk of data loss in the event of a disaster or equipment failure.

3. Lack of Creditors' Management Policy

During the year, the Institute did not have in place a Creditors' Management policy which may lead to non-identification of credit risks and appropriate measures to manage them.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and 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 controls 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 controls, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls 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 controls may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Institute's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue to sustain its services.

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

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

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

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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

09 September, 2022

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

	Notes	2020 - 2021	2019-2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	1	112,125,000	88,695,000
Grants from donors and development partners		-	-
Transfers from other levels of government		-	-
Public contributions and donations		-	-
Total Revenue from non-exchange transactions		**112,125,000**	**88,695,000**
Revenue from exchange transactions			
Rendering of services- Fees from students	2	200,739,677	247,897,425
Sale of goods		-	-
Rental revenue from facilities and equipment	3	461,111	938,481
Finance income - external investments		-	-
Other income	4	7,563,763	5,389,914
Total Revenue from exchange transactions		**208,764,551**	**254,225,820**
Total revenue		**320,889,551**	**342,920,820**
Expenses			
Use of goods and services	5	151,571,165	192,244,549
Employee costs	6	61,059,375	56,581,099
Remuneration of directors	7	2,526,000	2,873,800
Depreciation and amortization expense	8	29,187,717	47,634,214
Repairs and maintenance	9	36,402,262	29,937167
Contracted services	10	6,100,096	7,608,379
Grants and subsidies		-	-
Finance costs		-	-
Total expenses		**286,846,614**	**336,879,208**
Other gains/(losses)			
Gain on sale of assets		-	-
Unrealized gain on fair value of investments		-	-
Impairment loss		-	-
Total other gains/(losses)		-	-
Net Surplus for the year		**34,042,936**	**6,041,612**
Attributable to:		-	-
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		-	-

The notes set out on pages 6 to 37 form an integral part of the Annual Financial Statement

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

	Notes	2020-2021	2019-2020
		kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	11	108,339,181	58,919,550
Current portion of receivables from exchange transactions	12(a)	104,039,050	114,462,848
Receivables from non-exchange transactions	13	70,875,000	29,565,000
Inventories	14	1,958,559	800,500
Investments			-
		285,211,790	**203,747,898**
Non-current assets			
Property, plant and equipment	15	1,743,266,938	1,784,269,955
Intangible assets		-	-
Investment property		-	-
Long term receivables from exchange transactions	(12b)	2,672,516	-
Total Non-current Assets		**1,745,939,454**	**1,784,269,955**
Total assets		**2,031,151,244**	**1,988,017,853**
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	16	32,743,288	11,911,051
Refundable deposits from customers	17	-	12,181,030
Provisions		-	-
Finance lease obligation		-	-
Current portion of borrowings		-	-
Deferred income	18	-	24,452,883
Employee benefit obligation		-	-
Payments received in advance	19	9,894,855	-
Total Current Liabilities		**42,638,143**	**48,544,964**
Non-current liabilities			
Non-current employee benefit obligation		-	-
Non-current provisions		-	-
Borrowings		-	-
Total Non-current Liabilities			
Total liabilities		**42,638,143**	**48,544,964**
Capital and Reserves			
Reserves		56,497,876	56,497,876
Accumulated surplus		180,261,475	131,221,263
Capital Fund		1,751,753,750	1,751,753,750
Total Capital and Reserves		**1,988,513,102**	**1,939,472,889**
Total Liabilities and Capital & Reserves		**2,031,151,245**	**1,988,017,853**

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Institute Council/ Board of Governors by:

Chairman of Council/Board of Governors — Date...

Finance Officer — ICPAK No 14518 — Date

Principal — Date 28/6/2022

XV. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2021

	Reserve	Accumulated surplus	Capital Fund	Capital/ Development Grants/Fund	Total
Balance B/f as at 1 July 2019	56,497,876	**125,179,651**	**1,751,753,750**		**1,933,431,277**
Revaluation Gain		-			
Fair value adjustments on Quoted investments	-	-	-	-	-
Surplus for the year	-	6,041,612	-	-	**6,041,612**
Capital/Development Grants	-	-	-	-	-
Transfer of depreciation/amortization from capital fund to retained earnings					-
Balance c/d as at 30 June 2020	**56,497,876**	**131,221,263**	**1,751,753,750**	-	**1,939,472,889**
Balance B/d as at 1 July 2020	**56,497,876**	**131,221,263**	**1,751,753,750**	-	**1,939,472,889**
Prior Year Adjustments		**14,997,276**			**14,997,276**
Revaluation Gain					
Fair value adjustments on Quoted investments					
Surplus for the year		**34,042,936**			**34,042,936**
Capital/Development Grants					
Transfer of depreciation/amortization from capital fund to retained earnings					
Revaluation Gain					
Balance C/d as at June 30, 2021	**56,497,876**	**180,261,475**	**1,751,753,750**	-	**1,988,513,101**

N/B Prior year adjustments relates to depreciation overcharge in the previous year.

XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

		2020-2021	2019-2020
	Note	kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants		112,125,000	88,695,000
Public contributions and donations			
Rendering of services- Fees from students		196,.823,510	247,897,425
Sale of goods			-
Rental revenue from facilities and equipment		461,111	938,481
Other income, rentals and agency fees		7,563,763	5,389,914
Total Receipts		**316,973,384**	**342,920,820**
Payments			
Compensation of employees			
Use of goods and services		151,571,165	192,244,549
Employee cost		61,059,375	56.581,099
Remuneration of directors		2,526,000	2,873,800
Repair and maintenance		36,402,262	29,937,167
Contracted services		6,100,096	7,608,379
General expenses			-
Total Payments		**257,658,898**	**289,244,994**
Net cash flows from operating activities	20	**59,314,486**	**53,675,826**
Cash flows from investing activities			
Purchase of Property plant, Equipment and Intangible assets		(9,894,855)	(10,457,850)
Increase in receivables from exchange transactions			(28,548,061)
Increase in receivable from non-exchange transactions			(22,655,000)
Increase in inventories			(1,299,500)
Purchase of Furniture			(2,340,400)
Increase in trade and other payables			(6,231,683)
Decrease in Refundable deposits			4,374,176
Net cash flows used in investing activities		**(9,894,855)**	**(21,848,318)**
Cash flows from financing activities			
Increase in deposits			-
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		**49,919,631**	**(31,827,508)**
Cash and cash equivalents at 1 JULY 2020		**58,919,550**	90,747,058
Cash and cash equivalents at 30 JUNE 2021	11	**108,339,181**	**58,919,550**
Cash and cash equivalents as per the Balance sheet		**108,339,181**	**58,919,550**

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Transfers from other Govt entities Govt grants	130,000,000		130,000,000	112,125,000	17,875,000
Public contributions and donations	-	-	-	-	-
Rendering of services- Fees from students	193,496,454	-	193,496,454	200,739,677	(7,243,223)
Income generating units	9,000,000	-	9,000,000	7,563,763	1,436,237
Rental Income	948,000	-	948,000	461,111	486,889
Cash and Cash Bal c/d	-	58,919,550	58,919,550	58,919,550	-
Total income	**333,444,454**	**58,919,550**	**392,364,004**	**379,809,101**	**12,554,903**
Expenses					
Compensation of employees	61,056,000	-	61,056,000	61,059,375	(3,375)
Use of Goods and services	257,575,954	58,919,550	316,495,504	151,571,165	164,924,339
Rent paid	240,000	-	240,000	25,380	214,620
Remuneration of directors	4,900,000	-	4,900,000	2,526,000	2,374,000
Repairs and Maintenance	9,672,500	-	9,672,500	36,402,262	(26,729,762)
Contracted Services	-	-	-	6,100,096	(29,187,716)
Provision For Depreciation	-	-	-	29,187,716	(29,187,716)
Development	-	-	-	9,894,855	(9,894,855)
Total expenditure	**333,444,454**	**58,919,550**	**392,364,004**	**296,741,469**	**(95,622,535)**
Surplus for the period	-	-	-	**83,067,632**	**(83,067,632)**

Notes

1. Transfers from other government unit's underperformance resulted from non-disbursement of capitation by the ministry.
2. Rendering of services- Fees from students budget was exceeded as a result of increased enrolment.
3. Underutilization in expenses resulted from effects of covid-19 which let to closure of the institution in the final quarter of the financial year

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

RVTTI entity is established by and derives its authority and accountability from Tveta Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Training

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, 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 Note 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2021.

Standard	Impact
Other Improvements to IPSAS	**Applicable: 1st January 2021:** a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks. b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved. c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2023:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: •Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; •Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and •Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	**Applicable: 1st January 2023** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2023:** 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.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021.

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.

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 2020/2021 was approved by the Board . 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 recorded additional appropriations of on the FY 2020/2021 budget following 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 section of these financial statements.

c) Taxes

Current income tax

The entity is exempt from paying taxes as per schedule of the Act.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (continued)

Sales tax/ Value Added Tax

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

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

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

d) Investment property

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

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

e) Property, plant and equipment

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

(i) Land and Buildings- 0.50%

(ii) Motor Vehicle	10%
(iii) Furniture and Fittings	10%
(iv) Computers	30%
(v) Other Assets(Books)	5%
(vi) Plant and Equipment	5%
(Vii)Work in progress(capital)	0%

The depreciation method used is reducing balance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) 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.

g) 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

h) Research and development costs

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

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

- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

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

Loans and borrowing

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

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

i) Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

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

n) Foreign currency transactions

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

o) Borrowing costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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

1. (a)TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2020-2021	2019-2020
	KShs	KShs
Unconditional grants		
Operational grant	112,125,000	88,695,000
Other grants	-	-
Conditional grants		
Library grant	-	-
Hostels grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
Learning facilities grant	-	-
Other organizational grants	-	-
Total government grants and subsidies	**112,125,000**	**88,695,000**

(b)TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2020-2021
			KShs	KShs	KShs
State Department of Vocational	112,125,000	-	-	112,125,000	112,125,000
Ministry	-	-	-	-	-
Total	**112,125,000**	-	-	**112,125,000**	**112,125,000**

(Ensure that the amount recorded above as having been received from the Ministry fully reconciles to the amount recorded by the sending Ministry. An acknowledgement note/receipt should be raised in favour of the sending Ministry. The details of the reconciliation have been included under appendix

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. RENDERING OF SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Repairs maintenance and improvement	10,282,692	1,121,009
Tuition fees	141,286,780	170,322,339
Personal emoluments	25,218,781	24,573,942
Accommodation	776,977	2,731,431
Local transport and travel	2,711,814	3,201,562
Activity fees	1,791,198	4,294,027
Training materials	-	37,601,578
Electricity water and conservancy	3,164,627	4,051,537
Attachment	5,095,078	-
Examinations	10,260,728	-
contingencies	151,002	-
Total revenue rendering of services	**200,739,677**	**247,897,425**

Fees

3. HIRE OF FACILITIES AND EQUIPMENT

Description	2020-2021	2019-2020
	KShs	KShs
Hire of facilities and equipment	-	-
Contingent rental	461,111	938,481
operating lease revenue	-	-
Total	**461,111**	**938,481**

(Rental hire)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. OTHER INCOME

Description	2020-2021	2019-2020
	KShs	KShs
Seminars and workshops	1,146,376	1,269,153
Driving school	841,593	2,173,966
Auto garage	5,575,794	1,946,795
Consultancy fee	-	-
Total other income	**7,563,763**	**5,389,914**

Workshop driving school and Autogarage

5. USE OF GOODS AND SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Electricity	8,169,787	7,216,564
Medical	1,029,481	1,101,581
Attachment and insurance	2,536,990	2,530,636
Driving school and insurance	5,153,034	8,775,380
Administration fees	11,431,053	6,506,918
Audit fees	-	-
Conferences and delegations	-	2,227,903
Consulting fees	-	-
Local travel and transport	20,624,053	21,598,453
Activity and sports	930,114	2,201,995
Graduation	-	3,748,480
Professional services	-	-
Postage	-	-
Insurance	-	2,530,636
Bank charges	47,852	-
Rent expenses	25,380	326,950
Seminars & conferences	1,318,237	-
Boarding	14,322,840	29,260,975
Examinations	24,098,750	60,746,750
Training Expenses	58,845,341	43,471,328
Covid 19	3,038,840	-
Total good and services	**151,571,165**	**192,244,549**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. EMPLOYEE COSTS

	2020-2021	2019-2020
	KShs	KShs
Salaries and wages	59,815,485	56,182,981
Employee related costs - contributions to pensions and medical aids	1,243,890	398,118
Travel, motor car, accommodation, subsistence and other allowances	-	-
Housing benefits and allowances	-	-
Overtime payments	-	-
Performance and other bonuses	-	-
Social contributions	-	-
Total Employee costs	**61,059,375**	**56,581,099**

7. REMUNERATION OF DIRECTORS

Description	2020-2021	2019-2020
	KShs	KShs
Board of management	2,526,000	2,873,800
Directors emoluments	-	-
Other allowances	-	-
Total director emoluments	**2,526,000**	**2,873,800**

8. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	29,187,716	47,634,214
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	**29,187,716**	**47,634,214**

9. REPAIRS AND MAINTENANCE

Description	2020-2021	2019-2020
	KShs	KShs
General Property	36,402,262	29,937,167
Investment property – earning rentals	-	-
Equipment and machinery	-	-
Vehicles	-	-
Furniture and fittings	-	-
Computers and accessories	-	-
Other	-	-
Total repairs and maintenance	**36,402,262**	**29,937,167**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. CONTRACTED SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Other contracted services (security & cleaning)	6,100,096	7,608,379
	-	-
	-	-
Total contracted services	**6,100,096**	**7,608,379**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. CASH AND CASH EQUIVALENTS

Description	2020-2021	2019-2020
	KShs	KShs
Current account	100,405,903	45,620,910
Savings	802,908	6,105,723
On - call deposits	-	-
Fixed deposits account	7,130,370	7,192,917
Staff car loan/ mortgage	-	-
Others(specify)	-	-
Total cash and cash equivalents	**108,339,181**	**58,919,550**

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 (a). DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

Financial institution	Account Name	Account number	2020-2021 KShs	2019-2020 KShs
a) **Current account**				
KCB	Main	1175590193	40,031,999	2,626,086
KCB	Auto Garage	1210872684	2,391,924	903,316
Chase Bank	Auto Garage	016208466903	676,443	381,035
Chase Bank	Farm	016208466902	362,907	7,090
ABSA Bank	Main	0031258030	5,253,724	28,811,225
ABSA Bank	Production Unit	0031258049	3,679,512	9,730,466
ABSA Bank	Development	0031019605	48,009,394	3,161,692
Sub-Total			**100,405,903**	**45,620,910**
b) Savings				
ABSA Bank	Savings	0034017824	**802,908**	6,105,723
Sub total			**802,908**	**6,105,723**
Fixed deposits account				
Standard Chartered Bank	Fixed deposit	01520165512	**1,530,370**	7,192,917
Standard charted Bank	SME Banking instant access	44016551200	**5,600,000**	-
Sub Total			**7,130,370**	**7,192,917**
Grand-total			108,339,181	**58,919,550**

12. RECEIVABLES FROM EXCHANGE TRANSACTIONS

(a) Current Receivables from Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Student debtors	98,141,599	67,199,015
Rent debtors	289,550	266,935
Student union	667,690	539,895
Examination	-	45,678,818
Advance payment	4,940,211	778,185
Less: impairment allowance	-	-
Total current receivables	**104,039,050**	**114,462,848**

12(b) Long- term Receivables from Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Non-current receivables		
Refundable deposits	2,672,516	-
Advance payments	-	-
Less: impairment allowance	-	-
Total	-	-
Current portion transferred to current receivables	-	-
Total non-current receivables	**2,672,516**	-
Total receivables	**106,711,566**	**114,462,848**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Transfers from other govt. entities	70,875,000	29,565,000
Undisbursed donor funds	-	-
Other debtors (non-exchange transactions)	-	-
Less: impairment allowance	-	-
Total current receivables	**70,875,000**	**29,565,000**

**Receivables on capitation grants is recognised for monies received after year end but relating to the year under review.*

14. INVENTORIES

Description	2020-2021	2019-2020
	KShs	KShs
Consumable stores	996,100	150,000
Maintenance stores	94,037	80,000
Health Unit stores	-	50,000
Electrical stores	70,000	200,000
Cleaning materials stores	-	25,000
Catering stores	310,883	295,500
Stationery stores	487,539	-
Total inventories at the lower of cost and net realizable value	**1,958,559**	**800,500**

15. PROPERTY, PLANT AND EQUIPMENT

	Land and Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (library books)	Plant and equipment	Capital Work in progress	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation rate	0.50%	10%	10%	30%	5%	5%	0	
Bal as at 30 June 2019-NBV	1,461,885,875	34,796,375	63,732,125	31,186,375	13,866,062	168,608,188	15,000,000	1,789,075,000
Bal as at 1 July 2019	1,510,845,367	34,796,375	63,732,125	31,186,375	13,866,062	168,608,188	15,000,000	1,838,034,492
Additions	-	10,457,850	2,340,400	-	-	-	16,713,331	29,511,581
Disposal	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
Revaluations during the year	-	-	-	-	-	-	-	-
Bal as at 30 June 2020	1,510,845,367	45,254,225	66,072,525	31,186,375	13,866,062	168,608,188	31,713,331	1,867,546,073
Bal as at 1 July 2020	1,510,845,367	45,254,225	66,072,525	31,186,375	13,866,062	168,608,188	31,713,331	1,867,546,073
Prior Year adjustment	(48,959,492)	-	-	-	-	-	12,252,061	(36,707,431)
Additions	-	-	-	-	-	-	9,894,855	9,894,855
Disposal	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
Bal as at 30 June 2021	1,461,885,875	45,254,225	66,072,525	31,186,375	13,866,062	168,608,188	53,860,247	1,840,733,497
Depreciation								-
Accum as at 30 June 2019	7,309,429	3,479,638	6,373,213	9,355,913	693,303	8,430,409	-	35,641,904
As at 1 July 2019	7,309,429	3,479,638	6,373,213	9,355,913	693,303	8,430,409	-	35,641,904
Depreciation charged-19/20	20,627,017	3,479,638	6,607,253	7,796,594	693,303	8,430,409	-	47,634,214
Impairment	-	-	-	-	-	-	-	-
Accum as at 30 June 2020	27,936,446	6,959,276	12,980,466	17,152,507	1,386,606	16,860,818	-	83,276,118
Prior Year adjustment	(13,354,135)	697,821	(637,322)	(1,247,455)	(34,665)	(421,520)		(14,997,276)
Depreciation charged-20/21	7,236,518	3,759,713	5,372,938	4,584,397	625,706	7,608,444	-	29,187,716
Accum as at 30th June 2021	21,818,829	11,416,809	17,716,082	20,489,448	1,977,647	24,047,743	-	97,466,559
NBV as at 30 June 2021	1,440,067,046	33,837,416	48,356,443	10,696,927	11,888,415	144,560,445	53,860,247	1,743,266,938
NBV as at 30 June 2020	1,482,908,921	38,294,950	53,092,060	14,033,869	12,479,456	151,747,370	31,713,331	1,784,269,955
Prior Year adjustment	(35,605,358)	(697,821)	637,321	1,247,455	34,665	421,521	-	(33,962,217)
NBV as at 30 June 2020	1,447,303,563	37,597,128	53,729,381	15,281,323	12,514,121	152,168,890	31,713,331	1,750,307,737

N/B

1. W.I.P Refers to work in progress

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	KShs	KShs
Trade payables	32,743,288	11,911,051
Fees paid in advance	-	-
Employee advances	-	-
Third-party payments	-	-
Other payables	-	-
Total trade and other payables	**32,743,288**	**11,911,051.00**

17. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2020-2021	2019-2020
	KShs	KShs
Consumer deposits	-	7,880,616
Caution money	-	4,300,414
Other refundable deposits	-	
Total deposits	**-**	**12,181,030.00**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. DEFERRED INCOME

Description	2020-2021	2019-2020
	KShs	KShs
Deferred Income	-	24,452,883
Total deferred income	**-**	**24,452,883**

19. PAYMENTS RECEIVED IN ADVANCE

Description	2020-2021	2019-2020
	KShs	KShs
Students fees	9,894,855	-
Total Payments Received	**9,894,855**	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. CASH GENERATED FROM OPERATIONS

	2020-2021	2019-2020
	KShs	KShs
Surplus for the year before tax	34,042,936	-
Adjustment for non-cash income & Expenses		
Prior year adjustment	14,997,276	-
Adjusted for:		
Depreciation	29,187,716	-
Transfers From other Government entities/Gov grants	-	88,695,000
Rendering of Service-Fees from students	-	247,897,425
Sale of Goods	-	
Rental revenue from facilities and equipment	-	938,481
Other Income, rentals and agency fees	-	5,389,914
Contribution to impairment allowance	-	-
Finance income	-	-
Finance cost	-	-
Working Capital adjustments		-
Increase in inventory	(1,158,059)	-
Increase in receivables-non exchange	(41,310,000)	-
Increase in payables	18,089,509	-
Increase in payments received in advance	9,894,855	-
Current portion of receivables from exchange transactions	10,423,798	-
Long term receivables from exchange transactions	(2,672,516)	-
Refundable deposits from customers-	(12,181,030)	-
Use of Goods and services	-	(192,244,549)
Employee cost	-	(56,581,099)
Remuneration of Directors	-	(2,873,800)
Repairs and Maintenance	-	(29,937,167)
Contracted services	-	(7,608,379)
Net cash flow from operating activities	59,314,486	53,675,826

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial 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 Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2020				
Receivables from exchange transactions	114,462,848	114,462,848	-	-
Receivables from non-exchange transactions	29,565,000	29,565,000	-	-
Bank balances	58,919,550	58,919,550	-	-
Total	**202,947,398**	**202,947,398**	-	-
At 30 June 2021				
Receivables from exchange transactions	104,039,000	104,039,000	-	-
Receivables from non-exchange transactions	70,785,000	70,785,000	-	-
Bank balances	108,339,181	108,339,181	-	-
Total	**283,163,181**	**283,163,181**	-	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

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

The entity has significant concentration of credit risk on amounts due from

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

(ii) 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 company 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 30 June 2020				
Trade payables	11,911,051	-	-	11,911,051
Current portion of borrowings		-	-	-
Provisions		-	-	-
Deferred income	24,452,883	-	-	24,452,863
Employee benefit obligation		-	-	-
Total	**36,363,934**	-	-	**36,363,934**
At 30 June 2021				
Trade payables	32,743,288	-	-	32,743,288
Current portion of borrowings		-	-	-
Provisions		-	-	-
Deferred income		-	-	-
Employee benefit obligation		-	-	-
Total	**32,743,288**	-	-	**32,743,288**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

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

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

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

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

a) Foreign currency risk

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

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

	Ksh	Other currencies	Total
	Kshs	**Kshs**	**Kshs**
At 30 June 2020			
Financial assets(investments, cash ,debtors)	203,747,898	-	203,747,898
	-	-	-
Liabilities	-	-	-
Trade and other payables	11,911,051	-	11,911,051
Borrowings	-	-	-
	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021			
Financial assets(investments, cash ,debtors)	285,211,790	-	285,211,790
Liabilities			
Trade and other payables	32,743,288	-	32,748,288
Borrowings	-	-	-

Foreign currency sensitivity analysis

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

b) Interest rate risk

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

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

44 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Interest rate risk(continued)

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax

iv) Capital Risk Management

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

	2020-2021	**2019-2020**
	Kshs	**Kshs**
Revaluation reserve	56,497,876	56,497,876
Retained earnings	180,261,475	131,221,263
Capital reserve	1,751,753,750	1,751,753,750
Total funds	**1,988,513,101**	**1,988,017,853**
Total borrowings		
Less: cash and bank balances	(108,339,181)	(58,919,550)
Net debt/(excess cash and cash equivalents)	1,880,173,920	1,929,098,303
Gearing	0	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

i) The National Government;
ii) The Ministry of Education.
iii) Key management
iv) Board of Governors

	2020-2021	2019-2020
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of goods to		0
Sales of services		0
Total		0
b) Grants from the Government		
Grants from National Govt	112,125,000	88,695,000
Grants from County Government		0
Donations in kind		0
Total	112,125,000	88,695,000
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees		0
Payments for goods and services for		0
Total		0
d) Key management compensation		
Board of Governors Remuneration	2,526,000	2,873,800
Compensation to the Principal		0
Compensation to key management		0
Total	**114,651,000**	**91,568,800**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. EVENTS AFTER THE REPORTING PERIOD

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

24. ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

25. CURRENCY

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
17.1 Unsupported Property Plant and Equipment	As disclosed in Note 16 to the financial statements, the statement of financial position reflects property, plant and equipment totalling to Kshs.1,784,269,955. However, included in the balance is work-in-progress amounting to Kshs.31,713,331 whose contract documents and interim certificates for work in progress were not provided. No explanation was provided for failure to complete the work in progress which has remained the same as the previous year. In addition, the balance includes additions of Kshs.29,511,581. Included in additions is a balance of Kshs.10,457,850 in respect of procured motor vehicles whose procurement documents were not provided. In the circumstances, the accuracy and propriety of the property, plant and equipment balance of Kshs.1,784,269,955 could not be confirmed.	1.Contract documents and interim certificates of work in progress have been provided 2.Documents on addition of motor vehicle have been provided	Resolved	
17.2 Inaccuracies in Cash and Cash Equivalents	As disclosed in Note 12 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs.58,919,550.	The variance of Kshs.7,892,915 resulted from omission of Standard Chartered Bank Fixed deposit Account	Resolved	

Reference No. on the external audit Report	**Issue / Observations from Auditor**	**Management comments**	**Status: *(Resolved / Not Resolved)***	**Timeframe: *(Put a date when you expect the issue to be resolved)***
	However, the balance is at variance with reconciled cash-book balance of Kshs.51,026,635 resulting to an unreconciled variance of Kshs.7,892,915. Further, stale cheques amounting to Kshs.651,968 had not been reversed and cheques amounting to Kshs.5,621,009 were unpresented. Consequently, the accuracy and completeness of cash and cash equivalents of Kshs.58,919,550 could not be confirmed.	number 01520165512 whose balance was Kshs.7,192,917 and typing error in Absa account which was reflected as Kshs.28,811,225 instead of Kshs.28,111,225. After analysis, Cash book has been updated to include the direct deposits. Stale cheques amounting to 651,968 below have been reversed back to the cashbook		
17.3 Misstated Employee Costs	As disclosed in Note 7 to the financial statements, the statement of financial performance reflects employee costs of Kshs.56,581,099 for the year ended 30 June, 2020. A review of the supporting schedule reflected expenses of Kshs.7,473,999 not related to employee costs. Consequently, the accuracy and completeness of employee costs of Kshs.56,581,099 could not be confirmed.	The expense have been rescheduled to the right votes 1	Resolved	
17.4 Unsupported Receivables from Exchange Transactions	As disclosed in Note 13 to the financial statements, the statement of financial position reflects receivables from exchange transactions amounting to Kshs.114,462,848. The comparative balance reflects an amount of Kshs.38,917,889 therefore indicating an	A debtors schedule has been availed for audit.	Resolved	

Reference No. on the external audit Report	**Issue / Observations from Auditor**	**Management comments**	**Status: *(Resolved / Not Resolved)***	**Timeframe: *(Put a date when you expect the issue to be resolved)***
	increase of Kshs.75,544,939 or 64% in the year under review. Further, the receivables include examination debtors of Kshs.45,678,818 which were not supported. In addition, the management did not provide a debtor's policy and aging analysis. In the circumstances, the accuracy and completeness of receivables from exchange transactions of Kshs.114,462,848 could not be confirmed.			
17.5 Unsupported Trade and Other Payables from Exchange Transactions	As disclosed in Note 17 to the financial statements, the statement of financial position reflects trade and other payables from exchange transactions of Kshs.11,911,051. However, the list of creditors provided supported payables totalling to Kshs.18,143,399 resulting to an unexplained variance of Kshs.6,232,348. Further, procurement records to support the creditors bills of Kshs.11,911,734 were not provided. In the circumstances, the validity, accuracy, and completeness of trade and other payables balance of Kshs.11,911,051 could not be confirmed.	The correct list amounting to Kshs. 11,911,051 has been availed with details as date of supply and invoice numbers included	Resolved	
17.6 Unsupported Refundable Customer Deposits	As disclosed in Note 18 to the financial statements, the statement of financial position reflects refundable deposits from customers of Kshs.12,181,030. However, customer deposits amounting to Kshs.7,880,616 were not	A detailed Customer deposits schedule has been availed for audit	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	supported by detailed schedules. Further, the Management did not maintain a separate bank account for the customers deposits. In the circumstances, the accuracy, completeness and existence of the customers deposits of Kshs.12,181,030 could not be confirmed.			
17.7 **Unsupported Inventories**	As disclosed in Note 15 to the financial statements, the statement of financial position reflects inventories balance of Kshs.800,500. The institutions summary of accounting policies on inventories indicates that inventories are measured at lower of cost and net realizable value. However, the costs and the net realizable values have not been provided. In addition, a stock take report as at 30 June, 2020 was not provided. Consequently, the accuracy and completeness of inventories balance of Kshs.800,500 could not be confirmed.	Inventories are measured at the lower of cost and net realizable value .The NRV was higher than the cost hence, the inventory was valued at cost. The NRV is based on market values less cost of sale as per the market survey we carried out.Stock take report have been provided.	Resolved	
17.8 **Unsupported Rental Revenue from Facilities and Equipment**	As disclosed in Note 4 to the financial statements, the statement of financial performance reflects rental revenue from facilities and equipment balance of Kshs.938,481. However, lease agreements were not provided. Consequently, the validity and occurrence of rental revenue of Kshs.938,481 could not be confirmed.	Rental agreements have been availed for audit	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
17.9.Teachers Allowances Charged to Training Expenses	As disclosed in Note 6 to the financial statements, the statement of financial performance reflects an amount of Kshs.192,244,549 in respect of use of goods and services. Included in this balance is an amount of Kshs.43,471,328 relating to training expenses. Included in the training expenses are allowances paid to teachers amounting to Kshs.14,418,786 which should form part of personnel emoluments. Further, the payments were not supported and not budgeted for.	The proper reclassification has been made on the amended financial statements	Resolved	
17.10 Lack of Approved budget	The statement of comparison of budget and actual amounts for year ended 2020 reflects income of Kshs.342,920,820 and total payments of Kshs.336,879,208 for the	2019/2020 Annual budget were approved by the BOG and submitted to the national treasury	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	year ended 30 June, 2019. However, the management did not provide the approved budget contrary to paragraph 22 of the Second schedule of the Technical and Vocational Education and Training Act, 2013 which stipulates that Board of Governors may incur expenditure for the purpose of the institution in accordance with the estimates approved by the Cabinet Secretary, and any approved expenditure under any head of the estimates may not be exceeded without the prior approval of the Cabinet Secretary. The Management of the Institute is in breach of the law and the validity of the payments amounting to Kshs.336,879,208 could not be confirmed.	and the line ministry		
17.11 Staff establishment	A review of the staff establishment provided indicated that the institute has an approved staff establishment that excluded positions currently held by one hundred and thirty one (131) staff deployed by Public Service Commission. As a result, the staff establishment do not show the optimal staffing levels of the Institute. In the absence of approved staff establishment, the Institution may not be able	There is an established staff establishment	On process	6 months

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	to determine the optimum size of personnel establishment to discharge services to the stakeholders of the institute. The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.			
17.12 Risk management policy	The Institute lacks a risk management policy, risk management strategies and a system of risk management to enable them develop appropriate risk strategies in order to improve on effective and efficient management of public resources. This is contrary to the requirements of the Treasury Circular No. 3/2009 of 23 February, 2009 which provides for a broad policy framework for developing and implementing customized risk management strategies in public institutions. Further, the circular	The management has put in place risk management committee	On process	6 months

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	required all heads of Public Institutions to develop and implement a Risk Management Framework as a fundamental step towards establishing an accountable and innovative public service. The circular requires that all Public Institutions develop an institutional Risk Management Policy Framework (IRMPF). The circular also requires accounting officers to put in place structures and systems to manage their identified risks, considering their legal obligations, policy decisions, business objectives and public sector expectations. Failure to develop a risk management policy exposes the Institute and in the event of a risk, there may not be strategies to counter that risk.			
17.13 Lack of information communication technology policy	A review of ICT Internal Control Environment during the year revealed that the Institute did not have an ICT strategic plan and steering committee which could provide guidance to IT-related decision-making processes, with IT task prioritized and implemented using the plan as a framework. The Institute did not produce the minutes of the strategic committee meetings. In addition, the management has no back-up data stored in an off-site location and therefore in case of any interruptions	The management has put in place appropriate actions to mitigate on ICT	On process	7 months

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	the Institute might not recover vital data. This may affect the business-continuity and recovery plan. No reasons or explanation has been provided for failure to have an IT Strategic plan and back-up data in an off-site location. In the circumstances, there is the risk of the operations coming to a complete shut down in the event of a disaster.			

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report;

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Accounting Officer

Name Isaac Bwambok

(Principal)

Signature.............................

Date. 28/6/2022

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1.Vitual learning centre		State department for Technical education		FULLY	NO	YES

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Virtual learning centre	68,029,746	53,860,247	100%	68,029,746	53,860,247	MINISTRY/AIA

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:	RVTTI		
	Break down of Transfers from the State Department of Vocational and Technical Training			
	FY 2020/2021			
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		09/11/2020	31,680,000	2020/2021
		30/03/2021	38,055,000	2020/2021
		30/06/2021	42,390,000	2020/2021
		Total	**112,125,000**	
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			0	
			0	
			0	
		Total	0	
c.	Direct Payments			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			0	
			0	
			0	
		Total	0	
d.	Donor Receipts			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			0	
			0	
			0	
		Total	0	

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

Finance Manager
RVTTI entity

Sign ---------------

Head of Accounting Unit
Ministry

Sign-------------

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received			Where Recorded/recognized					
	as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
Ministry of Education	09/11/2020	Recurrent	31,680,000	31,680,000	-	-	-	-	31,680,000
Ministry of Education	30/03/2021	Recurrent	38,865,000	38,865,000	-	-	-	-	38,865,000
Ministry of Education	30/06/2021	Recurrent	42,390,000	42,390,000					42,390,000
USAID	-	Donor Fund	-	-	-	-	-	-	-
Ministry of Education	-	Direct Payment	-	-	-	-	-	-	-
			-	-	-	-	-	-	-
Total			**112,125,000**	**112,125,000**	-	-	-	-	**112,125,000**