REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NYANDARUA INSTITUTE OF SCIENCE AND TECHNOLOGY

FOR THE YEAR ENDED 30 JUNE, 2019

NYANDARUA INSTITUTE OF SCIENCE AND TECHNOLOGY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE

FINANCIAL YEAR ENDING JUNE 30, 2019

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) BACKGROUND INFORMATION

The Nyandarua Institute of Science and Technology is established by and derives its authority and accountability from TVET Act 2013. The Institute is wholly owned by the Government of Kenya and is domiciled in Kenya. The Institute's principal activity is Education and Training.

The idea of establishing Nyandarua Institute of Science and Technology (NIST) was to create an institution that could meet the educational and development needs of the Nyandarua Community which was mooted in early 80's by the people of Nyandarua who contributed Kshs five (5) million and construction started in 1996. Among the main contributors in the initial effort were parents of children in schools in then Nyandarua District.

In the year 2005 Constituency Development Fund (CDF) from four constituencies came in and contributed Kshs ten (10) million which was used to complete the first classes and administration block. In March 2006 the first batch of 25 students were admitted and since then the student population has grown steadily up to 1925 students.

NIST is now a recognized public Technical Training Institute that is mandated to offer Technical, Industrial, Vocational and Entrepreneurship Training as spelt out in the Education Act and Science and Technology Act. The long term Vision at its inception was to develop a strong technological institution to play a leading role in the development of the immerse resources and potential of Nyandarua region and in so doing contribute to National Development.

The institute prides itself in having attained the ISO 9001:2015 certification. The road to certification has given us the impetus to develop home grown quality objectives to improve service to our customers. Through the achievement of these objectives, we continuously make tremendous progress in contributing to the realization of our strategic plan and the Kenya Vision 2030. The Institute is also in Performance Contracting.

In addition to providing academic and technical skills, we seek to develop in our students creativity and innovativeness that enables them to integrate successfully in all areas of management in the public and private sectors.

Thus, it is envisaged that NIST should in due course operate as a TVET of learning. The Members of parliament, and other leaders in the region, have consistently supported the development of the institute.

Location

NIST is built on a 100 acre land donated by KARI and located some 7 kilometres from Nyahururu town along the Nyahururu-Gilgil road in a quiet environment conducive for learning.

Vision: A centre of excellence in science driven, applied research and innovations for enhanced livelihood of humanity.

Mission: To provide globally competitive Technical and Vocational and Education and Training (TVET) in specialized skills and competences for sustainable development of Kenya and beyond.

(b) Principal Activities

The core mandate and functions of Nyandarua Institute are as outlined in the Strategic Plan as follows:

1. Participating in national curriculum development and curriculum renewal of competence-based programs of study leading to artisan, craft and diploma certification.
2. Pre-employment Training and upgrading of workers for improving quality of outcomes and productivity
3. Preparing trainees to participate in effective application of knowledge and skills into all spheres of life
4. Promoting the concept of human resources development in Kenya through collaborations with relevant institutions, organizations and industries.
5. Undertake directly or in collaboration with other institutions research and innovation in appropriate science and technology
6. Play an effective role in the development of science and technology in conjunction with the industry.

(c) Key Management

The day-to-day management of the Institute was under the following key positions:

- The Principal
- The Deputy Principal
- The Registrar
- The Dean of Students
- The Industrial Liaison Officer
- The Guidance and Counseling Officer
- The Academic Heads of departments

(d) Fiduciary Management

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

No.	Designation	Name
1.	The Principal	**Hassan Muhammad**
2.	Finance Officer	**Monica Ndirangu**
3.	Procurement Officer	**Stanley Ndung'u**

(e) Oversight Arrangements

The oversight organs that held office during the financial year ended 30th June 2019 were:

Name of the Committee	Members
Executive sub-committee	1. Prof E. G Wagaiyu 2. CD, TVET 3. Eng Paul Gitiche 4. Joel Sigilai 5. Hassan Muhammad
Finance and development sub-committee	1. Joel Sigilai 2. Peter Tonui 3. Susan Ngigi 4. Simon Munyoike 5. CD,TVET 6. Hassan Muhammad
Academic/Marketing sub-committee	1. Eng. Paul Gitiche 2. Joseph Njoroge 3. Cossigah Mokua 4. CD,TVET 5. Hassan Muhammad
Audit and Risk sub-committee	1. Susan Ngigi. 2. Peter Tonui. 3. Simon Munyoike.

(f) Head-Quarters

Nyandarua Institute of Science and Technology

Nyahururu town

P.O. Box 2033- 20300
Nyahururu

(g) Contacts

Telephone: 0727256001 / 0732335757
E-mail: nyandaruainstitute2006@gmail.com, info@nyandaruainstitute.ac.ke
Website: www.nyandaruainstitute.ac.ke

(h) Bankers

1. Equity bank
   P.O Box 75104-00200
   Nairobi.

2. Co-operative Bank
   P.O. Box 48231 - 00100,
   Nairobi.

(i) Independent Auditors

Auditor General

Office of Auditor General

Anniversary Towers, Institute Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

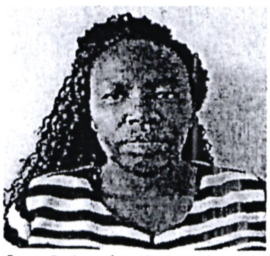
THE BOARD OF GOVERNORS

NAMES	POSITION	QUALIFICATIONS
 1. Prof E.G Wagaiyu	Chairman BOG	She was born in 1958 and holds PhD in Periodontology from University of Nairobi, Holds masters of Science in Periodontology from University of London, united Medical and Dental schools, Guys Hospital U.K, Bachelor of Dental Surgery from University of Nairobi. She is an Ass. Professor (Consultant). Chairman BOG, Chairman Executive sub-committee
 2. Hassan Muhammad	Principal/Secretary BOG	He was born in 1968 and holds degree in Economics, Masters in management. He is the Principal. Secretary to the BOG and all sub-committee
 3. Bonface Milai	Regional Director of Education TVET	Born in 1961 and holds Masters Degree in Business Administration from JKUAT, Higher Diploma in Electrical engineering, Diploma in Technical Education, Certificate in Management and Administration. Ex-Officio Member of The Board of Governors representing the Principal Secretary-TVET.
 4. Joel Sigilai	BOG Member	He was born in 1973 and holds Bachelor of Laws Degree from University of Nairobi. He is an advocate of the High Court of Kenya. Chairman Finance/Development sub-committee, Member of Executive sub-Committee
 5. Cossigah Mokua	BOG Member	He was born in 1984 and holds Bachelor of Business Management Degree –Business Information systems from Moi University. He is a CEO in computer supplies. Member of Academic Sub-Committee

NAMES	POSITION	QUALIFICATIONS
 6. Joseph Njoroge	BOG Member	He was born on 1973 and holds Master of Education concentration Degree (curriculum and instruction) from Egerton University, Bachelor of Education Arts Degree, from Egerton University, Higher Diploma in Human Resource Management from RVIST. He is the Director in the department of education, Culture & social services – County Government of Nyandarua. Member of Academic/ Marketing sub-Committee
 7. Susan Kabura	BOG Member	She was born in 1985 and holds Masters of Arts in Economics (AERC collaborative Master's for Anglophone Africa from university of Nairobi, Bachelor of Arts Economics and Sociology from University of Nairobi. She is workforce planning Analyst at Safaricom Ltd Member of Finance/Development sub-Committee and Chairman Audit & Risk sub-committee
 8. Eng. Paul Gitiche	BOG Member	He was born in 1974 and holds Masters of Business Administration Degree from Strathmore University, Bachelor of Science in Electrical & Electronics Engineering from University of Nairobi, Pan African EMBA Module from Navara University. He is a computer engineer and CEO TESCOM group. Member of Executive Sub-Committee and Chairman Academic sub-committee.
 9. Simon Munyoike	BOG Member	He was born in 1976 and holds Masters of Business Administration (Strategic Management) from Kenya Methodist University, Bachelors of Business Management from Kenya Methodist University, diploma in Business Management from University of Nairobi. He is senior Branch Manager Equity Bank Member of Finance/Development sub-Committee and Audit & Risk sub-committee
 10. Peter Kipkirui Tonui	BOG Member	He was born in 1964 and holds Masters in Business Administration (strategic Option) from JKUAT, Bachelor of Science from University of Nairobi. He is a consultant in Network development and implementation Member of Finance.Developemnt sub-Committee and Audit & Risk sub-committee

MANAGEMENT TEAM

NAME	AREA OF RESPONSIBILITY
 Hassan Muhammad	Principal Overall In-charge of all activities in the TVET Holds MBA in Management, Bed Arts.
 Mrs Agnes Gachenge	Deputy Principal – Administration In-charge of administration affairs Holds MED in Guidance and Counselling, Bed Arts.
 Mr. Jacob Mwangi	Deputy Principal – Academic In charge of academic affairs and curriculum implementation Holds MED Educational Administration, BED science, Diploma Education management.
 Mr. James Wanjohi	The Registrar In-charge of the Registry Holds Msc Chemistry, Bsc Maths/science.
	Dean of Students In-charge of student affairs Holds Bsc in Electrical/Electronics Engineering, Diploma in Technical education.

NAME	AREA OF RESPONSIBILITY
Mr. Elikana Waithanji	
 Mrs. Monicah Ndirangu	Finance Officer In-charge of finance department Holds Bachelor of Commerce (Accounting Option), CPAk, and member of ICPAK.
 Mr. Stanley Ndung'u	Procurement Officer In-charge of procurement department Holds Diploma in Supply Chain Management, Member of KISM and licensed.

CHAIRMAN'S STATEMENT

It gives me great pleasure to present the Nyandarua Institute of Science and Technology (NIST) annual report and financial statements for the year ended 30th June 2019.

I acknowledge the NIST commitment to producing well equipped graduates in Technical and Vocational Education and Training (TVET). NIST is keen in ensuring that TVET programmes pursued, will enable the trainees acquire the necessary skills, knowledge, experience and confidence to be exemplary leaders in their professions and to be role models in their communities and become responsible citizens wherever in the world their careers might take them.

Technical, Vocational, Education and Training (TVET) provides knowledge, skills and attitudes that have become a key driver of growth and development globally. Production of knowledge intensive, technologically sophisticated, higher value goods and services is not possible without a trained management cadre and labour force with the appropriate mix of technical and vocational skills. In view of this, it is imperative to ensure that there exist enabling and friendly environment that will enhance delivery of quality TVET programmes for sustainable development of Kenya and beyond. To this end, I am delighted to note that this has been achieved.

The BOG is mandated to mobilize resources and utilize them effectively and efficiently to promote technical and vocational training. This mandate is enshrined in our Strategic Plan 2016-2021. In addition, the institute reviewed her Strategic Plan in order to align it with the "Big Four" agenda and the MTP III.

The BOG is committed to embracing best practices in the industry and has facilitated various benchmarking exercises as we prepare to launch CBET programs that are skill oriented and more relevant to the industry. To this end, the institute has entered into collaboration agreements with the industry players in an effort to align our programmes with the needs of the industry.

The BOG is pleased with the efforts the Institute Management has continued to undertake to enhance the quality and relevance of Academic programmes offered by the Institute and its commitment to continue to sustain quality standards as evidenced by the transition to ISO 9001: 2015 during the year.

I wish to thank the Government of Kenya and other stakeholders for their continued financial support. However the Institute's student population has grown tremendously in the recent past due to collaborations with the NYS, KUCCPS and other stakeholders thus exerting pressure on our existing resources and facilities. To this end we continue to appeal for support for the projects in our strategic plan such as a modern automotive garage, classrooms, science laboratory, student hostels among others to enable the Institute achieve its core mandate in the provision of quality teaching and research and collaborations.

Finally, I thank all our partners, collaborating institutions, staff and students for their continued support and dedication and urge that we strive to achieve greater heights of excellence in the coming years.

Prof. E.G. Wagaiyu
BOARD CHAIRMAN

REPORT OF THE PRINCIPAL

Am pleased to present the annual report and financial statements for Nyandarua institute of Science and Technology for the year ended 30th June 2019. This year has been a year with new challenges but also many other opportunities to improve and move forward. The staff and the management have risen to the challenges with a great deal of resilience and determination.

It is important to note that there was a remarkable improvement in enrolment in all courses. This is an indication that the institute has continued to improve its competitiveness in TVET. New courses in agricultural engineering and food and beverage were also introduced. The year saw the institute take great strides towards the implementation of new CBET curriculum by training our trainers in collaboration with CDACC. This will however require investment in terms of staff, equipment and other infrastructure.

During the year under review, the institute also mentored and oversaw the completion of Kinangop TVC and completed the shed for agricultural equipment and a general store which is at its last stages of completion. The institute also held a successful graduation ceremony where more than 400 graduates were released into world of work. Despite these successes, we have faced numerous challenges of mobilizing adequate funds to build hostels and developing new infrastructure to cater for the increase in population and also match the industry trends to ensure relevance in training.

We are proud of our trainers and trainees who participated in the regional and robotics trade fairs and innovations contest and scooped awards in chain link making technology and robotics. We are optimistic that the innovations can be incubated and converted into commercial ventures in the near future.

Towards the realisation of the big four agenda, during the year under review NIST commenced increasing the land under cultivation to at least 15 acres from 4 acres currently. This will be a contribution to food security. We have also signed MOUs with the industry on value addition in potato production. The institute also commenced the production of concrete fencing posts which will eventually be sold at subsidised prices.

The challenge is also compounded by the heavy financial burden incurred by the institution as remuneration for trainers hired under BOG terms as the TSC and later PSC has not been able to provide adequate human resource to enable the institute deliver her mandate. It is our hope that the bodies concerned with the hiring the TVET trainers will expedite the process to relieve the institute of the burden and therefore channel the resources to other pressing issues.

We would like in a special way to thank the Government of Kenya for the renewed commitment to TVET and recognising technical training as a vehicle for achieving the vision 2030. The funding of

trainees through capitation and provision of loans and bursaries by HELB is greatly appreciated as is the provision of training equipment and machinery.
We also thank the Ministry of Education, the directorate of vocational and technical training, ADB and our development partners for supporting NIST in its efforts to deliver quality and market driven programmes. We remain committed to quality training and declare our resolve to continue addressing the opportunities and challenges that come our way more so, in playing our role in the realization of the Big Four Agenda.

We also greatly appreciate the BOG, staff, students and all stakeholders who have contributed greatly in their own way to make the 'beacon of development'

Report prepared and signed by:

Muhammad Hassan
PRINCIPAL

CORPORATE GOVERNANCE STATEMENT

The corporate governance structure ensures that we act with high standards of corporate behaviour and in the best interest of our stakeholders. The BOG has the authority to perform the functions and determine the policies that control the TVET's activities.

The BOG is responsible for our overall corporate governance and approves strategic directions and budgets. On the other hand, the management ensures that all statutory requirements are complied with, internal control systems are in place and operate effectively; in addition to ensuring that BOG decisions are fully implemented.

The BOG comprises 9 members appointed by the Cabinet Secretary for Education. The Principal sits in the BOG as a full time member and as a secretary to the BOG.

The members are appointed for a term of three years and are eligible for re- appointment for another final term of three years.

The members have broad range of professions, skills and experience.

The BOG has four committees namely; Finance and Development, Executive sub- Committee, Academic and Marketing and Audit and Risk.

The BOG, in consultation with management, develops strategic direction for the annual and long-term period.

The BOG also prepares for the Annual General Meeting and determines the agenda in which annual audited accounts are presented.

At its regular meetings, the BOG considerations include:

- Quarterly Financial Statements
- Annual Financial Statements

The BOG held induction and corporate governance training for all the members during the year under review.

Composition of the BOG

The BOG is chaired by Prof. Evelyn Wagaiyu who also the Chair of the Executive. She chairs the BOG meetings providing direction during BOG meetings.

The committees of the BOG are as shown below:

Executive committee

1. Prof E. G Wagaiyu
2. CD, TVET
3. Eng Paul Gitiche
4. Joel Sigilai
5. Hassan Muhammad

Academic and marketing Committee

1. Eng. Paul Gitiche
2. Joseph Njoroge
3. Cossigah Mokua
4. CD,TVET
5. Hassan Muhammad

Finance and development Committee

1. Joel Sigilai
2. Peter Tonui
3. Susan Ngigi
4. Simon Munyoike
5. CD,TVET
6. Hassan Muhammad

Audit and Risk Management Committee

1. Susan Ngigi
2. Peter Tonui
3. Simon Munyoike

II. MANAGEMENT DISCUSSION AND ANALYSIS

Compliance with statutory requirements

The Institute did not have any compliance issues relating to its statutory requirements.

Key projects and Investment Decisions

The Institute implemented a number of development and improvement projects funded by Development Fees Levy. As at the end of this Financial Year, the total expenditure incurred was **Kshs 10,291,086.90** which was within the estimated expenditure voted for the year. The projects were completed within schedule as planned.

Major Risks

The Institute does not foresee any major risks in its financial operations. The Board of Governors has been able to mitigate risk especially in the key areas of Operation, Credit, Liquidity and Capital to minimal levels. The BOG has put in place strong financial management policies and these have been customised by the management into equally strong internal controls that give assurance on the propriety of the institution's systems of control. This position is supported greatly by the significant investment in strong internal controls that safeguard the Institute's assets and liabilities. The Institute's credit risk is mitigated and protected by holding deposits in state approved and reputable banking institutions namely, Equity and Cooperative Bank. The Institute holds high quality fees debts that are continuously being monitored with a major portion being Receivables underwritten by GOK institutions - NYS and HELB. The Institute's capital risk was minimal since at the end of this year the Institute had no external borrowing. The same applies to liquidity risk where the total Current Liabilities at **Kshs. 21,393,645** was only 20.8 % of Current Assets holding which was standing at **Kshs. 102,958,521**

Material arrears in Statutory/Financial Obligations

The Institute complied with all laws and key regulation that relate to its statutory obligations under the NSSF, NHIF, INCOME TAX and LABOUR Laws of Kenya. The Institute has also complied with PFM laws that relate to Public Procurement and Asset Disposal, Annual Estimates and Financial Reporting.

Governance

The Board of Governors notes that the institute has complied with all Financial and Governance Polices and Laws as stipulated by the Constitution of Kenya, 2010. Provisions of chapter 12 on Principles of Public Finance have been followed both in letter and spirit on all the financial management decisions of the institute. The management has also complied with the Provisions of Chapter 6 of the Constitution in defining its Governance Structures as well as the Provisions of the Public Procurement and Asset Disposal Act, 2015 that preclude any instances of conflict of interest.

CORPORATE SOCIAL RESPONSIBILITY POLICY

NIST recognizes the need for corporate social responsibility (CSR) and engages in various activities. In the year under review, we engaged in a community health services where we had screening for various ailments e.g. HIV, Prostate Cancer, Cervical Cancer, Breast Cancer, Hypertension etc. We also attended public forums and visited secondary schools to offer career guidance.

Human Resource

NIST recognizes that health, safety and training, play a key in ensuring our employees commitment to responsibility in the workplace and a working environment in which personal and employment rights are upheld. Effective policies and procedures are aligned with the Institute's needs and the promotion of good communication processes, to assist timely and consistent delivery of relevant information to employees.

We provide equal opportunity for all employees and job applicants. We have in place policies covering issues such as performance management, training and family friendly policies e.g. compassionate leave, paternity leave among others.

Stakeholders

NIST actively encourages open communication with stakeholders. Principally through the BOG, NIST endeavours to establish and maintain healthy relationships with its institutional stakeholders by holding regular consultations on issues requiring stakeholder participation as enshrined in the Constitution of Kenya 2010.

Board of Governors

The members of the Board /Council who served during the year are shown on pages 6 and 7 above. During the year no Governor retired/ resigned and hence no new appointments were made during the year.

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 for the year/period ended June 30, 2019 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

III. STATEMENT OF THE BOARD OF GOVERNORS RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the TVET Act 2013, require the BOG to prepare financial statements in respect of Nyandarua institute of science and technology, which give 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 BOG is also required to ensure that the institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the institute. The BOG is also responsible for safeguarding the assets of the institute.

The BOG is responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the institute for and as at the end of the financial year ended on June 30th, 2019. This responsibility includes:

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

The BOG 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 . The BOG is of the opinion that the institute financial statements give a true and fair view of the state of the institute transactions during the financial year ended June 30th, 2019, and of the TVET financial position as at that date. The BOG further confirm the completeness of the accounting records maintained by the TVET, 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 BOG to indicate that the institute will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Institute's Financial Statements were approved by the BOG on 25/06/2020 and signed on its behalf by:

Chairman BOG

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

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NYANDARUA INSTITUTE OF SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Nyandarua Institute of Science and Technology set out on pages 1 to 31 which comprise the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in equity, statement of cash flows and the 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Errors in the Annual Reports and the Financial Statements

The annual reports and the financial statements prepared and presented for audit had the following errors:

1.1. Management discussion and analysis section of the report reflects expenditure of Kshs.10,291,086 instead of Kshs.12,839,294 as disclosed under Note 10 to financial statements;

1.2. The statement of financial position makes reference to "quarterly" financial statements set out on pages 1 to 5 which were signed on behalf of Board of Directors instead of Board of Governors.

1.3. Summary of significant accounting policies under taxes paragraph does not indicate the schedule number and the relevant Act;

1.4. Note 32 on cash generated from operations omits comparative figures for financial year 2017/2018.

1.5. Appendix III on Inter Entity Transfers at page 32 should have been referenced as appendix I; and

1.6. There is no disclosure of depreciation and amortization policy under significant accounting policies despite Note 17 to the financial statements disclosing depreciation for various categories of the Institute's property, plant and equipment.

This is contrary to the format prescribed by the Public Sector Accounting Standards Board (PSASB) in accordance with Section 194(1)(d) of the Public Finance Management Act, 2012.

Consequently, the financial statements for the year ended 30 June, 2019 as prepared and presented are not IPSAS compliant.

2. Inaccuracies in the Financial Statements

2.1. Variances Between Financial Statements and Ledgers

The following variances were noted between reported financial statements figures and the supporting ledgers as detailed below;

Component	Financial Statements (Kshs.)	Ledger Balance (Kshs.)	Variance (Kshs.)
General Expenses	95,890,946.00	87,386,188.00	8,504,758.00
Receivable from Exchange Transactions	94,380,281.00	39,809,326.55	54,570,954.45
Property, Plant and Equipment	346,939,536.00	346,556,608.00	382,928.00

2.2. Unsupported Balances

The financial statements reflected balances that were not supported by way of ledgers and detailed schedules as shown below:-

Component	Amount (Kshs.)
Rendering Services	153,306,838
Other Income - Farm Income	1,403,337
Refundable Deposits from Customers	1,527,892
Deferred Income	5,564,753
Total	**161,802,820**

In the circumstances, the accuracy and completeness of the financial statements as prepared and presented for the year ended 30 June, 2019 could not be confirmed.

3. Property Plant and Equipment

The statement of financial position reflects Property, Plant and Equipment balance of Kshs.346,639,536 and as disclosed under Note 17 to the financial statements.

However, the following unsatisfactory matters were noted: -

3.1. Land Ownership

Included in the balance is land value of Kshs.200,000,000 whose ownership and valuation could not be established as the title deed and valuation report were not provided for audit review.

3.2. Buildings

Buildings balance of Kshs.123,306,549 were unsupported by way of valuation reports or engineers' certificates of completion.

3.3. Machinery-Donated Farm Machines

The following farm machinery; three (3) tractors 40HP, 80HP and 120HP donated to the Institute lacked the following documents; proof of delivery, committee inspection and acceptance reports, registration numbers and proof of insurance for the year.

In the circumstances, the validity, accuracy and fair statement of the reported property, plant and equipment balance of Kshs.346,639,536 at 30 June, 2019 could not be confirmed.

4. Transfer from Other Government Entities - Government Grants

The statement of financial performance reflects GoK recurrent grants of Kshs.5,956,660;(2018-Kshs.24,000,000) and as disclosed under Note 6 to the financial statements. However, confirmations from the grantor, the State Department for Vocational and Technical Training reflects disbursement of Kshs.8,570,155 resulting to an unexplained variance of Kshs.2,813,605.

In the circumstances, the accuracy and completeness of the GoK recurrent grants of Kshs.5,956,660 for the year ended 30 June, 2019 could not be confirmed.

5. Inter- Entity Transfers

Appendix III – Inter-entity transfers discloses capital/development grants of Kshs.4,273,625. However, the amount has not been incorporated in the statement of changes in net assets for the year.

In the circumstances, the accuracy and fair statement of the statement of capital development grant balance of nil as at 30 June, 2019 could not be confirmed.

6. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final total income budget and actual on comparable basis of Kshs.121,997,173 and Kshs.160,350,435 respectively resulting to over collection of Kshs.38,353,262 or 31.4% of the budget. The favorable performance is attributed to over collections from rendering of services-fees from students by Kshs.61,508,665 against the budget of Kshs.91,798,173. Although management has explained the significant change to be due fees to student enrolment beyond the expected number, this is indicative of weaknesses in the budgeting process.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

Gaps in Human Resources Management

The following unsatisfactory matters were observed in respect to management of human resources: -

i. The staff establishment records were not provided for audit review, contrary to Section 5.3. of the Institute's Strategic Plan 2016-2021;

ii. There was no evidence of an established human resource department contrary to Section 6 of its Strategic Plan 2016-2021;

iii. The Job groups/grades in the payroll were inconsistent with those in the salary structure.;

iv. There was no evidence of provisions for promotion for some of the staff cadres including; cooks, drivers, clerical personnel, customer care personnel, office assistants, accountants, human resource and administration personnel, nurses/clinical officers, library personnel and technicians;

v. Eleven (11) trainers on contract were appointed for three (3) to four (4) months period contrary to the Institute's Human Resource Manual 2016 under Section 3.4.2 which states that such appointments shall be for a period not less than 6 months;

vi. There was no evidence that the staff had annual leave nor leave allowance contrary to laid down regulations on annual leave in the Institute's Human Resource Manual 2016.

To the extend, the Institute is in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND OVERALL GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion and Conclusion of Internal Controls, Risk Management and Governance sections of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

1. Risk Management Policy

The Institute does not have a risk management strategy in place which encompasses the approved processes and guidelines on how to mitigate operational, legal and financial risks. This is contrary to Treasury Circular No. 3/2009 of 23 February, 2009 which requires accounting officers to develop risk management strategies, which include fraud prevention mechanism and internal control that builds robust business operations.

In the circumstances, I am unable to confirm readiness of the management to mitigate unforeseen risks.

2. Internal Audit Function and Committee

There is no evidence to confirm that the Institute had a functional internal audit function and committee in place. Consequently, I am unable to confirm the management's effectiveness in risk management, internal control and overall governance processes.

3. IT Strategic Plan

The Institute does not have an IT strategic plan in place to guide its IT related decision making processes, as well as business continuity and disaster recovery plans.

Consequently, the likelihood of immediate recovery in the event of disaster could not be confirmed.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and 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 going concern basis of accounting unless Management is aware of the intention to liquidate 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 financial reporting process, reviewing the effectiveness of how the Institute 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

My responsibility is to conduct an audit of the Nyandarua Institute of Science and Technology statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the Nyandarua Institute of Science and Technology 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.

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 March, 2022

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

	Note	2018-2019 Kshs	Actual Audited Prior year (2017-2018) Kshs
Revenue From Non-Exchange Transactions			
GOK Recurrent Grants	6	5,956,550	24,000,000
Total Revenue From Non-Exchange Transactions		**5,956,550**	**24,000,000**
Revenue from exchange transactions			
Rendering of services	7	153,306,838	66,815,072
Rental revenue from facilities and equipment	8	1,087,047	658,000
Other Income	9	1,403,337	1,010,525
Total Revenue From Exchange Transactions		**155,797,221**	**68,483,597**
Total Revenue		**161,753,771**	**92,483,597**
Expenses:			
General expenses	10	95,890,946	63,801,942
Employee costs	11	17,325,365	8,206,990
Depreciation and amortization expense	12	8,459,310	8,121,814
Repairs and maintenance	13	1,251,462	1,203,771
Rental Expenses	14	-	514,035
Total Expenses		**122,927,083**	**81,848,551**
Surplus for the Period		38,826,688	10,635,046

V. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

Assets	Note	2018-2019 Kshs.	Actual Audited Prior year (2017-2018) Kshs.
Current Assets			
Cash and cash equivalents	15	8,578,240	46,340,245
Receivables from exchange transactions	16	94,380,281	1,019,513
Total Current Assets		102,958,521	47,359,758
Non-Current Assets:			
Property ,plant and equipment	17	346,939,536	345,168,067
Total Non-Current Assets		346,939,536	345,168,067
Total Assets		**449,898,057**	**392,527,825**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	18	14,300,999	1,624,750
Refundable deposits from customers	19	1,527,893	1,225,350
Deferred income	20	5,564,753	-
Total Current Liabilities		21,393,645	2,850,100
Total Liabilities		21,393,645	2,850,100
Net Assets		428,504,412	389,677,725
Accumulated surplus		428,504,413	389,677,725
Total Net Assets		428,504,412	389,677,725

The Quarterly Financial Statements set out on pages **1** to **5** were signed on behalf of the Board of Directors by:

.... Date 25/06/2020
Chairman Board of Governors

.... Date 25/6/2020
. Principal

.... Date 25/6/20
Finance Officer
ICPAK No.20670

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

	Revaluation reserve Kshs.	Fair value adjustment reserve Kshs.	Retained earnings Kshs.	Capital / Development Grants/Fund Kshs.	Total (Kshs.)
Balance b/f. at July 1, 2018	-	-	389,677,725	-	389,677,725
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	**38,826,688**	-	**38,826,688**
Capital/Development grants received during the year	-	-	-	-	-
Transfer of depreciation/ amortisation from capital fund to retained earnings	-	-	-	-	-
Balance c/d. as at June 30, 2019	-	-	**428,504,413**	-	**428,504,413**

VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

Cash flows from operating activities	Note	2018/2019 Kshs.	Actual Audited Prior Year 2017/2018 Kshs.
Receipts			
Government Grants and Subsidies	21	10,230,175	54,635,913
Rendering of services	22	59,465,109	66,815,072
Rental Revenue from Facilities and Equipment	23	1,087,047	658,000
Other Revenue	24	9,539,751	18,875,098
Total Cash flows from operating activities		**80,322,082**	**140,984,083**
Payments			
Employee Costs	25	17,325,365	8,206,990
General Expenses	26	81,589,947	46,921,174
Repair and Maintenance Expenses	27	1,251,462	1,203,771
Rent paid	28	0	514,035
Grant Expenses	29	3,273,625	31,037,226
Other payments	30	4,412,908	19,113,126
Total Payments		**107,853,307**	**106,996,321**
Net cash flows from operating activities		**(27,531,225)**	**33,987,762**
Cash flows from Investing activities			
Acquisition of Property, Plant and Equipment	31	(10,230,779)	(15,256,018)
Net Cash flows from Investing activities		**(10,230,779)**	**(15,256,018)**
Net increase/(decrease) in cash and cash equivalents		(37,762,004)	18,731,744
Cash and cash equivalents at the beginning of the Year	15	46,340,244	27,608,500
Cash and cash equivalents at end of the Year	15	**8,578,240**	**46,340,244**

VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Revenue	Original Budget 2018-2019 Kshs	Adjustments 2018-2019 Kshs	Final Budget 2018-2019 Kshs	Actual on Comparable Basis 2018-2019 Kshs	Performance Difference 2018-2019 Kshs	Variance %	Notes
Transfers from other Govt. entities Govt. grants	30,000,000	-	30,000,000	5,956,550	(24,043,450)	(80)	i.
Rendering of services - Fees from students	81,816,150	9,982,023	91,798,173	153,306,838	61,508,665	67	ii.
Rental Income	199,000	-	199,000	1,087,047	888,047	446	iii.
Total income	**112,015,150**	**9,982,023**	**121,997,173**	**160,350,435**	**38,353,262**		
Expenses:							
Compensation of employees	14,003,528	-	14,003,528	17,325,365	(3,321,837)	(24)	iv.
General expenses	77,230,202	9,982,023	87,212,225	95,890,946	(8,678,721)	(10)	v.
Repair and Maintenance Expenses	2,112,800	-	2,112,800	1,251,462	861,338	69	vi.
Total expenditure	**93,346,530**	**9,982,023**	**103,328,553**	**114,467,773**	**(11,139,220)**		
Surplus for the period	18,668,620	-	18,668,620	45,882,662	49,492,482		

Note: The Year's budget was revised because of the realized enrolment that went beyond expectation; budgeted enrolment was 1200 students while actual was 1779 students.

Explanations:

i) Incomplete remittance of GOK grants

ii) Increased enrolment beyond expected number

iii) More Frequent orders for facility use

iv) Increased use of casual and non-permanent staff due to increased enrolment

v) Increased spending due to increased enrolment

vi) Austerity measures on General Repairs

IX. NOTES TO THE FINANCIAL STATEMENTS

1. **General Information**

Nyandarua Institute of Science and Technology is established by and derives its authority and accountability from the TVET Act 2013. The Institute is wholly owned by the Government of Kenya and is domiciled in Kenya. The Institute'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 Institute*'s* accounting policies.

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

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

3. **Adoption of New and Revised Standards**

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

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

ii) **Early adoption of standards**

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

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

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2018/2019 was approved by the Council or Board on 22/06/2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The Institute'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.

c) Taxes

Current income tax

The Institute is exempt from paying taxes as per schedule *xxx* of the *xxx* Act.

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) 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 Institute 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.

e) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Institute. 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 Institute 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 Institute 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 Institute. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible assets

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

g) **Research and development costs**

The Institute expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Institute 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.

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Institute determines the classification of its financial liabilities at initial recognition.

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

Loans and borrowing

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

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

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

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 Institute.

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

The Institute provides retirement benefits for its employees. 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.

p) Related parties

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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

6. Transfers from National Government Ministries

Details	2018 – 2019 K.shs	2017 – 2018 K.shs
Unconditional grants		
GOK Operation Grant	5,956,550	24,000,000
Total Unconditional grants	**5,956,550**	**24,000,000**

6.a) Transfers from Ministries, Departments and Agencies

Name of the Institute sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2017 – 2018 KShs
MOEST	5,956,550	1,000,000	3,273,625	10,230,175	54,635,913
Total	**5,956,550**	**1,000,000**	**3,273,625**	**10,230,175**	**54,635,913**

The details of the reconciliation have been included under (Appendix iii)

7. Rendering of Services

Income from Rendering Services	2018 – 2019 KShs	2017 – 2018 KShs
SES	61,866,255	11,107,486
P/Emoluments	21,287,288	8,357,129
LTT	4,553,840	3,879,028
BES	6,285,282	16,241,850
E.W&C	6,187,735	4,389,900
RMI	2,766,069	1.321.950

Contingencies	5,606,825	4,436,691
Activity Fund	7,167,079	3,495,076
Medical	1,123,284	514,500
P/Contract	-	3,000,000
Industrial Attch.	2,466,424	1,016,500
Student Council	1,527,390	534,000
Registration	2,215,669	1,353,600
Materials	-	4,348,285
BOG	-	2,000,000
Farm	-	-
Library/Computer	-	552,850
Driving	457,500	266,227
Exam Fees	16,715,787	-
Development	13,080,411	-
Total Income from Rendering Services	**153,306,838**	**66,815,072**

8. **Rental Revenue from Facilities and Equipment**

Details	**2018 –2019 KShs**	**2017 – 2018 KShs**
Vehicle Hire & Residential houses	1,087,047	658,000
Total Rentals	**1,087,047**	**658,000**

9. **Other Income**

Details	**2018 –2019 KShs**	**2017 – 2018 KShs**
Farm	1,403,337	1,010,525
Total Other Income	**1,403,337**	**1,010,525**

10. **General Expenses**

Details	**2018 –2019 KShs**	**2017 – 2018 KShs**
SES	16,471,833	16,061,061
LTT	3,186,771	3,812,140

BES	17,086,215	18,651,538
E.W&C	4,726,066	3,656,778
Contingencies	2,073,066	3,972,726
Activity Fund	4,628,731	3,117,120
Medical	452,086	142,580
P/Contract	10,243,895	7,954,370
Industrial Attach.	996,657	758,300
Student Council	589,120	444,250
Materials	0	956,727
BOG	2,449,700	2,783,700
Farm	800,320	990,390
Driving	404,411	500,262
Exam Fees	12,986,230	-
Development	12,839,295	-
Grant Expenses	5,956,550	-
Total General Expenses	**95,890,946**	**63,801,942**

11. Employee Costs

Details	2018 –2019 KShs	2017 – 2018 KShs
Salaries and wages	17,325,365	8,206,990
Total Employee costs	**17,325,365**	**8,206,990**

12. Depreciation and Amortization Expense

Details	2018 –2019 KShs	2017 – 2018 KShs
Property, plant and equipment	8,459,310	8,121,814
Total Depreciation and Amortization	**8,459,310**	**8,121,814**

13. Repair and Maintenance

Details	2018 –2019 KShs	2017 – 2018 KShs
Property, Plant & Equipment	1,251,462	1,203,771
Total repairs and maintenance	1,251,462	1,203,771

14. Rental Expenses

Details	2018 –2019 KShs	2017 – 2018 KShs
Rent Paid	-	514,035
Total Rental Expenses	-	**514,035**

15. Cash and Cash Equivalents

Details	2018 –2019 KShs	2017 – 2018 KShs
Cash	218	332
Current Accounts	8,578,022	46,339,912
Total Cash and Cash Equivalents	**8,578,240**	**46,340,244**

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

15.a) Detailed Analysis of Cash and Cash Equivalents

Financial Institution	Account Number	2018-2019 KShs	2017-2018 KShs
Cash		218	332
Current accounts:			
Equity Bank, Nyahururu	160296471157	2,238,220	16,531,234
COOP Bank, Nyahururu	01129038043701	2,116,677	27,564,291
COOP Bank, Nyahururu	01129038043702	4,223,124	2,244,387
Sub- Total		**8,578,022**	**46,339,912**
Grand Total		**8,578,240**	**46,340,244**

16. Receivables from Exchange Transactions

	2018 –2019	2017 – 2018
Current receivables	**KShs**	**KShs**
Student debtors	94,380,281	1,019,513
Less: Impairment allowance	-	-
Total current receivables	**94,380,281**	**1,019,513**
Non-current receivables	-	-
Total	**94,380,281**	**1,019,513**
Current portion transferred to current receivables	-	-
Total non-current receivables	-	-
Total receivables	**94,380,281**	**1,019,513**

17. PPE Schedule

Cost	Land Kshs.	Buildings Kshs.	Machinery Kshs.	Motor Vehicles Kshs.	Comp Equip Kshs.	Office Equip Kshs.	Furniture &Fittings Kshs.	Other Loose Tools Kshs.	Catering Equip-ment Kshs.	Books & Reading Materials Kshs.	Other Equip-ment Kshs.	Software Amortiza-tion Kshs.	Sports Equip & Curtains Kshs.	Biological Assets Kshs.	Total Kshs.
Depreciation rate	-	3	20	25	33	20	13	20	20	20	20	10	20		
NBV as at 1st July, 2015	200,000,000	96,160,729	4,000,000	3,550,000	2,309,000	312,150	4,549,500		208,000	1,000,000					312,089,379
Additions		25,989,090	404,120	-		38,190	214,860	14,900	52,600	122,334	73,500				26,836,094
Disposal	-	-	-	-											-
															-
At as 30th June, 2016	200,000,000	122,149,819	4,404,120	3,550,000	2,309,000	350,340	4,764,360	14,900	260,600	1,122,334	73,500				338,925,473
															-
Depreciation for the year	-	3,053,745	880.824	887,500	768,897	70,068	595,545	2,980	52,120	224,467	14,700				6,533,166
NBV as at 30th June, 2016	200.000,000	119,096,073	3,523,296	2,662,500	1.540,103	280,272	4,168,815	11,920	208,480	897,867	58,800				332,392,307
NBV as at 1st July, 2016	200,000,000	119,096,073	3,283,296	2,662,500	1,540,103	280,272	4,168,815	11,920	166,400	800,000					332,392,307
Additions during the year		2,088,000	66,000	7,201,000	1.082,328	50,095	1,656,100	80,700	347,580	339,465	374,390	528,869	171,000		13,985,527
Disposal	-	-	-	-	-	-	-	-	-	-	-	-	-		-
															-
As at 30th June, 2017	200.000,000	121,184,073	3,349,296	9,863,500	2,622,431	330,367	5,824,915	92,620	513,980	1,139,465	374,390	528,869	171,000		346,377,834
Depreciation for the year		3,029,602	669,859	2,465,875	873,270	66,073	728,114	18,524	102,796	227,893	74,878	52,887	34,200		8,343,971
NBV as at 30th June, 2017	200,000,000	118,154,471	2,679,437	7,397,625	1,749,162	264,294	5,096,801	74,096	411,184	911,572	299,512	475,982	136,800		338,033,863

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	Land Kshs.	Buildings Kshs.	Machinery Kshs.	Motor Vehicles Kshs.	Comp Equip Kshs.	Office Equip Kshs.	Furniture &Fittings Kshs.	Other Loose Tools Kshs.	Catering Equip-ment Kshs.	Books & Reading Materials Kshs.	Other Equip-ment Kshs.	Software Amortiza-tion Kshs.	Sports Equip & Curtains Kshs.	Biological Assets Kshs.	Total Kshs.
2017	200,000,000	118,154,471	2,679,437	7,397,625	1,749,162	264,294	5,096,801	74,096	411,184	911,572	299,512	75,982	136,800		338,033,863
		9,164,170	76,000	-	345,268	123,045	3,314,620	36,180	47,580	55,935	235,400	928,000	649,820	280,000	15,256,018
	-	-	-	-	-	-	-	-		-	-	-	-		-
ne,	200,000,000	127,318,641	2,755,437	7,397,625	2,094,430	387,339	8,411,421	110,276	458,764	967,507	534,912	1,403,982	786,620		353,289,881
ı for the		3,182,966	551,087	1,849,406	697,445	77,468	1,051,428	22,055	91.753	193,501	106,982	140,398	157,324		8,121,814
0th	200,000,000	124,135,675	2,204,349	5,548,219	1,396,985	309,871	7,359,993	88,221	367.011	774,006	427,930	1,263,584	629,296		345,168,067
y, 2018	200,000,000	124,135,675	2,204,349	5,548,219	1.396,985	309,871	7,359,993	88,221	367.011	774,006	427,930	1,263,584	629,296		345,168,067
luring		2,332,580	929,000	-	1.112,190	104,445	1,374,700	93.860	512,325	286,648	1,574,550	1,856,001	54,480		10,230,779
	-	-	-	-	-	-	-	-	-	-	-	-	-		-
															-
June,	200,000,000	126,468,255	3,133,349	5,548,219	2,509,175	414,316	8,734,693	182,081	879,336	1,060,654	2,002,480	3,119,585	683,776		355,398,846
on for the		3,161,706	626,670	1,387,055	835,555	82,863	1,091,837	36,416	175,867	212,131	400,496	311,958	136,755		8,459,310
30th)	200,000,000	123,306,549	2,506,680	4,161,164	1,673,619	331,453	7,642,856	145,665	703,469	848,523	1,601,984	2,807,626	547,021	280,000	346,939,536

18. Trade and Other Payables from Exchange Transactions

Details	2018 –2019 KShs	2017 – 2018 KShs
Trade Creditors	14,300,999	1,624,750
Total trade and other payables	**14,300,999**	**1,624,750**

19. Refundable Deposits from Customers/Students

Details	2018 –2019 KShs	2017 – 2018 KShs
Caution money	1,527,893	1,225,350
Total Refundable Deposits from Customers/Students	**1,527,893**	**1,225,350**

20. Deferred Incomes

Details	2018 –2019 KShs	2017 – 2018 KShs
National government (KINANGOP TVC)	1,000,000	-
Prepaid Fees	4,564,753	-
Total deferred income	5,564,753	-

20.a) Deferred Incomes Movement:

Details	National Government (Kinangop TVC)	Prepaid Fees	Total
Balance brought forward	-	-	-
Additions during the year	2,000,000.00	4,564,753.00	6,564,753.00
Transfers to capital fund	1,000,000.00	-	1,000,000.00
Transfers to income statement	-	-	-
Other transfers	-	-	-
Balance carried forward	**1,000,000.00**	**4,564,753.00**	**5,564,753.00**

21. Cash from Government Grants and Subsidies

Details	2018/2019 Kshs.	2017/2018 Kshs.
Operation Grant -NIST	5,956,550	24,000,000
Operation Grant -TVCs	-	600,000
Devt. Grant Laisamis TVC	500,000	4,250,000
Devt. Grant Kipipiri TVC	500,000	2,510,250
Devt. Grant Kinangop TVC	2,000,000	20,715,305
Devt. Grant - NIST	1,273,625	2,500,000

ESP –Economic Stimulus Programme	-	60,358
Total Government Grants and Subsidies	**10,230,175**	**54,635,913**

22. Cash from Rendering of Services - Fees from Students

Details	2018/2019 Kshs	2017/2018 Kshs
SES	20,993,252	11,107,486
P/Emoluments	8,956,215	8,357,129
LTT	1,915,940	3,879,028
BES	2,379,395	16,241,850
E.W&C	2,603,370	4,389,900
RMI	1,163,770	1,321,950
Contingencies	2,358,963	4,436,691
Activity Fund	3,015,410	3,495,076
Medical	472,600	514,500
P/Contract	-	3,000,000
Industrial Attch.	1,037,700	1,016,500
Student Council	642,620	534,000
Registration	932,200	1,353,600
Materials	-	4,348,285
BOG	-	2,000,000
Library/Computer	-	552,850
Exam Fees	7,032,844.00	-
Driving	457,500.00	266,227
Development	5,503,330.00	-
Cash From Rendering of services - Fees from Students	**59,465,109**	**66,815,072**

23. Cash from Rental and Hire of Facilities

Details	2018/2019 KShs	2017/2018 KShs
Hire of Facilities	1,087,047	658,000
Total Cash from Rental and Hire of Facilities	**1,087,047**	**658,000**

24. Cash from Other Revenue

Details	2018/2019 KShs	2017/2018 KShs
Caution Money	209,100	350,000
Debts Recovered	768,853	478,000
Salary advance	289,000	-
Exams fees	-	10,264,512
Clearing Acc.	2,304,708	2,367,811
Farm	1,403,337	1,010,525
Prepaid Fees	4,564,753	-
Devt.	-	4,404,250
Total Cash from Other Revenue	**9,539,751**	**18,875,098**

25. Cash Used on Employee Cost

Details	2018/2019 KShs	2017/2018 KShs
BOG staff salaries	17,325,365	8,206,990
Total Cash Used on Compensation of employees	**17,325,365**	**8,206,990**

26. Cash Used on General Expenses

Details	2018/2019 KShs	2017/2018 KShs
SES	11,049,685	9,061,061
LTT	2,931,371	3,812,140
BES	12,259,824	8,770,770
E.W&C	4,726,066	3,656,778
Contingencies	2,073,066	3,972,726
Activity Fund	3,879,811	3,117,120
Medical	452,086	142,580
P/Contract	10,243,895	7,954,370
Industrial Attach.	996,657	758,300
Student Council	589,120	444,250
Materials	0	956,727
BOG	2,449,700	2,783,700
Farm	800,320	990,390
Driving	404,411	500,262
Grant Expenses	5,956,550	-

Exam Fees	12,986,230	-
Development	9,791,155	-
Total Cash used on General Expenses	**81,589,947**	**46,921,174**

27. Cash Used on Repair and Maintenance

Details	2018/2019 Kshs	2017/2018 KShs.
Maintenance of PPE	1,251,462	1,203,771
Total Cash Used on Repair & Maintenance Expenses	**1,251,462**	**1,203,771**

28. Cash Used on Rental Expenses

Details	2018/2019 Kshs	2017/2018 Kshs
Rent Paid	-	514,035
Cash Used on Rent Expenses	-	**514,035**

29. Cash Used on Grant Expenses

Details	2018/2019 KShs	2017/2018 KShs
Operation Grant- TVCS	-	545,000
Devt Grant-Kinangop TVC	1,000,000	20,715,305
Devt. Grant Kipipiri TVC	500,000	2,452,200
Devt. Grant Leisamis TVC	500,000	4,250,000
Recurrent. Grants-NIST	-	514,363
Devt. Grant-NIST	1,273,625	2,500,000
ESP	-	60,358
Total Cash Used on Grant Expenses	**3,273,625**	**31,037,226**

30. Cash Used on Other Payments

Details	2018/2019 KShs	2017/2018 KShs
Exam Fees	-	9,654,150
Caution Money	194,450	7,500
Development	-	4,109,518

Sundry Creditors	1,624,750	2,974,147
Clearing Accounts:	2,304,708	2,367,811
Salary Advance	289,000	
Total Cash Used on Other payments	**4,412,908**	**19,113,126**

31. Cash Used on Acquisition of PPE

Details	**2018/2019 KShs.**	**2017/2018 KShs.**
Buildings	2,332,580	9,164,170
Machinery	929,000	76,000
Computer Equipment	1,112,190	345,268
Office Equipment	104,445	123,045
Furniture	1,374,700	3,314,620
Loose Tools	93,860	36,180
Catering Equipment	512,325	47,580
Books & reading Material	286,648	55,935
Software	1,856,001	928,000
Sports Equipment	54,480	649,820
Other Equipment	1,574,550	235,400
Biological		280,000
total Cash Used On Purchase of PPE	**10,230,779**	**15,256,018**

32. Cash Flow Generated from Operations

Details	**2018/2019 Kshs**	**2017/2018 Kshs**
Surplus for the year	38,826,688	
Adjusted for:		
Depreciation	8,459,310	
Working Capital adjustments:		
Increase in inventory	-	
Increase in receivables	93,360,768	
Increase in deferred income	5,564,753	

Increase in payables	12,676,249	
Increase in payments received in advance	302,543	
Net cash flow from operating activities	(27,531,225)	

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

33. Financial Risk Management

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

(i) Credit risk

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

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

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

At 30 June 2019	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
Receivables from exchange transactions	94,380,281	94,380,281	-	-
Bank balances	8,578,021	8,578,021	-	-
Total	**102,958,302**	**102,958,302**	-	-

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

The board of Governors sets the Institute credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

The table below represents cash flows payable by the 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.

As at 30 June 2019	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
Trade payables	-	14,300,999	-	14,300,999
Deferred income	5,564,753	-	-	5,564,753
Total	5,564,753	14,300,999	-	19,865,752

iii) Capital Risk Management

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

Description	2018 –2019 KShs	2017 – 2018 KShs
Retained earnings	428,504,413	389,677,725
Total funds	-	-
Total borrowings	-	
Less: Cash and bank balances	8,578,457	46,340,244
Excess Cash & Bank Balances	8,578,457	46,340,244
Gearing	-	-

34. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

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

Description	2018 –2019 KShs	2017 – 2018 KShs
Transactions with related parties		
b) Grants from the Government		
Grants from National Govt	**10,230,175**	54,635,913
Total	**10,230,175**	**54,635,913**

34. Events after the Reporting Period

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

35. Ultimate and Holding Entity

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

36. Currency

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

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:	Nyandarua Institute of Science and Technology		
	Break down of Transfers from the State Department of Technical and Vocational Training			
	FY 2018/2019			
a.	Recurrent Grants			
		Bank Statement Date	**Amount (KShs)**	**Indicate the FY to which the amounts relate**
		08/10/2018	5,956,550	2018/2019
		Total	**5,956,550**	
b.	Development Grants			
		Bank Statement Date	**Amount (KShs)**	**Indicate the FY to which the amounts relate**
		08/10/2018	500,000	2018/2019
		08/10/2018	500,000	2018/2019
		01/11/2018	500,000	2018/2019
		08/10/2018	1,273,625	2018/2019
		12/02/2019	500,000	2018/2019
		27/06/2019	1,000,000	2018/2019
		Total	**4,273,625**	

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

Finance Officer......MONICA NDIRANGU..........

Signature.......................... **Date**...25/6/20.......

Principal......Muhammad Hamza..........

Signature.......................... **Date**...25/6/2020.......

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the Department Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
State Department of Technical and Vocational Training	08/10/2018	Recurrent	5,956,550	5,956,550	-	-	-	-	5,956,550
State Department of Technical and Vocational Training	08/10/2018	Laisamis Tvc	500,000	-	500,000	-	-	-	500,000
State Department of Technical and Vocational Training	08/10/2018	Kipipiri TVC	500,000	-	500,000	-	-	-	500,000
State Department of Technical and Vocational Training	08/10/2018	Development	1,273,625		1,273,625	-	-	-	1,273,625
State Department of Technical and Vocational Training	01/11/2018	Kinangop TVC	500,000		500,000				500,000
State Department of Technical and Vocational Training	12/02/2019	Kinangop TVC	500,000		500,000				500,000
State Department of Technical and Vocational Training	27/06/2019	Kinangop TVC	1,000,000	-		1,000,000	-	-	1,000,000
Total			**10,230,175**	**5,956,550**	**3,273,625**	**1,000,000**			**10,230,175**