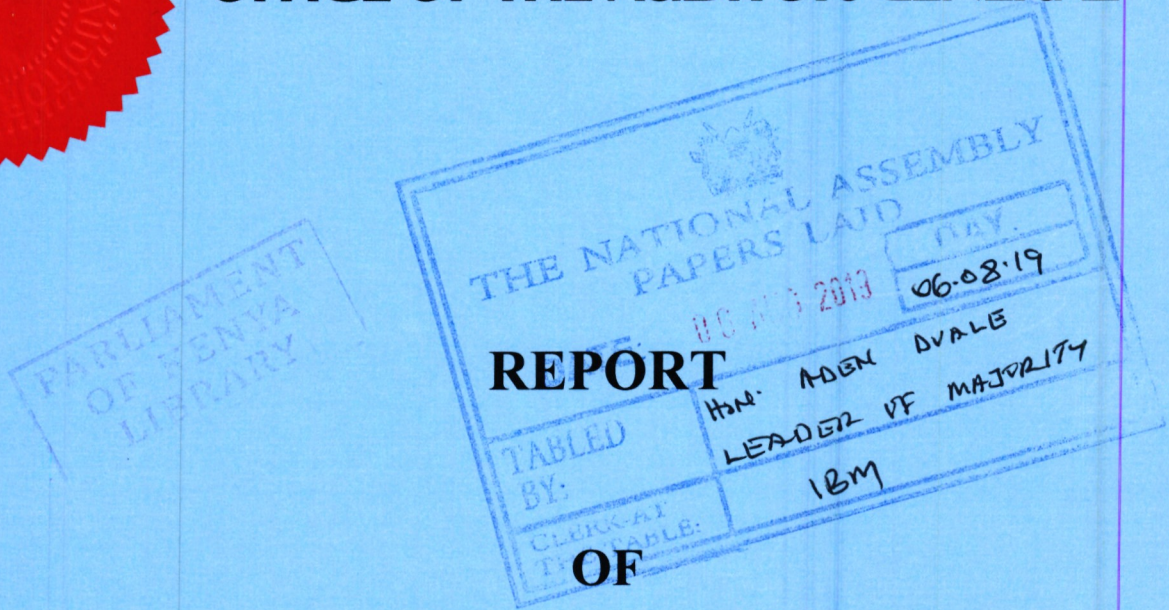


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
THE KISUMU NATIONAL POLYTECHNIC**

**FOR THE YEAR
ENDED 30 JUNE 2018**





THE KISUMU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017

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

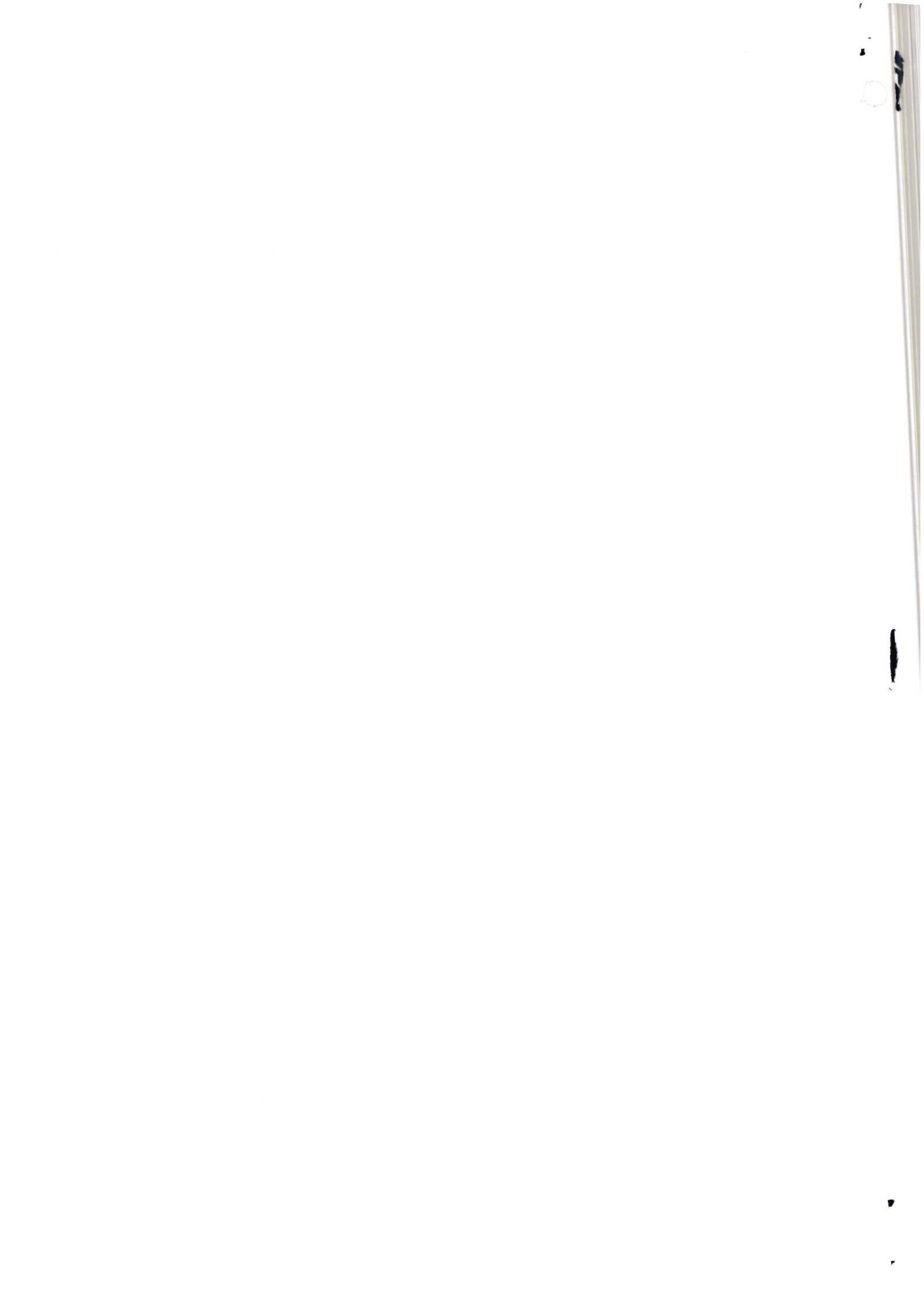
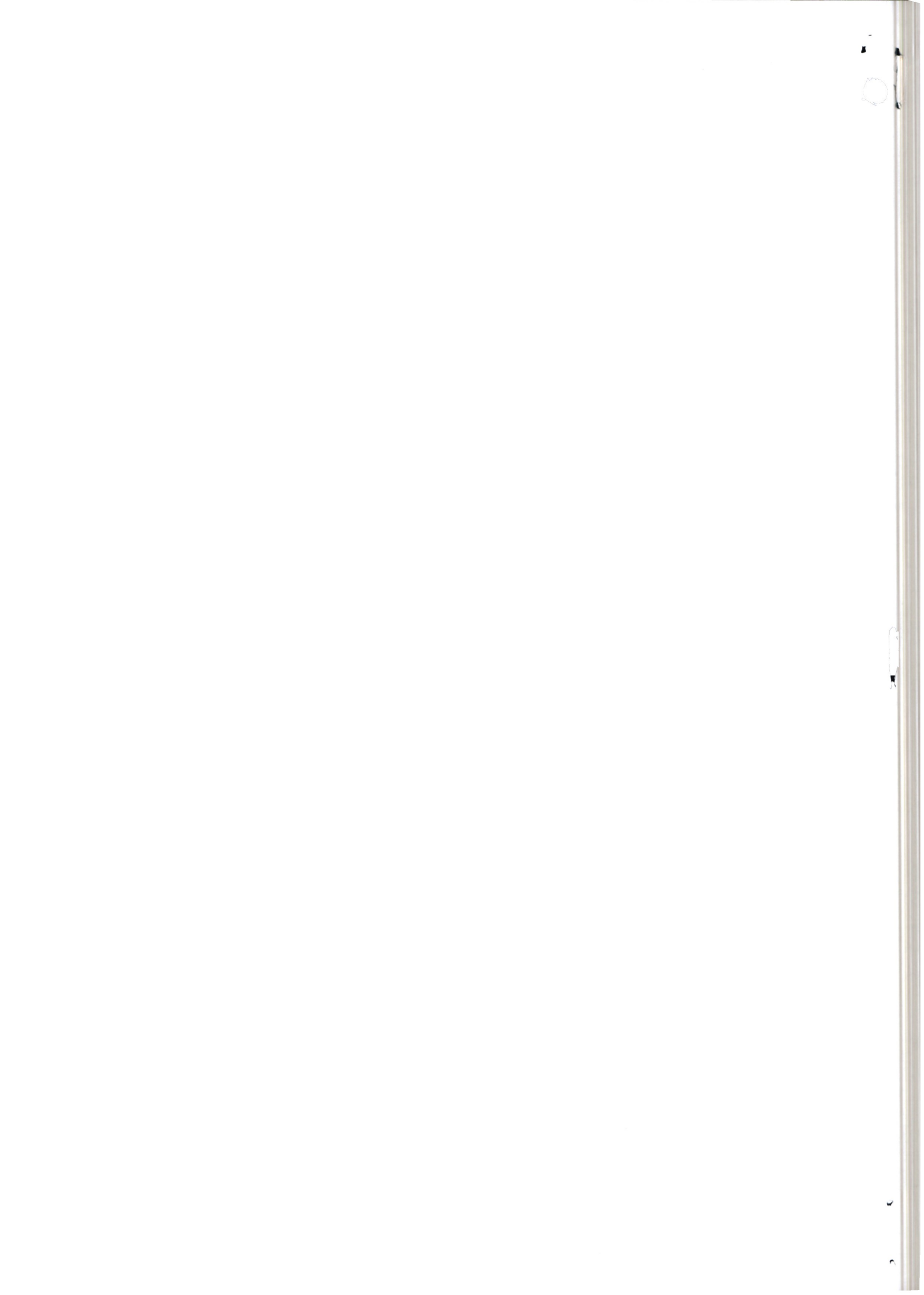


TABLE OF CONTENTS

KEY ENTITY INFORMATION AND MANAGEMENT	1
1.1. Vision, Mission and Core Values	1
1.2. Quality Policy	1
1.3. Historical Background	2
1.4. Mandate	2
1.5. Functions and Objects of The Kisumu National Polytechnic	3
(a) Key Management	5
Fiduciary Management	5
I. MANAGEMENT TEAM.....	8
II. STATEMENT OF FINANCIAL PERFORMANCE.....	10
III. STATEMENT OF FINANCIAL POSITION.....	11
AS AT 30 JUNE 2017.....	11
IV. STATEMENT OF CASHFLOWS	13
Direct method has been adopted as recommended by PSASB.....	13
V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	14
VI. NOTES TO THE FINANCIAL STATEMENTS	16
1. GENERAL INFORMATION	16
2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION.....	16



KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

In exercise of the powers conferred by section 26 (2) of the Technical and Vocational Education and Training Act, (No. 29 of 2013), the Cabinet Secretary for Education Science and Technology made the following Order through legal Notice No. 113 of 22nd August, 2014 cited as The Kisumu National Polytechnic Order, 2014. There is established a National Polytechnic known as the Kisumu National Polytechnic; body corporate with perpetual succession and a common seal and in its name, be capable of suing and being sued; taking, purchasing or otherwise acquiring, holding, charging or disposing of both movable and immovable property; borrowing money; charging for services offered, with the approval of the Cabinet Secretary; and entering into contracts.

The Kisumu National Polytechnic is the successor to the Kisumu Polytechnic existing immediately before the commencement of the Order. All rights, liabilities and assets held by anybody on behalf of the Kisumu Polytechnic existing at the commencement of this order, were automatically and fully transferred to the National Polytechnic.

1.1. Vision, Mission and Core Values

Vision

To be a world class polytechnic in the provision of technical, vocational, entrepreneurship training and research.

Mission

To provide high quality technical, vocational, entrepreneurship training, research and innovation in partnership with stakeholders to produce globally competitive graduates

Core Values

- Teamwork
- Integrity
- Quality
- Innovation
- Environmental Stewardship

Motto

Industry Succeeds

1.2. Quality Policy

As an ISO certified institution The Kisumu National Polytechnic is committed to providing affordable, accessible, and sustainable and quality training by ensuring our services are effective and efficient and meet the customer needs and expectations. The Kisumu National Polytechnic is committed to complying with requirements of ISO 9001:2008 Quality Management Systems. To



achieve this, the polytechnic has established Quality Objectives which shall be reviewed from time to time for continuous improvement.

The key Quality Objectives seek to: -

- I. Achieve and maintain a level of quality training which enhance the institutions' reputation with customers.
- II. Ensure compliance with the TVET Act 2013 and other relevant statutory and safety requirements.
- III. Endeavour to always maximize customer satisfaction with services provided by The Kisumu National Polytechnic.

1.3. Historical Background

The institution was started in 1967 as a Technical Secondary School. The first batch of students was admitted at Sigalagala Technical and Trade School while they awaited the completion of the school at Kisumu. The then Minister for Education, Dr. Taita Towett officially opened the school in 1971.

In 1986, the institution became a Technical Training Institute. This was the time, when the philosophy of Education was to facilitate Social and Economic development of rural areas. The aim of this was to produce practical oriented human resource, competent in application of technical skills. This was the time when the 8.4.4. Curriculum of Education and training in Kenya was being implemented. Institutions at such levels were therefore required to cater for the needed technical skills.

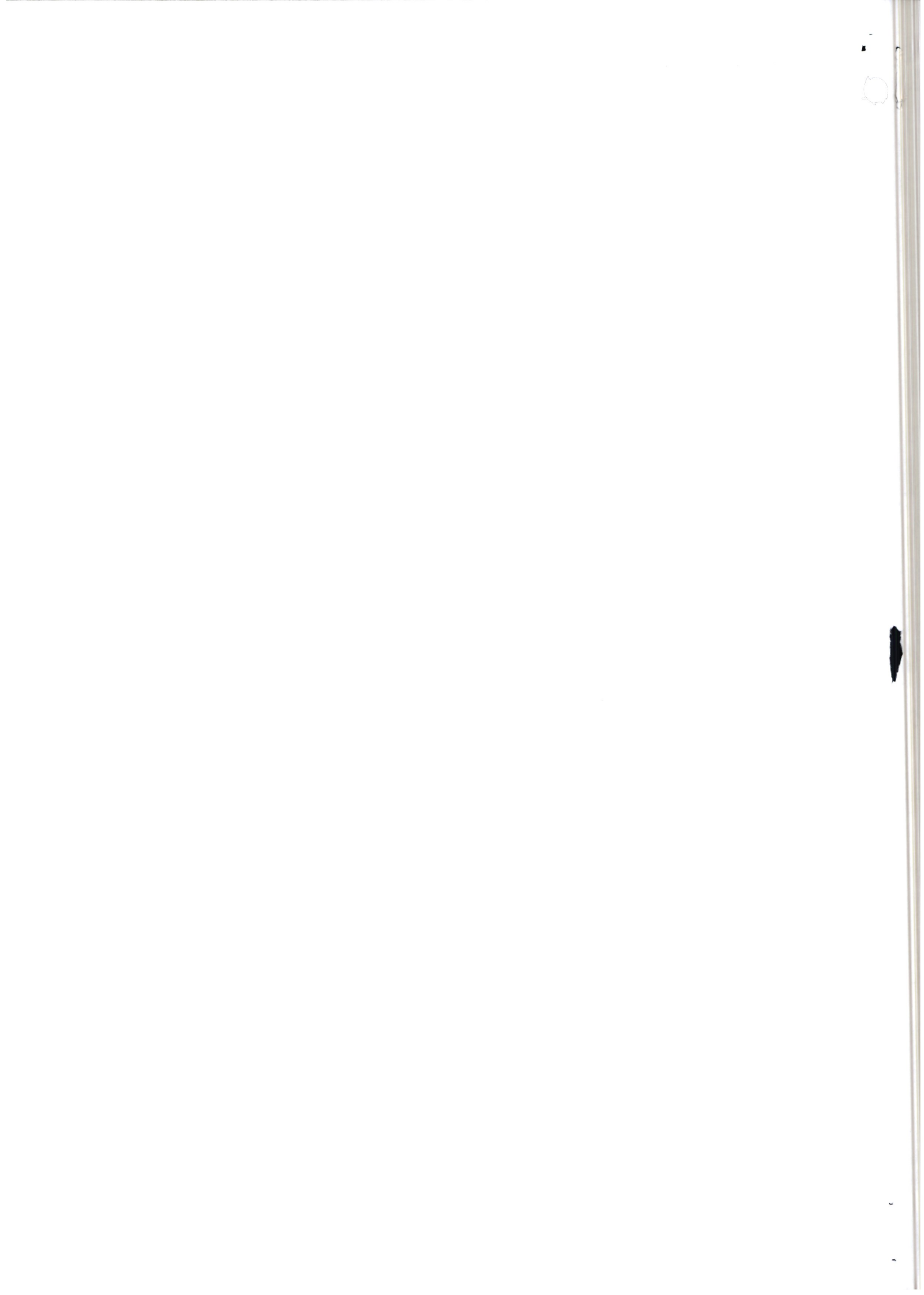
In 1996, the institution became a National Polytechnic and was inaugurated on 21st June 1997 by His Excellency the President, Hon. Daniel Toroitich Arap Moi.

During the Strategic Planning of 2008-2012, the Polytechnic developed a Transitional Plan to attain a degree awarding institution status. The current legal order has made this provision in the objects and functions of the Polytechnic as currently established.

1.4. Mandate

The Polytechnic is mandated to offer courses at Certificate, Diploma and Higher Diploma levels in various disciplines. The Polytechnic mainly produces middle level human resources that are well equipped with technical and business skills required in industry, informal sector and service sectors. The institution produces technicians and technologists who are expected to play a major role towards the attainment of the Kenya's Vision 2030.

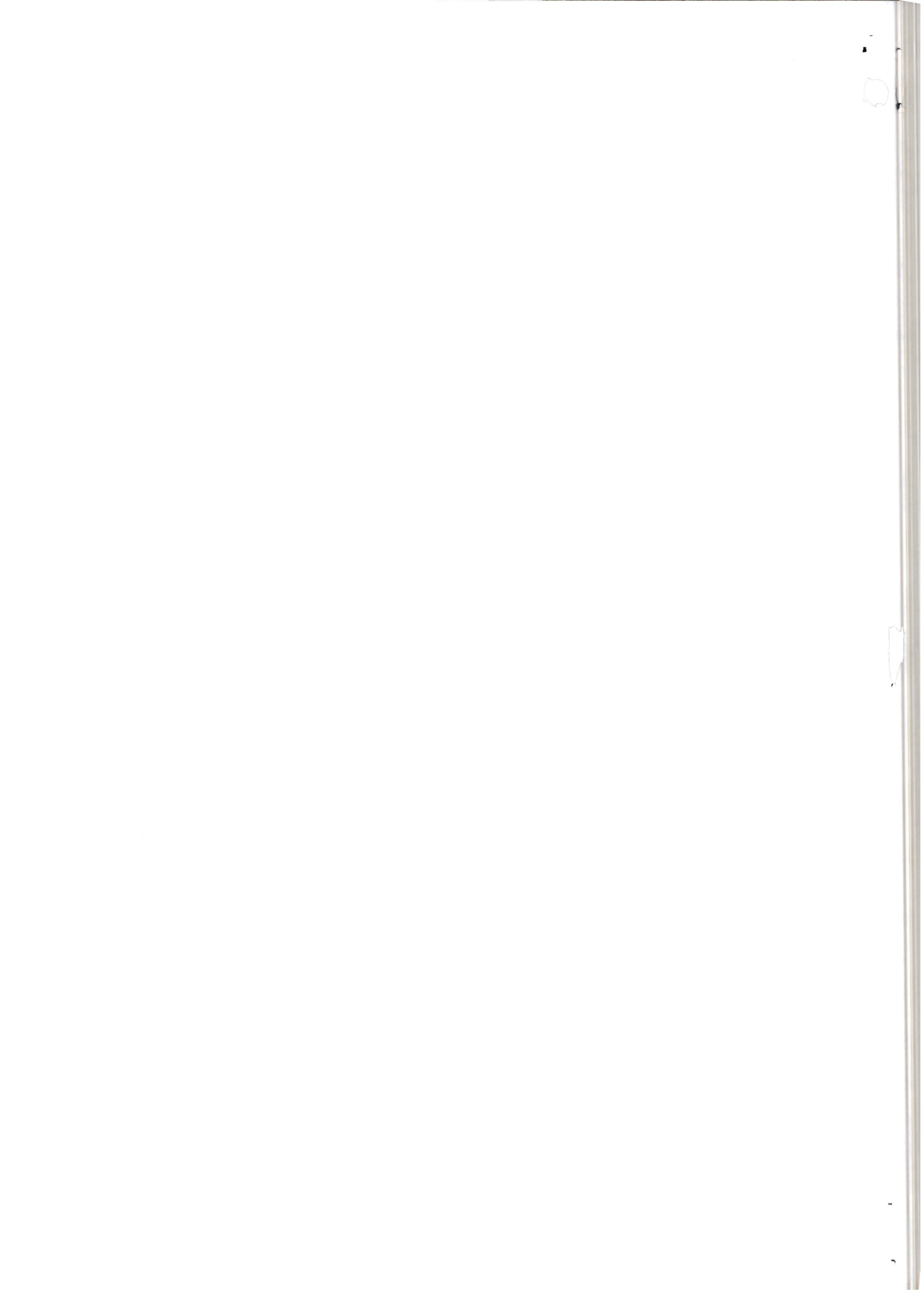
The current SP (2016–2020) has envisaged the development and implementation of technology degrees that will be offered in collaboration with existing recognized Universities.



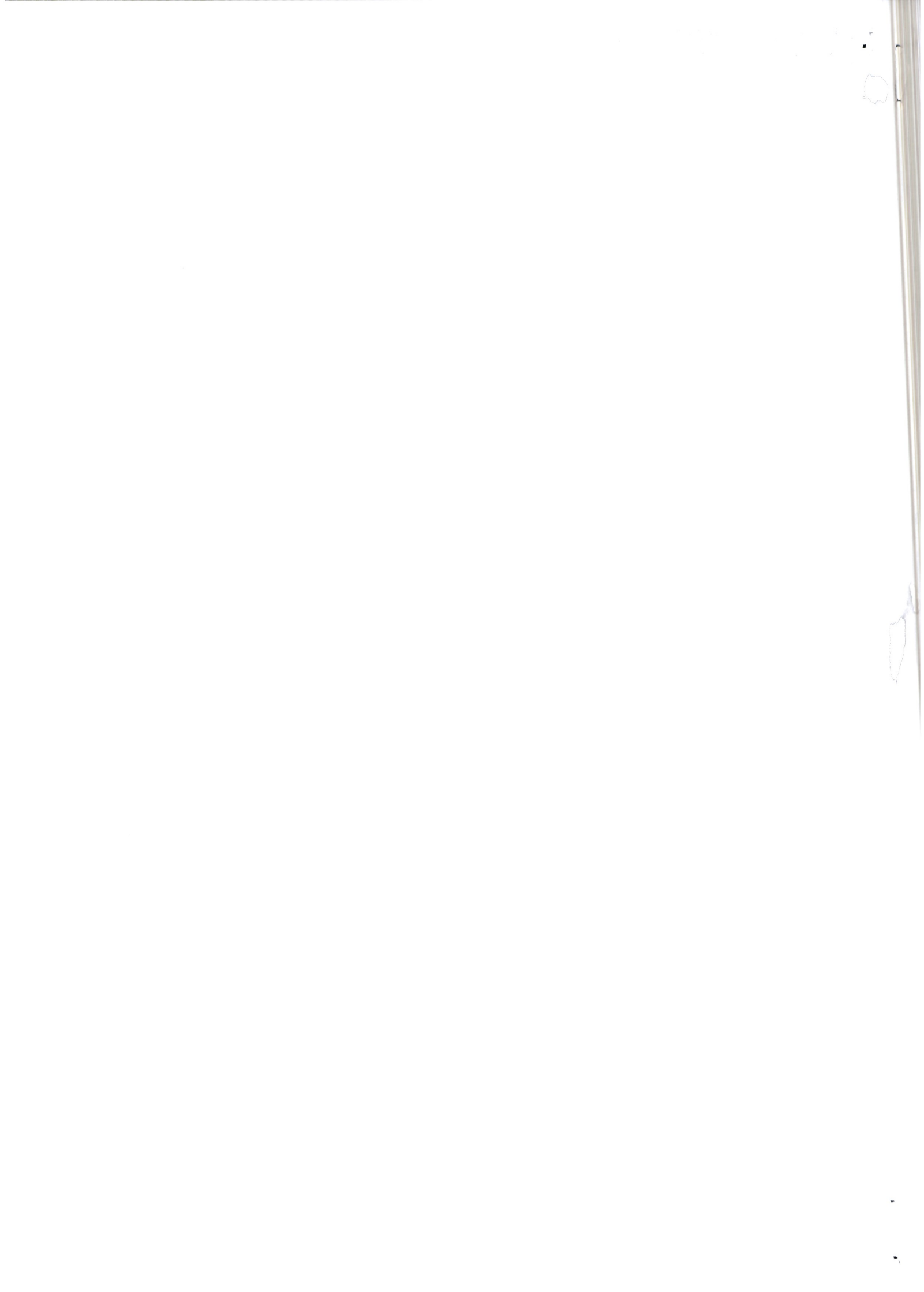
1.5. Functions and Objects of The Kisumu National Polytechnic

1.5.1. The objects and functions of the National Polytechnic shall be to —

- 1.5.1.1. Provide directly, or in collaboration with other institutions of higher learning, facilities for technical trainers in technological, professional, scientific education;
- 1.5.1.2. Participate in technological innovation as well as in the discovery, transmission and enhancement of knowledge and to stimulate the intellectual life in the economic, social cultural, scientific, and technological development;
- 1.5.1.3. Contribute to industrial and technological development of Kenya in collaboration with industry and other organizations through transfer of technology;
- 1.5.1.4. Examine and make proposals for new diploma courses and subjects of study, institutes, departments, resource and research and innovation;
- 1.5.1.5. Promote and establish a culture of innovation in engineering and technology, and technology transfer amongst staff and students;
- 1.5.1.6. Develop an institution with excellence in teaching, training, scholarship, entrepreneurship, research, consultancy, community service, among other educational services and products, with emphasis on technology and its development, impact and application within and outside Kenya;
- 1.5.1.7. Provide a multi-level system of post-secondary school education and training programmes relevant to the needs of the community covering a wide range of fields and levels with provision for recognition of prior learning and flexibility of transition between programmes;
- 1.5.1.8. Provide high quality educational, research, residential, commercial, cultural, social, recreational, sporting and other facilities;
- 1.5.1.9. Advance knowledge and its practical application by research and other means, the dissemination of outcomes of research by various means, and the commercial exploitation of search results;
- 1.5.1.10. Promote critical enquiry within the polytechnic and in the general community;
- 1.5.1.11. Participate in commercial ventures and activities;
- 1.5.1.12. Foster the general welfare of all staff and students;
- 1.5.1.13. Provide opportunities for development and further training for staff of the National Polytechnic;



- 1.5.1.14. Develop and provide educational, cultural, professional technical and vocational services to the community and in particular the fostering of corporate social responsibility;
- 1.5.1.15. Provide programmes, products and services in ways that reflect the principles of equity and social justice;
- 1.5.1.16. Facilitate student mobility between different programmes at different technical training institutions, and other National Polytechnics;
- 1.5.1.17. Conduct examinations for and grant such academic awards as provided under this Order;
- 1.5.1.18. Collaborate with recognized universities for the conduct and award of degree programmes in technology;
- 1.5.2. The National Polytechnic shall have powers to grant higher diplomas, diplomas, certificates, or other academic qualifications which may, for the time being, be authorized by the Academic Policy of the National Polytechnic.
- 1.1.1. Subject to this Order, the National Polytechnic may award scholarships, bursaries and prizes and make other awards which may be provided for by the Academic Policy.



(a) Key Management

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

- Governing Council
- Accounting officer
- Deputy Principal Administration
- Deputy Principal Academics
- Registrar
- Dean of Students

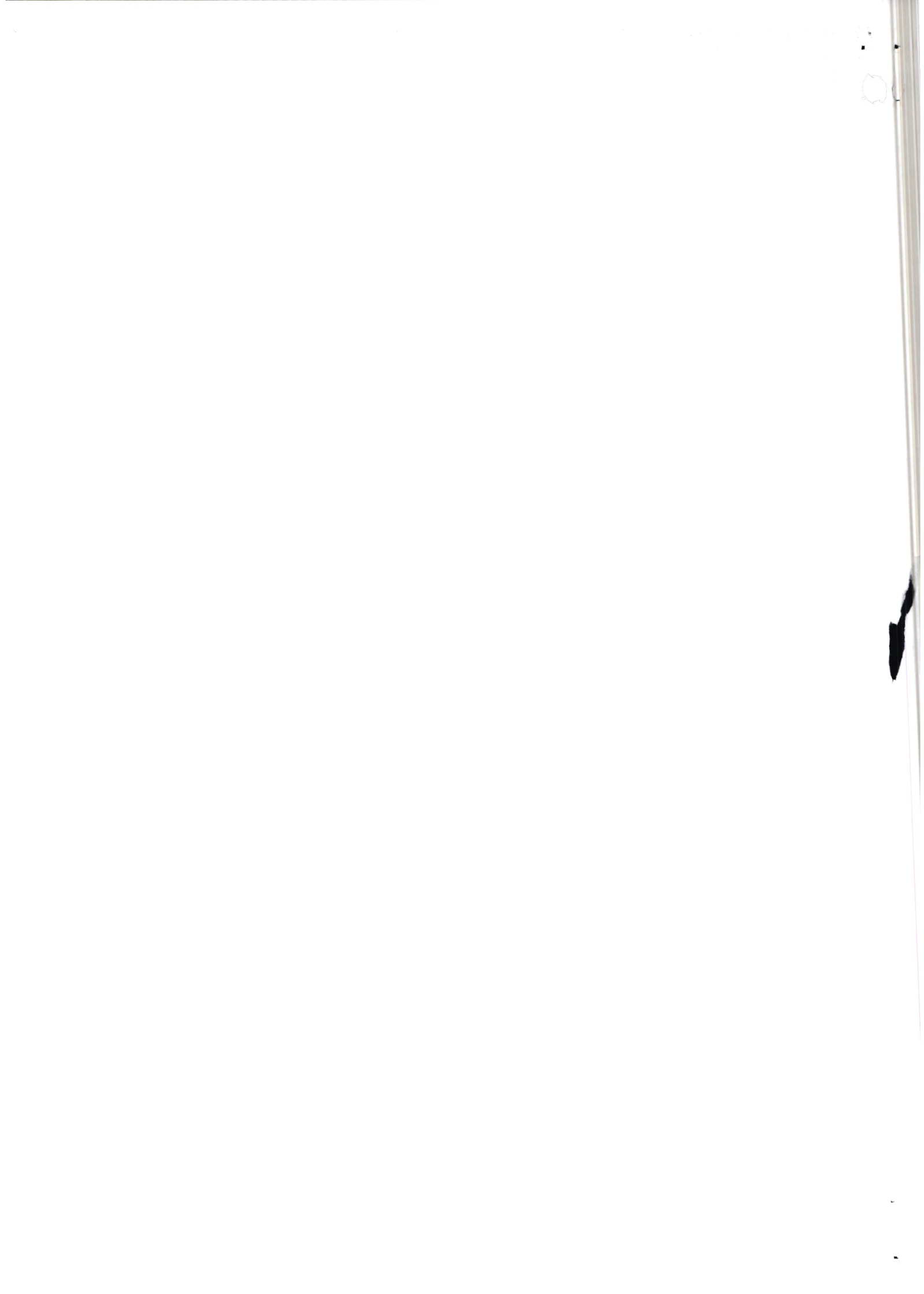
Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Senior Principal	Joyce Nyanjom
2.	Finance Manager	Monicah Otieno
3.	Supply Chain Manager	Milton Obote Omollo
4.	Human Resource Manager	Maurice Ominde
5.	Internal Auditor	Tabitha Ng'oma

Fiduciary Oversight Arrangements

- *Finance, Infrastructure and Resource Mobilization (FIRM)*
- *Audit Committee*
- *Education, Research and Training Committee*



(a) Entity Headquarters

P.O. Box 143-40100
Technology Road
Kisumu, KENYA

(b) Entity Contacts

Telephone :(254) 0723446773
E-mail: info@kisumupoly.ac.ke
Website: www.kisumupoly.ac.ke

(b) Entity Bankers

1. Kenya Commercial Bank
OgingaOdinga Road
P.O Box 17-40100
Kisumu, Kenya
2. Co-operative Bank
Kampala Street
P.O Box 1511-40100
Kisumu, Kenya
3. National Bank
OgingaOdinga Road
P.O Box 1152-40100
Kisumu, Kenya

(c) Independent Auditors

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







(d) Principal Legal Adviser

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




The Kisumu National Polytechnic
Reports and Financial Statements
For the year ended June 30, 2017






THE BOARD OF DIRECTORS

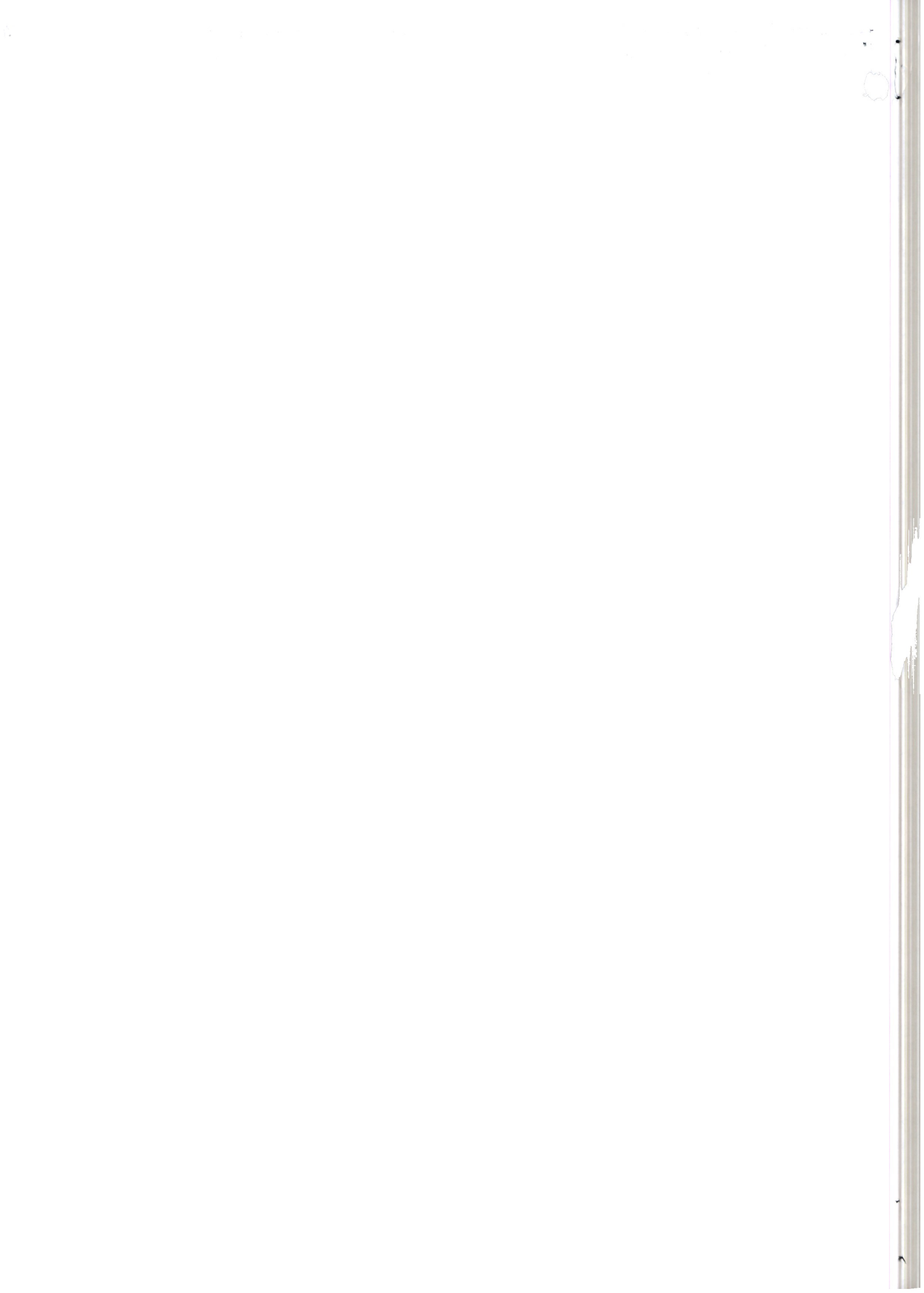
S/NO	NAME OF MEMBER	DATE OF BIRTH	ADDRESS/CONTACT	QUALIFICATIONS	WORK EXPERIENCE	COMMITTEE
	ENG. PETER OLOO OKAKA	AUGUST, 1945	P. O. BOX 50422-00200, NAIROBI. Mobile No. 0725157264	MASTER OF SCIENCE (MECHANICAL ENG)	LECTURER KENYATTA UNIV.	CHAIRMAN OF THE COUNCIL – KISUMU NATIONAL POLYTECHNIC
	PROF. ELIJAH I. OMWENGA	MARCH, 1967	Mobile No. 0722822708	Ph. D IN INFORMATION COMMUNICATION TECHNOLOGY (ICT)	VICE CHANCELLOR – KABIANGA UNIV.	CHAIRMAN – EDUCATION RESEARCH & TRAINING COMMITTEE
	JACINTA KIPKERING	OCTOBER 1970	Mobile No. 0727721953	BACHELOR OF ARTS	HEAD OF HUMAN RESOURCE AT CHEMELIL SUGAR CO.	
	MRS BETTY ACHOCH	AUGUST, 1959	Mobile No. 0722791962	BACHELOR OF COMMERCE (ACCOUNTING OPTION)	WAS HEAD OF ACCOUNTING – MIN. OF HIGHER EDUCATION, SCIE. & TECH.	CHAIR OF FINANCE COMMITTEE AND MEMBER OF FULL COUNCIL
	PROF. KORWA GOMBE ADAR	10 TH OCTOBER, 1949	MOBILE NO. 0719506416	Ph D. IN POLITICAL SCIENCE	LECTURER USIU	
	DR. JOSHUA OWAGO ODHIAMBO	SEPT.1969	Mobile No. 0721663808	Ph D. IN ENVIRONMENTAL SCIENCE	CONSULTANCY	CHAIR PERSON OF THE AUDIT COMMITTEE AND MEMBER OF THE FULL BOARD.
	MR. GEOFFREY KIBANDA				REPRESENTATIVE OF THE CABINET SECRETARY	




	MRS. JOYCE NYANJOM	OCTOBER 1958	Mobile No. 0722575151	MASTERS IN PROJECT PLANNING AND MANAGEMENT	SENIOR PRINCIPAL	SECRETARY TO THE COUNCIL
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I. MANAGEMENT TEAM

	MRS. JOYCE NYANJOM	SENIOR PRINCIPAL
	MR. JOHN WYCLIFF ODHIAMBO OKUMU	DEPUTY PRINCIPAL ADMINISTRATION
	MRS. NELLY KODERO	DEPUTY PRINCIPAL ACADEMICS
	DR. ASAKA NYANGARA	REGISTRAR
	MRS. LUCY KHOJA	DEAN OF STUDENTS



 A black and white portrait of a woman with short, curly hair, wearing a light-colored, button-up jacket. She is smiling slightly and looking towards the camera. The background is a simple indoor setting with a window and some papers on a desk.	MRS. MONICAH OTIENO	FINANCE MANAGER
---	---------------------	-----------------

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE KISUMU NATIONAL POLYTECHNIC FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of The Kisumu National Polytechnic set out on pages 10 to 20, which comprise the statement of financial position as at 30 June 2018, the statements of financial performance, statement of changes in equity, 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 effects of the matter 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 Kisumu National Polytechnic as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracy in the Financial Statements

1.1 Failure to make a Provision for Bad and Doubtful Debts

Included in the financial statements under note 17 is receivable from exchange transactions balance of Kshs.25,757,830 which includes Student Debtors of Kshs.23,316,383 as at 30 June 2018. However, it is observed from the financial statement that the management had not made a provision for bad and doubtful debts putting in question whether it is certain that the amount in question will be fully recovered. A review of the individual students' statements revealed that some accounts had been dormant for over one year. However, contrary to Section 64(1) (a) Public Finance Management National Government Regulation 2015 stipulate that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for all national government revenue and other public moneys relating to their ministries, departments or agencies.

Report of the Auditor-General on the Financial Statements of the Kisumu National Polytechnic for the year ended 30 June 2018

Consequently, the accuracy and validity of student debtors of Kshs.23,316,383 could not be confirmed.

1.2 Long Outstanding Rent Arrears

Included in the financial statements under note 17 is receivable from exchange transactions figure of Kshs.25,757,830 which includes rent receivable of Kshs.729,712 remained outstanding as at 30.06.2018 under rent arrears mostly from members of staff. However, analysis of rent receivable statement revealed that most of these members of staff were employed by the Teachers Service Commission. The management had no policy on how the same should be recovered. Two of the staff had retired and one had left the institution with outstanding rent arrears of Kshs.413,952 as at 30 June 2018. It was not clear how the outstanding amount will be recovered from them. However, Section 64 (1) (a) stipulate that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for all national government revenue and other public moneys relating to their ministries, departments or agencies.

In consequence, the accuracy and recoverability of the rent arrears of Kshs.413,952 is highly doubtful

1.3 Recovery of Advances

Included in the financial statements under note 17 is receivable from exchange transactions balance of Kshs.25,757,830 which includes salary advances of Kshs.697,509, out of which a staff was advance Kshs.508,700 to supply chairs to the institution on 27th May 2015 and by 30 June 2018 the chairs had not been delivered. Further, out of the advances figure there were also three staff who were advanced more than thrice salary advance totaling Kshs.189,000. However, it was noted that the recovery of the salary advances from employees remained doubtful due to lack of a policy by the management on the issue and repayment of salary advances. Some of the employees who have taken salary advances are lecturers employed by the Teachers Service Commission and casual workers. However, contrary to Section 64 (1) (a) stipulate that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for all national government revenue and other public moneys relating to their ministries, departments or agencies.

Under the circumstance, the accuracy and recoverability of the salary advances of Kshs.697,509 remains doubtful

1.4 Lack of Circularization of Trade Creditors

Included in the financial statements under note 20 is trade and other payables of Kshs.49,375,364 which includes accounts payable amount of Kshs.23,316,383. However, the management did not undertake any circularization of the trade creditors as at the end of the year. However, contrary to section 99(3) of Public finance management Act (National Government) Regulations 2015 stipulate that every entry in

the accounts shall be supported by a voucher or other approved document gazetted by the Cabinet Secretary containing the full details, clear narrations and particulars of the item or items to which it relates.

In the circumstances, the accuracy and validity of the accounts payable of Kshs.23,316,383 could not be confirmed

1.5 Interface System Functions

Included in the statements of financial performance is revenue from exchange transaction of Kshs.261,753,057 which includes tuition and other related fees of Kshs.228,108,165 under note 4 as at 30 June 2018. However, the fees collection module supporting the same was not linked to the institution finance module and thus could not generate reports of invoice number, invoice amount, fees paid and fees balance. Therefore, the accuracy and completeness of tuition and other related charges amounting to Kshs.228,108,165 could not be confirmed.

Further, under note 7 is other income of Kshs.15,742,826 which includes the pay as you eat system which was not linked to the finance module thus revenue collected of Kshs.9,198,760 could not be confirmed from the system. However, contrary to Section 109(1) of the Public Finance Management National Government Regulations 2015 stipulate that for efficient and effective utilization of electronic systems in processing financial data, the National Treasury shall develop and regularly issue standard operating procedures and instructions on the automated integrated financial management system operations, use and maintenance.

Consequently, the accuracy and validity of Kshs.261,753,057 could not be confirmed as at 30 June 2018.

1.6 Property Plant and Equipment

Included in the financial statements under note 19 is property, plant and equipment of Kshs.2,655,169,500 as at 30 June 2018. Analysis of the financial statements figure against the assets register revealed that three items had different amounts as below:

Asset Category	Amount as per Asset Register Kshs.	Amount as per Financial Statement Kshs.	Variance Kshs.
Equipment and Machinery	327,749,143	325,915,640	1,833,503
Furniture & Fittings	32,679,879	31,610,215	1,069,664
Computers	19,223,368	21,266,885	(2,043,517)

Further, work in progress of Kshs.5,970,909 reflected in the financial statements while the amount paid during the year under review is Kshs.2,285,896 on 27th April 2018 vide Cheque No. 011292 for the construction of an incinerator whose contract was undertaken by Eco Homs Ltd at a sum of Kshs.5,942,077. Hence, Work in Progress is overstated by Kshs.3,685,013.

In addition, the property, plant and equipment reflects category of assets whose values are based on estimation except Work in Progress since their valuation is yet to be done and depreciation has not been incorporated in the financial statements. However, contrary to Section (100) of Public Finance Management (National Government) Regulations 2015 stipulates that Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible.

Under the circumstances, the accuracy, completeness and validity of the property, plant and equipment balance of Kshs.2,655,169,500 as at 30 June 2018 could not be confirmed

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of The Kisumu National Polytechnic in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

1. Budget Performance

During the year 2017/2018, the Polytechnic approved budget estimates of Kshs.312,546,032 while the actual expenditure was Kshs.400,608,021. However, the items listed below had material variances between the budgets, and four items expenditure namely; use of goods, general expenses, repair and maintenance and contracted services were exceeded against the budgeted items figures without approval

Item	Budget 2017 /2018 Kshs.	Actual Kshs.	Variance Kshs.	Percentage Variance %
Employee Costs	47,374,010	45,715,987	1,658,023	97
Use of Goods	168,116,351	238,655,455	(70,539,104)	142
General Expenses	10,000,000	21,285,395	(11,285,395)	213
Repairs and Maintenance	37,235,671	40,287,082	(3,051,411)	108
Contracted Services	5,320,000	5,349,000	(29,000)	101
Council Expenses	8,500,000	8,105,921	394,079	95
Capital Expenses	36,000,000	41,209,181	(5,209,181)	114
Total	312,546,032	400,608,021	(88,061,989)	128

However, contrary to section 43(b) of the Public Finance Management Regulations 2015 states that an Accounting Officer shall ensure that public funds entrusted to their care are properly safeguarded and applied for purposes for only which they were intended and appropriated by the National Assembly

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 Matters

REPORT ON COMPLIANCE WITH LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter(s) described in the Basis for [Conclusion on Lawfulness and Effectiveness in Use of Public Resources/ Qualified Opinion] 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. Stalled Projects Library Construction, Model Training Laboratory and Clinic

Included in the financial statements under note 19 is property, plant and equipment of Kshs.2,655,169,500 which includes work in progress of Kshs.275,759,727 out of which the following were noted.

- (i) The polytechnic awarded a contract of Kshs.110,672,456.60 to Cell Arc Systems on 19th December 2011 for the construction of a Library. However, the contract though had a variation midway of Kshs.12,821,012 (about 11.6%), the contract has not been executed to completion to date and had been referred to arbitration over disputes with total payment to the contractor amounting to Kshs.120,777,416.40 including retention as resolved and determined by arbitration.
- (ii) The award of the Model Training Laboratory was made to M/s Diaspora Designs Build Ltd on 21st January 2013 at a contract sum of Kshs.47,227,422, however, the same was varied midway to Kshs.59,045,505 by Kshs.11,818,083 (about 25%) but the contract has not been executed to completion to date and the contractor abandoned the site. However, contrary to section 23:2(e) of public finance management National Government Regulations, 2015 that an Accounting Officer shall take into account all relevant financial considerations, including issues of propriety, regularity and value for money.

Consequently, the incomplete library, model training laboratory and clinic projects are yet to serve the intended purpose and the polytechnic have not get value for money.

2. Failure to Maintain a Deposit Account

Included in financial statements under note 22 is refundable deposits of Kshs.3,994,519. However, the institution did not maintain a deposit account for the deposits. Further, contrary to section 81(2) of Public finance management Act (national government) regulations 2015 stipulates that the accounting officer shall include in the financial statements a statement of the entity's assets and liabilities as at the end of the financial year in respect of the recurrent Vote, development Vote and funds and deposits.

Consequently, the existence, accuracy and validity of the refundable deposits of Kshs.3,994,519 as at 30 June 2018 could not be confirmed.

My responsibility is to express a conclusion based on the review. The review was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the review so as to obtain limited assurance as to 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.

A review is limited primarily to analytical procedures and to inquiries, and therefore provides less assurance than an audit. I have not performed an audit, and, accordingly, express my conclusion in the form of limited assurance, which is consistent with the more limited work I have performed under this compliance review.

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

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Information Technology Internal Control

During the year under review an assessment of the entity's IT internal control environment, revealed the following observations:

Information Technology Governance: the entity does not have active IT strategy and IT steering committees, lacks an approved, operational IT policy.

Security Management: the entity does not have an IT security policy.

Program Change Management; the entity does not have documented and approved processes to manage upgrades made to financial information systems as well as a formal change request documentation to indicate what changes have been made to financial systems and reasons for these changes.

Physical Access Controls; Physical access to sensitive areas like the computer rooms housing the server computers is not adequately controlled, the organization does not have a well-equipped and dedicated server room to safeguard and ensure optimal performance of the server computers.

Environmental Controls: No policies and procedures to cover environmental controls, there was no formal, documented and tested emergency procedure in place to minimize disruption of business in case of an emergency, the server room lacked the following important equipment: - Fire suppression system, Temperature control system for air conditioning.

IT Service Continuity: The organization lacks a disaster recovery plan, Backups are not stored in a secure off site facility.

Logical Access Control: The organization does not have a formally documented and approved user management standard and procedure i.e. user account management policy.

Consequently, in the absence of a formally documented IT policy could lead to lack of a clear direction on the management and use of the IT systems in place and their related controls and also understate the assets and liability of the Institution.

My responsibility is to express a conclusion based on the review. The review was conducted in accordance with ISSAI 1265. The standard requires that I plan and perform the review so as to obtain limited assurance as to whether effective processes and systems of internal control, risk management and governance was maintained in all material respects.

The matters reported are limited to the deficiencies identified during the audit that I have concluded are material to be reported. I have not performed an audit, and, accordingly, express my conclusion in the form of limited assurance, which is consistent with the more limited work I have performed under this review.

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

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the projects ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Kisumu National Polytechnic or to cease operations, or have no realistic alternative but to do so.

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 money is applied in an effective manner.

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

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

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

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

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

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

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

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



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

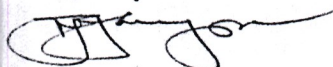
Nairobi

03 June 2019

**II. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 Kshs.
Revenue from non- Exchange Transaction		
Recurrent Grants	2	108,000,000
Research Grants		-
		<u>108,000,000</u>
Revenue from Exchange Transaction		
Tuition and Other Related Fees	4	196,008,850
Rental Revenue from Facilities and equipment	5	10,698,928
Financial Income - External Investments	6	-
Other Income	7	7,543,490
		<u>214,251,268</u>
Total Revenue		<u>322,251,268</u>
Expenditure		
Staff Costs	8	39,068,803
General Expenses	9	38,537,044
Finance Costs	10	-
Repairs and Maintenance	11	39,955,029
Amortization and Depreciation	12	-
Contracted Services	13	4,903,500
Use of goods and services	14	192,441,522
Council Expenses	15	4,204,239
Total Expenditure		<u>319,110,137</u>
Operating Surplus		<u>3,141,131</u>

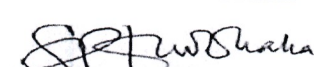
Principal



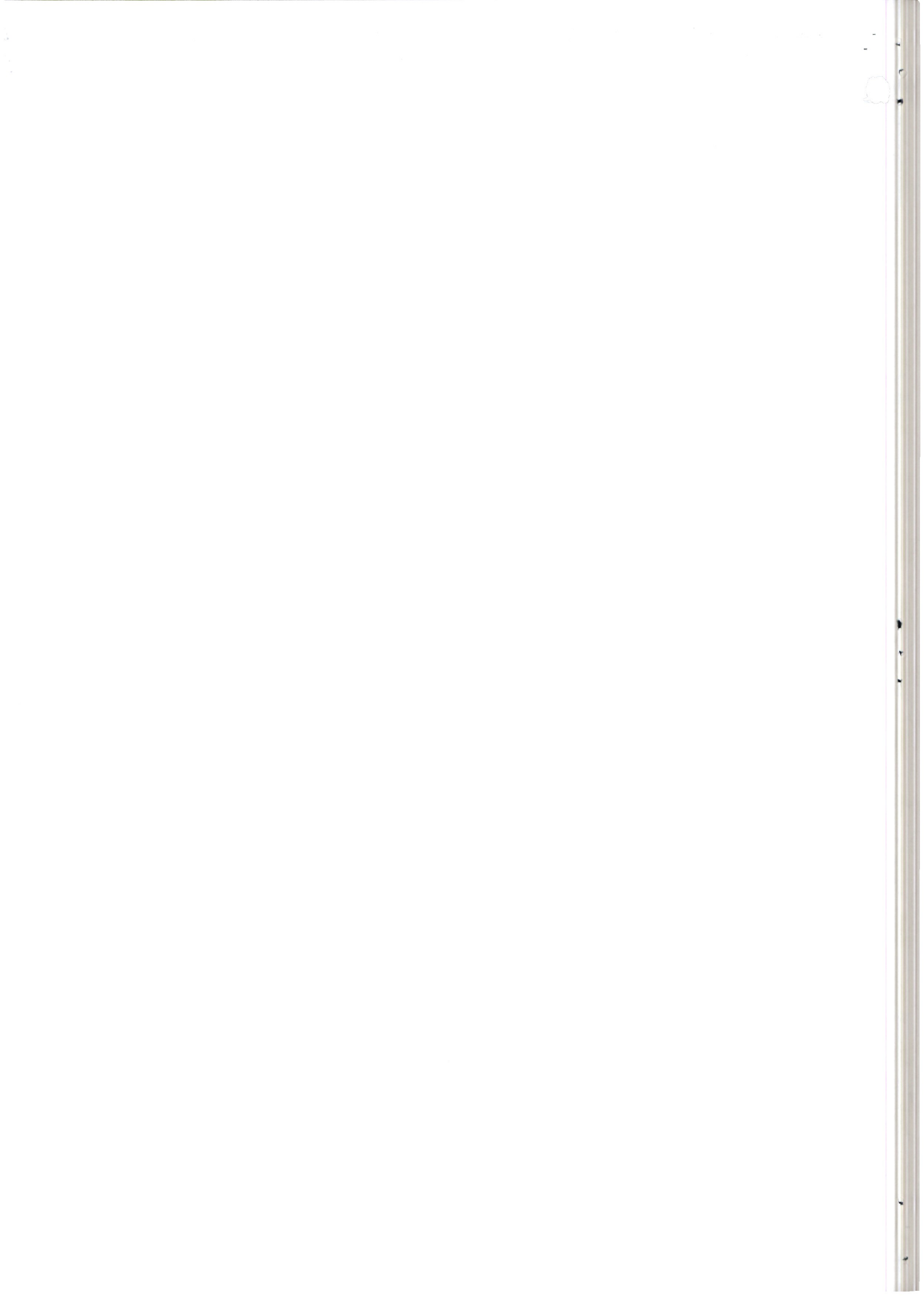
Finance Manager



Chairman of the Council



The notes set out on pages 1 to 24 form an integral part of the Financial Statements



III. STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2017

	Notes	2017 Kshs.
ASSETS		
Current assets		
Cash and cash equivalents	16	94,643,347
Receivables from exchange transactions	17	17,274,167
Inventories	20	899,956
		<u>112,817,470</u>
Non-current assets		
Property, plant and equipment	21	2,613,960,319
Total Non-Current Assets		<u>2,613,960,319</u>
TOTAL ASSETS		<u><u>2,726,777,789</u></u>
 EQUITY AND LIABILITIES		
Current Liabilities		
Trade and Other Payables	22	33,072,856
Amounts Held for Third Parties	23	24,165,754
Refundable deposits from customers	24	2,662,004
Total Current Liabilities		<u>59,900,614</u>
Non-Current Liabilities		
Net Assets		<u><u>2,666,877,175</u></u>
Capital Grants Reserves	25	2,372,723,487
Revenue Reserve	26	188,335,253
Total Reserves		<u>2,561,058,740</u>
Total net assets and liabilities		<u><u>2,726,777,789</u></u>

The Financial Statements set out on pages 1 to 24 were signed on behalf of the Governing Council by:

Principal



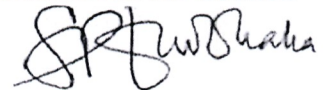
Finance Manager

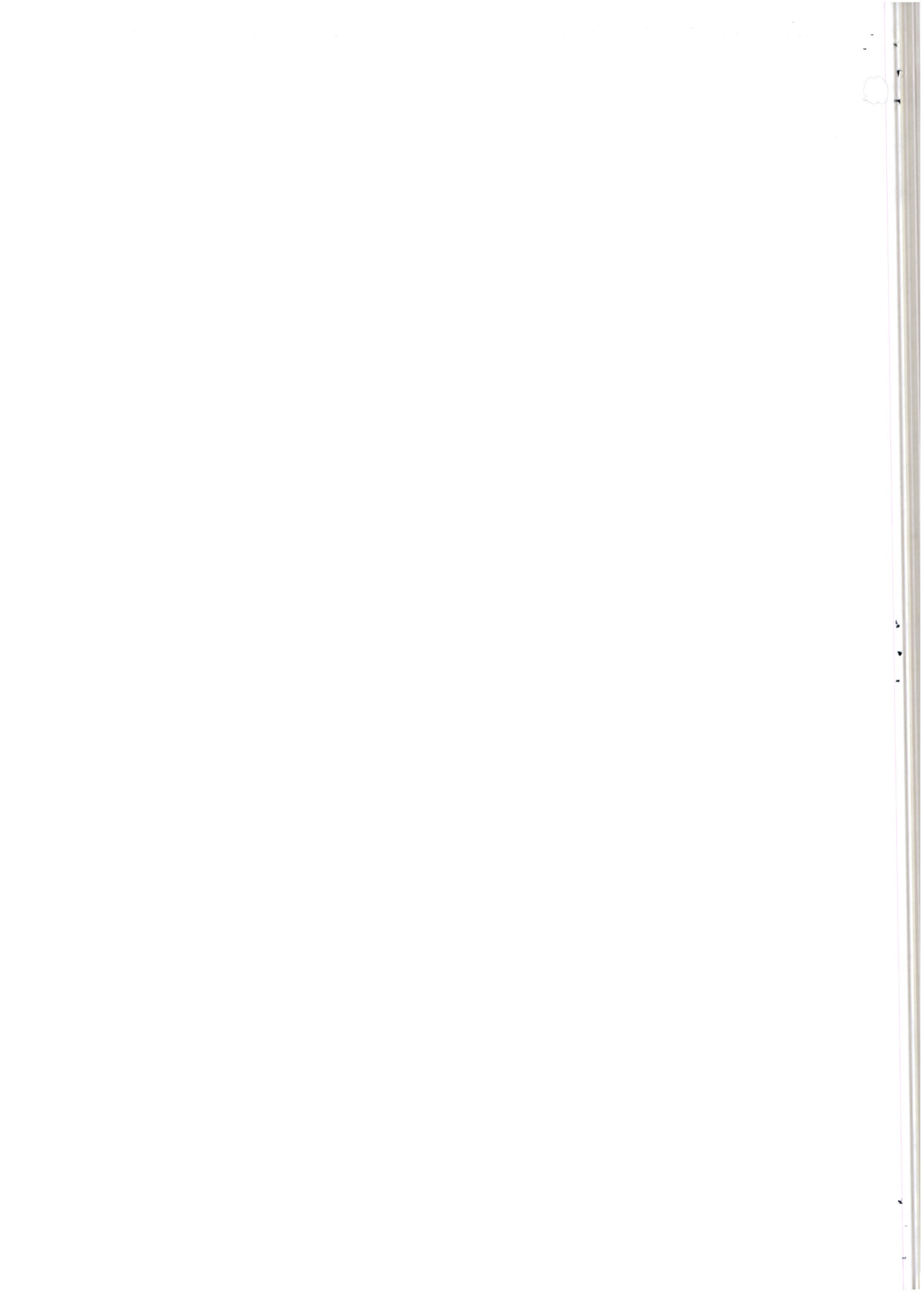
Finance Manager



ICPAK Member Number: 13764

Chairman of the Council





KISUMU POLYTECHNIC

Annual Report and Financial statements

Statement of Changes in Net Assets for the year ended 30 June 2017

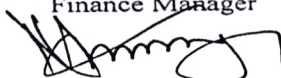
	Capital Reserves	Revenue Reserve	Total Equity
	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2016	2,336,723,489	185,194,122	2,521,917,611
Surplus for the year		3,141,131	3,141,131
Capital Development Grants	36,000,000		36,000,000
Movement During the year	-	-	-
Balance as at 30 June 2017	2,372,723,489	188,335,253	2,561,058,742

Principal



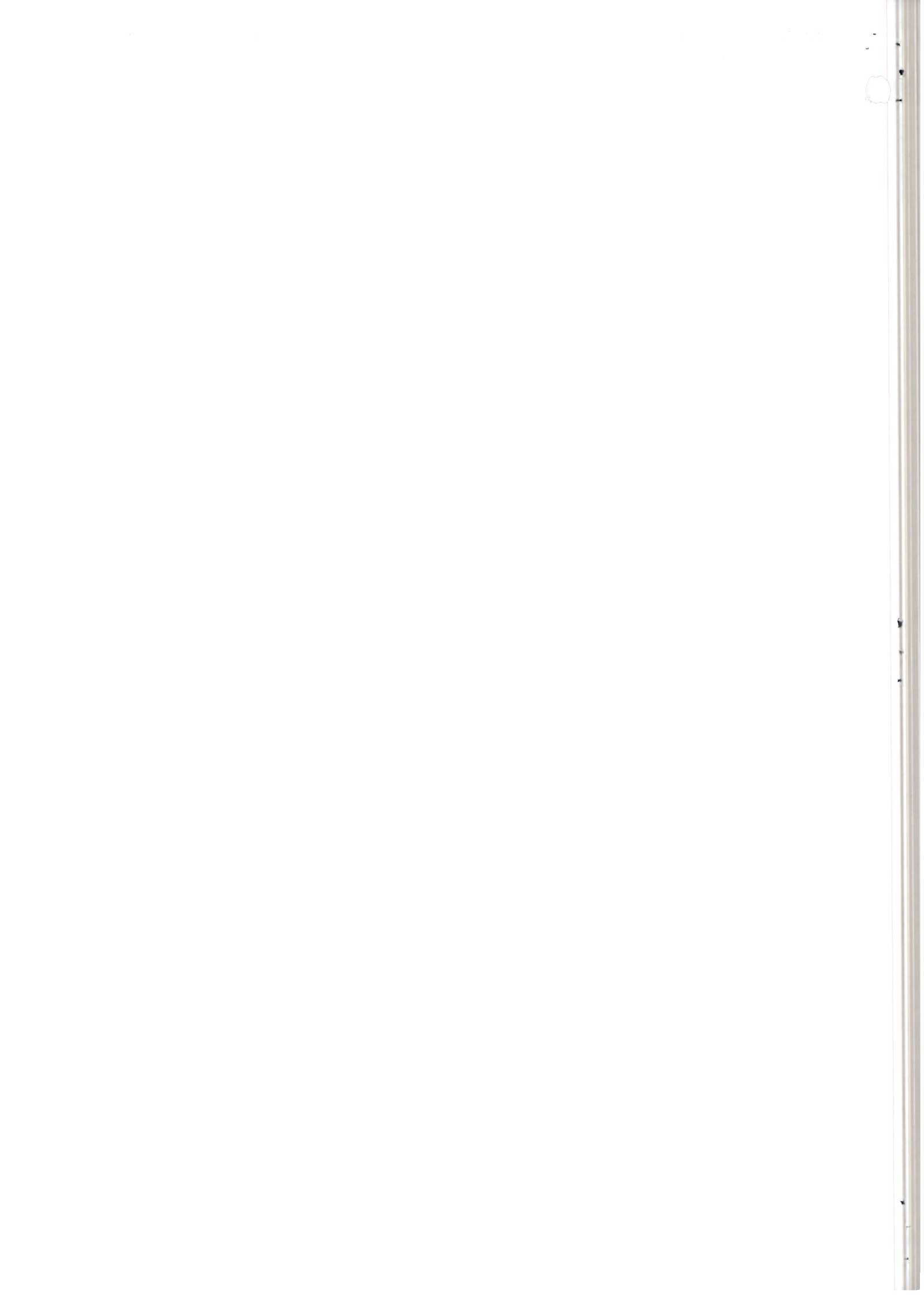
Finance Manager

Finance Manager



Chairman of the Council





**IV. STATEMENT OF CASHFLOWS
 AS AT 30 JUNE 2017**

	Notes	2017 Kshs.
Cash flows from operating activities		
Surplus/(deficit) for the year		3,141,131
Add back : Depreciation and Amortization		-
Less Gain on Revaluation		-
Operating cash before working capital changes		3,141,131
(Increase)/Decrease in Inventory	20	(899,956)
(Increase)/Decrease in Receivables	17	(17,274,167)
Increase /(Decrease) in Payables	21-23	56,703,604
Net Cash flow from operating activities		38,529,481
Cash Flows from Investing Activities		
Purchase of Plant Property & Equipment	26	(82,810,451)
Disposal of Assets		
Purchase of Intangible Assets		
Purchase of Investments		
Net Cash Flow From investing activities		(82,810,451)
Cash flows from Financing activities		
Receipt of Capital Grants	23	36,000,000
Bank Loan		-
Loan Repayment		-
Net Cash flow from Financing Activities		36,000,000
Net Increase in cash and cash equivalents		(8,280,970)
Cash and cash Equivalents at the beginning		102,362,583
Cash and cash Equivalents at the end		94,081,613

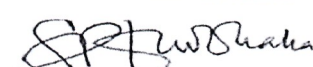
Principal



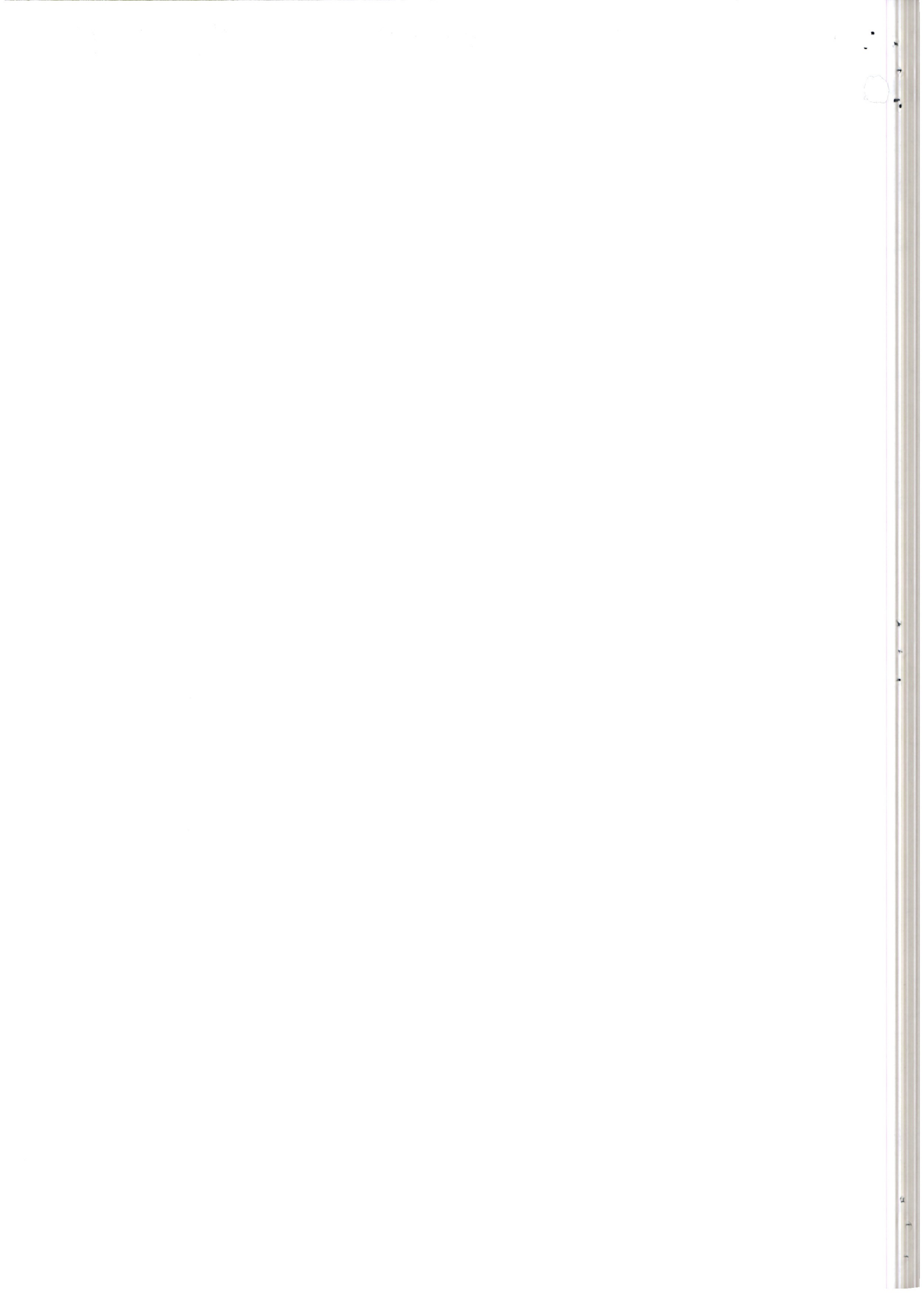
Finance Manager

Finance Manager


Chairman of the Council

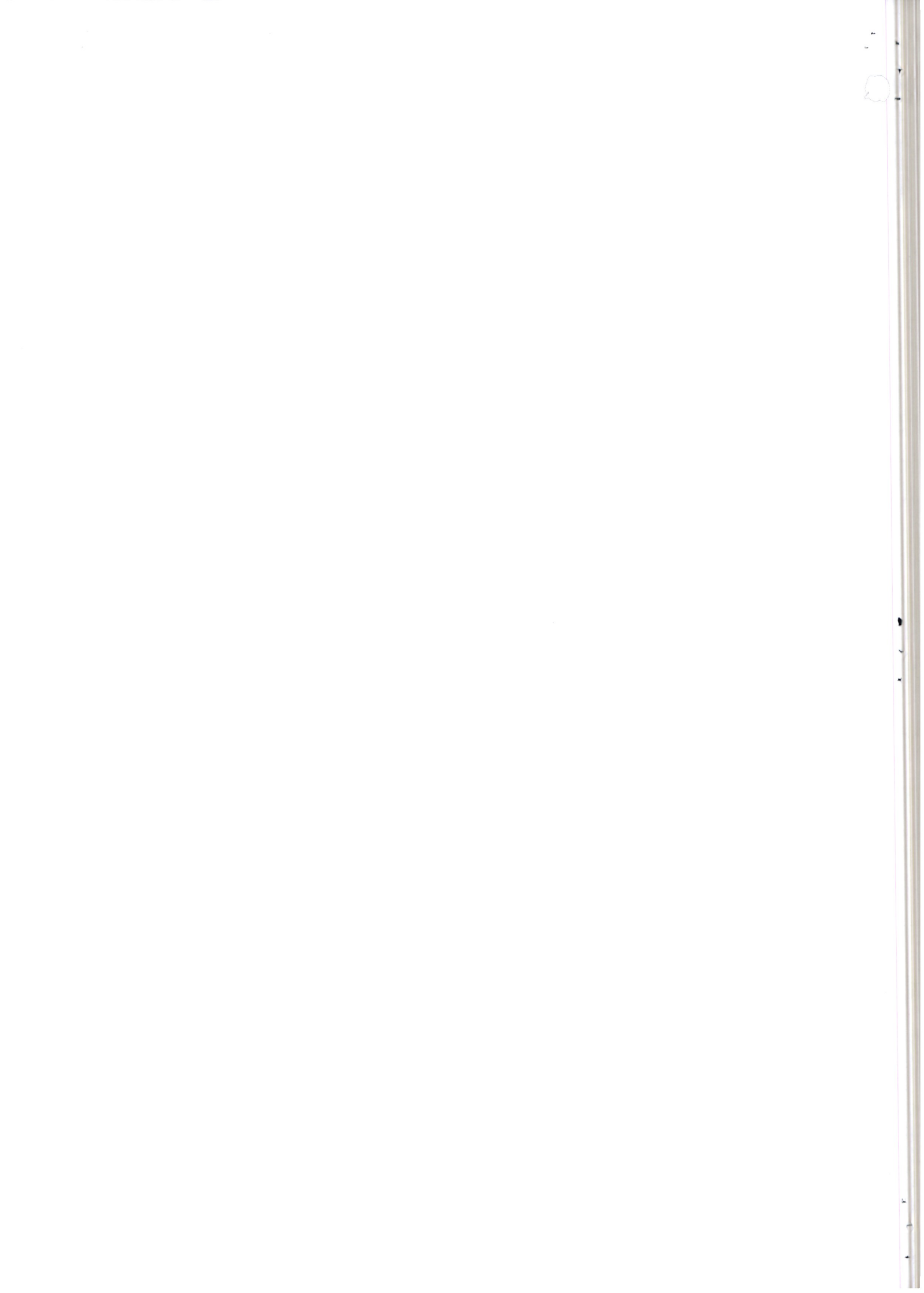


Direct method has been adopted as recommended by PSASB



**V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2017**

	Original budget	Adjustments	Final budget	Actual Outcome	Performance difference	Percentage difference	comments
	2016-2017		2016-2017	2016-2017	2016-2017		
	Kshs		Kshs	Kshs	Kshs		
Revenue	108,000,000		108,000,000	108,000,000.00	0.00	0.00	
Recurrent Grants	36,000,000		36,000,000	36,000,000.00	0.00	0.00	
Development Grants & Loans	0.00		0.00	-	0.00	0.00	
Research Grants	136,554,992.00		136,554,992.00	205,008,850.00	68,453,858.00	50/100	Favourable
Tuition and Other Related Fees	1,656,000.00		1,656,000.00	1,698,928.00	42,928.00	2.59/100	favourable
Rental Revenue	0.00		0.00	-		0.00	
Finance Income	4,840,000.00		4,840,000.00	7,543,490.00	2,703,010	55.8/100	favourable
Other Income	0.00		0.00	0.00		0.00	
Retained Earning	287,050,992.00		287,050,992.00	358,251,268.00			
Expenses							
Employee Costs	42,986,010.00		42,986,010.00	39,068,803	3,917,207.00	9.11/100	favourable
General Expenses/use of goods	166,568,111.00		166,568,111.00	230,978,566	64,410,455.00	38.7/100	Adverse
Repairs and Maintenance	36,996,871.00		36,996,871.00	39,955,029	-2,958,158.00	7.99/100	Adverse
Depreciation and Amortisation	0.00		0.00	-		0.00	
Contracted services	4,903,500.00		0.00	4,903,500.00	0.00	0.00	
Council Expenses	4,500,000.00		4,500,000.00	4,204,239	295,761.00	6.57/100	Favourable

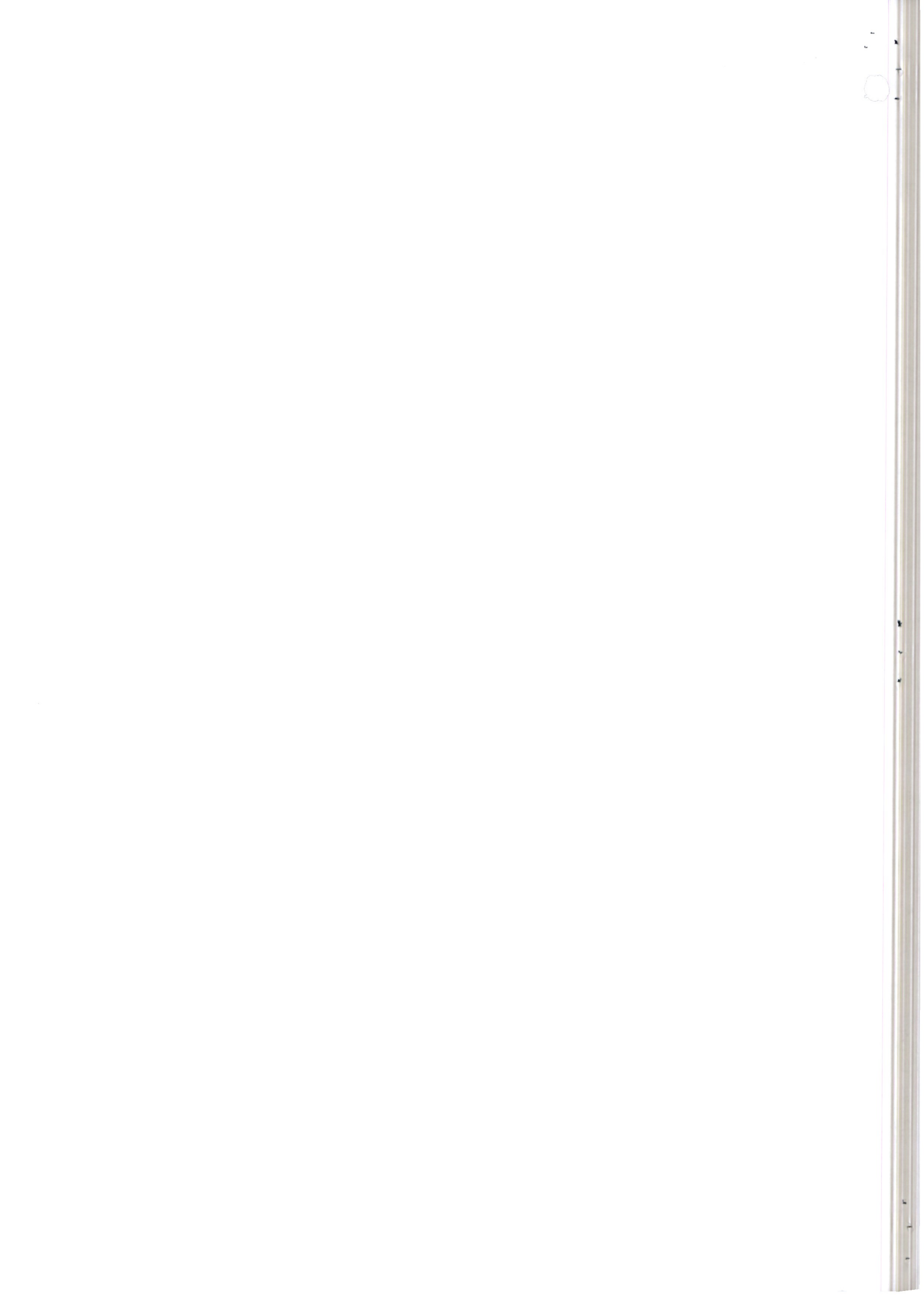


The Kisumu National Polytechnic
Reports and Financial Statements
For the year ended June 30, 2017

Capital Expenses	36,000,000.00		36,000,000.00	36,000,000.00	0.00
Total Expenditure	287,050,992.00		287,050,992.00	355,110,137.00	

Budget notes:

- The positive variance of ksh.68,453,858.00 on fees receipts was due to the increase in student population from 4,400 that was used during budgeting to 4,544 which was the actual student population for the FY 2016/2017. A supplementary budget was however not made leading to lack of the adjustments column in the statement of comparison of budget and actual amounts
- The inclusion of Examination fees as an item of income and expenditure from exchange transactions has also inflated the amount on fees receipts, in the previous years this vote head was treated as a non-recurrent vote head and never formed part of the recurrent vote heads, during the FY 2016/2017 a total of ksh.38,280,799.38 was received against an expenditure of ksh.31,085,378.75. It is important to note that this is a clearance account since all monies received in this vote are payable to the Kenya national exam council for students registration.
- Garment making is an income generating unit for the polytechnic that was initiated by COMESA to offer embroidery services, laundry, carpet cleaning and tailoring. It did not pick up well during the FY216/2017 as expected due to lack of training for the staff involved, installation costs for the machines that rose amongst other teething problems. This disabled the polytechnic from receiving its set target of ksh.3,840,000.00 leading to a negative variance of ksh.3,382,290.00. The challenges have since been overcome and the institution now considers it a viable project.
- The budgeting process was based on IPSAS cash whereas the financial statements have been prepared based on IPSAS accrual, this has also contributed to the adverse performance difference.



VI. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

In exercise of the powers conferred by section 26 (2) of the Technical and Vocational Education and Training Act, (No. 29 of 2013), the Cabinet Secretary for Education Science and Technology made the following Order through legal Notice No. 113 of 22nd August, 2014 cited as The Kisumu National Polytechnic Order, 2014. There is established a National Polytechnic known as the Kisumu National Polytechnic; body corporate with perpetual succession and a common seal and in its name, be capable of suing and being sued; taking, purchasing or otherwise acquiring, holding, charging or disposing of both movable and immovable property; borrowing money; charging for services offered, with the approval of the Cabinet Secretary; and entering into contracts.

The Kisumu National Polytechnic is the successor to the Kisumu Polytechnic existing immediately before the commencement of the Order. All rights, liabilities and assets held by anybody on behalf of the Kisumu Polytechnic existing at the commencement of this order, were automatically and fully transferred to the National Polytechnic.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The entity's financial statements have been prepared partially in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost. The cash flow statement is prepared using the direct method. The institution has adopted IPSAS for the first time, we have not incorporated the statement of changes in net assets for the FY 2016/2017 since reliable models for recognition and measuring assets and liabilities have not been put in place and a policy for depreciation and amortisation is yet to be implemented.

The polytechnic instituted a management estimates committee that came up with approximate values of the college assets for incorporation in the financial statements for the FY 2016/2017, the polytechnic however intends to engage professional valuers during the FY 2017/2018. The values of the assets are therefore subject to change after the professional valuation.

During the FY 2015/2016 the institution did not adopt IPSAS accrual in preparation of the financial statements, it was therefore not possible to incorporate comparative figures for the FY 2015/2016 in these financial statements.





The Kisumu National Polytechnic
Reports and Financial Statements
For the year ended June 30, 2017

6 Finance Income- External Investments

Investment Income -

7 Other Incomes

Application Fees 1,304,300

Garment Making 557,710

Graduation fees -

Library fines and photocopy -

Centre fees 87,900

Examination Resist charges 26,680

KMLTTB:Indexing 182,500

KMLTTB:Log book 87,600

Driving lessons 444,930

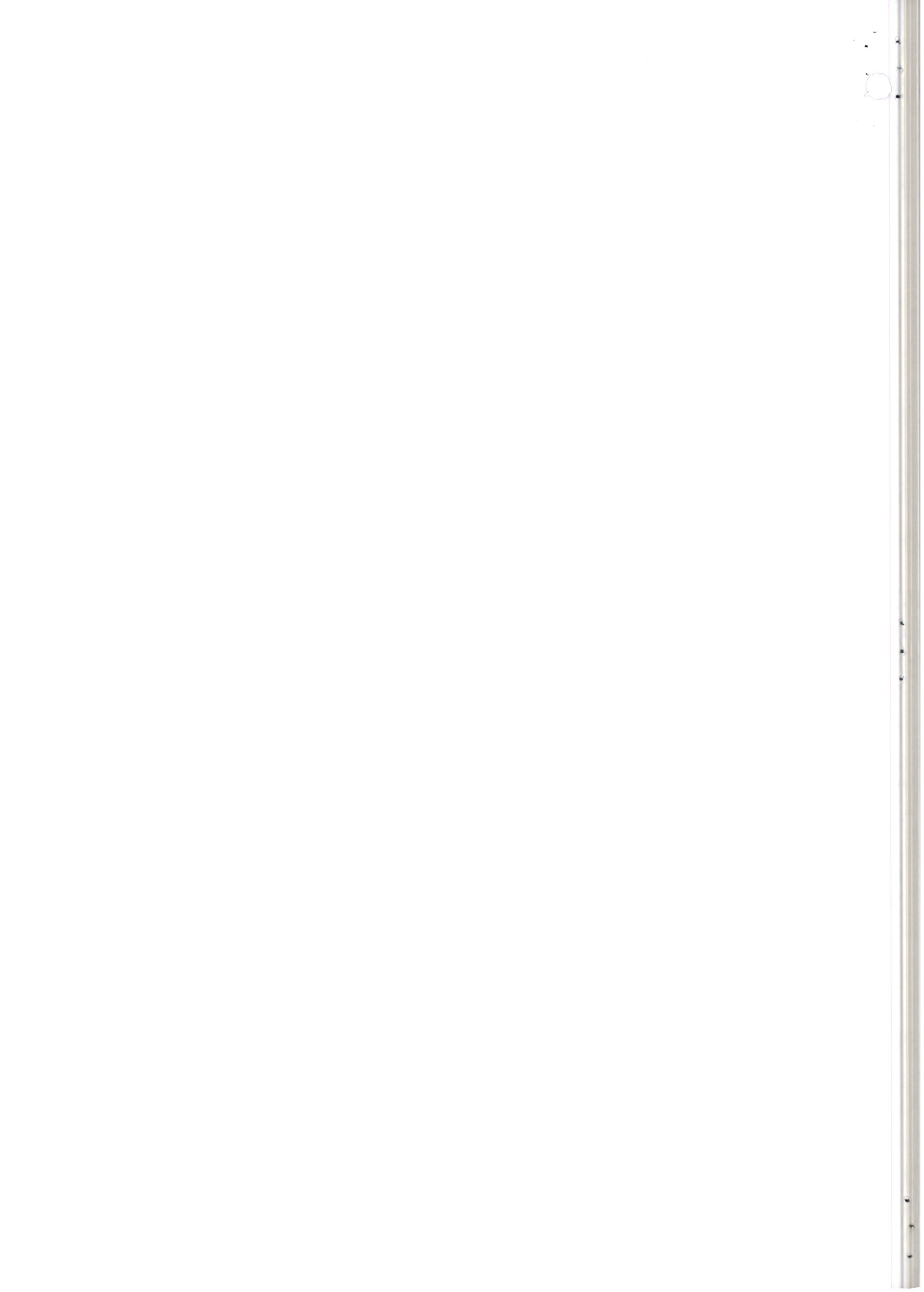
ODFL 76,500

Pay as you eat system 4,775,370

Medical claims -

Miscellaneous -

Total 7,543,490



The Kisumu National Polytechnic
Reports and Financial Statements
For the year ended June 30, 2017

	2017
8 Employee Costs	Kshs.
Salaries and wages	26,381,399
Housing benefits and allowances	6,898,279
Medical allowance	1,059,325
Commuter allowance	4,159,000
NSSF	570,800
Total	<u><u>39,068,803</u></u>

The Kisumu National Polytechnic
Reports and Financial Statements
For the year ended June 30, 2017

	2017
	Kshs.
9 General Expenses	
Domestic travel and subsistence	5,368,817
Student union related expenses	2,455,355
Production unit	28,702,105
Supplementary(Exam materials for resits)	1,140
Application fees(Advertisements)	1,170,444
S.E.S centre fees	67,653
KMLTTB Indexing Levies	107,000
KMLTTB log book levies	33,600
Driving lessons expenses	630,930
Total	<u>38,537,044</u>
10 Finance Cost	<u>-</u>
11 Repairs and Maintenance	
Repairs and maintenance of assets	<u>39,955,029</u>
	<u>39,955,029</u>
12 Amortization and Depreciation	
Depreciation expenses	-
Amortization	-
	<u>-</u>
13 Contracted services	
Security services	<u>4,903,500</u>
	<u>4,903,500</u>
14 Use of goods and services	
Practical related expenses	19,429,118
Learning materials and training	72,877,880
Boarding related expenses	22,675,644
Utility supplies	6,323,471
Contingencies (Hospitality services)	8,557,322
Examination fees to third parties (KNEC)	31,085,379
Medical related expenses (Clinic expenses)	2,820,164
Printing of identity cards	830,900
Registration related expenses	1,103,351
Library expenses	3,498,382
Sports Activity expenses	9,682,045
Industrial attachment expenses	5,772,325
ICT expenses	1,086,850
Catering expenses	6,698,691



The Kisumu National Polytechnic
Reports and Financial Statements
For the year ended June 30, 2017

192,441,522

15 Council Expenses

Council allowances

2,914,344

Travel and Subsistence

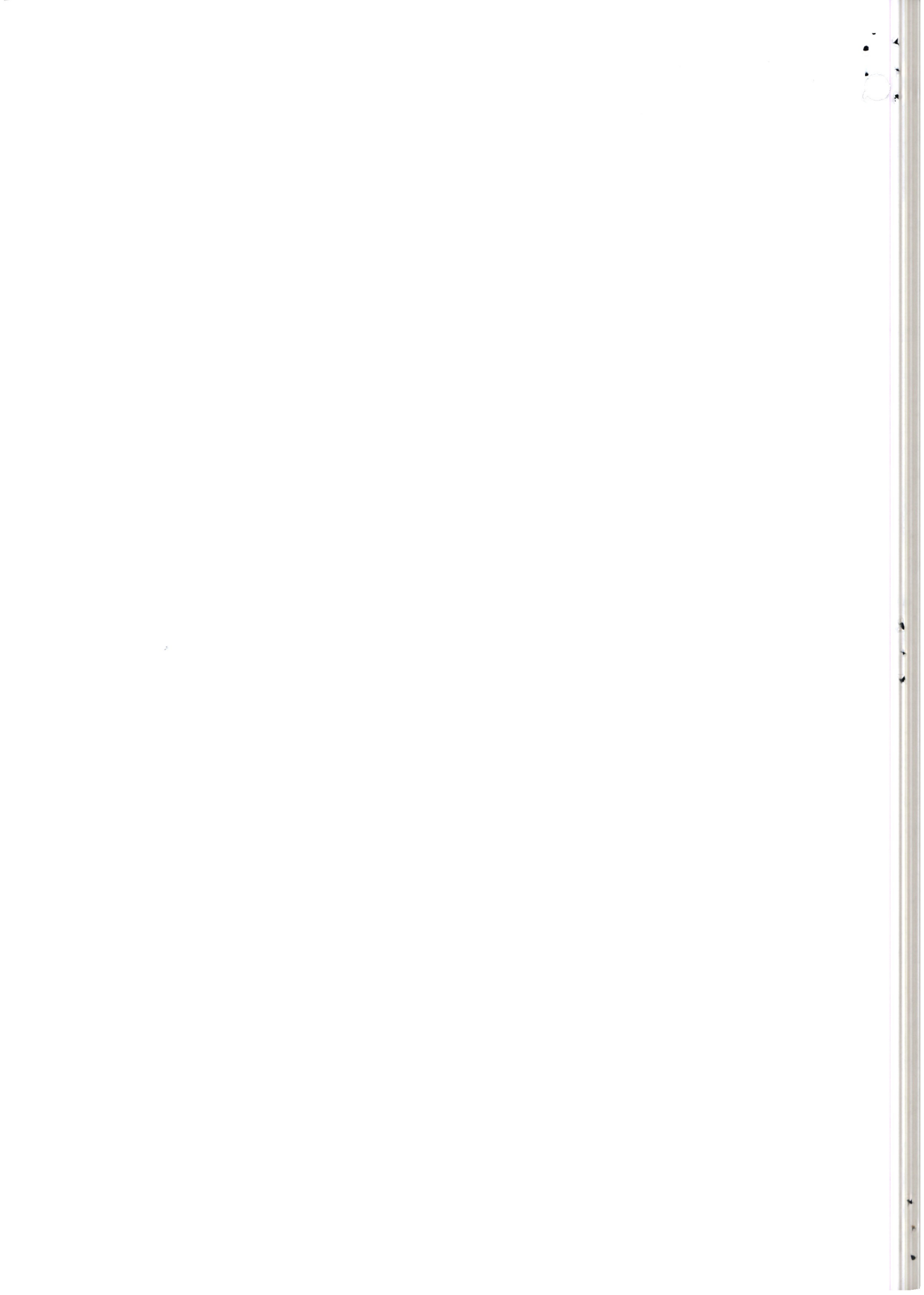
1,289,895

Total

4,204,239

The Kisumu National Polytechnic
Reports and Financial Statements
For the year ended June 30, 2017

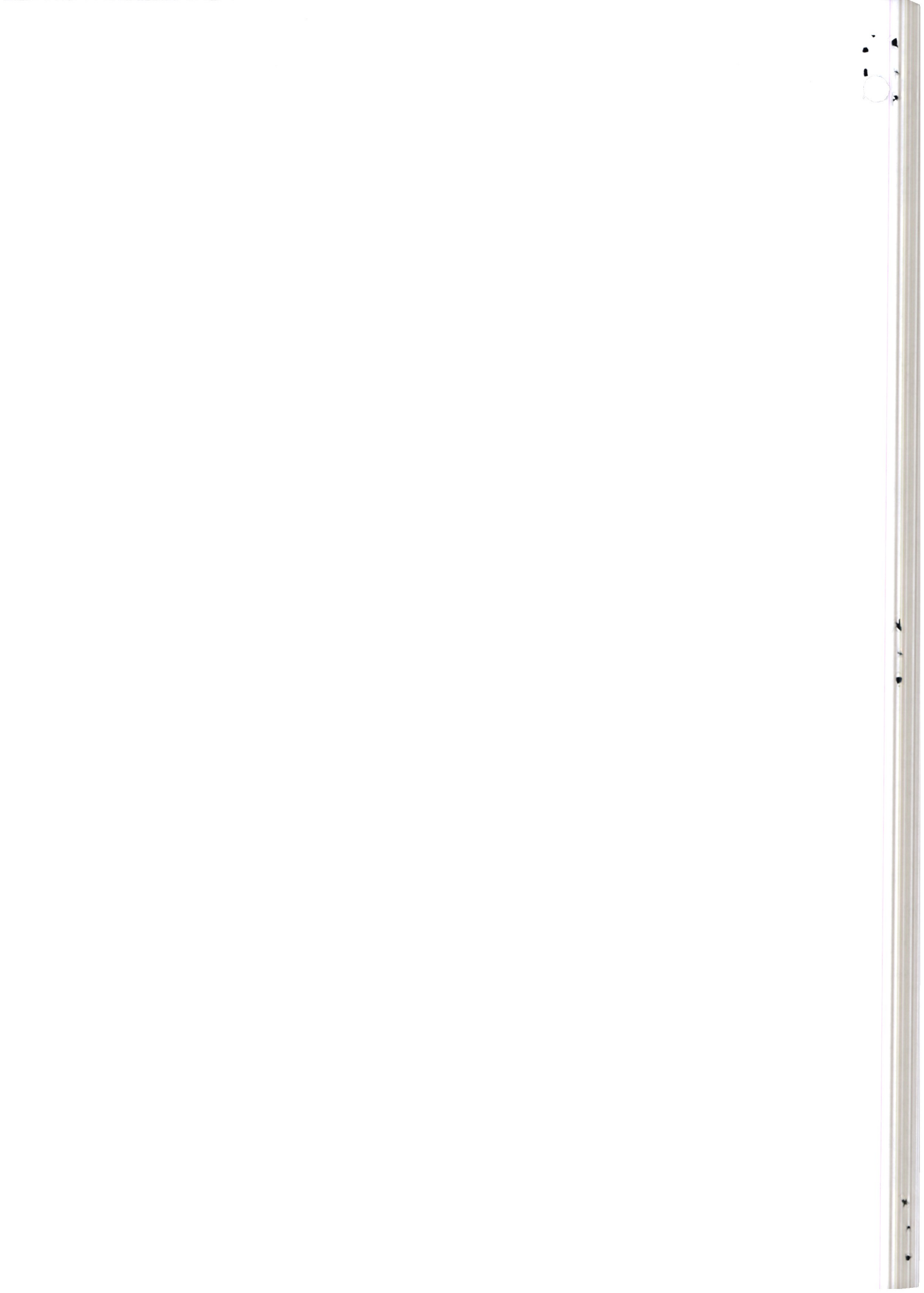
	2017
16 Cash and Cash Equivalents	Kshs.
KCB 1103855905	43,572,888
KCB 1103855980	220,556
KCB 1114065498	6,303,180
KCB 1174585730	2,606,752
Co-operative Bank 2912042200	19,436,446
National Bank 4715392000	20,968,745
Cash in hand	973,048
	<hr/> 94,081,613 <hr/>
17 Receivables from Exchange Transactions	
Students Debtors	16,390,757
Salary Advances	883,410
	<hr/> 17,274,167 <hr/>
20 Inventories	
Cleaning materials	68,405
Medical supplies	57,331
Stationery	523,491
Catering	250,728
	<hr/> 899,956 <hr/>



The Kisumu National Polytechnic
Reports and Financial Statements
For the year ended June 30, 2017

Note: 21

Current year	Land and Buildings	Work in Progress	Equipment and Machinery	Motor Vehicles	Furniture & Fittings	Computers	Library Books	Total
Cost								
At 1 July 2016	1,946,590,200	104,239,208	309,830,360	9,830,000	25,465,614	9,629,950	19,746,100	2,425,331,432
Additions	-	165,549,610	5,925,701	9,110,000	2,583,176	5,460,400	-	82,810,451
Transfer								
At 30 June 2017	1,946,590,200	269,788,818	315,756,061	18,940,000	28,048,790	15,090,350	19,746,100	2,508,141,883
Depreciation								
At 1 July 2016	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-	-
Prior Year Adjustments	-	-	-	-	-	-	-	-
At 30 June 2017	-	-	-	-	-	-	-	-
Net Book Value	1,946,590,200	163,970,382	315,756,061	18,940,000	28,048,790	15,090,350	19,746,100	2,508,141,883



The Kisumu National Polytechnic
Reports and Financial Statements
For the year ended June 30, 2017

KISUMU POLYTECHNIC
Annual Report and Financial statements
For the Year ended 30th June 2017

	2017 Kshs.
22 Trade and Other Payables	
Accounts Payable	19,341,347
Retention fees	<u>13,731,509</u>
	<u>33,072,856</u>
23 Amounts held for Third parties	
Nyakach TTI	20,968,745
Lodwar TTI	<u>2,635,275</u>
	<u>23,604,020</u>
24 Refundable deposits	
Bursary	909,585
PAYE	548,255
Miscellaneous	1,141,762
Welfare	38,300
VAT	24,102
	<u>2,662,004</u>
25 Capital Grants Reserve	
Capital Development Grants	
EQUITY	36,000,000
Transfer from Retained Earnings	2,336,723,489
	<u>2,372,723,489</u>
Revenue Reserves	
Opening Balance	
26 Prior Year Adjustment(Depreciation)	185,194,122
Transfer to capital reserves	-
For the year	-
	<u>3,141,131</u>
	<u>188,335,253</u>

