REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NORTH EASTERN NATIONAL POLYTECHNIC

FOR THE YEAR ENDED 30 JUNE, 2023

Revised Template: 30th June 2023

THE NORTH EASTERN NATIONAL POLYTECHNIC

P.O. BOX 329-70100, GARISSA | Tel: 0716 061 788 | Fax: 046 2102488
email:info@northeasternpoly.ac.ke | www.northeasternpoly.ac.ke

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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

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Table of Contents

1. Acronyms & Glossary of Terms iv
2. Key Entity Information and Management .... Error! Bookmark not defined.
3. The Council .... Error! Bookmark not defined.
4. Key Management Team xi
5. Chairman's Statement xiv
6. Report of the Principal xiv
7. Statement of Performance against Predetermined Objectives xv
8. Corporate Governance Statement xviii
9. Management Discussion and Analysis xviii
10. Environmental And Sustainability Reporting Statement xx
11. Report of the Council xx
12. Statement of the Council's Responsibilities xxiiiii
13. Report of the Independent Auditor (Office of the Auditor General) xxiii
14. Statement of Financial Performance For The Year Ended 30 June 2023 1
15. Statement of Financial Position As At 30th June 2023 2
16. Statement of Changes in Net Asset For The Year Ended 30 June 2023 4
17. Statement of Cash Flows For The Year Ended 30 June 2023 5
18. Statement of Comparison of Budget&Actual amounts For Year Ended 30 June 2023 6
19. Notes to the Financial Statements 8
20. Appendices 42

1. Acronyms & Glossary of Terms

BOG	Board of Governors
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
TTI	Technical Training Institute
TTC	Teacher Training College
TVC	Technical Vocational College
Fiduciary Management	Key management personnel who have financial responsibility in the entity

Provide a list of Acronyms and glossary of terms used in the financial report as per above example. The list to be exhaustive)

1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

North Eastern National Polytechnic, NENAP is the former North Eastern Province Technical Training Institute or NEPTTI. The institution became a National Polytechnic through the North Eastern National Polytechnic Legal order of 30th May 2016, under legal Notice No 89 provided for in Technical and Vocational Education and Training (TVET) Act, 2013.
The Polytechnic is situated within Garissa Township and occupies a 58-acre piece of land. The Institution was established as a community-based Technical Secondary school in 1983. In 1985 it was taken over by the Government and in 1998 it was converted to a Technical Training Institute a status it has held for three decades before assuming its current status as a National Polytechnic. Currently it is the only Government National polytechnic that offers Vocational, Technical and Entrepreneurial training in the whole of North-Eastern province and its environs. NENAP has a strategic plan and is managed by a Governing Council appointed by the Ministry of Education and run on a day-to-day basis by a principal who is appointed under the State department Vocational and Technical Training

(b) Principal Activities

The principal activity/mission of the Polytechnic is to train highly skilled workforce that is suitable for further professional development through quality inclusive and equitable TVET programs responsive to national and global competitiveness, implementing training in TVET programs, carrying out research programs, and innovation into products and services
The core functions of North Eastern National Polytechnic include;
(a) Provide directly, or in collaboration with other institutions of higher learning, facilities for technical trainers in technological, professional, scientific education; conduct examinations for and grant such academic awards as provided under the polytechnic order.
(b) 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;
(c) Contribute to industrial and technological development of Kenya in collaboration with industry and other organizations through transfer of technology and adopting programs that address the needs of the local community and the Nation at large.
(d) 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.*)*

(c) Key Management

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

- Council
- Accounting officer/ Principal

(d) Fiduciary Management

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

No.	Designation	Name
1.	Principal/Secretary to Governing Council	Show Fondo Kalam
2.	Deputy Principal, Administration	Abdirahman Kassim Shakul
3.	Deputy Principal, Academics	Ms Margret Wanjiru
4.	Registrar	John Githinji
5.	The Dean of Students	Timothy Nyasani
6.	Finance Office	Vincent Ohana
7.	Procurement Officer	Abdirizack Sheikh
8.	Domnic K. Mativo	Internal Auditor

(e) Fiduciary Oversight Arrangements

Name of the Committee	Members
Finance, infrastructure and HRM committee	Shakir Hussein - Chairman David Kivoto - Member Halkano Roba Duba - Member Muhammad H. Noor - Principal
Audit/Risk Management committee	Hassan Absiye - Chairman Salome Mwangi - Member Domnic Kalonzo - Internal Auditor

(f) Entity Headquarters

North Eastern National Polytechnic
P.O. Box 329-70100
Garissa,
KENYA

(g) Entity Contacts

Telephone :(254)716 0601788/724750704
E-mail: info@northeasternpoly.ac.ke
Website: www.northeasternpoly.ac.ke

(h) Entity Bankers

1. Kenya Commercial Bank
   Garissa Branch
   P.O. Box 143
   Garissa, Kenya

(i) Independent Auditors

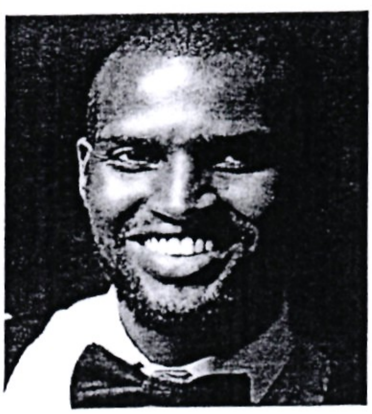
Auditor General
Office of Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

2. THE COUNCIL MEMBERS

– Council Chairman  MR. MOHAMMED SHEIKH ABDI	• 56 yrs Old, Certified project management professional, APM Group (UK), 2013 • Master's in Business Administration, (HRM & Strategic Management) UoN 2008 • Certified Public Secretary CPS(K) KASNEB 2006 • Bachelor of Arts BA & Econ, Moi University,1991
- Council Member  MR. SHAKIR HUSSEIN MOHAMED	• 45 years old, Master of Science (Finance and Investment) from KCA University. • Bachelor of Business Administration-Finance Option from Kenya Methodist University • Certified Public Accountant of Kenya (CPA K)
– Council Member  MS. SALOME CHEMJOR MWANGI	• 58 years old, Master of Arts Degree in Project Planning and Management-University of Nairobi. • Bachelors of Science Degree in Agriculture and Human Ecology Extension, Egerton university-Njoro. • Diploma in Agriculture and Home Economics, Bukura College of Agriculture and Certificate in General Agriculture and Home Economics

- Council Member  MR. DAVID KIVOTO	• 55 years old, Has Bs. Technology degree in Education from. • Has Technical Training background with an Higher Diplom in Building and Civil Engineering. • He currently in-charge of Education affairs in Kitui County. • Has rich background in partnership engagements.
- Council Member  MR. HASSAN ABSIYE AHMED	• Kenyatta University Graduate in Master of Education degree in Education Administration • Kenyatta University Graduate, Bachelor of Education degree (Early Childhood Education) • Has worked for Teachers Service Commission (TSC) and Kenya Institute of Education (now Kenya Institute of Curriculum Development (KICD) UPT 2019
Council Member  MR, HALKANO ROBA DUBA	• Area of specialization, Project Engineering · Graduate Engineer Qualification: BSc Civil • Engineering & CPA-II. • Registered with Engineers board of Kenya (EBK), institution of engineers of Kenya (IEK) • And also with the Institution of Engineering Technologists and Technicians of Kenya (IET)

<table>
<tr><td>
MR MUHAMMAD NOOR HASSAN
(The Immediate Former Principal)</td><td>Mr Muhammad Noor Hassan is the current Chief Principal of North Eastern National Polytechnic and Secretary to the Governing Council, He has,
Master Degree in Business Administration from Kampala International University.
Bachelors Degree in Education from Moi University (Eldoret)</td></tr>
<tr><td>
MR. SHOW FONDO KALAMA
(The Current Principal)</td><td>Mr Show Fondo Kalama, currently the Principal and Secretary to the Governing Council, is a holder of Masters in Business Administration (Strategic Management) and B.Ed (Arts) both from Kenyatta University.
Has 20 years' experience in the teaching profession.</td></tr>
</table>

2. Key Management Team

Show Fondo Kalama		The Current Principal/Secretary to the Governing Council
Muhammad Noor Hassan		The immediate former Principal
Abdirahman Kassim Shakul		Deputy Principal, Administration
Ms Margret Wanjiru		Deputy Principal, Academics
John Githinji		Registrar
Geoffrey Maina Osoro		Dean Of Students

Vincent Ohana		Finance Officer
Domnic K. Mativo		Internal Auditor
Abdirizack Sheikh		Procurement Officer

3. Chairman's Statement

The office of the Chairperson of the governing council of the North Eastern National Polytechnic (NENAP) has been active during the year under review in managing the affairs of the Polytechnic. We reckon the existing challenges including the issues of security, learning facilities, fewer teaching resources but above all the culture that associates technical training with mundane life. This requires change in the mindset of our people as we leveraged on the leaders to sensitize and educate our people to embrace the concept of technical and vocational training for our youth. The council is committed to ensuring that the changing world around is sensitive to the needs of the future.
We have continued to collaborate with a number of agencies both public and private sector in our endeavor to grow the institution. Our desire to achieve and deliver on our mandate has seen our drive in reaching out to each and every other partner willing to work with us.

During the year under review, the Polytechnic management has carried out an aggressive popularity campaign in Garissa County and its environs. Our mandate is to grow the student population through a number of strategies including effective outreach programs geared to popularize the institution from within and around the County. On matters of security, the management has put certain measures in place to beef security. This gesture of security provision has boosted somewhat the level of security in the institution to both staff and students.

As a council, we endeavour to continually putting in place governance systems to ensure that we not only comply with the code of ethics but engage in prudent leadership practices that creates value for the Polytechnic. The Polytechnic has remained a good corporate citizen that meets its obligations for its staff and students as well as the national obligation

The Polytechnic registered remarkable development during the period under review in the realization of its mandate with support of the Ministry of Education, state department of Vocational and Technical Training. As a result, the polytechnic has now been able to steer its progress through market research, linkages, collaboration and partnerships. The polytechnic continues to register an overall improvement in its performance due to enhanced resources, physical facilities and infrastructure.

Special thanks go to the State Department of Vocational and Technical Training, Ministry of education, the County Government of Garissa and all other development partners for the support they continue to accord the polytechnic, without which our achievements would not have been realized. Finally I wish to appreciate my Council members and the management staff for their efforts in supporting the realization of the polytechnic mandate.

Mohamed S Abdi
Chairman/Governing Council

4. Report of the Principal

Pursuant to Section 83 of the Public Finance Management Act, 2012, I take this opportunity to present the Polytechnic's Annual Report and Financial Statements for the period ended 30 June 2023. The report focuses on the Polytechnic's Strategic intent enshrined in our performance contract which include improvement of physical facilities and infrastructure, curriculum development, acquisition of workshop equipment and ICT infrastructure, advancement of TVET programs by promoting Research & Innovation, Partnership/linkages and environmental management. Further, the Polytechnic envisages to strengthen its financial base through promotion of good governance and effective management.

The above strategic issues are part of broad initiatives undertaken by the Polytechnic planning system to impart relevance to current National TVET reforms. This defines the Polytechnic's mandate aimed at enhancing quality, competitiveness, creativity and innovativeness in TVET education. This report is premised on involvement on account of analysis of goals, strategic issues, strategic objectives, strategies and activities that the Polytechnic intends to pursue in the next three years. The mandate of the Governing Council among other things is to provide apex management towards achieving the Polytechnic mandate as per the TVET Act 2013. In the year under review, the Polytechnic intends to employ through the PSC; Vocational and Technical Trainers.

The Polytechnic has deepened collaboration towards enhancing staff capacity as well as incorporating best international practices. The Polytechnic still expects to benefit from YAW-K collaboration through acquisition of ICT, Automotive Lab and Research grants among others. The Polytechnic is an active player in the research and innovation initiatives. The Polytechnic is committed to ensuring that the compound is beautified and landscaping within the compound is continually improved.

Challenges

The Polytechnic emphasizes on the need for adequate staffing for effective education in all departments. Majority of the departments do not have sufficient staff to handle the trainees. Shortage of trainers is therefore one of the challenges facing the Institution. In order to alleviate the shortage, the Polytechnic has been hiring part-time staff to teach the trainees. The staff are paid by the Polytechnic from its meagre resources. During the FY 2022/2023, the Polytechnic maintained 20 trainers under the Council but the number is likely to increase due to our increased programs.

Continuous dynamism in the ICT sector where both upgrade and updates of website are a priority, LAN enhancement as well as campus management system are not one-off systems as they require continuous upgrade. The systems are important as they assist in student admissions, fees processing, payments and examinations' registration.

Show Fondo Kalama.
Principal/Secretary to Governing Council

5. Statement of Performance against Predetermined Objectives

North Eastern National Polytechnic's strategic pillars within its strategic plan for the FY 2021/2025 are as follows.

1. To provide quality training
2. To increase infrastructural facilities
3. To enhance security surveillance.
4. To increase and strengthen NENAP human resource capacity
5. To enhance good governance and management practices
6. To integrate ICT in all training and management operations
7. To provide research and innovation in NENAP
8. To increase the polytechnics financial base
9. To raise the Polytechnics profile in the region
10. To provide quality customer service in line with the quality management system
11. To strengthen partnerships, linkages and collaborations
12. To improve trainee welfare
13. To improve the polytechnics environment to make it conducive for training and learning.

The Institution achieved its performance targets set for the financial year 2020/21 period for its eight strategic pillars as indicated in the diagram below.

Strategic Pillar	Strategies	Activities	Outcomes
To Provide quality training: development of new curricular	Expansion of training programmes	-Form curricular development team -Train curricular developers	a) Competent and skilled human resource that fits in the labour market b) Academics programmes that are aligned with industry and international standards
To increase infrastructural facilities	Build food and beverage	-Develop a proposal for food and beverage unit -Approval of the proposal -Tendering -Construction of the unit -Inspection and Commissioning	a) Increased and improved infrastructural facilities and enrolment
To enhance security surveillance and safety	Installation of biometric and CCTV systems	-Develop a proposal for installation of biometric, library security and CCTV systems -Approval of the Proposal Tendering -Installation of biometric and CCTV system Inspection and commissioning	a) Secure environment
To increase and strengthen NENAP	Conduct Skills gap analysis	-Carry out skills gap survey -Adoption of skills gap analysis report	a) Competent and highly motivated staff b) Adequate workforce in the Polytechnic c) Job Security d) Improved performance

human resource capacity		-Formulate training and development needs -Conduct the training	e) Job satisfaction and security f) Team work and team sprit
To enhance good governance and management practices	Develop and implement governance policies	-Acquire the relevant legal documents -Develop an IT policy -Develop internal quality assurance -Develop IGA policy	a) Improved management of the polytechnic b) Efficiency and effectiveness in decision making
To integrate ICT in all training and management operations in NENAP	Acquire and utilize and ERP	-Develop a proposal for ERP acquisition. -Approval of the proposal -Conduct demonstrations from interested service providers -Tendering -Installation of the ERP -Train staff	a) Modernised and improved operations in the polytechnic
To promote research and innovation in NENAP	Capacity building the research team	-Appointment of Research committee -Induction of the research committee -Develop research team capacity building work plan -Implement the capacity building work plan	a) Increase fee collection to 100% b) Acquire an updated ERP c) Hiring out of facilities
To increase the polytechnics financial base	Operationalise auto garage	-Register the auto garage with the county government -Appoint a manager -Engage qualified mechanic Market the Auto garage -Continuously monitor operations in the auto garage	a) Improved revenue to the Polytechnic b) Efficient delivery of Polytechnic mandate.
To raise the Polytechnics profile in the region	Engage local leadership and stakeholders	-Conduct sensitization forums -Prepare work plans -Prepare a budget - Perform road shows -Conduct an open day and career day.	c) Commitment and support of the community d) Community change in perception e) Raised Polytechnic profile f) Increased enrollment.
To provide quality customer service	Conduct customer satisfaction survey	-Develop a proposal for customer satisfaction survey consultancy -Prepare a budget -Engage the consultancy firm -Implement recommendations from the customer satisfaction survey.	a) Increased customer base b) Increased enrolment.

To strengthen partnerships, linkages and collaborations	To strengthen engagements with county government, national governments and NGOs	-Identify the area of engagement -Prepare a plan -Implementation of the work plan	a) Compliance and relevance b) Increased donors
To Improve trainee welfare	Establish a cafeteria system	- Develop a proposal for Cafeteria system - Approval of the proposal - Conduct demonstrations from interested service providers - Tendering - Installation of the cafeteria system - Train staff	a) Increased enrolment b) Improved trainee welfare.
To improve the Polytechnics environment to make it conducive for training and learning	Waste management	-Develop a waste management policy -Appoint a waste management committee -Develop a proposal -Approval of a proposal -Prepare a work plan -Prepare a budget -Implement a work plan	c) Environmental conservation d) Compliance with environmental regulations e) Conducive environment.

6. Corporate Governance Statement

The Polytechnic affirms that good corporate governance is simply good business. The Polytechnic commits to ensure that we comply with the statutory and all the legal requirements as well as meeting the set deadlines.

The core mandate of the institution is training as well as carrying out research activities. This entails imparting CBET skills, attitudes and knowledge to the trainees. There are seven (7) departments and basically engineering courses collectively form our centre of excellence including Building & Civil Engineering, Electrical & Electronic Engineering, Mechanical & Automotive Engineering as well as Information Communication Technology.

The current student population by the close of the year under review stood at 1,500. We continue to strive and raise student enrolment. The teaching staff population is currently 74, supported by 49 non-teaching staff.

During the year under review, the Polytechnic participated in several regional and national activities involving students such as ball games and sports. Senior staff underwent several capacity building sessions to increase their management skills.

Currently, the Polytechnic is partnering with Young Africa Works (YAW) Kenya in the areas of Automotive and Mechanical Engineering programmes and Applied Research.

The Polytechnic has been a mentoring institution in the construction of the up-coming TVET institutions. The projects located in Garissa County are Lagdera, Balambala and Ijara. Other projects are Mandera North, Elwak, Tarbaj, Tana River and Garbatulla.

Show Fondo Kalama

Principal/Secretary to Governing Council

7. Management Discussion and Analysis

The Polytechnic's operational and financial performance

(1) The Council commits to ensure that a proper management structure is in place and to make sure that the structure functions to maintain corporate integrity, reputation and responsibility.

(2) The Council has a commitment to monitor and evaluate the implementation of strategies, policies, and management criteria and plans of North Eastern National Polytechnic.
(3) The Council constantly reviews the viability and financial sustainability of the Polytechnic once every year.
(4) The Council commits to ensure that the North Eastern National Polytechnic complies with all the relevant laws, regulations, governance practices, accounting and auditing standards.

Challenges

- In Security in the region has hindered growth in the polytechnic and this has contributed to Low enrolment in the polytechnic.

- Hardship related issues hinder capacity growth of our staff and this results to low staff moral and little or no income generating activities to generate more income to the institution

- Inadequate physical facilities in the polytechnic such as student hostels are some of the challenges relating to low enrolment.

Polytechnic's compliance with statutory requirements

The polytechnic has no court cases at the moment.as at the quarter the polytechnic had complied with the statutory obligations.

Key projects and investment decisions the Polytechnic is planning/implementing
Most of our projects are financed by majorly by our internal generated revenue, . However, in the year under review, there were no projects undertaken.

Major risks facing the Polytechnic

Operational risks in the polytechnic include

- Loss of funds through scrupulous suppliers and service providers providing inferior materials and services.

  Mitigation, Enhanced inspection and monitoring of both works and services.

- Risk to loss of funds through downtime on internet and LAN systems.
  Mitigation, Signed Maintenance service contract to upgrade the equipment.
- Loss of portable workshop tools and equipment from the workshop stores
  Proposal to carry out asset registration and asset tagging to identify tools and equipment from risk of pilfer and theft.

Material areas in statutory/financial obligations
By the close of year in question, the polytechnic had some pending bills as indicated but did not have any loan default or tax default on pension obligations to the exchequer.

The Polytechnic's financial probity and serious governance issues
The polytechnic has management committees and policies are in place to ensure that governance issues are well taken care of So far there has not been any conflicts of interest from among the council members.

8. Environmental and Sustainability Reporting Statement

The Polytechnic affirms that good corporate governance is simply good business. The Polytechnic commits to ensure that we comply with all the legal requirements as well as meeting set deadlines. We commit to provide excellent training environment for our students who are our major clients.

1. **Sustainability strategy and profile -**
   The core mandate of the Institution is training as well as carrying out research activities. This entails imparting CBET skills, attitude and knowledge to the trainees. There are six (6) departments and basically engineering courses collectively form our centre for excellence including Building and Civil Engineering, Electrical and Electronics, Mechanical and Automotive, Information Communication Technology, Business Studies, Community development and Secretarial Departments.
2. **Environmental performance**
   We The North Eastern National Polytechnic have planted trees especially the neem trees around the compound which provide shade for the students, staff and visitors. The trees help to filter out the dust and carbon dioxide from the environment hence improving the quality of air that we breathe inside and around the institution. Despite the Institution being in a semi-arid area, the management has ensured that there is adequate flowing water for sanitation, consumption. And watering of the trees.
3. **Employee welfare**
   The Polytechnic has in place a human resource policy manual which guides it on all issues to do with human resource. The Policy addresses key areas in human resource such as hiring, appraisals, training, discipline and dismissal. North Eastern National Polytechnic has qualified staff both in training and subordinate staff composed of both male and female. To ensure that there is motivation and productivity amongst its staff, North Eastern National Polytechnic ensures that its employees attend regular workshops and trainings organised by the Institution and other stakeholders like the National Treasury, Kenya Association Technical Training Institutions (KATTI.)
4. **Market place practices-**
   The Polytechnic is guided by the TVETA Act, the PFM Act 2015 and the Public Procurement and Disposal Act 2015 among other key legislations governing public educational learning institutions.
   We strive to comply all statutory requirements such as ensuring our books are submitted on time, deducting and remitting of statutory deductions like PAYE, NSSF, NHIF.
5. **Community Engagements-**
   As part our corporate social responsibility, the polytechnic has equipped a dispensary constructed by the Garissa Township CDF with furniture and other fittings like water and electricity. The Dispensary serves the community from around the polytechnic as well as the students

Corporate Social Responsibility / Community Engagements

The Polytechnic, built a dispensary within its compound which is managed by the County Government of Garissa. The dispensary server the students and the community around.

9. Report of the Council

The Council members submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the polytechnic's affairs.

Principal activities

The principal activities of the Polytechnic continue to be provision of technical and vocational training

Results

The results of the Polytechnic for the year ended June 30, 2023 are set out on page 1 to page 37

COUNCIL

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

Auditors

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

Show Fondo Kalama
Principal/Secretary to Governing Council

10. Statement of the Council's Responsibilities

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

The council members are responsible for the preparation and presentation of the Polytechnic*'s* financial statements, which give a true and fair view of the state of affairs of the Polytechnic for and as at the end of the financial year ended on June 30, 2023. 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 Polytechnic; (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 Polytechnic; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The council members accept responsibility for the Polytechnic'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 Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act, 2013. The council members are of the opinion that the Polytechnic's financial statements give a true and fair view of the state of Polytechnic's transactions during the financial year ended June 30, 2023, and of the Polytechnic's financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the Polytechnic, which have been relied upon in the preparation of the Polytechnic's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the council members to indicate that the Polytechnic 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 Polytechnic's financial statements were signed on 11-12-23 on behalf of the Governing Council by:

Name: Mohamed S. Abdi	Name: Shaw F. Kalama
Signature:	Signature:
Chairperson of the Council	Principal

REPUBLIC OF KENYA

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

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON NORTH EASTERN NATIONAL POLYTECHNIC FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of North Eastern National Polytechnic set out on pages 1 to 43, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, 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 have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the North Eastern National Polytechnic as at 30 June, 2023 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 the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act, 2013.

Basis for Qualified Opinion

1. Unsupported Expenditure on Repairs and Maintenance

The statement of financial performance and as disclosed in Note 14 to the financial statements, reflects a balance of Kshs.4,117,195 in respect of repairs and maintenance of property, motor vehicles and machinery. Review of payment records and other supporting documents provided for audit revealed that an expenditure amounting to Kshs.1,892,735 was not supported with procurement records such as request for quotations, appointments of evaluation and opening committee, evaluation and opening committee minutes, inspection and acceptance committee report, pre and post inspection reports for repair of motor vehicles.

In the circumstances, the accuracy and completeness of expenditure amounting to Kshs.1,892,735 could not be confirmed.

2. Unsupported Transfers to Mentored Institutions

The statement of financial performance and as disclosed in Note 15 to the financial statements, reflects grants and subsidies balance of Kshs.25,083,000 in respect to transfers to mentored institutions. Review of the records revealed that, included in the balance were transfers to Garbatula Technical Institute of Kshs.7,500,000 for construction of workshop block and Kshs.17,500,000 transferred to Mandera North Technical Vocational College for erection and completion of twin workshop classrooms and office blocks. However, the Management did not provide for audit the cash books, bank statements, procurement records for drilling of borehole, office blocks, construction and completion of automotive engineering workshop block at Garbatula Technical Training Institute. In the absence of expenditure returns and other relevant documents, it was not possible to confirm whether funds transferred to the mentored institutions were utilised for the intended purpose.

In the circumstances, the accuracy and completeness of transfers amounting to Kshs.25,083,000 could not be confirmed.

3. Unsupported Council Expenses

The statement of financial performance and as reflected in Note 12 to the financial statements reflects Council expenses amount of Kshs.699,000. Review of the expenditure records provided for audit revealed that Kshs.200,000 paid to the Council Members for transport was not supported with travel documents like bus tickets or motor vehicle work tickets.

In the circumstances, the accuracy, completeness and validity of expenditure amounting to Kshs.200,000 on Council expenses could not be confirmed.

4. Unsupported Boarding Equipment and Stores

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects use of goods and services amount of Kshs.30,762,449 which further includes Kshs.4,416,575 in respect of boarding equipment and stores. However, review of the payment records and other supporting documents revealed that stores amounting to Kshs.3,032,085 were not received vide counter receipt vouchers (S13) and thus not possible to confirm the actual deliveries. Further, there was no inspection and acceptance committee to confirm compliance with the terms and specifications of the contract as required by Section 48(1) and 3(b) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, the accuracy, completeness and validity of expenditure amounting to Kshs.3,032,085 on boarding equipment could not be confirmed.

5. Unsupported Travel and Accommodation Expenses

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects use of goods and services amount of Kshs.30,762,449 which includes Kshs.4,798,000 incurred on travelling and accommodation allowances. Review of expenditure records provided for audit revealed that payments amounting to Kshs.2,530,100 lacked supporting documents such as duly attendance registers for the training and workshops attended, back to work reports, proof of travel such as work tickets, bus tickets, request and approvals for the training, invitation letters and nomination letters to attend the training. In addition, the Management paid Kshs.2,800 each for fifteen (15) staff who attended various training/workshops in Nairobi as a travel allowances. No proper explanation was provided as to why the SRC Circular No. SRC/ADM/CIR/1/13(122) of 2014 was not adhered to on accommodation rates.

In the circumstances, the accuracy, completeness and validity of expenditure amounting to Kshs.2,572,100 on travel and accommodation expenses could not be confirmed.

6. Long Outstanding Student Receivables

The statement of financial position reflects a total receivables balance of Kshs.55,038,478, consisting of current receivables from exchange transactions (student debtors) of Kshs.17,454,614, receivables from non-exchange transactions (Government capitation) of Kshs.15,187,500 and long term receivables from exchange transactions (student debtors) of Kshs.22,396,364. This is an increment of Kshs.24,285,725 from prior year's balance of Kshs.30,752,753. It was not clear why the Management of the Polytechnic allowed for receivables to accumulate to such high figures given their annual approved budget totaled to Kshs.52,955,700. The Management failed to put in place debt management policies to assist in timely collection of student debts.

In the circumstances, the accuracy, completeness and recoverability of the receivables amounting to Kshs.55,038,478 could not be confirmed.

7. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.1,565,674,680 and as disclosed under Note 21 to the financial statements. According to the valuation report, the Polytechnic sits on 66.7 acres of land but the Management did not provide ownership documents for the land. In addition, procurement file for a new motorcycle worth Kshs.145,300 was not availed for audit and thus not possible to confirm whether the procurement law was adhered to while purchasing the motorcycle. Further, the Polytechnic has not transferred the ownership of the motorcycle to its own name.

In the circumstances, the accuracy, ownership and completeness of property, plant and equipment balance of Kshs.1,565,674,680 could not be confirmed.

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

Emphasis of Matter

1.0 Budgetary Control and Performance

1.1 Revenue Budget

The statement of comparison of budget and actual amounts reflects the final revenue budget for the year under review of Kshs.52,955,700. However, actual amount collected during the year was Kshs.54,608,089 over and above by Kshs.1,652,389 or 103% and this was as a result of unexpected income from rendering of services, sale of goods and other income as analyzed below:

Revenue	Budget 2022/2023 (Kshs.)	Actual 2022/2023 (Kshs.)	Performance Difference 2022/2023 (Kshs.)	% Utilization
Capitation Grants	44,129,000	21,978,200	22,150,800	50%
Rendering of Services - Fees from Students	8,826,700	25,659,339	16,832,639	190%
Sale of Goods	0	137,500	137,500	
Other Income	0	6,833,050	6,833,050	
Total Income	**52,955,700**	**54,608,089**	**(1,652,389)**	**103%**

The above analysis indicates 50% as un-realized capitation grants.

1.2 Expenditure Budget

The Polytechnic's total budgeted expenditure amounted to Kshs.46,504,700 against total actual expenditure of Kshs.53,943,119 resulting to net over expenditure of Kshs.7,438,419 as summarized below:

Item/Expenditure	Budget 2022/2023 (Kshs.)	Actual 2022/2023 (Kshs.)	Performance Difference 2022/2023 (Kshs.)	% Utilization
Use of Goods and Services	25,904,700	30,762,449	(4,857,749)	<18.5%
Employee Costs	17,000,000	18,364,475	(1,364,475)	<8%
Council Expenses	1,500,000	699,000	801,000	>53%
Repairs and Maintenance	2,100,000	4,117,195	(2,017,195)	<96%
Total Expenditure	**46,504,700**	**53,943,119**	**7,438,419**	**<16%**

The Management overspent its budget by Kshs.7,438,419 contrary to Section 55(2) (f) of the Public Finance Management (National Government) Regulations, 2015 which requires steps to be taken to ensure that projected expenditure and revenue are within the budget.

The Management was therefore in breach of the law.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matter

In the audit of the previous year, several issues were raised under the report of the Auditor-General. However, Management has not resolved the issues as at 30 June, 2023.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Irregular Procurement of Insurance Services

The statement of financial performance reflects use of goods and services of Kshs.30,762,449 and as disclosed under Note 10 to the financial statements. This amount includes Kshs.446,515 in respect of Insurance. Review of records provided for audit revealed that the Polytechnic procured insurance services from an Insurance Agency for a Group Life Assurance Policy to cover three hundred and forty five (345) students, Group Personal Accident Policy for two hundred and twenty four (224) students and Insurance Policy for motor vehicles at a cost of Kshs.446,515. However, a contract agreement as required by Section 135(1) of the Public Procurement and Asset Disposal Act, 2015 was not provided for audit. Although services were procured through direct procurement, there was no documentary evidence to prove that the procurement met the conditions set out in Section 103 of the Public Procurement and Assets Disposal Act, 2015 for direct procurement.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Polytechnic's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Polytechnic 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 Polytechnic's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of 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 Polytechnic's policies and procedures may deteriorate.

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

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

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

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 January, 2024

12. Statement of Financial Performance for The Year Ended 30 June 2023

	Notes	2022-23	2021-22
		Kshs	Kshs
Revenue from Non-Exchange transactions			
Transfers from other National Government entities	6	46,978,200	70,987,500
		46,978,200	**70,987,500**
Revenue from Exchange transactions			
Rendering of services- fees from students	7	23,083,106	33,330,900
Sale of goods	8	137,500	770,000
Miscellaneous income	9	6,833,050	3,643,791
Revenue from Exchange transactions		**30,053,656**	**37,744,691**
Total Revenue		**77,031,856**	**108,732,191**
Expenses			
Use of goods and services	10	30,762,449	28,629,185
Employee costs	11	18,364,475	18,289,300
Council Expenses	12	699,000	1,629,300
Depreciation and amortization expense	13	91,752,239	32,353,329
Repairs and maintenance	14	4,117,195	2,009,900
Grants and subsidies	15	25,083,000	48,626,400
General Expenses	16	-	400,280
Total Expenses		**170,778,358**	**131,934,694**
Net surplus/(deficit) for the year		**(93,746,502)**	**(23,202,503)**

(The notes set out on pages 7 to 58 form an integral part of the Annual Financial Statements).

The Financial Statements set out on pages 1 to 6 were signed by:

....	....	....
Chairman of Council/Board	**Finance Officer**	**Principal**
	ICPAK No 12425	
Date 12th Dec 23	**Date** 11-12-2023	**Date** 11th December 2023

13. Statement of Financial Position As At 30th June 2023

Description	Notes	2022-23	2021-22
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	17	6,708,657	2,639,105
Current portion of receivables from exchange transactions	18	17,454,614	21,205,253
Receivables from non-exchange transactions	28 (a)	15,187,500	9,547,500
Inventories	20	67,800	99,300
Total Current Assets		**39,418,571**	**33,491,158**
Non-Current Assets			
Long term receivables from exchange transactions	27(b)	22,396,364	
Property, plant, and equipment	21	1,565,674,680	1,656,183,681
Intangible assets	22	2,589,400	3,295,600
Total Non-Current Assets		**1,590,660,444**	**1,659,479,281**
Total Assets		**1,630,079,015**	**1,692,970,439**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	23	3,983,827	4,298,476
Payments received in advance	23	6,125,649	4,458,672
Current portion of borrowings	25	2,500,000	-
Total Current Liabilities		**12,609,476**	**8,757,148**
Non-Current Liabilities			
Non- Current Borrowings	25	1,300,000	700,000
Total non- current liabilities		**1,300,000**	**700,000**
Total Liabilities		**13,909,476**	**9,457,148**
Net Assets		**1,616,169,539**	**1,683,523,291**
Revaluation Reserves		1,149,362,888	1,149,362,888
Accumulated Surplus		(154,405,329)	(60,658,827)
Capital Fund		621,211,980	594,819,230
Total Net Assets and Liabilities		**1,616,169,539**	**1,683,523,291**

The Financial Statements set out on pages xx to xx were signed by:

………………………………	………………………………	………………………………
Chairman of Council/Board	**Finance Officer**	**Principal**
	ICPAK No 12425	
Date 12th Dec 23	**Date** 11-12-2023	**Date** 11th December 2023

14. Statement of Changes in Net Asset For The Year Ended 30 June 2023

Description	Revaluation reserve	Accumulated Fund	Capital Grants/Fund	Total
At July 1, 2021	**1,149,362,888**	**(37,456,324)**	**594,819,230**	**1,706,725,794**
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(23,202,503)	-	(23,202,503)
At June 30, 2022	**1,149,362,888**	**(60,658,827)**	**594,819,230**	**1,683,523,291**
At July 1, 2022	**1,149,362,888**	**(60,658,827)**	**594,819,230**	**1,683,523,291**
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(93,746,502)	26,392,750	(67,353,752)
At June 30, 2023	**1,149,362,888**	**(154,405,329)**	**621,211,980**	**1,616,169,539**

Note:

1. *Capital Fund includes Kshs 25,000,000 received for the construction of mentored instituitions.*

15. Statement of Cash Flows For The Year Ended 30 June 2023

Description	Note	2022-23 Kshs	2021-22 Kshs
Cash flows from operating activities			
Receipts			
Transfers from other National Government entities		46,978,200	70,987,500
Rendering of services- fees from students		25,659,339	22,034,610
Sale of goods		137,500	770,000
Miscellaneous income		6,833,050	320,900
Total Receipts		**79,608,089**	**94,113,010**
Payments			
Use of goods and services		29,811,487	29,473,500
Employee costs		18,364,475	18,289,300
Council Expenses		699,000	1,626,300
Repairs and maintenance		3,543,535	2,009,900
Grants and subsidies		25,083,000	48,626,400
General Expenses		-	400,280
Total Payments		**77,501,497**	**(100,425,680)**
Net Cash Flows from operating activities	46	**2,106,592**	**(6,312,670)**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(537,040)	(280,000)
Net cash flows used in investing activities		**(537,040)**	**(280,000)**
Cash flows from financing activities			
Proceeds From Borrowing		2,500,000	3,200,000
Repayment Of Borrowings		-	(2,500,000)
Net cash flows used in financing activities		**2,500,000**	**700,000**
Net Increase/(Decrease) in Cash and Cash equivalents		**4,069,552**	(5,892,670)
Cash and Cash equivalents at 1 JULY	26	2,639,105	8,531,775
Cash and Cash equivalents at 30 JUNE	26	**6,708,657**	**2,639,105**

(PSASB has prescribed the direct method of cashflow preparation and presentation for all public sector 2entities reporting under the IPSAS Accrual basis of accounting)

16. Statement of Comparison of Budget&Actual amounts For Year Ended 30 June 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Utilization Difference
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**%**
Capitation grants	44,129,000	-	44,129,000	21,978,200	(22,150,800)	50.1%
Rendering of services- fees from students	8,826,700	-	8,826,700	25,659,339	16,832,639	190%
Sale of goods	-	-	-	137,500	137,500	100%
Miscellaneous Income	-	-	-	6,833,050	6,833,050	100%
Total Income	52,955,700	-	52,955,700	54,608,089	1,652,389	3%
Expenses						
Use of goods and services	25,904,700	-	25,904,700	30,762,449	(4,857,749)	18%
Employee costs	17,000,000	-	17,000,000	18,364,475	(1,364,475)	8%
Council Expenses	1,500,000	-	1,500,000	699,000	801,000	53.4%
Repairs and maintenance	2,100,000	-	2,100,000	4,117,195	(2,017,195)	196%
Total Expenditure	**46,504,700**	-	**46,504,700**	**53,943,119**	**(7,438,419)**	
Surplus For the Period	**6,451,000**	-	**6,451,000**	**664,970**	**(5,786,030)**	
Capital Expenditure	-	-	-	-	-	

(Budget notes)

1. *The capitation grants were paid at Kshs 4000 per student rather than the anticipated Kshs 7,500, also the fourth quarter capitation had not been disbursed as at 30th June 2023*
2. *Rendering of Services was higher collection than anticipated due to payments from HELB, County, NGCDFs and Ward bursaries and other sponsors which came a long way in improving the collection*
3. *The difference in Sale of goods and Miscellaneous Income was brought by the fact that the GMIS system which is used to prepare the budgets for TVETs has no provision for IGAs (Income Generating Activities hence they are either lumped under Capitation grants or rendering of services.*
4. *The variance in use of goods was brought about by the sharp increase in prices of commodities due to high inflation rates especially in the second half of the FY.*

5. *Due to the financial constraint occasioned by the late disbursement of capitation and the revised rates, the council met fewer times than expected hence causing the variance.*
6. *The variance in RMI was occasioned by the repair and renovation works which had not been anticipated. This was due the request by our development partners CICAN to renovate some classrooms to their specifications at a short notice in order so that they could provide the Polytechnic with some specialized equipment for use in training the students especially in Building technology*
7. *Its however worth noting that the overall expenditure was within the total budget approved of Kshs 52.9 M.*

17. Notes to the Financial Statements

1. General Information

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*. The values are rounded off to the nearest shilling.The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the TVET Act, *(include any other applicable legislation),* and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2023:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. *(State the impact of the standard to the Entity)*
IPSAS 42: Social Benefits	**Applicable: 1st January 2023** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. *(State the impact of the standard to the Entity if relevant)*
Amendments to Other IPSAS resulting from IPSAS 41,	**Applicable: 1st January 2023:** a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which

Standard	Effective date and impact:
Financial Instruments	were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. *(State the impact of the standard to the Entity if relevant)*
Other improvements to IPSAS	***Applicable 1st January 2023*** • *IPSAS 22 Disclosure of Financial Information about the General Government Sector.* Amendments to refer to the latest System of National Accounts (SNA 2008). • *IPSAS 39: Employee Benefits. Now* deletes the term composite social security benefits as it is no longer defined in IPSAS. • **IPSAS 29: Financial instruments: Recognition and Measurement.** Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. *State the impact of the standard to the Entity if relevant*

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43	***Applicable 1st January 2025*** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. ***State the expected impact of the standard to the Entity if relevant***
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial

Standard	Effective date and impact:
	position and the results of discontinued operations to be presented separately in the statement of financial performance. *State the expected impact of the standard to the Entity if relevant*

iii. Early adoption of standards

North Eastern National Polytechnic did not early-adopt any new or amended standards in year 2022/23.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Interest income

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

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 2022/2023 was approved by the Council or Board on ***28/01/2022.*** Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget.. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page *xx* under section *xxx* of these financial statements.

c) Taxes

Current income tax

The entity 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) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.(entity to amend appropriately*).Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

f) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term

g) Intangible assets

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

h) Research and development costs

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

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

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

i) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liabi

Financial assets

Classification

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx.*

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

j) 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

Inventories (Continued)

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *Entity*.

k) Provisions

Provisions are recognized when the *Entity* has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the *Entity* expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

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

l) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

m) Nature and purpose of reserves

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

n) Changes in accounting policies and estimates

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

o) Employee benefits

Retirement benefit plans

The *Entity* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

p) 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.

q) 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.

r) Related parties

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

s) Service concession arrangements

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

t) 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.

u) Comparative figures

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

v) 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, 2023.

Notes to the Financial Statements (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the *Entity.*
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.

- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

Provisions

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

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

(Include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

6. Transfers from other National Government entities

Description	2022-23 Kshs	2021-22 Kshs
Unconditional Grants		
Capitation Grants	17,645,000	22,987,500
Operational Grant	4,333,200	-
Grants for Mentored Institutions	25,000,000	48,000,000
Total unconditional Grants	**46,978,200**	**70,987,500**
Total Government Grants and Subsidies	**46,978,200**	**70,987,500**

7. Rendering of Services

a) Fees Payable

Description	2022-23 Kshs	2021-22 Kshs
Tuition Fees	14,000,658	33,330,900
Activity Fees	322,716	-
Boarding fees	2,859,415	-
Contingency fees	648,747	-
EWC- Fees	1,030,029	-

8. Sale of Goods

Description	2022-23 Kshs	2021-22 Kshs
Hire of Facilities	137,500	770,000
Total Revenue from Sale of Goods	**137,500**	**770,000**

9. Miscellaneous Income

Description	2022-23 Kshs	2021-22 Kshs
Production income	6,823,050	3,643,791
Income from sale of tender	10,000	-
Total other income	**6,833,050**	**3,643,791**

Insurance fees	629,604	-
Internet fees	510,203	-
LTT fees	976,970	
Medical fees	532,780	
PE fees	619,741	
Repairs and Maintenance fees	814,323	
Student Council fees	137,920	
Total Revenue from The Rendering of Services	**23,083,106**	**33,390,900**

10. Use of Goods and Services

Description	2022-23 Kshs	2021-22 Kshs
Utilities and Supplies	631,377	2,642,207
Industrial attachment costs	820,600	538,500
Boarding Equipment and Stores	4,416,575	7,376,990
Electricity, Water and Conservancy	1,563,056	-
Travelling and accommodation	4,798,000	5,945,321
Fuel and oil	433,100	661,096
Insurance	446,515	551,108
Internet expenses	650,820	638,104
Production expenses	1,714,688	262,475
Registration expenses	-	261,100
School based Expenses	-	452,875
Tuition expenses	4,219,410	2,123,211
Admission Expenses	-	263,800
Driving expenses	148,300	67,600
Activity Expenses	7,273,567	4,055,038
Contingency Expenses	1,460,041	2,789,760
Consumable stores	246,200	-
Petty cash utilized	439,900	-
Examination related expenses	1,500,300	-
Total good and services	**30,762,449**	**28,629,185**

11. Employee Costs

Description	2022-23 Kshs	2021-22 Kshs
Salaries and wages	17,155,562	17,785,492
Employee related costs - contributions to pensions and medical (nssf &nhif)	812,703	503,808
PAYE	396,210	-
Employee Costs	**18,364,475**	**18,289,300**

12. Council Expenses

Description	2022-23 Kshs	2021-22 Kshs
Council Expenses	699,000	1,626,300
Total	**699,000**	**1,626,300**

13. Depreciation and Amortization expense

Description	2022-23 Kshs	2021-22 Kshs
Property, plant and equipment	91,046,039	31,647,129
Intangible assets	706,200	706,200
Total depreciation and amortization	**91,752,239**	**32,353,329**

14. Repairs and Maintenance

Description	2022-23 Kshs	2021-22 Kshs
Property, Motor vehicles and Machinery	4,117,195	2,009,900
Total Repairs and Maintenance	**4,117,195**	**2,009,900**

Notes To the Financial Statements (Continued)

15. Grants and Subsidies

Description	2022-23 Kshs	2021-22 Kshs
Transfers to Mentored Institutions	25,083,000	48,626,400
Total Grants and Subsidies	**25,083,000**	**48,626,400**

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42.

16. General Expenses

Description	2022-23 Kshs	2021-22 Kshs
General Expenses	-	400,280
Total	**-**	**400,280**

17. Cash and Cash Equivalents

Description	2022-23 Kshs	2021-22 Kshs
Current Account	6,692,213	2,621,395
On – Call Deposits (Development Account)	16,444	17,710
Total Cash and Cash Equivalents	**6,708,657**	**2,639,105**

26 (a). Detailed Analysis of Cash and Cash equivalents

Financial Institution	Account number	2022-23 Kshs	2021-22 Kshs
a) **Current Account**			
Kenya Commercial Bank	1107801818	6,692,213	2,621,395
Kenya Commercial Bank	1107469619	16,444	17,710
Sub- Total		**6,708,657**	**2,639,105**
Grand Total		**6,708,657**	**2,639,105**

18. Receivables from Exchange transactions

27 (a) Current Receivables from Exchange transactions

Description	2022-23 Kshs	2021-22 Kshs
Current Receivables		
Student Debtors	17,454,614	21,205,253
Total Current Receivables	**17,454,614**	**21,205,253**

27 (b) Ageing Analysis of Receivables from Exchange transactions

Description	2022-23 Kshs		2021-22 Kshs	
	Current FY	**% of the total**	**Comparative FY**	**% of the total**
1 year and below	17,454,614	43.8%	21,205,253	100%
Above 1 year	22,396,364	56.2%	-	%
Total (a+b)	**39,850,978**	**100%**	**21,205,253**	**100%**

28 (b) Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions

Description	2022-23	2021-22
	Kshs	Kshs
At the beginning of the year	9,547,500	xxx
Additional provisions during the year	5,640,000	xxx
Recovered during the year	-	(xxx)
Written off during the year	-	(xxx)
At the end of the year	**15,187,500**	**xxx**

20. Inventories

Description	2022-23	2021-22
	Kshs	Kshs
Consumable stores	67,800	99,300
Less: Impairment allowance	-	-
Total Inventories at lower of Cost and Net Realizable Value	**67,800**	**99,300**

19. Receivables from Non-Exchange transactions

Description	2022-23 Kshs	2021-22 Kshs
Current Receivables		
Capitation Grants*	5,640,000	9,547,500
Total Current Receivables	**5,640,000**	**9,547,500**

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

28 (a) Ageing Analysis on Receivables from Non-Exchange Transactions

Description	2022-23 Kshs		2021-22 Kshs	
	Current FY	**% of the total**	**Comparative FY**	**% of the total**
1 year and below	5,640,000	37%	9,547,500	100%
Between 1- 2 years	9,547,500	63%	-	-%
Total	**15,187,500**	**100%**	**9,547,500**	**100%**

21. Property, Plant and Equipment

Cost	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Plant and equipment	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1July 2021 *(previous year)*	280,000,000	418,360,193	5,440,000	4,754,700	3,825,836	1,006,797,609	1,719,178,339
Additions	-	-	-	-	280,000	-	280,000
Disposals	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-
At 30th June 2022 *(previous FY)*	280,000,000	418,360,193	5,440,000	4,754,700	4,105,836	1,006,797,609	1,719,458,339
Additions	-	55,000	145,300	255,500	81,240	-	537,040
Disposals	(-)	-	-	-	(-)	-	(-)
Transfer/Adjustments	(-)	-	-	(-)	(-)	-	(-)
At 30th June 2023 *(current year)*	280,000,000	418,415,193	5,585,300	5,010,200	4,187,076	1,006,797,609	1,719,995,379
	0%	2%	12%	12.5%	20%	8%	
Depreciation And Impairment							
At 1 July 2021 ***(previous year)***	-	(20,918,010)	(136,000)	(237,735)	(267,808)	(10,067,976)	(31,627,529)
Depreciation	-	(20,918,010)	(136,000)	(237,735	(267,808)	(10,067,976)	(31,647,129)
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	(-)	-	(-)
At 30 Jun 2022 *(previous year)*	-	41,836,020	272,000	475,470	555,217	20,135,952	63,274,658
Depreciation	-	8,368,304	670,236	626,275	837,415	80,543,809	91,046,039
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-	-	-
At 30th Jun 2023 *(current year)*	-	50,204,324	942,236	1,101,745	1,392,632	100,679,761	154,320,698
Net Book Values							
At 30th Jun 2022 *(previous year)*	280,000,000	376,524,173	5,168,000	4,279,230	3,550,619	986,661,657	1,656,183,681
At 30th Jun 2023 *(current year)*	280,000,000	368,210,869	4,643,064	3,908,455	2,794,444	906,117,848	1,565,674,680

Notes to the Financial Statements (Continued)

Valuation

As per National Treasury guidelines, Land and buildings were identified and valued as per the National Liabilities and Management Policy and guidelines (Issued June 2020).

31 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	280,000,000	-	280,000,000
Buildings	418,415,193	50,204,324	368,210,869
Plant And Machinery	1,006,797,609	100,679,761	906,117,848
Motor Vehicles including Motorcycles	5,585,300	942,236	4,643,064
Computers and Related Equipment	4,187,076	1,392,632	2,794,444
Office Equipment, Furniture, And Fittings	5,010,200	1,101,745	3,908,455
Total	**1,719,995,579**	**154,320,698**	**1,565,674,680**

22. Intangible Assets

Description	2022-23	Insert 2021-22
	Kshs	Kshs
Cost		
At beginning of the year	4,708,000	4,708,000
Additions	-	-
At end of the year	4,708,000	**4,708,000**
Additions–internal development	-	-
At end of the year	4,708,000	**4,708,000**
Amortization and impairment		
At beginning of the year	1,412,400	706,200
Amortization	706,200	706,200
At end of the year	2,118,600	1,412,400
Impairment loss	-	-
At end of the year	2,118,600	**1,412,400**
NBV	2,589,400	**3,295,600**

23. Trade and Other Payables

Description	2022-23 Kshs		2021-22 Kshs	
Trade payables	3,983,827		4,298,476	
Fees paid in advance	6,125,649		4,458,672	
Total Trade and Other Payables	**10,109,476**		**8,757,148**	
Ageing analysis:	**Current FY**	**% of the Total**	**Comparative FY**	**% of the Total**
Under one year	5,678,800	56%	8,757,148	100%
1-2 years	4,430,676	44%	-	-
Total (to tie to totals above)	**10,109,476**	**100%**	**8,757,148**	**100%**

24. Payments received in advance.

Description	2022-23 Kshs		2021-22 Kshs	
Fees received in advance	6,125,649		4,458,672	
Total	**6,125,649**		**4,458,672**	
Ageing analysis:	**Current FY**	**% of the Total**	**Comparative FY**	**% of the Total**
Under one year	6,125,649	100%	4,458,672	100%
1-2 years	-	-%	-	-%
Total	**6,125,649**	**100%**	4,458,672	**100%**

25. Borrowings

Description	2022-23 Kshs	2021-22 Kshs
Balance at beginning of the year	1,300,000	-
Inter entity borrowings	2,500,000	3,200,000
Repayments of inter entity borrowings during the year	-	(2,500,000)
Balance at end of the year	**3,800,000**	**700,000**

43 b) Breakdown of Long and Short-Term Borrowings

Description	2022-23 Kshs	2021-22 Kshs
Inter entity borrowing	3,800,000	3,500,000
Total	**3,800,000**	**700,000**

Notes to the Financial Statements (Continued)

26. Cash generated from operations.

	2022-23 Kshs	2021-22 Kshs
Surplus for the year before tax	(93,746,502)	(23,202,503)
Adjusted for:		
Depreciation	91,752,239	32,353,329
Non-Cash grants received	(-)	(-)
Contributed assets	(-)	(-)
Impairment	-	-
Gains and Losses on Disposal of Assets	(-)	(-)
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Finance Income	-	(-)
Finance Cost	-	-
Working Capital Adjustments		
Increase in Inventory	31,500	(-)
Increase in Receivables	1,810,806	(17,802,771)
Increase in Payables		-
Decrease in Payables		1,640,008
Increase in Payments received in advance	1,666,977	-
Increase in borrowings		**700,000**
Net Cash Flow from Operating Activities	**2,106,592**	**(6,312,670)**

Notes to the Financial Statements (Continued)

27. Financial Risk Management

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

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

(i) Credit risk

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

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

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

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022 (previous year)				
Receivables from exchange transactions	21,205,253	21,205,253	-	-
Receivables from non-exchange transactions	9,547,500	9,547,500	-	-
Bank balances	2,621,395	2,621,395	-	-
Total	**33,374,148**	**33,374,148**	-	-
At 30 June 2023 (current year)				
Receivables from exchange transactions	39,850,978	39,850,978	-	-
Receivables from non-exchange transactions	15,187,500	15,187,500	-	-
Bank balances	6,708,657	6,708,657	-	-
Total	**61,747,135**	**61,747,135**	-	-

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

Financial risk management (continued)

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

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

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

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022 (previous year)				
Trade Payables	10,729,836	-	-	-
Current Portion Of Borrowings	700,000-	-	-	-
Provisions	-	-	-	-
Deferred Income	9,547,500	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	**20,977,336**	-	-	-
At 30 June 2023 (current year)				
Trade Payables	3,983,827	2,780,560	1,203,267	3,983,827
Current Portion Of Borrowings	2,500,000	-	2,500,000	2,500,000
Provisions	-	-	-	-
Deferred Income	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	**6,483,827**	**2,780,560**	**3,703,267**	**6,483,827**

(iii) Market risk

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

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

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

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

iv) Capital Risk Management

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

Description	2022-23	2021-22
	Kshs	Kshs
Revaluation Reserve	1,149,362,888	1,149,362,888
Retained Earnings	(154,405,329)	(62,919,626)
Capital Reserve	621,211,980	594,819,230
Total Funds	**1,616,169,539**	**1,681,262,492**
Total Borrowings	3,800,000	3,200,000
Less: Cash and Bank Balances	(6,708,657)	(2,621,395)
Net Debt/(Excess Cash and Cash Equivalents)	1,613,260,882	1,681,841,097
Gearing	78%	100%

28. Related Party Balances

Nature of related party relationships

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

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

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

The transactions and balances with related parties during the year are as

Description	2022-23 Kshs	2021-22 Kshs
a) Grants /Transfers from the Government		
Grants from National Govt	46,978,200	70,987,500
Total	**46,978,200**	**70,987,500**
b) Key Management Compensation		
Directors' emoluments	699,000	1,626,300
Total	**47,677,200**	**72,613,800**

29. Events After The Reporting Period

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

30. Ultimate And Holding Entity

The entity is a TVET under the Ministry of Education Its ultimate parent is the Government of Kenya.

31. Currency

The financial statements are presented in Kenya Shillings (Kshs) and the values are rounded off to the nearest shilling.

18. Appendices

Appendix 1: Implementation Status of Auditor-General Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
1.0	Unsupported Expenditure on Repairs and maintenance	Responded to	Resolved	N/A
2.0	Unsupported transfers to mentored institutions	Responded to	Not resolved	30th June 2023
3.0	Unsupported use of Goods and Services	This was in relation to Local travel where attendance registers were not attached	Not resolved	30th June 2023
4.0	Unsupported Council Expenses	The registers and minutes were later availed albeit late	Resolved	N/A
5.0	Long Outstanding student receivables	This was in relation to student arrears	Not resolved	30th June 2023
6.0	Unsupported PPE	The PPE schedule was provided though the auditors insisted that it was not in the right format. The Polytechnic promised to generate one	Not resolved	30th June 2023
7.0	Budget and Budgetary control	This was occasioned by the none disbursement of Kshs 16,513,400	Resolved	N/A
8.0	Non compliance with law on ethnic composition	Thee Polytechnic admitted that it was very difficult to achieve this, however the process has began to correct this	Not resolved	30th June 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
9.0	Incomplete Procurement plan	To be completed	Not resolved	30th June 2023
10	Underutilized Intangible assets	The Polytechnic is in the process of operationalization of all the modules not in use	Not resolved	30th June 2023
11	Uninspected Boarding Equipment and Stores	Was responded to and the Procuremnt officer agreed to provide the documents	Not resolved	30th June 2023
12	Irregular Procurement of Insurance services	Responded to	Partly resolved	30th June 2023
13	Irregular Lease of Polytechnic land	The management is in the process of establishing a risk management policy	Not resolved	30th June 2023

(i)

SHOW F. KALAMA
....

Name
Accounting Officer
(The Principal)
Date 11th December 2023

Appendix II

- Inter-Entity Confirmation Letter

THE NORTH EASTERN
NATIONAL POLYTECHNIC
P.O. BOX 329-70100, GARISSA | Tel: 0716 061 788 | Fax: 046 2102488
email:info@northeasternpoly.ac.ke | www.northeasternpoly.ac.ke

North Eastern National Polytechnic
P.O Box 329-70100
Garissa

The *State Department for Technical and Vocational Training* wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by North Eastern National Polytechnic as at 30th June 2023							
		Amounts Disbursed by [State Depart. For Technical Education and Vocational Training] (Kshs) as at 30th June 2023				Amount Received by North Eastern National Polytechnic (Kshs) as at 30th June 2023 (E)	Differences (Kshs) (F)=(D-E)
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter–Ministerial (C)	Total (D)=(A+B+C)		
DTE/CAP 9/36 (1)	27/10/2022	6,365,000	-	-	6,365,000	6,365,000	
N/A	27/01/2023	5,640,000	-	-	5,640,000	5,640,000	
N/A	29/06/2023	5,640,000	-	-	5,640,000	5,640,000	
MOE/VTT/ADM/2/76/VOL XIV (29)	27/06/2023	4,333,200			4,333,200	4,333,200	
MOE/DTES/65 (13)	8/02/2022	-	17,500, 000	-	17,500, 000	17,500, 000	
N/A	03/05/2023	-	7,500,000	-	7,500,000	7,500,000	

Total		21,978,200	25,000,000		46,978,200	46,978,200	

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts department of beneficiary Entity:

Name .... **Sign** ....**Date** 11-12-2023

Appendix IV: Reporting of Climate Relevant Expenditures

There was no expenditure in relation to climate change in the FY 2022-23

Appendix V: Reporting on Disaster Management Expenditure

There was no expenditure in related to disaster in the FY 2021/22