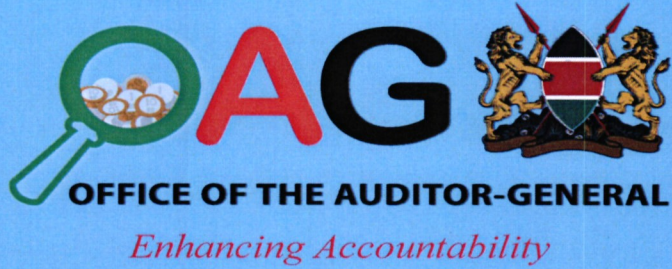


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THE AUDITOR-GENERAL

ON

**NORTH EASTERN NATIONAL
POLYTECHNIC**

**FOR THE YEAR ENDED
30 JUNE, 2022**

OFFICE OF THE AUDITOR GENERAL
NORTH EASTERN REGIONAL OFFICE

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THE NORTH EASTERN NATIONAL POLYTECHNIC

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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE 2022

NORTH EASTERN NATIONAL POLYTECHNIC
Annual Report and Financial Statements for the year ended 30th June 2022

NORTH EASTERN NATIONAL POLYTECHNIC
Annual Report and Financial Statements for the year ended 30th June 2022

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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	Muhammad Noor Hassan
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


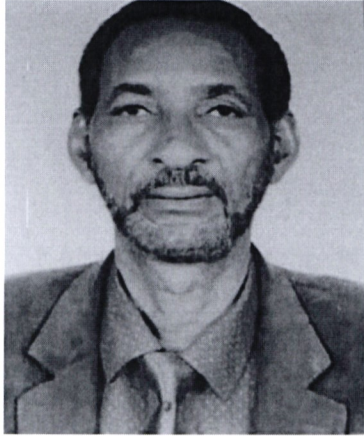
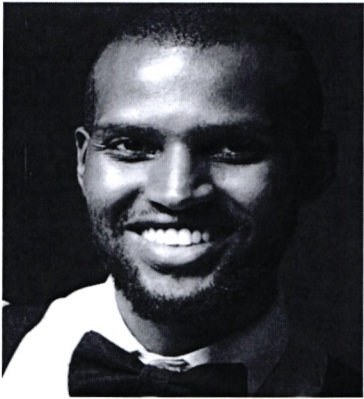
Auditor General
Office of Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(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

<p>– Council Chairman</p>  <p>MR. MOHAMMED SHEIKH ABDI</p>	<ul style="list-style-type: none"> • 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
<p>- Council Member</p>  <p>MR. SHAKIR HUSSEIN MOHAMED</p>	<ul style="list-style-type: none"> • 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)
<p>– Council Member</p>  <p>MS. SALOME CHEMJOR MWANGI</p>	<ul style="list-style-type: none"> • 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









<p>- Council Member</p>  <p>MR. DAVID KIVOTO</p>	<ul style="list-style-type: none"> • 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.
<p>- Council Member</p>  <p>MR. HASSAN ABSIYE AHMED</p>	<ul style="list-style-type: none"> • 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
<p>Council Member</p>  <p>MR, HALKANO ROBA DUBA</p>	<ul style="list-style-type: none"> • 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)



MR MUHAMMAD NOOR HASSAN
(Chief Principal)

- 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)

3. MANAGEMENT TEAM

Muhammad Noor Hassan		The Current Chief Principal/Secretary to the Governing Council
Abdirahman Kassim Shakul		Deputy Principal, Administration
Ms Margret Wanjiru		Deputy Principal, Academics
John Githinji		Registrar
Timothy Nyasani		Dean Of Students
Vincent Ohana		Finance Officer
Domnic K. Mativo		Internal Auditor
Abdirizack Sheikh		Procurement Officer

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.

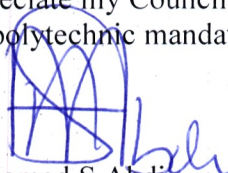
We have continued to collaborate with a number of agencies both public and private sector in our endeavor to grow the institution. Our desire to achieve and deliver on our mandate has seen our drive in reaching out to each and every other partner willing to work with us.

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

I. 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 2021. 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 to this 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 24 new 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 a smart classroom among other things. 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, since image is everything.

Challenges

The polytechnic emphasizes on the need for adequate staffing for the 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 2020/2021 financial year, the polytechnic maintained 17 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 for they require continuous upgrade. The systems are important for they assist student admissions, fees processing, payments and examinations registration.

The polytechnic mandate by the TVET Act, 2013 is expanded to ensure that training and research are top in our agenda. In order to effectively deliver on this mandate the polytechnic envisages to enhance capacity and deepen its training skills. Intend local experts with competition skills and expertise leading to low competition culture and this requires equalization funding.



Muhammad Noor Hassan.
Principal/Secretary to Governing Council

NORTH EASTERN NATIONAL POLYTECHNIC

Annual Report and Financial Statements for the year ended 30th June 2022

II. 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 human resource	Conduct Skills gap analysis	-Carry out skills gap survey -Adoption of skills gap analysis report -Formulate training and development needs	a) Competent and highly motivated staff b) Adequate workforce in the Polytechnic c) Job Security d) Improved performance e) Job satisfaction and security f) Team work and team spirit

NORTH EASTERN NATIONAL POLYTECHNIC

Annual Report and Financial Statements for the year ended 30th June 2022

capacity		-Conduct the training	
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.

NORTH EASTERN NATIONAL POLYTECHNIC

Annual Report and Financial Statements for the year ended 30th June 2022

To strengthen partnerships, linkages and collaborations	To strengthen engagements with county government, national governments and NGOs	<ul style="list-style-type: none"> -Identify the area of engagement -Prepare a plan -Implementation of the work plan 	<ul style="list-style-type: none"> a) Compliance and relevance b) Increased donors
To Improve trainee welfare	Establish a cafeteria system	<ul style="list-style-type: none"> - Develop a proposal for Cafeteria system - Approval of the proposal - Conduct demonstrations from interested service providers - Tendering - Installation of the cafeteria system - Train staff 	<ul style="list-style-type: none"> a) Increased enrolment b) Improved trainee welfare.
To improve the Polytechnics environment to make it conducive for training and learning	Waste management	<ul style="list-style-type: none"> -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 	<ul style="list-style-type: none"> c) Environmental conservation d) Compliance with environmental regulations e) Conducive environment.

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, attitude and knowledge to the trainees. There are six (6) departments and basically engineering courses collectively form our centre of excellence including Building and Civil Engineering, Electrical Electronics, Mechanical & Automotive, Information Communication Technology, Business studies, Community development and Secretarial departments.

The current student population by the close of the year under review stood at stand at 870 students. We have always endeavoured to ensure that we hit the 1000 mark but this has been a challenge. The total staff population is about 52 trainers, both the PSC employees together with these on contract.

During the year under review, the polytechnic engaged in several regional and national activities such as ball games and sports at national level in Embu County.

Senior staff during the year underwent several capacity building sessions in Kisumu, Mombasa, and Nairobi to increase their management skills.

Currently, the polytechnic is partnering with KIRDI in the areas of Artisanal Nyir nyir meat processing pilot plant. The plant aims at training local farmers in high-end meat processing technologies.

The polytechnic has been a mentoring institution in the implementation of the up-coming TVET institutions as construction projects. The projects, located in Garissa County are in Lagdera Balambala and Ijara sub-Counties. Other projects are in Mandera North, Rhamu, Elwak, and Tarbaj in Wajir, Tana river and Garbatulla in Isiolo County.



Muhammad Noor Hassan

PRINCIPAL/SECRETARY TO GOVERNING COUNCIL

III. Management Discussion and Analysis

The Polytechnic's operational and financial performance

The Covid 19 pandemic has heavily impacted on our revenue as there was no substantive intake since the outbreak of the corona virus. The next substantive intake is due on September 2021 which is outside the financial year under review.

(2) 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 as far as debt payment to our creditors.

Key projects and investment decisions the Polytechnic is planning/implementing

Most of our projects are financed by partly by our internal generated revenue, and mostly grants from Government and Development partners, borrowings. However, in the year under review, there were projects undertaken.

Major risks facing the Polytechnic

Operational risks in the polytechnic include

- Loss of funds through student document forgery during payment of tuition and examination fee. Mitigation, Polytechnic intends to procure Student Biometric systems once procured will check the problem.
- Loss of funds through scrupulous suppliers and service providers providing inferior materials and services.

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

NORTH EASTERN NATIONAL POLYTECHNIC
Annual Report and Financial Statements for the year ended 30th June 2022

- 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.

IV. 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.

V. Report of the Council

The Council members submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the polytechnic's affairs.

Principal activities

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

Results

The results of the Polytechnic for the year ended June 30 2021 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.



Muhammad Noor Hassan.
Principal/Secretary to Governing Council

VI. Statement of 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.

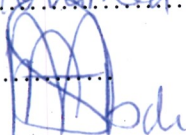
The council members are responsible for the preparation and presentation of the Polytechnic's financial statements, which give a true and fair view of the state of affairs of the Polytechnic for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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, 2021, 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.

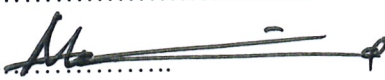
Nothing has come to the attention of the council members to indicate that the Polytechnic will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Polytechnic's financial statements were signed on 5-4-23 on behalf of the Governing Council by:

Name..... Mohamed S Abdi
Signature..... 

Chairperson of the Council

Name..... Mr. Hassan
Signature..... 

Principal

REPUBLIC OF KENYA

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Enhancing Accountability

REPORT OF THE AUDITOR-GENERAL ON NORTH EASTERN NATIONAL POLYTECHNIC FOR THE YEAR ENDED 30 JUNE, 2022

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 31, which comprise of the statement of financial position as at 30 June, 2022, 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

Report of the Auditor-General on North Eastern National Polytechnic for the year ended 30 June, 2022

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, 2022, 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 reflects Kshs.2,009,900 in respect of repairs and maintenance of property, motor vehicles and machinery as disclosed in Note 14 to the financial statements. However, review of the payment vouchers and supporting documents revealed that expenditure on repairs and maintenance amounting to Kshs.1,604,020 was not supported with relevant procurement records and pre and post inspection reports.

In the circumstances, the accuracy of expenditure amounting to Kshs.1,604,020 could not be confirmed.

2. Unsupported Transfers to Mentored Institution

The statement of financial performance reflects Kshs.48,626,400 in respect to grants and subsidies to mentored institutions. Review of the records revealed that the grants and subsidies included transfers to Elwak Technical Vocational College of Kshs.30,000,000 for drilling of borehole, construction of perimeter wall and gatehouse and Kshs.17,500,000 transferred to Mandera North Technical Vocational College for erection and completion of twin workshop classrooms and office blocks. However, Management did not provide for audit the expenditure returns, cash books, bank statements, certificates of bank balance as at 30 June, 2022 and a detailed statement of account for the specific expenditure items paid for. Further, the procurement records and bills of quantities for the drilling of borehole, construction of perimeter wall and gatehouse at Elwak Technical Vocational College were not provided for audit.

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.47,500,000 could not be confirmed.

3. Unsupported Use of Goods and Services Expenditure

The statement of financial performance reflects Kshs.28,629,185 in respect to use of goods and services and as disclosed in Note 10 to the financial statements. However, review of expenditure revealed the following anomalies;

- i. Included in this amount is an expenditure of Kshs.5,945,321 in respect of travelling and accommodation out of which expenses totalling Kshs.1,813,600 were not supported with duly signed attendance registers for workshops and training attended. Further, the Management exceeded the approved budget of Kshs.4,570,600 for travelling and accommodation by Kshs.1,374,721 without approval.
- ii. The expenditure includes Kshs.452,875 in respect of school-based programme whose payment vouchers were not supported with signed attendance registers to support the services rendered, the job groups and the rates applicable for each facilitator, technicians and trainers. Further, no documentary evidence was provided to support the process of identification and engagement of the facilitators, technicians and trainers who were paid.
- iii. In addition, included in the expenditure is Kshs.2,789,760 in respect of contingency expenses, out of which Kshs.717,000 was spent on airtime allowances for the heads of departments and support staff. However, details of beneficiaries job groups to confirm rates used were in accordance with the rates approved by the Salaries and Remuneration Commission (SRC) were not provided.
- iv. Further, included in the expenditure is Kshs.638,104 in respect of internet expenses which was not supported with a valid contract agreement between the supplier and the Polytechnic containing the terms and conditions for service offered and the contract sum.

In the circumstances, the accuracy and completeness of the expenditure totalling Kshs.3,321,579 on use of goods and services could not be confirmed.

4. Unsupported Council Expenses

The statement of financial performance reflects Kshs.1,626,300 in respect of Council expenses as disclosed in Note 12 to financial statements. However, review of payment documents revealed that expenditure amounting to Kshs.1,563,900 was not supported with attendance registers, signed minutes of the Council Members, invitation to meetings and signed payment schedules.

In the circumstances, the accuracy, completeness and validity of expenditure amounting to Kshs.1,563,900 on council expenses could not be confirmed.

5. Long Outstanding Student Receivables

The statement of financial position reflects Kshs.21,205,253 in respect to current portion of receivables from exchange transactions and as disclosed in Note 18(a) to the financial statements. However, the balance was not supported with an aged analysis and no satisfactory explanation was provided for failure by Management to collect the outstanding amount. Further, the Polytechnic did not have policies on debt management and provision for bad and doubtful debts.

In the circumstances, the accuracy, completeness and recoverability of the current portion of receivables from exchange transactions balance of Kshs.21,205,253 could not be confirmed.

6. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment net book value of Kshs.1,656,183,681 and as disclosed in Note 20 to the financial statements. However,

Management did not maintain a fixed asset register and the basis for the valuation of land and depreciation of the assets were not provided. In addition, the ownership documents for the polytechnic's land were not provided.

In the circumstances, the accuracy, ownership and completeness of property, plant and equipment balance of Kshs.1,656,183,681 as at 30 June, 2022 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.

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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final income budget of Kshs.59,000,000 against actual income of Kshs.60,732,191. However, review of the budget revealed that the Polytechnic did not receive Government grants amounting to Kshs.16,513,400 or 59% of the budget

The Polytechnic was limited to the amount realised and the underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with the Law on Ethnic Composition

Review of staff records provided for audit revealed that the Polytechnic had a total of twenty-three (23) permanent employees as at 30 June, 2022 out of which fourteen (14) or 61% of the total employees were from one ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

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

2. Incomplete Procurement Plan

Review of the annual procurement plan provided for audit revealed that some expenditure items were not properly described, did not include the respective unit costs and number of items required with the estimated contract value. This is contrary to Regulation 51(4) of the Public Finance Management (National Government) Regulations, 2015 which provides that at minimum, a procurement plan shall include proper descriptions of the procuring items, unit cost, the estimated contract value, and the procurement method relating to the annual portion of a multi-year contract and delivery schedule.

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

3. Underutilized Intangible Assets

The statement of financial position reflects intangible assets balance of Kshs.3,295,600 as at 30 June, 2022. The balance was in respect of an Enterprise Resource Planning (ERP) System acquired by the Polytechnic at a cost of Kshs.4,708,000 in 2020/2021 financial year. However, out of the nine (9) modules installed, six (6) had not been activated. In addition, the integrated finance module, though operational did not have a fixed asset register which was to be part of the system as per the contract.

In the circumstances, the value for money obtained from resources spent on the ERP could not be confirmed.

4. Uninspected Boarding Equipment and Stores

The statement of financial performance reflects use of goods and services expenditure of Kshs.28,629,185 which includes Kshs.7,376,990 in respect of boarding equipment and stores. However, review of the payment vouchers and other supporting documents revealed that stores amounting to Kshs.6,056,220 were taken on charge in the stores ledger without being received vide S13. Further, no Inspection and Acceptance Committee were established to inspect the goods before taking charge as required by Section 48(3)(b) of the Public Procurement and Asset Disposal Act, 2015.

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

5. Irregular Procurement of Insurance Services

The statement of financial performance reflects use of goods and services expenditure of Kshs.28,629,185 which includes an amount of Kshs.551,108 in respect of insurance expenses as disclosed in Note 10 to the financial statements. Review of records provided revealed that Management procured the insurance services from an insurance agency using direct method of procurement. Management did not provide evidence to confirm compliance with conditions set out in Section 103 of the Public Procurement and Asset Disposal Act, 2015 for direct procurement.

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

6. Irregular Lease of Polytechnic Land

During the year under review, Management leased a portion of the Polytechnic land measuring 200 by 200 feet through a lease agreement dated 20 August, 2022 for a period

of fifteen (15) years. The purpose of the lease was to operate a private business in the nature of football indoor arena. The lessee was given a grace period of twelve (12) months to allow for construction and setting up of the business and there after pay Kshs.240,000 at the end of every year. However, no documentary evidence to confirm approval for the lease of the land by Ministry of Education was provided.

In the circumstances, the regularity of leasing the land to a private developer could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Approved Staff Establishment

During the year, Management did not have an approved staff establishment that indicates the optimal number of staff for each category, the number in post and the variance.

In the circumstances, it was not possible to confirm whether Management operated optimal levels of staff establishment.

2. Lack of Risk Management Policy

The Polytechnic did not have a Risk Management Policy and Management did not perform formal risk assessment during the year. This was contrary to Regulation 165(1)(b) of the Public Finance Management (National Government) Regulations, 2015 that provides that the Accounting Officer shall ensure that the national government entity develops system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of risk management system could not be confirmed.

3. Weaknesses in the Operations of the Audit Committee

Review of the Polytechnic's Board operations revealed that the Audit Committee did not hold any meeting during the year under review contrary to Regulation 179(1) of the Public Finance Management (National Government) Regulations, 2015 which requires the Audit Committee to meet at least once in every three months.

In the circumstances, it was not possible to confirm the effectiveness of the Audit Committee.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 May, 2023

NORTH EASTERN NATIONAL POLYTECHNIC
Annual Report and Financial Statements for the year ended 30th June 2022

VIII. Statement of Financial Performance for the year ended 30 June 2022

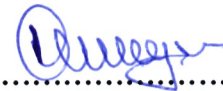
Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Revenue from Non-Exchange transactions			
Transfers from other National Government entities	6	70,987,500	32,902,500
Revenue from Non-Exchange transactions		70,987,500	32,902,500
Revenue from Exchange transactions			
Rendering of services- fees from students	7	33,330,900	21,379,441
Sale of goods	8	770,000	-
Other income	9	3,643,791	1,249,573
Revenue from Exchange transactions		37,744,691	22,629,014
Total Revenue		108,732,191	55,531,514
Expenses			
Use of goods and services	10	28,629,185	13,219,000
Employee costs	11	18,289,300	14,676,939
Council Expenses	12	1,626,300	638,000
Depreciation and amortization expense	13	32,353,329	32,333,729
Repairs and maintenance	14	2,009,900	4,093,815
Grants and subsidies	15	48,626,400	4,409,682
General expenses	16	400,280	4,752,769
Total Expenses		131,934,694	74,123,934
Net surplus for the year		(23,202,503)	(18,592,420)

(The notes set out on pages 6 to 29 form an integral part of the Annual Financial Statements).

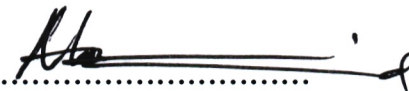
The Financial Statements set out on pages 1 to 5 were signed by:



Chairman of Council



Finance Officer
 ICPAK No 12425



Principal

Date 5/4/23

Date 5-4-2023

Date 05/04/2023

NORTH EASTERN NATIONAL POLYTECHNIC
Annual Report and Financial Statements for the year ended 30th June 2022

IX. Statement of Financial Position as at 30th June 2022

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	17	2,639,105	8,531,775
Current portion of receivables from exchange transactions	18(a)	21,205,253	12,878,982
Receivables from non-exchange transactions	18(b)	9,547,500	781,001
Inventories	19	99,300	98,567
		33,491,158	22,290,325
Non-Current Assets			
Property, plant, and equipment	20	1,656,183,681	1,687,550,809
Intangible assets	21	3,295,600	4,001,800
		1,659,479,281	1,691,552,609
Total Assets		1,692,970,439	1,713,842,934
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	22	4,298,476	7,117,140
Payments received in advance		4,458,672	-
		8,757,148	7,117,140
Non-Current Liabilities			
Borrowings	23	700,000	-
Total Liabilities		9,457,148	7,117,140
Net Assets		1,683,513,291	1,706,725,794
Accumulated surplus		(60,658,827)	(37,456,324)
Revaluation reserve.		1,149,362,888	1,149,362,888
Capital Fund		594,819,230	594,819,230
Total Net Assets and Liabilities		1,683,523,291	1,713,842,934

The Financial Statements set out on pages 1 to 5 were signed by:

.....
Chairman of Council/Board

Date

5/4/23

.....
Finance Officer

ICPAK No 12425

Date

5-4-2023

.....
Principal

Date

05/04/2023

NORTH EASTERN NATIONAL POLYTECHNIC**Annual Report and Financial Statements for the year ended 30th June 2022**

X. Statement of Changes in Net Asset for the year ended 30 June 2022

Description	Revaluation reserve	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2020	-	(18,863,904)	601,260,251	582,396,347
Revaluation gain	1,149,362,888	-	-	1,149,362,888
Total comprehensive income	-	(18,592,420)	-	(18,592,420)
Prior year adjustment			(6,441,021)	(6,441,021)
At June 30, 2021	1,149,362,888	(37,456,324)	594,819,230	1,706,725,794
At July 1, 2021	1,149,362,888	(37,456,324)	594,819,230	1,706,725,794
Revaluation gain	-	-	-	-
Total comprehensive income	-	(23,202,503)	-	(23,202,503)
At June 30, 2022	1,149,362,888	(60,658,827)	594,819,230	1,683,523,291

NORTH EASTERN NATIONAL POLYTECHNIC
Annual Report and Financial Statements for the year ended 30th June 2022

XI. Statement of Cash Flows for the year ended 30 June 2022

Description	Note	2021-2022 Kshs	2020-2021 Kshs
Cash flows from operating activities			
Receipts			
Transfers from other government entities/govt. Grants	6	70,987,500	32,902,500
Rendering of services- fees from students	7	22,034,610	8,787,949
Sale of goods	8	770,000	-
Other income	9	320,900	1,249,573
Total Receipts		94,113,010	42,940,022
Payments			
Use of goods and services	10	29,473,500	13,219,000
Compensation of Employee costs	11	18,289,300	14,676,939
Council expenses	12	1,626,300	638,000
Repairs and Maintenance	14	2,009,900	3,562,165
Grants and subsidies paid	15	48,626,400	4,409,682
General expenses		400,280	4,752,769
Total Payments		(100,425,680)	41,258,555
Net Cash Flows from operating activities		(6,312,670)	1,681,467
Cash flows from investing activities			
Purchase of PPE and Intangible assets (Part payment for ERP)	21	(280,000)	(2,345,240)
Net cash flows used in investing activities		(280,000)	(2,345,240)
Cash flows from financing activities			
Proceeds From Borrowing	23	3,200,000	-
Repayment Of Borrowings	23	(2,500,000)	-
Net cash flows used in financing activities		700,000	-
Net Increase/(Decrease) in Cash and Cash equivalents		(5,892,670)	(663,773)
Cash and Cash equivalents at 1 JULY 2021	17	8,531,775	9,195,548
Cash and Cash equivalents at 30 JUNE 2022	17	2,639,105	8,531,775



 Chairman of Council/Board

Date 5/4/23



Finance Officer
 ICPAK No 12425

Date 5-4-2023



Principal

Date 5-4-2023

NORTH EASTERN NATIONAL POLYTECHNIC
Annual Report and Financial Statements for the year ended 30th June 2022

XII. Statement of Comparison of Budget & Actual amounts for the year ended 30 June 2022

Description	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		Utilization Difference	
	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs	2021-2022	%
Revenue												
Capitation grants	39,500,900		-		39,500,900		22,987,500		16,513,400		41.8%	(a)
Rendering of services- fees from students	19,499,100				19,499,100		33,330,900		(16,168,200)		82.9%	(b)
Sale of goods	-		-		-		770,000		(770,000)		100%	©
Other income	-		-		-		3,643,791		(3,643,791)		100%	(d)
Total Income	59,000,000		-		59,000,000		60,732,191		(1,732,191)			
Expenses												
Compensation of employees	17,132,660		-		17,132,660		18,289,300		(1,156,640)		6.8%	
Use of goods and services	30,871,720		-		30,871,720		30,909,584		(37,864)		0.122%	
Council Expenses	2,065,340		-		2,065,340		1,626,300		439,040		21.3%	(e)
Repairs and maintenance	2,479,280		-		2,479,280		2,410,180		69,100		2.8%	
Total Expenditure	52,549,000		-		52,549,000		53,235,364		(686,364)		1.3%	
Surplus For the Period	6,451,000		-		6,451,000		7,496,827					

1. Notes as per IPSAS 24.14

- a) The capitation grant of Kshs 9,547,500 for quarter 4 had not been released as per the close of the FY 2021/2022
- b) There was a slight increase in the student population due to the consistent marketing
- c) The GIMIS system has no option for IGAs hence it could not be captured in the budget
- d) The GIMIS system has no option for other incomes hence it could not be captured in the system. However, our total revenue falls within the projection as per the budget.
- e) Almost half of the Governing Council meetings were done virtually hence leading to the reduction in the per diem and other subsistence allowances.

XIII. Notes to the Financial Statements

1. General Information

North Eastern National Polytechnic entity is established by and derives its authority and accountability from Technical and Vocational Educational Act, 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is provision of technical and vocational training.

2. Statement of Compliance and Basis of Preparation

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

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

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

3. Adoption of New and Revised Standards

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2022.

IPSASB deferred the application date of standards from 1st January 2022 owing to covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>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:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42:	Applicable: 1st January 2023

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Standard	Effective date and impact:
Social Benefits	<p>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:</p> <p>(a) The nature of such social benefits provided by the Entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>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</p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i>

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Standard	Effective date and impact:
	<p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 202
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>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.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>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:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Dividends

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

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

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The original budget for FY 2021/2022 was approved by the Council or Board on 20th January 2021. No Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

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

c) Taxes

Current income tax

The entity is exempt from paying income taxes.

d) Investment property

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

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

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

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

e) Property, plant and equipment

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

are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Leases

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

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

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible assets

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

g) Research and development costs

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

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

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization 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.

h) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

i) Inventories

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

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

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

Inventories

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

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

o) Borrowing costs

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

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

p) Related parties

The 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.

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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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, 2022.

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

No provisions were raised.

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.

6. Transfers from other National Government entities

Description	2021-2022	2020-2021
	Kshs	Kshs
Unconditional Grants		
Capitation Grants	22,987,500	28,402,500
	22,987,500	28,402,500

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Conditional Grants		
Grants for Mentored Institutions	48,000,000	4,500,000
Total Government Grants and Subsidies	70,987,500	32,902,500

7. Rendering of Services

Description	2021-2022	2020-2021
	Kshs	Kshs
Tuition Fees	33,330,900	21,379,441
Total Revenue from The Rendering Of Services	33,330,900	21,379,441

8. Sale of Goods

Description	2021-2022	2020-2021
	Kshs	Kshs
Hire of facilities	770,000	1,249,573
Total Revenue from Sale of Goods	770,000	1,249,573

9. Other Income

Description	2021-2022	2020-2021
	Kshs	Kshs
Production Income	3,643,791	-
Total other income	3,643,791	-

10. Use Of Goods and Services

Description	2021-2022	2020-2021
	Kshs	Kshs
Utilities and supplies	2,642,207	1,628,541
Industrial attachment	538,500	373,400
Boarding Equipment and Stores	7,376,990	1,527,160
Travelling and accommodation	5,945,321	4,012,842
Insurance	551,108	1,590,948
Development Expenses	-	55,800
Internet Expenses	638,104	494,643
Production expenses	262,475	311,600
Registration expenses	261,100	162,000
School based programme expenses	452,875	9,214
Tuition expenses	2,123,211	2,268,652

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Admission Expenses	263,800	397,100
Driving expenses	67,600	79,100
Fuel	661,096	308,000
Activity expenses	4,055,038	3,066,704
Contingency expenses	2,789,760	1,664,265
Other general expenses	-	21,800
Total good and services	28,629,185	17,971,769

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11. Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries and wages (including NHIF, PAYE)	17,785,492	14,142,661
Employee related costs - contributions to NSSF,	503,808	534,278
Employee Costs	18,289,300	14,676,939

12. Council Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Governing Council Perdiem and Sitting Allowances	1,626,300	638,000
Total	1,626,300	638,000

13. Depreciation and Amortization expense

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, plant and equipment	31,647,129	31,627,529
Intangible assets	706,200	706,200
Total depreciation and amortization	32,353,329	32,333,729

14. Repairs and Maintenance

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, Motor vehicles and machinery	2,009,900	4,093,815
Total Repairs and Maintenance	2,009,900	4,093,815

15. Grants and Subsidies

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers to Mentored Institutions	48,626,400	4,409,682
Total Grants and Subsidies	48,626,400	4,409,682

16. General Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
General expenses	400,280	4,752,769
Total General expenses	400,280	4,752,769

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17. Cash and Cash Equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Account	2,621,395	8,531,775
Development Account	17,710	-
Total Cash and Cash Equivalents	2,639,105	8,531,775

(a). Detailed Analysis of Cash and Cash equivalents

Financial Institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
a) Current Account			
Kenya Commercial Bank	110780226	2,621,395	8,531,775
Kenya Commercial Bank	1107469619	17,710	
Sub- Total		2,639,105	8,531,775
Grand Total		2,639,105	8,531,775

18. Receivables from Exchange transactions

(a) Current Receivables from Exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Student Debtors	21,205,253	12,878,982
Total Current Receivables	21,205,253	12,878,982

Receivables from Non-Exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Capitation Grants*	9,547,500	-
Staff advances	-	781,001
Total Current Receivables	9,547,500	781,001

19. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Consumable stores	99,300	98,567
Total Inventories at lower of Cost and Net Realizable Value	99,300	98,567

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20. (a) Property, Plant and Equipment

Cost	Land Kshs	Buildings Kshs	Motor vehicles Kshs	Furniture and fittings Kshs	Computer Kshs	Plant and equipment Kshs	Total Kshs
At 1 July 2020	280,000,000	551,500,000	7,900,000	5,700,000	2,405,000	22,130,000	589,635,000
Additions	-	-	-	-	-	-	-
Transfers/Adjustments	-	(122,367,307)	(767,500)	409,700	1,980,886	990,107,109	1,149,362,888
At 30 th June 2021	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
Transfer/Adjustments	-	-	-	-	-	-	-
At 30 th June 2022	280,000,000	418,360,193	5,440,000	4,754,700	4,105,836	1,006,797,609	1,719,458,339
Depreciation And Impairment	-	5%	2.5%	5%	7%	1%	
At 1 July 2020	-	-	-	-	-	-	-
Depreciation	-	(20,918,010)	(136,000)	(237,735)	(267,808)	(10,067,976)	(31,627,529)
At 30 June 2021	-	20,918,010	136,000	237,735	267,808	10,067,976	31,627,529
Depreciation	-	20,918,010	136,000	237,735	287,409	10,067,976	31,647,129
At 30 th June 2022	-	41,836,020	272,000	475,470	555,217	20,135,952	63,274,658
Net Book Values							
At 30 th June 2021	280,000,000	397,442,183	5,304,000	4,516,965	3,558,028	996,729,633	1,687,550,810
At 30 th June 2022	280,000,000	376,524,173	5,168,000	4,279,230	3,550,619	986,661,657	1,656,183,681

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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). These amounts were adopted in the financial statements on 1/07/2020.

20 (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	418,360,193	41,836,020	376,524,173
Plant And Machinery	1,006,797,609	20,135,952	986,661,657
Motor Vehicles including Motorcycles	5,440,000	272,000	5,168,000
Computers and Related Equipment	3,825,836	535,616	3,290,220
Office Equipment, Furniture, And Fittings	4,754,700	475,470	4,279,230
Total	1,719,178,338	63,255,058	1,655,923,280

21. Intangible Assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At beginning of the year	4,708,000	-
Additions	-	4,708,000
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	706,200	-
Amortization	706,200	(706,200)
At end of the year	1,412,400	(706,200)
Impairment loss	-	-
At end of the year	-	-
NBV	3,295,600	4,001,800

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22. Trade and Other Payables from Exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade payables	4,298,476	6,829,650
Fees paid in advance	4,458,672	287,490
Total Trade and Other Payables	8,757,148	7,117,140

23. Borrowings

Description	2021-2022	2020-2021
	Kshs	Kshs
Balance at beginning of the year	-	-
Inter-entity borrowings during the year	3,200,000	-
Repayments of Inter- Entity borrowings during the year	(2,500,000)	-
Balance at end of the year	700,000	-

a) Analysis of External and Domestic Borrowings

Description	2021-2022	2020-2021
	Kshs	Kshs
Inter-Entity Borrowing		
Kenya shilling loan	3,500,000	-
Total balance at end of the year	700,000	-

24. Cash generated from operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus for the year before tax	(23,202,503)	(25,817,921)
Adjusted for:		
Depreciation and Amortisation	32,353,329	32,333,729
	-	-
Working Capital Adjustments		
Increase in Inventory	(733)	-
Increase in Receivables	(17,802,771)	-
Decrease in Payables	1,640,008	-
Increase in Borrowings	700,000	-
Net Cash Flow from Operating Activities	(6,312,670)	6,515,808

25. 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
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At 30 June 2021				
Receivables from exchange transactions	12,878,982	8,202,677	4,676,305	
Receivables from non-exchange transactions	-	-	-	-
Bank balances	8,531,775	-	-	-
Total	21,410,757	8,202,677	4,676,305	-
At 30 June 2022				
Receivables from exchange transactions	21,205,253	-	-	-
Receivables from non-exchange transactions	9,547,500	-	-	-
Bank balances	2,621,395	-	-	-
Total	33,374,148	-	-	-

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

44. Financial Risk Management (Continued)

(i) Credit risk (continued)

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

The 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.

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Notes to the Financial Statements (Continued)

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 2021				
Trade Payables	6,829,650	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred Income	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	6,829,650	-	-	-
At 30 June 2022				
Trade Payables	10,729,836	-	-	-
Current Portion Of Borrowings	700,000	-	-	-
Provisions	-	-	-	-
Deferred Income	9,547,500	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	20,977,336	-	-	-

44. Financial Risk Management (Continued)

(iii) Market risk

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

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

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

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

a) Interest rate risk

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

Management of interest rate risk

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

44 Financial Risk Management (Continued)

(iii) Market risk (Continued)

b) Interest rate risk(continued)

Sensitivity analysis

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

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	2021-2022	2020-2021
	Kshs	Kshs
Revaluation Reserve	1,149,362,888	1,149,362,888
Retained Earnings	(62,919,626)	(37,456,324)
Capital Reserve	594,819,230	594,819,230
Total Funds	1,681,262,492	1,706,725,794
Total Borrowings	3,200,000	-
Less: Cash and Bank Balances	(2,621,395)	(8,531,775)
Net Debt/(Excess Cash and Cash Equivalents)	1,681,841,097	1,698,194,019
Gearing	100%	99.5%

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26. 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	2021-2022	2020-2021
	Kshs	Kshs
Transactions with Related Parties		
a) Grants /Transfers from the Government		
Grants from National Govt	70,987,500	32,902,500
Total	70,987,500	32,902,500
b) Key Management Compensation		
Directors' emoluments	1,626,300	-
Compensation to Key Management	-	-
Total	72,613,800	32,902,500

27. Events After The Reporting Period

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

28. Ultimate And Holding Entity

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

29. Currency

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

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XIV. Appendices

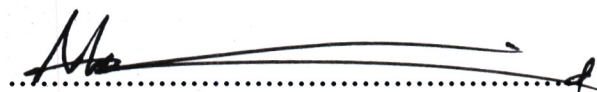
Appendix 1: Implementation Status of Auditor-General Recommendations

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	Responded to	Resolved	N/A
1.2	Depreciation charge for the year (Error in computation)	Noted to be a typo error	Resolved	N/A
2.0	Cash and Cash Equivalents	This was a part payment for the acquisition of an ERP	Resolved	N/A
3.0	Receivables from Exchange transactions(ageing balances not provided)	The ageing balances was later indicated	Resolved	N/A
4.0	Property Plant and Equipment (Accuracy of property, plant and Equipment)	The management was in the process of updating its asset register after the valuation	Not resolved	30 th June 2022
4.2	Incorrect Computation of valuation gain	This was later corrected and harmonised	Resolved	N/A
1.0	Budget and Budgetary control	Fewer students reported than earlier anticipated hence lower revenue	Resolved	N/A
1.2	Expenditure budget	late disbursement of capitation curtailed our expenditure	Not resolved	30 th June 2022
2.0	Revenue from Exchange transactions (declining trend in revenue collections)	There has been significantly low number of students. Its now that the student population has started to increase	Not resolved	N/A
1	Lack of approved staff Establishment	The polytechnic is in the process of developing a Staff Establishment	Not resolved	N/A
2	Non-Adherence to Ethnic balance	The Polytechnic is in the process of harmonising its	Not resolved	30 th June 2023

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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)
		staff composition.		
3	Anomalies in Purchase of and Installation of the ERP	The Library module and the SMS module were later activated hence the system was put to good use	Resolved	N/A
4	Weakness in internal control	The polytechnic purposed to put into place mechanisms to strengthen its internal control systems	Partly resolved	30 th June 2023
5	Lack of risk management policy	The management is in the process of establishing a risk management policy	Not resolved	30 th June 2022



Name: Muhammad Noor Hassan

(The Principal)

Date...05/04/2023...

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Appendix II:

- Inter-Entity Confirmation Letter

The *State Department for Technical and Vocational Training* wishes to confirm the amounts disbursed to you as at 30th June 2022 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.

Reference Number	Date Disbursed	Amounts Disbursed by State Department for Technical and Vocational Training (Kshs) as at 30th June 2022			Inter-Ministerial (C)	Total (D)=(A+B+C)	Amount Received by [beneficiary Entity] (KShs) as at 30 th June 2021 (E)	Differences (F)=(D-E)
		Recurrent (A)	Development (B)					
N/A	10/07/2021	-	30,000,000	-	30,000,000	30,000,000	-	
N/A	13/07/2021	500,000	-	-	500,000	500,000	-	
MOE/DTE/8/73 (4)	29/09/2021	-	17,500,000	-	17,500,000	17,500,000	-	
DTE/CAP 9/28 (118)	19/11/2021	6,750,000	-	-	6,720,000	6,720,000	-	
DTE/CAP 9/30 (118)	25/2/2022	6,750,000	-	-	6,720,000	6,720,000	-	
N/A	6/06/2022	9,547,500	-	-	9,547,500	9,547,500	-	
Total					70,987,500	70,987,500	-	

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

Head of Accountants department of beneficiary Entity:

Name Vincent Omas Sign [Signature] Date 5-4-2023

Appendix IV: Reporting of Climate Relevant Expenditures

There was no expenditure in relation to climate change.

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Appendix V: Disaster Expenditure Reporting Template

There was no expenditure related to Disaster in the FY 2021/2022