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OF

THE AUDITOR-GENERAL

ON

KENYA COAST NATIONAL POLYTECHNIC

**FOR THE YEAR ENDED
30 JUNE, 2019**



Kenya Coast National Polytechnic

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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2019

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Kenya Coast National Polytechnic (KCNP) is located in the coastal town of Mombasa. It was established in 1950 as a Technical High School. Upon the introduction of the 8-4-4 system of education, it was elevated to a middle level Technical College (Mombasa Technical Training Institute) in 1984 to provide technical training for the middle level workforce for both the private and public sectors of the economy. In 2016 the institution was officially up-graded to a National Polytechnic (Kenya Coast National Polytechnic) via the Legal Notice 88 of the Technical Vocational Education and Training (TVET) Act (No. 29 of 2013). The trainees in the Polytechnic are drawn from secondary school leavers, graduates from other tertiary institutions, employees on part-time release basis and the informal (Jua Kali) sector.

KCNP is managed by a Council whose members are appointed by the Government to represent the community, industrialists, professionals and various governmental departments. The Principal serves as the Secretary to the Council. The Institution operates under the Education Act, the TVET Act and other relevant laws. It offers Curriculum Developed by the Kenya Institute of Curriculum Development (KICD), the National Industrial Training Authority (NITA), KCNP, KASNEB, MMUST. It is mandated to offer courses at Artisan, Craft, Diploma, Higher National Diploma and Degree levels (in conjunction with recognised Universities), plus short-term certificate courses in the part-time programme. All the courses offered at Craft and Diploma levels incorporate Entrepreneurship Training and Industrial Attachment to prepare the trainees for formal and self-employment. The examining bodies are the Kenya National Examinations council (KNEC), NITA, Kenya Accountants and Secretaries National Examination Board (KASNEB), Masinde Muliro University of Science and Technology (MMUST), KCNP among others. KCNP is a member of the Kenya Association of Technical Training Institutions (KATTI) amongst others.

KCNP has seen tremendous growth in terms of courses offered and the student enrolment from an initial population of 23 students and 24 teaching staff in 1990 to the current 6000 students and 97 teaching staff respectively. This has resulted in a strain on the training facilities whose expansion has unfortunately not matched this student growth. The demands from the market and the changes in curriculum and technology have not been fully matched by additional training facilities in terms of space, equipment and staff.

KCNP is taking full advantage of its staff enhanced capacity in terms of knowledge & skills, physical facilities, wide spectrum of courses, unique location close to Central Business District (CBD) of Mombasa, major industries, commercial organizations, existing transport infrastructure and housing.

Principal Activities

The principal activity of Kenya Coast National Polytechnic is to offer TVET programmes in line with industry or market needs both in long and short term basis.

Vision.

A leading centre of excellence in training.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Mission

To produce highly competent graduates for the modern world of work.

Mandate

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

Core Functions

- To implement training in TVET programs.
- To carry out research programs.
- To develop and transfer science, technology and innovation into products and services.
- To benchmark with other institutions and liaise with industry
- To adopt programs that address the needs of the local community

Core Values

KCNP's Core Values include the following among others:-

- Honesty, integrity and transparency
- Quality leadership, excellence, innovativeness and creativity.
- Consultative decision-making
- World-class programmes and standards
- Respect for human and gender rights
- Professionalism, team spirit and discipline

(b) Key Management

Daily management is carried out under the following key divisions:

- Administration, Finance, Registrar and Academic

(c) Fiduciary Management

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

No.	Designation	Name
1.	Chief Principal	Ms Mary M. Muthoka
2.	Deputy Principal-Adm.	Mr. Show Kalama
3.	Deputy Principal- Accad.	Ms Monica Wangere
4.	Financial Controller	CPA Clerkson O. Bolo
5.	Senior Procurement Officer	Ms Dorothy Nyagitari
6.	Registrar	Mr. Patrick Ntiba
7.	Dean of Students	Ms Jane Kariuki

(d) Fiduciary Oversight Arrangements

- Finance and Human Resource and infrastructure Committee of the Council
- Audit and Risk Committee of the Council

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

- Education, Training and Research Committee of the Council
- Full Council
- Academic Board

(e) KCNP Headquarter

P.O. Box 81220- Code 80100
Kisauni Road- Tononoka
Mombasa, Kenya

(f) KCNP Contacts

Telephone: 0712725554, 0710389727
E-mail: info@kenyacoastpoly.ac.ke
Website: www.kenyacoastpoly.ac.ke

(g) KCNP Bankers

1. KCB Bank Kenya ltd
Nkrumah Road
P.O. Box 902540
Treasury Square 4088
Mombasa, Kenya





(h) Independent Auditors

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

(i) Principal Legal Adviser

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


THE COUNCIL/BOARD OF GOVERNORS

<p>1.</p>  <p>Mr. Osman Varwani – Chairman D O B 08/12/1974 Id No 13358207</p>	<p>Mr. Osman has a B.S in Computer Science and Information Networking. He has wealth of experience in ICT since 1994 to date. At the moment he is the founder and Managing Director of Innovus Group- Kenya.</p>
<p>2</p>  <p>Dr. Gracie Mullei- Member D O B 18/6/54 Passport NO A1994926</p>	<p>Dr. Gracie is a holder of Bachelor of Education. She has a 5 years experience in Corporate Governance to date since 2015, She has been engaged in Youth leadership training, Leadership training in various churches. She has been a lecturer in various Institutions, a Manager at world Vision International for 9 years, a Director at world Servant International for 10 years.</p>
<p>3</p>  <p>Mr. Sammy K. Akilimali- Member D O B 8/6/1963 Id No 0722876545</p>	<p>Mr. Sammy has Bachelors Degree in Business Administration (Entrepreneurship) , Ordinary Diploma in Institutional Management, Higher Diploma in Catering, Hotel and Institutional Management and Diploma Business Management. He has 35 years work experience since 1984 to date.</p>
<p>4</p>  <p>Eng. Oliver Khabure- Member D O B 8/3/1968 Id No 10043933</p>	<p>Mr. Oliver is a holder of B.Sc in Civil Engineering and Masters in Business Administration. He is a registered consulting engineer and has been in the field for over 25 years.</p>



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<p>5</p>  <p>Ms Mary Muthoka- Chief Principal/Secretary D O B 28/11/1964 Id No 8833424</p>	<p>Ms. Mary Muthoka is the chief Principal. She is a holder of BED- Business studies and Education and MBA in Management and Marketing Management. She has over 10 years experience in management of TVET Institutions as a Principal.</p>
<p>6</p>  <p>Mr Jackson Andai - Member. D O B 11/9/1961Passport No. AK0137973</p>	<p>Mr. Jackson Andai is a holder of Masters of Business, Taught in TVET Institutions for 12 years, worked in Ministry of Education as Quality Assurance, Projects and field services Officer. Currently County Director VET, Mombasa in charge of Coast Region</p>
<p>7.</p>  <p>Ms Salma Mohamed Rashid - Member D O B 8/8/1979 Id No 21727211</p>	<p>Ms. Salma is a holder of Masters of Business Administration, Bachelor of Commerce and a Certified Public Accountant of Kenya (CPA). She has wealth of experience in Banking Industry for 14 years since 2006 to date.</p>
<p>8.</p>  <p>Ms. Malika Omar- Member D O B 29/10/76 Id No 14493425</p>	<p>Ms. Malika is a holder of Bachelors of Science Degree in International Business Administration, Advance Diploma in Shipping and Advanced Diploma in Business Information System. She is the Managing Director of Modern Maritime Services Ltd</p>

MANAGEMENT TEAM

 <p>Ms. Mary Muthoka- Chief Principal/Secretary D O B:28/11/1964 Id No:8833424</p>	<p>Chief Principal/Secretary to the Council The Accounting Officer</p>
 <p>Mr. Show Kalama – Deputy Principal Administration D O B 30/8/1978 Id No 20883144.</p>	<p>Deputy Principal in charge of Administration</p>
 <p>Ms. Monica Wangari – Deputy Principal Academics. D O B 16/5/1959 Id No 7201351</p>	<p>Deputy Principal in charge of Academic. A holder of MBA(Strategic Management)</p>
 <p>CPA Clerkson Onyango Bolo- Financial Controller Reg. No. 5067 D O B 4/3/1968 Id No 9418429</p>	<p>Financial Controller in charge of Account /Finance department. A holder of MBA</p>

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	Dean of Students in charge of students' affairs . A holder of M.Ed
Ms Jane Kariuki –Deans of Students. D O B 5/1/1971 Id No 10889552	
	In Charge of students admissions and career guidance
Mr. Patrick Ntiba – Registrar. D O B 22/3/1961 Id No 1003154	

CHAIRMAN'S STATEMENT

The Kenya Coast National Polytechnic (KCNP) has passed through four transitional levels. The various phases it has undergone so far reflect the Government of Kenya's concerted efforts in promoting education and training in line with the dynamic technological and industrial growth in Kenya and in Africa.

The transition of the Polytechnic has seen the growth of the Polytechnic programmes, the staff and student population, physical infrastructure and ICT. The increase of these resources without a balanced growth in financial support from the exchequer has however come with a number of challenges. It has been difficult to provide commensurate teaching resources with the growth in student numbers while the Polytechnic has also not been able to concentrate on the key areas of research and technology transfer as required.

While the mandate of the Polytechnic provides for training highly skilled workforce that is suitable for further professional development through quality inclusive and equitable TVET programs responsive to national and global competitiveness, there have been challenges related to the infrastructural developments as the government has not been providing the requisite capital expenditure. The financial statements reflect the financial status of the Polytechnic. More personnel are required for both teaching and Non teaching staff. Council Members have recruited some staff on part time contracts and sustaining the increase in personal emoluments will however be a challenge unless the government increases it's financing for recurrent expenditure.

The Polytechnic Council looks forward to supportive collaboration with the government to ensure continued development of the Kenya Coast National Polytechnic as provided.



Mr. Osman Varwani
Chairman of Council

REPORT OF THE PRINCIPAL

The Kenya Coast National Polytechnic, as part of its expansion strategy, has developed market driven programmes that address national priorities areas like the BIG Four in the fields of Business, Engineering, Science and Technology. Currently, the Polytechnic is offering over forty academic programs in diverse fields and continues to develop new programmes especially at higher diploma. KCNP is committed to the advancement of knowledge through responsible research and scholarship addressing important current scientific, social, and cultural questions. Our emphasis on research, innovation, linkages and collaboration with various stakeholders in the industry improves our visibility nationally.

To balance the development of new programmes and demand for Polytechnic education, the Polytechnic management, in consultation with the council, has continued to develop its human resource especially the teaching staff short training programmes.

The Polytechnic has developed and implemented work place policies to nurture holistic students and staff. Towards this end, KCNP has complied with gender and disability mainstreaming, alcohol and drug abuse prevention and intervention.

The new Polytechnic Order put the Polytechnic to be in the category of State Corporations and to keep the accounting documents in line with IPSAS accrual basis. This posed a lot of challenges taking into account that the period under audit, all accounting documents were kept under cash basis where fixed assets were not taken into account. This change had some implications such as: changing accounting records to accruals, valuation of fixed assets, quarterly reporting. As a result of these, coupled with staff shortage, preparation of books delayed. Capacity building from treasury was needed for change to commence. It was done much later.

Valuation of Non Current Assets

The valuation of fixed assets is yet to take place. However, values reported are deemed costs gathered by experts from building and finance department from old records based on reasonable estimates. Therefore, by the time of preparation of these accounts, The Polytechnic could not be able to find the exact value of its fixed assets. Once valuation is done then the exact values shall be incorporated into the subsequent books of account.

Variances

The Council observed that positive variances on revenue were due to increase in the number of students as it is reflected in the revenue receipts. Negative variances on expenditure were due to the increase in expenditure as a result of population increase which necessitated increase in expenses.

Despite these variations, the council members noted that the general performance had a positive variance which is an indication that the council did not commit funds beyond its revenue limit.

Sundry Creditors

By the end of the fiscal period, the Polytechnic had unpaid supplies amounting to ksh. 33,524,302. This was due to prolonged processing of documents to facilitate payments by the accounts department and also goods and services acquired at the end of the fiscal period. Hence, the Polytechnic does not have any pending bill.

Upgrade of Accounting Software

The council members noted that for accounting staff to prepare on time financial reports, the accounting software in use must be upgraded. This will assist the accounts staff to work faster and more accurate.

Development Projects

The Polytechnic received a total of ksh. 10,502,937 from the Government as development grant and also collected a total of ksh. 12,770,264 as development funds internally. During The FY 2018/2019 Polytechnic managed to: To finish phase two of Cafeteria block and started building phase three, buy computers, buy furniture, renovate Chandaria hall, build underground water tanks, install security solas lights system, install biometric system, and build perimeter wall around the compound among others.



Ms. Mary M. Muthoka
Chief Principal/Council Secretary

CORPORATE GOVERNANCE STATEMENT

The Kenya Coast National Polytechnic is committed to good corporate governance, which promotes the long-term interests of the Government of Kenya and any other stakeholder, strengthens Governing Council and management accountability and helps build public trust in the Polytechnic.

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

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

The council provides leadership through oversight, review and guidance whilst setting the strategic direction. It is the primary decision-making body for all matters considered as material to the service. The council is composed of skilled and experienced persons and carry out their functions effectively. Full council meetings are held quarterly while council committees are held frequently as needs may arise.

General Responsibilities

The council has a duty to the people of Kenya to ensure that the Kenya Coast National Polytechnic achieves its objectives efficiently and effectively and in compliance with PFM Act 2012, TVET Act 2013 and Polytechnic order 2016. Some of the statutory powers of the polytechnic are:

- To ensure that proper management structure is in place and the management maintain the corporate integrity, reputation and responsibility.
- To monitor and evaluate the implementation of strategies, policies and management plans of the polytechnic.
- To consistently review the viability and financial sustainability of the polytechnic.
- To ensure that The Polytechnic complies with all the relevant laws.

Council Remuneration

The council members are paid a sitting allowance and travelling expenses for meeting attended.

Risk Management and Internal Controls

The council has overall responsibility for the establishment and oversight of The Polytechnics risk management frameworks. The risk management policies are established to identify and analyse the risk faced by The Polytechnic and to set appropriate risk limits and controls to monitor adherence to these limits. Risk management policies and systems are reviewed regularly to reflect changes in operating conditions, legislations and services offered. The polytechnic identifies and manage risk through in-house risk review enhanced by compliance, internal and external audits.

Conflict of Interest

All council members are under a duty to avoid conflict of interest. This entails not engaging, directly or indirectly in any business that competes or conflicts with The Polytechnic business transactions.

Compliance

The council confirms that it is satisfied that The Polytechnic has adequate resources to continue operating for the foreseeable future. Because of this, The Polytechnic continues to adopt the Going Concern basis when preparing the financial statements.

The council is satisfied that The Polytechnic has to the best of their knowledge, comply with all relevant laws and conduct its business affairs in accordance with the law in particular to the PFM Act 2012, TVET Act 2013 and Polytechnic order 2016.

REPORT OF THE GOVERNING COUNCIL

The Governing Council submit their report together with the audited financial statements for Period ended June 30, 2019 which show the state of The Kenya Coast National Polytechnic's affairs.

Principal activities

The principal activity of the Polytechnic is training

Results

The results of the entity for the year ended 30th June, 2019 are set out on page 1.

COUNCIL OF GOVERNORS

The members of the Council who served during the year are shown on page. V to VI

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.

By Order of the Board



Ms. Mary M. Muthoka
Chief Principal/Council Secretary

Date: 20/12/2019

STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 and Section 14 and 15 (1) of the State Corporations Act, require Council members to prepare financial statements in respect of the Polytechnic, which give a true and fair view of the state of affairs of the Polytechnic at the end of the financial year and the operating results of the Polytechnic for that period. The Council 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 is also responsible for safeguarding the assets of the Polytechnic.

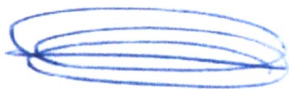
The Council is responsible for the preparation and presentation of the Polytechnic financial statements, which give a true and fair view of the state of affairs of the Polytechnic for and as at the end of the financial year ended on 30 June, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accepts responsibility for the Polytechnic financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Council is of the opinion that the Polytechnic financial statements give a true and fair view of the state of Polytechnic transactions during the financial year ended June 30, 2019, and of the Polytechnic financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the Polytechnic, which have been relied upon in the preparation of the Polytechnic financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council 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 financial statements were approved by the Council on 20/12/2019 and signed on its behalf by:



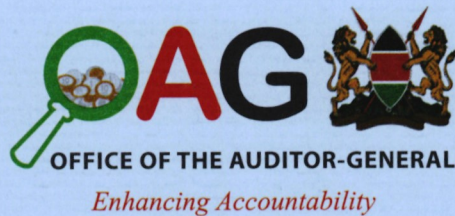
Mr. Osman Varwani
Council Chairman



Ms. Mary M. Muthoka
Chief Principal/Council Secretary

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON THE KENYA COAST NATIONAL POLYTECHNIC FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Kenya Coast National Polytechnic set out on pages 1 to 21, which comprise of the statement of financial position as at 30 June, 2019, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1.0 Inaccuracies of the Financial Statements

The financial statements for the year ended 30 June, 2019 and which were presented for audit had the following anomalies:

1.1 Unsupported Opening Reserves Balance

The statement of changes in net assets for the year ended 30 June, 2019 reflects a total closing balance of Kshs.2,137,501,763. Included in the balance is Kshs.1,846,650,764 in respect of opening reserves balance as at 01 July, 2016, being Mentored TTI Fund balance of Kshs.221,731,315, fair value adjustment reserve of Kshs.3,000,000, retained earnings of Kshs.77,236,487 and capital development fund of Kshs.1,544,682,962. The balances have remained unsupported since the financial year 20 June, 2017.

Consequently, the accuracy, validity and completeness of the statement of changes in net assets with a total balance of Kshs.2,137,501,763 as at 30 June, 2019 could not be confirmed.

1.2 Unsupported Balances in the Statement of Cashflows

The statement of cash flows reflects a cash and cash equivalents balance of Kshs.137,624,858 as at 30 June, 2019. However, the balance includes an amount of Kshs.153,368,135 being the cash and cash equivalents as at 01 July, 2016 which has not been supported. In addition, the statement reflects an internal development fund amount of Kshs.12,770,264 under receipts which has not been supported.

Consequently, the accuracy and completeness of the statement of cash flows for the year ended 30 June, 2019 could not be confirmed.

2.0 Unsupported Revenue and Expenditure

The statement of financial performance for the year ended 30 June, 2019 reflects total revenue of Kshs.385,739,917 and total expenses of Kshs.343,556,827. However, a total amount of revenue of Kshs.346,439,917 and expenditure of Kshs.56,088,204 were not supported with the relevant schedules, receipt vouchers and payment documents as detailed below:

Item	Note	Amounts as per Financial Statements (Kshs.)	Unsupported Amount (Kshs.)	Missing Support Document/Remarks
Revenue				
Rendering of Services - Fees from Students	6	292,302,776	292,302,776	The entire revenue amount is not supported with schedules.
Other Services Rendered	7	45,722,381	45,722,381	The revenue is not supported with schedules.
Rental Revenue from Facilities and Equipment	8	1,686,000	1,686,000	The revenue amount relates to use of swimming pool of Kshs.1,080,000, house rent of Kshs.66,000 and mini shops of Kshs.540,000 which lacks supporting schedules.
Other Income	9	6,728,760	6,728,760	The revenue amount is not supported with schedules.
Sub-Total		346,439,917	346,439,917	
Expenditure				
Employee Costs	10	56,088,204	56,088,204	The expenditure is not supported with schedules for items in the note.
Sub-Total		56,088,214	56,088,214	

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

3.0 Cash and Cash Equivalents

As disclosed in Note 17 to the financial statements, the statement of financial position shows a cash and cash equivalents balance of Kshs.137,624,858. However, the following unsatisfactory matters were noted.

3.1 Lack of Cash Books and Bank Reconciliation Statements

The Polytechnic Management did not provide for audit the cashbooks and bank reconciliation statements in support of the reserve fund account with a balance of Kshs.2,119,596, the capital development account with a balance of Kshs.1,162,782 and the caution money account with a balance of Kshs.621,472 all held at a local bank. This is contrary to Section 68(2)(b) of the Public Finance Management Act which states that in the performance of a function under subsection (1), an accounting officer shall - ensure that the entity keeps financial and accounting records that comply with this Act. Further, Regulation 90(1) of the Public Finance Management (National Government) Regulations, 2015 states that all Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month and submit a bank reconciliation statement not later than the tenth day of the subsequent month to the National Treasury with a copy to the Auditor-General.

Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.137,624,858 as at 30 June, 2019 could not be confirmed.

3.2 Uncleared items in the Bank Reconciliation Statements

3.2.1 Main Bank Account

Note 17 (a) to the financial statements for the year ended 30 June, 2019 reflects a main current account balance of Kshs.58,110,204. However, the bank reconciliation statement as at the same date reflects direct bankings amounting to Kshs.24,028,550 without dates or explanations provided as to why they were not captured in the cash book. Further, the bank statements showing when these cheques and deposits were subsequently presented and cleared in the bank were also not provided for audit verification.

3.2.2 Production Unit Account 3

Included in the cash and cash equivalents balance of Kshs.137,624,858 is a production unit account balance of Kshs.53,131,033. However, the supporting bank reconciliation statement as at 30 June, 2019 reflects direct bankings of Kshs.335,472. Management did not explain why the deposits had not been recorded in cash book.

In the circumstances, accuracy and completeness of the cash and cash equivalents balance of Kshs.137,624,858 as at 30 June, 2019 could not be confirmed.

4.0 Receivables from Exchange Transactions

As disclosed in Note 18 to the financial statements, the statement of financial position as at 30 June, 2019 reflects a balance of Kshs.157,264,782 in respect of receivables from exchange transactions. Included in the receivables from exchange transactions balance is a student debtors balance of Kshs.93,536,553 which was not supported with an ageing analysis of the outstanding debts. In the absence of an ageing analysis, it was not possible to confirm names of student debtors and how long the debts have been

outstanding (to determine recoverability of the debts). Further, as previously reported, receivables from exchange transactions balance of Kshs.157,264,782 includes Kshs.4,159,310 in respect of a staff debtor. Available information indicates that the debt relates to fraud by the staff member and which was a subject of a court case which was determined in favour of the staff. However, the Management did not explain why the debt has not been written off considering that the Polytechnic did not appeal against the judgement.

In addition, the receivables from exchange transactions balance of Kshs.157,264,782 were not supported with detailed debtors' schedules. In addition, there was no credit policy in place for management of credit facilities. As such, the basis for granting credit facility and computing provision for bad debts could not be ascertained.

In the circumstances, the accuracy, completeness and recoverability of receivables from exchange transactions of Kshs.157,264,782 as at 30 June, 2019 could not be ascertained.

5.0 Inaccuracies in Inventories Balance

As reported in the year 2017/2018, Note 19 to the financial statements reflects a balance of Kshs.1,451,680 in respect of inventories as at 30 June, 2019. The balance of Kshs.1,451,680 includes an opening balance of Kshs.618,221 from the financial year 2017/2018 in respect of food and beverage, training stores and corner restaurant stores. However, there was no evidence that closing inventories including consumables and teaching materials in all the nine (9) course departments and teaching workshops have been accounted for in the financial statements.

In addition, the Management does not maintain a proper inventory system for recording movement and recognition of inventory in line with Paragraph 45 of the International Public Sector Accounting Standards (IPSAS) No.12 which states that, "for a service provider, the point when inventories are recognized as expenses normally occurs when services are rendered, or upon billing for chargeable services".

In the circumstances, the accuracy and completeness of inventories balance of Kshs.1,451,680 as at 30 June, 2019 could not be confirmed.

6.0 Property, Plant and Equipment

6.1 Valuation of Assets

As disclosed in Note 20 to the financial statements, the statement of financial position reflects a balance of Kshs.1,670,994,755 in respect of property, plant and equipment. However, as previously reported, the valuation report showing how the opening balance of Kshs.1,517,436,734 as at 01 July, 2016 was determined was not provided for audit. Also, considering that some of the assets have been in existence for several years there was no evidence that appropriate depreciation charge was applied to their initial cost.

Further, Management does not maintain an assets register of all assets owned by the Polytechnic.

In the circumstance, accuracy completeness and valuation of the property, plant and equipment balance of Kshs.1,670,994,755 as at 30 June, 2019 could not be confirmed.

6.2 Unaccounted for Donations of Assets

Available information revealed that during the financial year under audit, the Polytechnic received various equipment of undetermined value from donors including the People's Republic of China and National Government Constituency Development Fund - Mvita Constituency among other donations in kind to the Polytechnic. However, the list of donated assets and their values was not maintained. Therefore, it was not clear how the donated assets have been accounted for in the financial statements.

Consequently, it has not been possible to ascertain the accuracy, completeness and valuation of property, plant and equipment balance of Kshs.1,670,994,755 as at 30 June, 2019.

7.0 Unsupported Intangible Assets Balance

The statement of financial position as at 30 June, 2019 reflects a balance of Kshs.4,327,547 in respect of intangible assets. However, as previously reported, the balance is not supported with an assets register detailing name of the software, cost, date of acquisition, supplier, purpose, amortization and net book value.

In the circumstances, the accuracy and completeness of intangible assets balance of Kshs.4,327,547 as at 30 June, 2019 could not be confirmed.

8.0 Unsupported Trade and Other Payables from Exchange Transactions Balance

As disclosed in Note 23 to the financial statements , the statement of financial position as at 30 June, 2019 reflects trade and other payables from exchange transactions balance of Kshs.160,867,075. Included in this balance are suppliers' balances of Kshs.33,396,803 (2017/2018 - Kshs.10,998,360) whose ageing analysis was not provided for audit verification and therefore it was not possible to confirm how long the liabilities have been outstanding. Further, the trade and other payables from exchange transactions balance of Kshs.160,867,075 includes total payables of Kshs.73,212,233 which were not supported with a detailed creditors' schedule.

Consequently, the accuracy and completeness of the trade and other payables from exchange transactions balance of Kshs.160,867,075 as at 30 June, 2019 could not be confirmed.

9.0 Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public

Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues.

10.0 Unconfirmed Budget Approval Process

The statement of comparison of budget and actual amounts indicates that the Polytechnic had expenditure budget of Kshs.307,681,790 for the financial year 2018/2019. However, the Polytechnic Management did not provide any evidence that the budget was approved by the respective line Ministry in line with Section 17(4) of Kenya Coast National Polytechnic Order, 2016 which states that “annual estimates shall be approved by the Council before the commencement of the financial year to which they relate, and shall be submitted to the Cabinet Secretary for approval”.

Consequently, the Management may have incurred expenditure in disregard of the Kenya Coast National Polytechnic Order, 2016.

11.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the for the year ended 30 June, 2019 reflects an expenditure budget of Kshs.307,681,790 against actual expenditure of Kshs.305,904,301 or 99%, resulting to under expenditure of Kshs.1,777,489 or 1%.

However, it was noted that the Polytechnic had a budgeted expenditure of Kshs.222,551,552 against actual on comparative basis expenditure of 201,843,150 resulting in an over-expenditure of Kshs.20,708,402 or 9% of the budget. However, there was no evidence of authority to overspend/ reallocate funds amounting to Kshs.20,708,402. This is contrary to Section 48(5) of the Public Finance Management (National Government) Regulations, 2016 which states that ‘reallocations under this regulation shall be approved by the respective Accounting Officer of the entity’.

12.0 Irregular Payment of Responsibility Allowances

The statement of financial performance for the year ended 30 June, 2019, reflects employee costs total of Kshs.56,088,204. During the year under review, the Polytechnic paid responsibility allowances amounting to Kshs.50,000 per month to three top managers or Kshs.600,000 for the year. However, as previously reported, the allowances were not reflected in the payroll for the officers involved. Further, the Council meeting minutes provided for audit review indicated that the allowance was paid to the managers for performing extra work since they are employees of the Teachers Service Commission.

This was contrary to the Salaries and Remuneration Commission Circular Ref. No: SRC/ADM/CIR/1/13 Vol.III (126) dated 10 December, 2014 which provides that ‘responsibility allowance should be awarded by the employer and reflected on the payroll’.

As a result, the responsibility allowance paid to the top managers amounting to Kshs.600,000 for the year ended 30 June, 2019 was irregular.

13.0 Irregular Use of Request for Quotations Method

During the year under review, the Polytechnic procured a staff medical cover at a cost of Kshs.3,751,221 and general insurance cover at a cost of Kshs.2,065,562, all amounting to Kshs.5,816,783 through request for quotations method. However, the two contracts' costs were above the set threshold for request for quotation method of Kshs.1,000,000 for procurement of services for Class B entities under which the Polytechnic falls as provided for in the Public Procurement and Disposal Regulations, 2006, Threshold Matrix for Class 'B' Entities.

The Management was in breach of the law and the Polytechnic may not have realized value for money due to limited competition in the award of the two contracts.

14.0 Irregular Attendance of Council Meetings by a Non-Member

Review of the Council meeting minutes provided, revealed that an officer representing State Department for Vocational and Technical Training attended Council meetings and was paid sitting allowances totaling Kshs.529,855. However, the officer was not gazetted as a Council member in line with Mwongozo guidelines Chapter 1(1.1)(11) which states that, each Board member shall be formally appointed to the Board through a gazette notice and thereafter issued with an appointment letter.

In the Circumstances, the Council meetings were not properly constituted and payment of the allowance to the Officer was irregular.

15.0 Lack of Proper Policy Guidelines on Management of Part-Time Classes

During the year under audit review, the Polytechnic incurred a total of Kshs.56,726,313 on running of part-time programmes as indicated under Note 15 to the financial statements. According to the records provided for audit review, both external and internal staff are engaged in the programmes to teach part-time students. However, the approved academic policy showing how the part-time courses are run was not provided for audit verification. It was therefore not clear how part-time programmes, the course contents, minimum academic entry qualifications, minimum student number, course duration, time allocated for the course, qualifications of trainers, fees payable per course and the minimum and maximum workload for each trainer per given period among others were determined.

In addition, information available indicates that tuition fees collected from part-time courses are shared in the ratio of 70% and 30% respectively between part-time teachers and the Polytechnic. This implies that tutors are using the Polytechnic's facilities at the expense of service delivery to the students.

In the absence of clear policy guidelines, it was not possible to confirm if the full-time tutors were qualified and eligible to undertake part-time courses at the Polytechnic.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Responsibilities of Management and the Polytechnic Council

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 such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, the 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 the 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.


The Council Members are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Polytechnic 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

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the Kenya Coast 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 February, 2022

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

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – Capitation	5	39,300,000	50,250,000
Revenue from exchange transactions			
Rendering of services- Fees from students	6	292,302,776	175,517,088
Other Services Rendered	7	45,722,381	29,762,032
Rental revenue from facilities and equipment	8	1,686,000	1,123,500
Other income	9	6,728,760	5,183,495
Total Revenue from exchange transactions		346,439,917	211,586,115
Total revenue		385,739,917	261,836,115
Expenses			
Employee costs	10	56,088,204	35,683,176
Remuneration of Council Members	11	5,510,558	4,040,362
Depreciation	12	37,587,526	34,059,701
Repairs and maintenance	13	27,329,545	21,379,690
General Expenses	14	96,907,409	47,740,583
Operating Expenses	15	107,722,991	73,679,173
Use of Goods and Services	16	12,410,594	11,510,284
Total expenses		343,556,827	228,092,969
Net Surplus for the year		42,183,090	33,743,146

The notes set out on pages 6 to 20 form an integral part of the Annual Financial Statements.

V. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

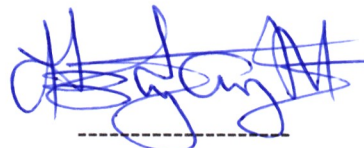
	Notes	2018-2019 Kshs	2017-2018 Kshs
Assets			
Current assets			
Cash and cash equivalents	17	137,624,858	178,089,157
Receivables from exchange transactions	18	157,264,782	47,151,509
Inventory	19	1,451,680	618,221
Total current assets		296,341,320	225,858,887
Non-current assets			
Property, plant and equipment	20	1,670,994,755	1,632,062,353
Intangible assets	21	4,327,547	4,382,210
Mentored Institutions Projects/works	22	326,705,216	309,964,110
Total Non-current assets		2,002,027,518	1,946,408,673
Total assets		2,298,368,838	2,172,267,560
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	23	160,867,075	116,963,194
Non-current liabilities			
Total liabilities		160,867,075	116,963,194
Net assets		2,137,501,763	2,055,304,366
Mentored Institutions Grants	24	326,705,216	309,964,110
Reserves	25	19,453,255	6,682,991
Accumulated surplus	26	173,674,755	131,491,665
Capital Fund	27	1,617,668,537	1,607,165,600
Total net assets and liabilities		2,137,501,763	2,055,304,366

The Financial Statements set out on pages 1 to 5 were signed on behalf of The Polytechnic Council by:



Chairman of Council

Date: 20/12/2019



Financial Controller
ICPAK No 5067



Chief Principal/Council Secretary

Date: 20/12/2019

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

	Mentored TTI Fund	Fair value adjustment reserve	Retained earnings	Capital/ Development Grants/Fund	Total
At 1 June 2016	221,731,315	3,000,000	77,236,487	1,544,682,962	1,846,650,764
Total comprehensive income- Surplus for the period	-----	-----	20,512,032	-----	20,512,032
Development grants	-----	-----	-----	14,876,733	14,876,733
Development grants for Mentored Institutions	79,607,829	-----	-----	-----	79,607,829
Reserve for the period	-----	1,176,104	-----	-----	1,176,104
Adjustment of Intangible Assets	-----	-----	-----	6,907,000	6,907,000
At 1 July, 2017	301,339,144	4,176,104	97,748,519	1,566,466,695	1,969,730,462
Total comprehensive income- Surplus for the period	-----	-----	33,743,146	-----	33,743,146
Development grants	-----	-----	-----	7,165,000	7,165,000
Development grant for Mentored Institutions	8,624,966	-----	-----	-----	8,624,966
Adjustment in the period	-----	-----	-----	33,533,905	33,533,905
Reserve for the period	-----	2,506,887	-----	-----	2,506,887
Transfer of depreciation/amortisation from capital fund to retained earnings	-----	-----	-----	-----	-----
At 1 July, 2018	309,964,110	6,682,991	131,491,665	1,607,165,600	2,055,304,366
Development grants	-----	-----	-----	10,502,937	10,502,937
Development grant for Mentored Institutions	16,741,106	-----	-----	-----	16,741,106
Surplus for the year	-----	-----	42,183,090	-----	42,183,090
Reserve for the year	-----	12,770,264	-----	-----	12,770,264
At 30 June, 2019	326,705,216	19,453,255	173,674,755	1,617,668,537	2,137,501,763

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

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government grants	5	10,502,937	57,415,000
Government Capitation	5	39,300,000	-----
Rendering of services- Fees from students	6	292,302,776	175,517,088
Other Services Rendered	7	45,722,381	29,762,032
Rental revenue from facilities and equipment	8	1,686,000	1,123,500
Other income	9	6,728,760	5,183,495
Mentored Institution grants	22	16,741,106	25,141,082
Decrease/increase in payables	23	43,903,881	37,547,357
Internal Development Fund	25	12,770,264	13,951,903
Total Receipts		469,658,105	345,641,457
Payments			
Compensation of employees	10	56,088,204	35,683,176
Remuneration of Council Members	11	5,510,558	4,040,362
Repairs and maintenance	13	27,329,545	21,379,690
General Expenses	14	96,907,409	47,740,583
Operating Expenses	15	107,722,991	73,679,173
Use of Goods and Services	16	12,410,594	11,510,284
Increase/Decrease in receivable	18	110,113,273	21,662,804
Increase in Inventory	19	833,459	35,268
Work in Progress	20	8,925,079	-----
Mentored Institution projects/works	22	16,741,106	8,624,966
Total Payments		442,582,218	224,356,306
Net cash flows from operating activities		27,075,887	121,285,151
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(67,540,186)	(107,206,965)
Net increase/(decrease) in cash and cash equivalents		(40,464,299)	14,078,186
Cash and cash equivalents at 1 JULY 2018	17	178,089,157	164,010,971
Cash and cash equivalents at 30 JUNE 2019	17	137,624,858	178,089,157

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

	Original budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019
Revenue	Kshs	Kshs	Kshs
Government grants/Capitation	120,000,000	39,300,000	80,700,000
Rendering of services- Fees from students	168,444,000	292,302,776	123,858,776
Other Incomes	29,150,000	54,137,141	24,987,141
Total income	317,594,000	385,739,917	
Expenses			
Compensation of employees	78,982,720	56,023,204	22,958,516
Council Members allowances	4,692,300	5,510,558	(818,258)
General, Operating and Use of Goods Expenses	197,150,850	217,040,994	(19,890,144)
Repairs and Maintenance	26,855,920	27,329,545	(473,625)
Total expenditure	307,681,790	305,904,301	
Surplus for the period	9,912,210	79,835,616	

Explanations on the variances

- The negative variance in Government grants was due to operation grant not received at all and less capitation received.
- Positive Variance in fees from students was due to growth in students' population.
- Due to growth of students' population more facilities were to be either improved or expanded hence increased repair expenses

IX. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Coast National Polytechnic is established by and derives its authority and accountability from the Public Finance Management Act, 2012. KCNP is wholly owned by the Government of Kenya and is domiciled in Kenya. The Polytechnic principal activity is Training.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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 International Public Sector Accounting Standards- Accrual (IPSAS). The Polytechnic adopted IPSASA-Accrual in the FY 217/2018 and therefore, provisions of IPSAS 33 (First-time adoption of IPSAS-Accrual) apply to the Polytechnic. The accounting policies adopted have been consistently applied to all the years presented.

3 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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) Revenue from exchange transactions

Rendering of services

The Polytechnic 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.

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2018/2019 was approved by the Council Members on 15th March, 2018. No revisions or additional appropriations were made to the approved budget.

The Polytechnic 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) 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 Polytechnic 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.

d) 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.

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.

e) 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 Kenya Commercial Bank.

f) Comparative figures

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

**4 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION
UNCERTAINTY**

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 14

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2018-2019	2017-2018
	KShs	KShs
Unconditional grants		
Operational grant	-----	50,250,000
GOK Capitation received	39,300,000	
	39,300,000	50,250,000
Conditional grants		
Development grant	10,502,937	7,165,000
Total government grants and subsidies	49,802,937	57,415,000

KCNP did not get any operational grant in the financial year 2018/2019. However, KCNP received only Capitation totalling to ksh 39,300,000 against expected ksh 120,000,000.

6. RENDERING OF SERVICES -FEE FROM STUDENTS

Description	2018-2019	2017-2018
	KShs	KShs
Tuition fees	103,082,448	51,176,610
Activity fees	9,818,001	5,382,672
Teaching Material fees	9,384,150	12,807,900
Equipment fees	17,087,378	9,837,923
Local Transport and Travelling fees	13,568,534	7,715,183
Contingencies fees	10,137,242	8,530,363
Part time fees	60,480,813	35,953,476
Registration fees	583,790	623,940
Application fees	641,410	972,253
College Identity Cards fees	1,787,049	1,634,359
Centre fees	35,715	-----
Electricity fees	13,119,826	7,152,558
Repairs Maintenance and Improvement	13,025,016	7,554,351
Personal Emoluments fees	22,341,682	8,693,592
Attachment fees	4,369,456	948,740
Maintenance fees	55,880	266,880
Educational tour fees	2,296,945	1,072,253
Studio Fees	502,905	88,650
Internet fees	4,567,606	9,512,816
Insurance fees	2,663,916	2,693,910
T/Shirts fees	1,796,726	2,024,499
Project fees	330,030	105,850
Media Press Card	-----	4,400
Laboratory /Facility Fees	470,708	763,910
Multiculation	155,550	
Total revenue from the rendering of services	292,302,776	175,517,088

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. OTHER SERVICES RENDERED

Description	2018-2019	2017-2018
	KShs	KShs
Hire of Hall	461,700	455,800
Corner Restaurant	33,682,826	19,569,056
Carpentry and Joinery	2,250	123,000
Clothing P. Unit	1,538,052	1,191,181
Mombasa County Government	-----	5,143,195
Secretarial Training Workshop	-----	120,000
KCNP Hostel	6,462,850	3,159,800
Hire of Classroom	358,000	-----
Hire of Vehicle	120,000	
Conference income	10,000	
Hire of equipment	50,000	
GUS Training	3,000,000	
Practical fee	36,703	
Total revenue from other services rendered	45,722,381	29,762,032

8. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2018-2019	2017-2018
	KShs	KShs
Swimming Pool	1,080,000	890,000
KCNP House Rent	66,000	113,500
KCNP Mini shops	540,000	120,000
Total rentals	1,686,000	1,123,500

9. OTHER INCOME

Description	2018-2019	2017-2018
	KShs	KShs
Production Unit	5,206	-----
Transcript/Supplementary	30,300	11,300
Certificate replacement	-----	1,510
Show and Exhibitions	-----	405,550
Tender	35,800	267,000
Library charges	-----	88,507
Hire of Equipment	-----	189,650
Miscellaneous revenue	255,006	88,650
Mentoring fund	-----	600,000
Excursion	2,350	5,750
KUCCPS Registration	38,700	-----
Food and Beverage Training	270,180	-----
Fixed Deposit Interest	2,634,173	3,525,578
Marketing and Graduation	2,423,445	-----
KETTISO Games	1,033,600	
Total other income	6,728,760	5,183,495

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. EMPLOYEE COSTS

	2018-2019	2017-2018
	KShs	KShs
Salaries and wages	46,853,590	28,725,564
Employee related costs - contributions to pensions and medical aids	2,632,814	355,812
Commuting allowances	521,400	521,400
Housing benefits and allowances	3,080,400	3,080,400
Provision for retirement benefit	3,000,000	3,000,000
Employee costs	56,088,204	35,683,176

11. REMUNERATION OF COUNCIL MEMBERS

Description	2018-2019	2017-2018
	KShs	KShs
Chairman's Honoraria		-----
Council emoluments		-----
Sitting and Transport allowances	5,510,558	4,040,362
Total Council emoluments	5,510,558	4,040,362

12. DEPRECIATION AND AMORTIZATION EXPENSE (ALSO SEE NOTE 20)

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	35,732,863	32,181,611
Intangible assets	1,854,663	1,878,090
Investment property carried at cost		
Total depreciation and amortization	37,587,526	34,059,701

13. REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018
	KShs	KShs
Buildings-Property	14,256,589	12,405,952
Equipment and machinery	7,153,963	2,231,633
Vehicles	296,715	784,822
Furniture and fittings	171,800	399,020
Computers and accessories	178,560	1,186,040
Other	5,271,918	4,372,223
Total repairs and maintenance	27,329,545	21,379,690

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. GENERAL EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
Transport Travelling and Subsistence	10,968,344	9,841,909
Marketing and Graduation	14,038,426	7,010,059
Insurance	5,930,732	2,354,866
Legal expenses	4,241,728	40,000
Staff Capacity Building	7,740,626	2,320,000
Consumables	23,028,319	14,975,701
Staff and Students activity	8,300,897	4,828,852
MMUST Program	2,456,849	-----
KETTOSO Games	1,503,690	-----
Provision of Audit fee	600,000	600,000
Project expenses	489,150	-----
Provision of Bad debt 20% of 88,043,242	17,608,648	5,769,196
Total	96,907,409	47,740,583

15. OPERATING EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
College Identity Card		-----
Contingencies Expenses	8,580,328	9,837,445
Attachment	1,710,075	1,430,075
Corner restaurant	29,281,996	22,225,633
Part Time expenses	56,726,313	34,459,061
Education tour	676,956	584,900
Production Unit	34,120	263,220
Planning and Policy Development	408,600	893,790
Mentoring Expenses	898,015	499,135
Internal committee allowance	6,312,487	2,106,529
Disposal expenses	16,000	-----
MSA C.G. Sponsored	270,000	-----
Corporate Social Responsibility	1,748,650	1,379,385
Students Identity Cards	588,360	-----
Bank charges	471,091	-----
Total	107,722,991	73,679,173

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. USE OF GOODS AND SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Internet services	1,921,178	2,837,161
Water and Electricity	6,137,592	4,409,780
KCNP Hostel	21,000	2,000,653
Security costs	3,782,234	2,262,690
Carpentry and Joinery	128,000	-----
Clothing P.U	420,590	-----
Total	12,410,594	11,510,284

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018
	KShs	KShs
Current account	133,309,704	23,998,069
Fixed Deposit account	-----	150,000,000
Others- Savings account and Cash in hand	4,315,154	4,091,622
Total cash and cash equivalents	137,624,858	178,089,157

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

Financial institution	Account number	2018-2019	2017-2018
		KShs	
a) Current account			
Kenya Commercial bank			
Main Account- A/C 1	1106525027	58,110,204	(11,870,092)
College Fund Account – A/C 2	1106525183	19,782,114	2,739,797
Production Unit- A/C 3	1106525051	53,131,033	30,862,615
Lamu West (Mpeketoni) TTI	1106496795	1,251,739	1,220,882
Weru TTI	1160509670	232,269	233,334
Lamu East TTI	1160509964	383,271	384,335
Kaloleni TTI	1160510067	374,897	375,962
Ahmed Shahame TTI	1160509506	44,177	50,702
		133,309,704	23,997,535
b) Others(specify)			
Savings Accounts			
Kenya Commercial bank			
Reserve Fund	1104912325	2,119,596	1,985,126
Capital Development	1104913992	1,162,782	1,073,847
Caution Money	1104950367	621,472	522,537
		3,903,850	3,581,510
c) Fixed Deposit Account			
			150,000,000
d) Cash in hand			
		411,304	510,112
Grand total		137,624,858	178,089,157

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Student debtors	93,536,553	22,953,897
Other exchange debtors-	89,500	748,889
Advances	337,900	378,900
KCNP Mini Shop	306,000	-----
Swimming Pool	450,000	-----
Staff Debtor- Robert wangila	4,159,310	4,159,310
GUS Training MSA County Government	5,143,195	5,143,195
Weru TTI Operations	2,125,535	2,625,535
Ahmed Shahame Operations	3,007,601	3,007,601
Dishonoured Cheque	285,674	100,000
NYS Students Fund	47,603,554	8,034,182
Lunga Lunga TTI	219,960	
Total current receivables	157,264,782	47,151,509

19. INVENTORIES

Description	2018-2019	2017-2018
	KShs	KShs
Food and Beverage Training stores	26,305	18,280
Corner restaurant stores	352,898	272,297
Main Store	432,527	327,644
Clothing Section	639,950	-----
Total inventories	1,451,680	618,221

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets S. Pool	Plant and equipment	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2016	1,072,835,948	271,047,838	7,210,469	12,050,928	12,224,200	4,310,991	137,756,360		1,517,436,734
Additions	-----	34,389,991	-----	2,887,486	373,230	755,605	3,953,096	30,064,512	72,423,920
Depreciation	-----	6,108,760	1,802,617	1,867,302	3,779,229	126,665	17,713,682	-----	31,398,255
At 1 July 2017	1,072,835,948	299,329,069	5,407,852	13,071,112	8,818,201	4,939,931	123,995,774	30,064,512	1,558,462,399
Work in progress		30,064,512						(30,064,512)	-----
Additions		89,741,731	-----	8,291,638	3,083,680	-----	4,664,516	-----	105,781,565
Depreciation		8,382,706	1,351,963	2,670,344	3,570,564	123,498	16,082,536	-----	32,181,611
At 1 July 2018	1,072,835,948	410,752,606	4,055,889	18,692,406	8,331,317	4,816,433	112,577,754	-----	1,632,062,353
Additions	-----	20,830,570	-----	9,217,928	8,358,000	177,000	27,156,688	8,925,079	74,665,265
Depreciation	-----	8,631,663	1,013,972	3,488,792	5,006,795	124,836	17,466,805		35,732,863
At 30 June 2019	1,072,835,948	422,951,513	3,041,917	24,421,542	11,682,522	4,868,597	122,267,637	8,925,079	1,670,994,755

Work in Progress

This is Class room block extension which at the end of fiscal period it had not been completed.

Depreciation on property, plant and equipment is recognized in the income statement on a cost reduction basis to write down the cost of each asset.

Building	2%
Swimming Pool	2.5%
Plant and Equipment	12.5%
Motor Vehicles	25%
Computers and Other Electronics	30%
Furniture and Fittings	12.5%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. INTANGIBLE ASSETS- SOFTWARE

Description	2018-2019	2017-2018
	KShs	KShs
At beginning of the year 1 July 2018	4,382,210	4,834,900
Additions- Mobile application	1,800,000	1,425,400
Amortization 30%	1,854,663	1,878,090
At end of the year 30 June 2019	4,327,547	4,382,210
NBV	4,327,547	4,382,210

22. MENTORED INSTITUTIONS PROJECTS/WORKS

	Ahmed Shahame TTI	Weru TTI	Lamu East TTI	Lamu West TTI	Kaloleni TTI	Likoni TTI	Total
Cost	Shs						Shs
At 1 June 2016	58,943,101	42,122,695	34,957,061	12,543,287	17,172,341	10,553,020	176,291,505
Additional certificates	8,816,168	9,292,537	20,393,127	26,529,083	29,267,107	30,749,617	125,047,639
At 30 th June 2017	67,759,269	51,415,232	55,350,188	39,072,370	46,439,448	41,302,637	301,339,144
Additional certificates	-----	-----	-----	8,624,966	-----	-----	8,624,966
At 30 th June 2018	67,759,269	51,415,232	55,350,188	47,697,336	46,439,448	41,302,637	309,964,110
Additional certificates	-----	-----	-----	-----	-----	16,741,106	16,741,106
At 30 th June 2019	67,759,269	51,415,232	55,350,188	47,697,336	46,439,448	58,043,743	326,705,216

23. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Suppliers	33,396,803	10,998,360
Student union Fund	208,458	84,176
Pocket Money	8,290	8,290
Soma Sacco ltd	22,077	22,077
CDF/HELP Bursary	9,290,778	1,266,736
Provision of Audit fee	1,800,000	1,200,000
Provision of Bad debt	28,185,602	10,576,954
Provision of bad debt- Robert Wangila 100%	4,159,310	4,159,310
Examination	13,307,162	13,095,376
Caution Money	6,844,530	5,594,815
Matuga TTI	10,000,000	-----
Retention for Construction works- Mentored	21,371,945	20,707,916
Prepaid Fees	29,881,235	30,117,193
Mentored Institutions grants	2,390,885	19,131,991
Total trade and other payables	160,867,075	116,963,194

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Total prepaid fee is ksh 29, 88,235 which is a third of fee paid (ksh 89,643,705) between 1st May 2019 to 31st July 2019 since a third of the expected fee payable overlaps in the next financial year 2019/2020

24. MENTORED INSTITUTIONS GRANTS

	Ahmed Shahame TTI	Weru TTI	Lamu East TTI	Lamu West TTI	Kaloleni TTI	Likoni TTI	Total
Cost		Shs	Shs	Shs	Shs	Shs	Shs
At 1 June 2016	48,291,819	41,644,485	45,392,523	39,700,000	36,702,488	10,000,000	221,731,315
Grants from MOHEST	3,902,760	-----	4,366,327	-----	2,832,792	21,121,825	32,223,704
Grants from NG-CDF	10,000,000	10,000,000	10,000,000	-----	10,000,000	10,000,000	50,000,000
At 30 th June 2017	62,194,579	51,644,485	59,758,850	39,700,000	49,535,280	41,121,825	303,955,019
Grants from MOHEST	-----	-----	-----	15,141,082	-----	10,000,000	25,141,082
At 30 th June 2018	62,194,579	51,644,485	59,758,850	54,841,082	49,535,280	51,121,825	329,096,101
At 30 th June 2019	62,194,579	51,644,485	59,758,850	54,841,082	49,535,280	51,121,825	329,096,101
Payable/Mentored Institution note no. 23							(2,390,885)
Total grants based on certificates							326,705,885

25. RESERVE

Description	2018-2019	2017-2018
	KShs	KShs
Balance b/f 1/7/2018	6,682,991	4,176,104
Retirement Provision		
Add provision for the period	3,000,000	3,000,000
Less Payments	(3,000,000)	(1,392,809)
	-----	1,607,191
Development Fund		
Add receipt for the period	12,770,264	13,951,903
Medical laotory repair adjustment		1,647,793
		15,599,696
Cafeteria phase two		(14,700,000)
Total reserve	19,453,255	6,682,991

26. ACCUMULATED SURPLUS

Description	2018-2019	2017-2018
	KShs	KShs
Balance b/f 1/7/2018	131,491,665	97,748,519
Surplus for the period	42,183,090	33,743,146
Total Accumulated surplus	173,674,755	131,491,665

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. CAPITAL FUND

Description	2018-2019	2017-2018
	KShs	KShs
Balance b/f 1/7/2018	1,607,165,600	1,566,466,695
Development grant		
Add receipt for the period	10,502,937	7,165,000
Adjustment in the period		
Cafeteria block phase two		29,460,000
Medical Laboratory block		4,073,905
Total Capital fund	1,617,668,537	1,607,165,600

28. EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	20xx-20xx	20xx-20xx
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	-----	-----	-----	-----	-----
Non-current benefit obligation	-----	-----	-----	-----	-----
Total employee benefits obligation	-----	-----	-----	-----	-----

The Polytechnic has not started operating a defined benefit scheme for full-time employees.

	2016-2017
	KShs
Valuation at the beginning of the year	-----
Changes in valuation during the year	-----
Valuation at end of the year	-----

The Polytechnic contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1080 per employee per month.

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Chief Principal/ Secretary to the Council

Date.....

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. Cafeteria Block Phase 3		-----	9 months	-----	-----	-----
2.						

Status of Projects completion

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1.	Cafeteria Block Phase 3	27,549,300	8,925,079	32.4%	30,000,000	W,I,P	A I A
2	-----	-----	-----	-----	-----	-----	-----
3	-----	-----	-----	-----	-----	-----	-----

KENYA COAST NATIONAL POLYTECHNIC
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APPENDIX VI: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Mentored Inst. grants	Receivables	Others - must be specific	
Ministry of Education		Recurrent	-----				-----		-----
Ministry of Education	8/10/2018	Development	10,502,937	-----	10,502,937		-----		-----
Ministry of Education	5/10/2018	Capitation	12,250,500	12,250,500			-----		-----
Ministry of Education	18/2/2019	Capitation	27,049,500	27,049,500			-----		-----
Total			49,802,937	39,300,000	10,502,937		-----		-----

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