

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

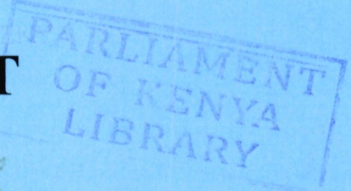
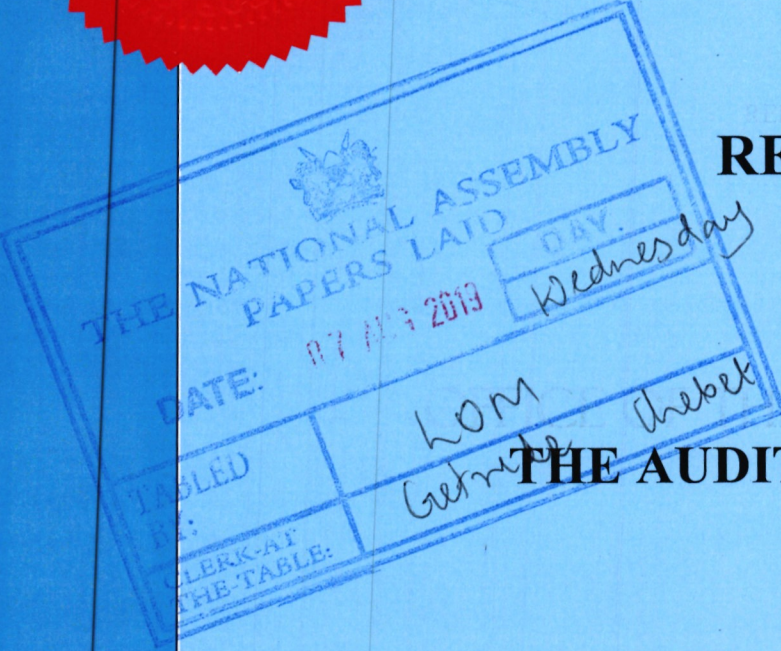
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KISII NATIONAL POLYTECHNIC**

**FOR THE YEAR ENDED
30 JUNE 2018**







OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

25 MAR 2019

RECEIVED

KISII NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018

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

Kisii National Polytechnic
Reports and Financial Statements
For the year ended June 30, 2018

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I. KEY POLYTECHNIC INFORMATION AND MANAGEMENT

(a) Background information

The Kisii National Polytechnic was incorporated in March 1972 established under the Education Act Cap 212 of the Kenya laws. The polytechnic is domiciled in Kenya and it stands on 16.95 hectares which is considered adequate for expansion. It started with one course i.e. secretarial studies later more courses were introduced.

The institution was elevated into a National polytechnic in May 2016 through the legal notice NO.93. Currently the Polytechnic has 18 non-academics department and 9 academic departments. The current population is 6,230 students, 241 employee both PSC and council. The Polytechnic offers a total of 74 courses

(b) Principal Activities

The principal activity/mission/ mandate of the Kisii National Polytechnic is Training

Vision

To be the preferred training polytechnic for technical and vocational skill development

Mission

To develop highly qualified, globally competitive and innovative human resource by providing quality training, Applied Research & Extension and Entrepreneurship skill that are responsive to market demands

(c) Key Management

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

- The governing Council/ Council/ Management etc;
- The Principal
- Management Council
- And
- Heads of Department

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	The principal	-Athanas Mokaya
2.	Head of Finance	-Elizabeth Orwasa

Kisii National Polytechnic
Reports and Financial Statements
For the year ended June 30, 2018

No.	Designation	Name
3.	Head of Procurement	-Judith Mogere
4.	Head Human Resource	-Janet Otwabe
5.	Chair of academic board	-Ldiah Kimoro

(Include all positions regarded as top management in your organisation).

(e) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- Audit and finance committee activities
- Education and research committee activities

(f) Polytechnic Headquarters

P.O. Box 222.
Kisii Keroka Road
Nairobi, KENYA

(g) Polytechnic Contacts

Telephone: (25470052177/0752031300
E-mail: Kisiipolytechnic@gmail.com
Website: www.kisiipoly.ac.ke

(h) Polytechnic Bankers

1. Cooperative bank of Kenya
Kisii Branch
P.O. Box 2469
Kisii, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

II. GOVERNING COUNCIL

1. Amin Jiwa Shamji 2.	Engineer –Chair of the
3. Japheth Kipsang Ngetich	IT
4. Zachary Ogamba Ayieko	Accountant
5. Jackson Obara Oyaro	Accountant
6. Maurine Anyango Awiti	Business lady.
7. Jane Nyanchoka Adongo	Lawyer

III. MANAGEMENT TEAM

1. Athanas Mokaya	Principal
2. Lydiah Kimoro	D/principal
3. Beatice Nyareki	Registrar
4. John Omae	Dean of Student
5. Elizabeth Orwasa	Finance officer

Note: The Principal and the Polytechnic Governing council Secretary will feature both under the 'Council and 'Management'.

IV. STATEMENT OF THE MANAGEMENT

Section 81 of the Public Finance Management Act, 2012 require the Directors 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 2017/2018 and the operating results of the polytechnic for that year 2017/2018 The Management are also required to ensure that the polytechnic keeps proper accounting records which disclose with reasonable accuracy the financial position of the polytechnic. The Management are also responsible for safeguarding the assets of the polytechnic.

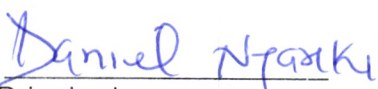
The Management are responsible for the preparation and presentation of the polytechnic's financial statements, which give a true and fair view of the state of affairs of the polytechnic for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate 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 Management 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 PFM Act, 2012 and (the State Corporations Act) – entities should quote applicable legislation as indicated under) . The Management 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, 2018, and of the polytechnic's financial position as at that date. The Management 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 Management 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 approved by the Management on 11 Feb, 2018 and signed on its behalf by:


Principal


Finance Officer



**V. REPORT OF THE INDEPENDENT AUDITORS ON THE KISII NATIONAL
POLYTECHNIC**

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kisii National Polytechnic set out on pages 8 to 34, which comprise the statement of financial position as at 30 June 2018, and 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 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kisii National Polytechnic as at June 30 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Unaudited Comparative Figures and Opening Balances

The financial statements for the year ended 30 June 2018 reflect comparative figures for revenue, expenses, assets and liabilities relating to 2016/2017 financial year. However, the management did not prepare and submit the financial statements for the financial years 2014/2015, 2015/2016 and 2016/2017 for audit as required under section 81 of the Public Finance Management Act, 2012.

Consequently, the completeness and accuracy of the comparative figures and opening balance of assets and liabilities reflected in the financial statements for the year ended 30 June, 2018 could not be confirmed.

2. Lack of General Ledger

The statement of financial performance for the year ended 30 June 2018 reflects total revenue of Kshs.240,055,084 and total expenses of Kshs.202,747,547.90. In addition, the statement of financial position as at 30 June 2018 reflects total assets of Kshs.142,020,797.68, total liabilities of Kshs.26,351,191.60, capital fund of Kshs.13,648,936 and accumulated surplus of Kshs.101,541,116.95. However, the management did not maintain a general ledger for all the components of accounts reflected in the financial statements. In the circumstances, the validity,

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

completeness and accuracy of the figures reflected in the financial statements could not be ascertained.

3. Non-Current Assets

Non-current assets owned by the Polytechnic with a total historical cost of Kshs.322,753,922 have not recognized and presented in the statement of financial position as at 30 June 2018 as summarized below:

Class of Non-Current Assets	Cost Kshs
Land and Building	268,402,644
Property, Plant & Equipment	42,850,778
Furniture and Fittings	260,500
Electronics & Computers	11,240,000
Total	322,753,922

Further, included in the land and buildings is a parcel of land No. Kisii Block 111/252 measuring 16.95 hectares which Coffee Research Foundation is claiming ownership according to the court case No.302 of 2011 filed in High Court of Kenya at Kisii. The court case has not disclosed in the financial statements.

In the above circumstances, the accuracy and completeness of the total assets balance of Kshs.142,020,797.68 reflected in the financial statements could not therefore be ascertained.

4. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalent balance of Kshs.133,614,440.68 as at 30 June 2018 which does not agree with the balance of Kshs.148,817,100.07 reflected in the statement of cash flows leading to unreconciled and unexplained difference of Kshs.15,202,659.39. Consequently, the accuracy and completeness of the cash and cash equivalents could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kisii National Polytechnic in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse 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. Except for the matters discussed in the Basis for Adverse Opinion section, I have determined that there are no other key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on

the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether 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 International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial

statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

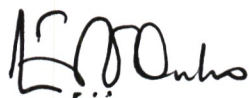
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Kisii National Polytechnic 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 sustaining 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 Kisii National Polytechnic to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

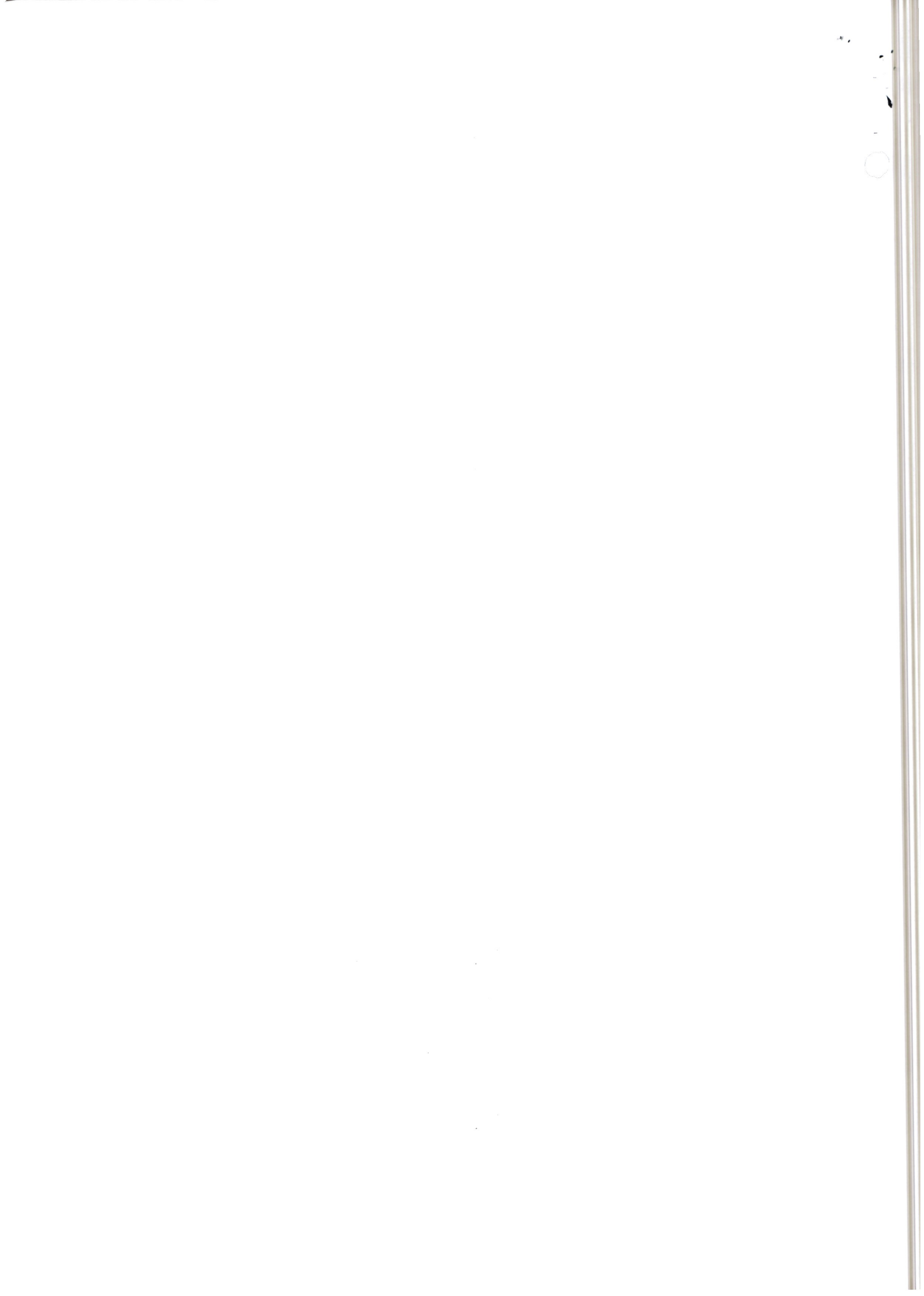
I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

04 July 2019



VI. STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30 JUNE 2018

	Note	2017-2018 Kshs	2016-2017 Kshs
Revenue from exchange transactions	1	190,168,856.00	165,511,205.27
Revenue from Non-exchange transactions	2	49,886,948.00	77,816,263.00
Total revenue		240,055,084.00	234,151,673.00
Expenses			
Use of goods and services	3	157,195,297.90	129,728,597.03
Employee costs	4	45,552,250.00	37,268,301.00
Total expenses		202,747,547.90	166,996,898.03
Surplus/(deficit) for the period		37,307,536.10	49,785,263.67

The Financial Statements set out on pages 8 to 34 were signed on behalf of the Governing Council by

Daniel Njoriki
 Principal

Elizabeth Omosa
 Finance Officer

KISII NATIONAL POLYTECHNIC
 P.O. Box 222-40200 KISI
 09 APR 2019
PRINCIPAL
 SIGN:.....

Kisii National Polytechnic
 Reports and Financial Statements
 For the year ended June 30, 2018

VII. STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2018

		2017-2018	2016-2017
		Kshs	Kshs
Assets			
Non-current assets			
Work In Progress		8,406,357.00	0
Current assets			
Cash and cash equivalents	5	133,614,440.68	111,306,285.23
Total Current assets		133,614,440.68	111,306,285.23
Total Assets		142,020,797.68	111,306,285.23
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	6	22,138,517.90	41,671,942.90
Refundable deposits from customers and other parties			
Examination Fund	7a	(2,222,685.00)	907,779.00
Caution Money Account	7b	4,169,464.00	3,413,564.00
Bursary Fund	7c	534,700.00	160,200.00
Uniform fund	7d	15,650.00	15,650.00
School farm	7e	333,365.70	333,365.70
Students council	7f	69,389.00	121,765.00
KETTISO Account		1,312,790.00	1,312,790.00
Total Refundable deposits from customers and other parties		4,212,673.70	6,265,113.70
Total liabilities		26,351,191.60	47,937,056.60
Capital fund		13,648,936.00	0
Accumulated surplus	8	101,541,116.95	64,233,580.85
		115,190,052.95	64,233,580.85
TOTAL		142,020,797.68	112,170,637.45

The Financial Statements set out on pages 8 to 34 were signed on behalf of the Governing Council by

Daniel Njorke
 Principal

Shine 09 APR 2019

PRINCIPAL

SIGN:

Elizabeth Orwaka
 Finance Officer

I. STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2018

	Capital Fund	Accumulated Surplus	Total
		Kshs	Kshs
Balance As At 1 July 2016	0.00	14,448,317.18	14,448,317.18
Surplus/(Deficit) For The Period		49,785,263.67	49,785,263.67
Balance As At 30 JUNE 2017		64,233,580.85	64,233,580.85
Balance As At 1 July 2017		64,233,580.85	64,233,580.85
Surplus For The Period		37,307,536.10	37,307,536.10
Capitalization Of Funds	13,648,936.00		13,648,936.00
Revaluation Gain			
Balance As At 30 JUNE 2018	13,648,936.00	101,541,116.95	115,190,052.95

The Financial Statements set out on pages 8 to 34 were signed on behalf of the Governing Council by

Daniel Nyarkki
 Principal

Rizabeth Onwera
 Finance Officer



**Kisii National Polytechnic
Reports and Financial Statements
For the year ended June 30, 2018**

**IX. STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2018**

		2017-2018	2016-2017
		Kshs	Kshs
Cash flows from operating activities			
Revenue from exchange transactions	1	190,168,856.00	156,335,410.00
Revenue from Non-exchange transactions	2	49,886,948.00	77,816,263.00
Use of goods and services	3	(157,195,297.90)	-129,728,597.03
Employee costs	4	(45,552,250.00)	-37,268,301.00
Net cash flows from operating activities		37,308,256.10	67,154,774.97
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(8,406,357.00)	0
Net cash flows used in investing activities		(8,406,357.00)	0
Decrease in Refundable deposits from customers and other parties	7	(2,052,440.00)	
Net cash flows used in financing activities		-	0
Net increase/(decrease) in cash and cash equivalents		26,849,459.10	67,154,774.97
Cash and cash equivalents at 1 JULY 2017		121,967,640.97	54,812,866.00
Cash and cash equivalents at 30 JUNE 2018		148,817,100.07	121,967,640.97

The Financial Statements set out on pages 8 to 34 were signed on behalf of the Governing Council by

Daniel Njoroge
Principal

Elizabeth Oros
Finance Officer



Kisii National Polytechnic
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For the year ended June 30, 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2018

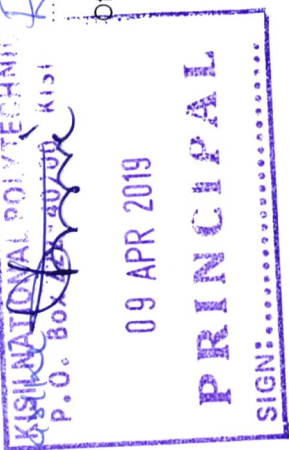
	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2017-2018 Kshs	2017-2018 Kshs	2017-2018 Kshs	2017-2018 Kshs	2017-2018 Kshs
Revenue					
Revenue from exchange transactions	217,099,432.00	0.00	217,099,432.00	190,168,856.00	26,930,576.00
Revenue from Non-exchange transactions	66,750,000.00	0.00	66,750,000.00	49,886,948.00	16,863,052.00
Total revenue	283,849,432.00	0.00	283,849,432.00	240,055,084.00	43,794,348.00
Expenses					
Use of goods and services	244,338,200.00	0.00	244,338,200.00	157,195,297.90	87,142,902.10
Employee costs	39,511,232.00	0.00	39,511,232.00	45,552,250.00	(6,041,018.00)
Total expenses	283,849,432.00	0.00	283,849,432.00	202,747,547.90	81,101,884.10
Surplus for the period	0.00	0.00	0.00	37,307,536.10	(37,307,536.10)

Budget notes

1. We budgeted for a total of Kshs 66,750,000.00 from grants only kshs. 49,886,948.00 was received
2. Some Projects that were budgeted for were initiated but commenced the current financial year.

James N. Njiru
Principal

Elizabeth Orwa
Finance Officer



(I. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

2. **Kisii National Polytechnic** is established by and derives its authority and accountability from Education Act. The polytechnic is wholly owned by the Government of Kenya and is domiciled in Kenya. The polytechnic's principal activity is Tertiary Education.

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

4. ADOPTION OF NEW AND REVISED STANDARDS

i. **Relevant new standards and amendments to published standards effective for the year ended 30 June 2018**

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. The polytechnic adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the polytechnic.
IPSAS 34: Separate Financial Statements	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an polytechnic prepares separate financial statements. The polytechnic does not have any subsidiaries , joint ventures or

Kisii National Polytechnic
 Reports and Financial Statements
 For the year ended June 30, 2018

Standard	Impact
	investments and therefore the standard does not apply
IPSAS 35: Consolidated Financial Statements	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an polytechnic controls one or more entities. It requires an polytechnic that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> - Its power over the other polytechnic - Its exposure or rights to variable benefits from involvement with the other polytechnic - Its ability to control the nature, timing and amount of benefits from the other polytechnic. <p>Once control is assessed the controlling polytechnic is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.</p> <p>The polytechnic does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</p>
IPSAS 36: Investments in Associates and Joint Ventures	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p>The polytechnic does not have investments in associates or joint ventures</p>
IPSAS 37: Joint Arrangements	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.</p> <p>The polytechnic does not have an interest in a joint arrangement and therefore the standard does not apply</p>
IPSAS 38: Disclosure of Interests in Other Entities	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an polytechnic to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in</p>

Standard	Impact
	<p>controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.</p> <p>The polytechnic does not have interests in other entities and therefore the standard does not apply.</p>

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The polytechnic recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the polytechnic and the fair value of the asset can be measured reliably.

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 polytechnic and can be measured reliably.

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.

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 polytechnic.

Interest income

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

Rental income

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

b) Budget information

The original budget for FY 2017-2018 was approved by the Governing Council on 30th June 2017.

The polytechnic'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

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Polytechnic operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable polytechnic and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

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 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.

f) Leases

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

g) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

i) Research and development costs

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

i) Research and development costs (Continued)

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

- The debtors or a polytechnic 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 Polytechnic 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 labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

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

j) Provisions

Provisions are recognized when the Polytechnic 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 Polytechnic 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 Polytechnic 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 Polytechnic 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 Polytechnic 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 Polytechnic creates and maintains reserves in terms of specific requirements.

l) Changes in accounting policies and estimates

The Polytechnic 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 Polytechnic provides retirement benefits for its employees and directors. Defined contribution plans are post employment benefit plans under which an polytechnic pays fixed contributions into a separate polytechnic (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.

m) Employee benefits (Continued)

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

n) Foreign currency transactions

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

o) Borrowing costs

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

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when

construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties

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

q) Service concession arrangements

The Polytechnic 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 Polytechnic 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 Polytechnic 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.

6. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Polytechnic'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 Polytechnic 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 Polytechnic. 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 Polytechnic
- 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.

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.

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Revenue from exchange transactions

Income	2017-2018 Kshs	2016-2017 Kshs
Collaboration Fee	0	5,201,080.00
School Equipment & Store	64,190,349.00	66,877,983.27
Boarding Equipment & Store	5,672,930.00	4,872,360.00
Electricity Water & Conservancy	6,914,905.00	5,989,430.00
Repair Maintenance & Improvement	7,342,330.00	6,116,001.00
Activity	5,387,892.00	4,482,770.00
Attachment Fee	4,154,020.00	3,546,619.00
Internet / ICT	5,348,030.00	4,564,586.00
P/Emolument	33,033,325.00	23,206,630.00
Local Transport & Traveling	10,823,424.00	8,751,808.00
Administration /Contingencies	10,488,867.00	7,981,295.00
Workshop Equipment & Practical	7,023,932.00	6,179,265.00
Laboratory Equipment & Practical	569,950.00	823,750.00
Insurance	3,789,726.00	3,184,815.00
Production Unit	2,328,315.00	758,370.00
Medical	3,117,790.00	2,711,742.00
Application Fee	2,213,400.00	1,803,820.00
Students ID	1,032,875.00	911,800.00
Hire Of Facilities	322,800.00	523,810.00
Rent	103,150.00	107,000.00
Miscellaneous	15,845.00	0
Pay as you eat	16,171,120.00	5,269,361.00
Damage	30,036.00	24,162.00
Library	12,675.00	28,110.00
Driving	62,000	131,850.00
Tender	16,000.00	16,000.00
Graduation	0	1,043,500.00
ICT Fees	3170	0.00
Interest earned	<u>0</u>	<u>403,288.00</u>
Total Income	<u>190,168,856.00</u>	<u>165,511,205.27</u>

This is revenue collected from students and sponsors for tuition and other services.

2. Revenue from exchange transactions

Source of grants	2017-2018 KShs	2016-2017 KShs
Ministry of education	12,471,737.00	12,320,500.00
Ministry of education	12,471,737.00	15,245,763.00
Ministry of education	12,471,737.00	

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		12,562,500.00
Ministry of education	12,471,737.00	12,562,500.00
Ministry of education	-	12,562,500.00
Ministry of education	-	12,562,500.00
TOTAL	49,886,948.00	77,816,263.00

3. Use of Goods and Services

	2017-2018	2016-2017
Activity	6,221,608.00	3,425,980.00
Attachment Fee	2,319,400.00	2,307,680.00
Boarding Equipment & Store	3,392,948.00	4,876,246.00
Collaboration Fee	-	1,715,934.00
Contingencies	13,645,358.00	10,830,474.60
Driving	10,200.00	132,600.00
Electricity Water & Conservancy	3,611,628.00	3,549,772.00
Graduation	-	1,346,650.00
Insurance	1,464,727.00	1,311,267.00
Internet / ICT	1,601,100.00	2,559,118.00
Laboratory Equipment & Practical	368,900.00	969,775.00
Local Transport & Traveling	10,711,730.00	8,515,527.00
Medical	1,727,421.00	1,007,650.00
Operational Grant	14,722,352.00	19,615,853.43
Production Unit	2,517,418.00	502,259.00
Repair Maintenance & Improvement	6,543,571.00	7,042,751.00
School Equipment & Stores	69,174,004.90	46,493,482.00
Students ID	747,550.00	359,200.00
Tender	120,000.00	35,000.00

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Workshop Equipment & Practical	5,256,718.00	5,109,270.00
Pay As You Eat	13,038,664.00	8,022,108.00
Total	157,195,297.90	129,728,597.03

4. Employee costs

	2017-2018	2016-2017
	KShs	KShs
Salaries and wages	45,552,250.00	37,268,301.00
Total Employee costs	45,552,250.00	37,268,301.00

5. Cash and cash equivalents

Description	Account number	2017-2018	2016-2017
		KShs	KShs
Cash on hand	Cooperative bank of Kenya School fees account No. 01120017051900	1,095.50	2,523.50
Bank balances	Cooperative bank of Kenya School fees account No. 01120017051900	104,438,662.90	78,418,085.80
Bank balances	Cooperative bank savings account No. 0110017051900	123,515.95	124,700.90
Bank balances	Cooperative bank operations account No. 01139017051900	22,063,206.33	21,239,981.13
Bank balances	Cooperative development bank account No. 01139017051901	6,952,044.90	11,520,993.90
Total cash and cash equivalents		133,614,440.68	111,306,285.23

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

6. Trade and other payables from exchange transactions

Description	2017-2018	2016-2017
	KShs	KShs
Trade creditors (Schedule I)	4,980,431.00	1,957,850.00
Direct creditors	12,156,939.00	17,984,235.00
Prepaid fee	2,256,105.00	2,240,160.00
Development Grants Account	2,745,042.90	2,745,042.90
Gitwembe T.T.T	-	16,744,655.00
Total trade and other payables	22,138,517.90	41,671,942.90

7. Refundable deposits from customers and other parties

a EXAMINATION FUND

Balance as at 1.7.2018	b/f	907,779.00	197,850.00
Add: Receipts during the year		<u>25,828,986.00</u>	<u>25,925,359.00</u>
		26,736,765.00	26,123,209.00
Less: Remittance to KNEC		<u>28,959,450.00</u>	<u>25,215,430.00</u>
		<u>(2,222,685.00)</u>	<u>907,779.00</u>

b CAUTION MONEY

Balance as at 1.7.2018	b/f	3,413,564.00	2,779,889.00
Add: Receipts during the year		<u>805,950.00</u>	<u>635,875.00</u>
		4,219,514.00	3,415,764.00
Less: Refunds to students		<u>50,050.00</u>	<u>2,200.00</u>
		<u>4,169,464.00</u>	<u>3,413,564.00</u>

c BURSARY

Balance as at 1.7.2018	b/f	160,200.00	267,175.00
Add: Receipts during the year		<u>63,560,250.00</u>	<u>49,960,920.00</u>
		63,720,450.00	50,228,095.00
Less: Award to students		<u>63,185,750.00</u>	<u>50,067,895.00</u>
		<u>534,700.00</u>	<u>160,200.00</u>

d UNIFORM

Balance as at 1.7.2018	b/f	<u>15,650.00</u>	<u>15,650.00</u>
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e SCHOOL FARM

Balance as at 1.7.2018	b/f	<u>333,365.70</u>	<u>333,365.70</u>
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f STUDENT COUNCIL

Balance as at 1.7.2018	b/f	121,765.00	67,245.00
Add: Receipts during the year		<u>2,173,184.00</u>	<u>1,778,870.00</u>
		2,294,949.00	1,846,115.00
Less: Expenditure during the year		<u>2,225,560.00</u>	<u>1,724,350.00</u>
		<u>69,389.00</u>	<u>121,765.00</u>

8. LIABILITIES ACCUMULATED FUND

2018 2017

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	Kshs	Kshs
Balance as at 1.7.2018	64,233,580.85	14,448,317.18
Add: Surplus during the year	<u>37,307,536.10</u>	<u>49,785,263.67</u>
Balance as at 30 th June 2018	<u>101,541,116.95</u>	<u>64,233,580.85</u>

9. Capital Fund

Capitalization of funds amount of ksh. 13,648,936.00 is the amount of funds that were set aside for construction of the ongoing projects out of which only ksh. 8,406,357.00 was incurred and paid.

10. Cash generated from operations

	2017-2018	2016-2017
	KShs	KShs
Surplus for the year before tax	37,307,536.10	49,785,263.67
Working Capital adjustments		
Trade and other payables from exchange transactions	(19,533,425.00)	7,684,631.50
Examination Fund	(3,130,464.00)	709,929.00
Caution Money Account	755,900.00	633,675.00
Bursary Fund	374,500.00	(106,975.00)
Students council	(52,376.00)	54,520.00
Total Working Capital adjustments	(21,585,865.00)	8,975,780.50
Net cash flow from operating activities	15,722,003.10	58,761,044.17

11. Financial Risk Management

The polytechnic's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The polytechnic'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 polytechnic 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 polytechnic's financial risk management objectives and policies are detailed below:

(i) Credit risk

The polytechnic 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

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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 polytechnic's management based on prior experience and their assessment of the current economic environment.

(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 polytechnic has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Governing Council sets the polytechnic'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 polytechnic's Governing Council, who have built an appropriate liquidity risk management framework for the management of the polytechnic's short, medium and long-term funding and liquidity management requirements. The polytechnic manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the polytechnic on an on-going 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 polytechnic'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 polytechnic'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 polytechnic's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The polytechnic has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the

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date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The polytechnic manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

(iv) Interest rate risk

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

(v) Capital Risk Management

The objective of the polytechnic's capital risk management is to safeguard the Board's ability to continue as a going concern.

Related Party Balances

a) Nature of related party relationships

Entities and other parties related to the polytechnic 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.

The polytechnic is related to

- i) The National Government;
- ii) The Ministry of Education ;
- iii) Key Management;
- iv) Governing Council;

b) Related party transactions

	2017-2018	2016-2017
Transfers from related parties		
▪ Ministry of education	12,471,737.00	12,320,500.00
• Ministry of education	12,471,737.00	15,245,763.00
• Ministry of education	12,471,737.00	12,562,500.00
• Ministry of education	12,471,737.00	12,562,500.00
		12,562,500.00
		12,562,500.00

c) Key management remuneration

	2017-2018	2016-2017
Principal	0.00	0.00

12. Events after the reporting period

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

13. Ultimate and Holding Polytechnic

The polytechnic is a a Semi- Autonomous Government Agency under the Ministry of Educaton. Its ultimate parent is the Government of Kenya.

14. Currency

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

II. 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 polytechnic 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.

I. Appendix 2: INTER-ENTITIES TRANSFERS

POLYTECHNIC NAME:				
Break down of Transfers from the State Department of ksh. 49,886,948.00				
FY 2017-2018				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		13/10/17	12,471,737.00	2017-2018
		4/12/17	12,471,737.00	2017-2018
		27/3/18	12,471,737.00	2017-2018
		25/4/18	12,471,737.00	2017-2018
		Total	49,886,948.00	2017-2018

