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REPORT

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Party of Majority

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THE-TABLE:

M. Moko

THE AUDITOR-GENERAL

ON

**NORTH EASTERN NATIONAL
POLYTECHNIC**

**FOR THE YEAR ENDED
30 JUNE, 2024**



OFFICE OF THE AUDITOR GENERAL
NORTH EASTERN REGIONAL OFFICE
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**NORTH EASTERN NATIONAL POLYTCHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
30TH JUNE 2024**

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

CONTENTS

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North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024

Table of Contents

1.	Acronyms and Definition of Key Terms	iv
2.	Key Entity Information and Management	v
3.	The Council	ii
4.	THE COUNCIL MEMBERS	ii
5.	Key Management Team.....	iv
6.	Chairman’s Statement.....	vi
7.	Report of the Principal.....	vii
8.	Statement of Performance against Predetermined Objectives.....	viii
9.	Corporate Governance Statement	xi
10.	Management Discussion and Analysis	xii
11.	Environmental and Sustainability Reporting Statement.....	xiii
12.	Corporate Social Responsibility / Community Engagements	xiv
13.	Report of the Council	xiv
14.	Statement of the Council’s Responsibilities.....	xv
15.	Report of the Independent Auditor (North Eastern National Polytechnic)	xvi
16.	Statement of Financial Performance for the Year Ended 30 June 2024.....	1
17.	Statement of Financial Position as at 30th June 2024	2
18.	Statement of Changes in Net Asset for the Year Ended 30 June 2024	4
19.	Statement of Cash Flows for the Year Ended 30 June 2024	5
20.	Statement of Comparison of Budget & Actual amounts For Year Ended 30 June 2024	6
21.	Notes to the Financial Statements	8
22.	Appendices	37

I. Acronyms and Definition of Key Terms

A. Acronyms

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

2. Key Entity Information and Management

(a) Background information

North Eastern National Polytechnic, NENAP is the former North Eastern Province Technical Training Institute or NEPTTI. The institution became a National Polytechnic through the North Eastern National Polytechnic Legal order of 30th May 2016, under legal Notice No 89 provided for in Technical and Vocational Education and Training (TVET) Act, 2013.

The Polytechnic is situated within Garissa Township and occupies a 58-acre piece of land. The Institution was established as a community-based Technical Secondary school in 1983. In 1985 it was taken over by the Government and in 1998 it was converted to a Technical Training Institute a status it has held for three decades before assuming its current status as a National Polytechnic. Currently it is the only Government National polytechnic that offers Vocational, Technical and Entrepreneurial training in the whole of North-Eastern province and its environs. NENAP has a strategic plan and is managed by a Governing Council appointed by the Ministry of Education and run on a day-to-day basis by a principal who is appointed under the State department Vocational and Technical Training

B. Principal Activities

The principal activity/mission of the Polytechnic is to train highly skilled workforce that is suitable for further professional development through quality inclusive and equitable TVET programs responsive to national and global competitiveness, implementing training in TVET programs, carrying out research programs, and innovation into products and services

The core functions of North Eastern National Polytechnic include;

- (a) Provide directly, or in collaboration with other institutions of higher learning, facilities for technical trainers in technological, professional, scientific education; conduct examinations for and grant such academic awards as provided under the polytechnic order.
- (b) Participate in technological innovation as well as in the discovery, transmission and enhancement of knowledge and to stimulate the intellectual life in the economic, social cultural, scientific, and technological development;
- (c) Contribute to industrial and technological development of Kenya in collaboration with industry and other organizations through transfer of technology and adopting programs that address the needs of the local community and the Nation at large.
- (d) Develop an institution with excellence in teaching, training, scholarship, entrepreneurship, research, consultancy, community service, among other educational services and products, with emphasis on technology and its development, impact and application within and outside Kenya.)

C. Key Management

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

- Council
- Accounting officer/ Principal

D. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal Secretary to Governing Council	Show Fondo Kalama
2.	Deputy Principal Administration	Abdirahman Kassim Shakul
3.	Deputy Principal, Academics	Timothy Nkonge
4.	Registrar	Ronny Muncene
5.	The Dean of Students	Geoffrey Osoro
6.	Finance Officer	Dominic Kalonzo
7.	Procurement Officer	Safia Issack Ibrahim

Key Entity Information and Management (Continued)

E. Fiduciary Oversight Arrangements

Name of the Committee	Members
Finance, infrastructure and HRM committee	Shakir Hussein - Chairman David Kivoto - Member Show Fondo Kalama - Principal
Audit/Risk Management committee	Hon. Rashid Kassim Amin - Chairman Hawo Shanko Abdullah - Member

North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024

F Entity Headquarters

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

G Entity Contacts

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

H Entity Bankers

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

I Independent Auditors

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

J Principal Legal Adviser

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

3. The Council

4. THE COUNCIL MEMBERS

- Council Chairman



HON. ADAN MOHAMED NOORU,
 MBS.

- 66 years Old,
- Bachelors in public Administration and governance from Mount Kenya University
- Certificate in finance and applied management from Kenya Institute of Management
- More than 30 years' experience in leadership and management

- Council Member



MR. SHAKIR HUSSEIN
 MOHAMED

- 45 years old, Master of Science (Finance and Investment) from KCA University.
- Bachelor of Business Administration- Finance Option from Kenya Methodist University
- Certified Public Accountant of Kenya (CPA K)




- Council Member









MRS. HAWO SHANKO
 ABDULLAH

- 50 years old, Master of public administration and management –Mount Kenya university
- Bachelors in Early childhood and primary education.
- Diploma in early childhood and Primary Education –Garissa Dicece.
- Primary teachers education PTE – Kilimambogo teachers


North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024

<p>- Council Member</p>  <p>MR. DAVID KIVOTO</p>	<ul style="list-style-type: none"> • 55 years old, Has BSc. Technology degree in Education from. • Has Technical Training background with a Higher Diploma in Building and Civil Engineering. • He currently in-charge of Education affairs in Kitui County. • Has rich background in partnership engagements.
<p>- Council Member</p>  <p>Hon. Rashid Kassim Amin</p>	<ul style="list-style-type: none"> • Egerton University -Bachelor of Science in animal production. • Diploma in animal health - Egerton University • He has a wealth of experience of over 40 years in the Public Service, strive to provide servant leadership
 <p>MR. SHOW FONDO KALAMA (Principal)</p>	<ul style="list-style-type: none"> • Mr Show Fondo Kalama is the current Principal of North Eastern National Polytechnic and Secretary to the Governing Council • Mr Kalama has Master Degree in Business Administration (strategic management) and Bachelors of education (arts) both from Kenyatta University. • Mr. Kalama has over 20 years' experience in the teaching profession.

5. Key Management Team

Show Fondo Kalama		The Current Principal/Secretary to the Governing Council
Abdirahman Kassim Shakul		Deputy Principal, Administration
Mr NkongeTomothy Mutegi		Deputy Principal, Academics
Ronny Muncene		Registrar
Geoffrey Osoro Maina		Dean Of Students
Dominic K. Mativo		Finance officer

North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024

Safia Issack Ibrahim		Procurement Officer
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6. Chairman's Statement

The office of the Chairperson of the governing council of the North Eastern National Polytechnic (NENAP) has been active during the year under review in managing the affairs of the Polytechnic. We reckon the existing challenges including the issues of security, learning facilities, fewer teaching resources but above all the culture that associates technical training with mundane life. This requires change in the mind-set of our people as we leveraged on the leaders to sensitize and educate our people to embrace the concept of technical and vocational training for our youth. The council is committed to ensuring that the changing world around is sensitive to the needs of the future.

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

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

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

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

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



HON. ADAN MOHAMED NOORU, MBS.
Chairman/Governing Council

7. Report of the Principal

Pursuant to Section 83 of the Public Finance Management Act, 2012, I take this opportunity to present the polytechnic's Annual report and financial statements for the period ended 30 June 2024. The report focuses on the Polytechnic's Strategic intent enshrined in our performance contract which include Improvement of physical facilities and infrastructure, curriculum development, acquisition of workshop equipment and ICT infrastructure, advancement of TVET programs by promoting Research & Innovation, Partnership/ linkages and environmental management. Further to this the Polytechnic envisages to strengthen its financial base through promotion of good governance and effective management.

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

The polytechnic has deepened collaboration towards enhancing staff capacity as well as incorporating best international practices. The polytechnic still expects to benefit from YAW-K collaboration through acquisition of ICT- Automotive lab and Research grants among others. The Polytechnic is an active player in the research and innovation initiatives.

The Polytechnic is committed to ensuring that the compound is beautified and landscaping within the compound is continually improved.

Challenges

The polytechnic emphasizes on the need for adequate staffing for the effective education in all departments. Majority of the departments do not have sufficient staff to handle the trainees. Shortage of trainers is therefore one of the challenges facing the Institution. In order to alleviate the shortage, the polytechnic has been hiring part-time staff to teach the trainees. The staffs are paid by the polytechnic from its meagre resources. During the 2023/2024 financial year, the polytechnic maintained 22 trainers under the council but the number is likely to increase due to our increased programs.

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



Show Fondo Kalama.
Principal/Secretary to Governing Council

8. Statement of Performance against Predetermined Objectives

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

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

The Institution achieved its performance targets set for the financial year 2023/24 period for its thirteen strategic pillars as indicated in the diagram below.

Strategic Pillar	Strategies	Activities	Outcomes
To Provide quality training: development of new curricular	Expansion of training programmes	-Form curricular development team -Train curricular developers	a) Competent and skilled human resource that fits in the labour market b) Academics programmes that are aligned with industry and international standards
To increase infrastructural facilities	Build food and beverage	-Develop a proposal for food and beverage unit -Approval of the proposal -Tendering -Construction of the unit -Inspection and Commissioning	a) Increased and improved infrastructural facilities and enrolment
To enhance security surveillance and safety	Installation of biometric and CCTV systems	-Develop a proposal for installation of biometric, library security and CCTV systems -Approval of the Proposal Tendering -Installation of biometric and CCTV system Inspection and	a) Secure environment

North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024

To increase and strengthen NENAP human resource capacity	Conduct Skills gap analysis	<p>commissioning</p> <ul style="list-style-type: none"> -Carry out skills gap survey -Adoption of skills gap analysis report -Formulate training and development needs -Conduct the training 	<ul style="list-style-type: none"> a) Competent and highly motivated staff b) Adequate workforce in the Polytechnic c) Job Security d) Improved performance e) Job satisfaction and security f) Team work and team spirit
To enhance good governance and management practices	Develop and implement governance policies	<ul style="list-style-type: none"> -Acquire the relevant legal documents -Develop an IT policy -Develop internal quality assurance -Develop IGA policy 	<ul style="list-style-type: none"> a) Improved management of the polytechnic b) Efficiency and effectiveness in decision making
To integrate ICT in all training and management operations in NENAP	Acquire and utilize and ERP	<ul style="list-style-type: none"> -Develop a proposal for ERP acquisition. -Approval of the proposal -Conduct demonstrations from interested service providers -Tendering -Installation of the ERP -Train staff 	<ul style="list-style-type: none"> a) Modernised and improved operations in the polytechnic
To promote research and innovation in NENAP	Capacity building the research team	<ul style="list-style-type: none"> -Appointment of Research committee -Induction of the research committee -Develop research team capacity building work plan -Implement the capacity building work plan 	<ul style="list-style-type: none"> a) Increase fee collection to 100% b) Acquire an updated ERP c) Hiring out of facilities
To increase the polytechnics financial base	Operationalise auto garage	<ul style="list-style-type: none"> -Register the auto garage with the county government -Appoint a manager -Engage qualified mechanic Market the Auto garage -Continuously monitor operations in the auto garage 	<ul style="list-style-type: none"> a) Improved revenue to the Polytechnic b) Efficient delivery of Polytechnic mandate.
To raise the Polytechnics profile in the region	Engage local leadership and stakeholders	<ul style="list-style-type: none"> -Conduct sensitization forums -Prepare work plans -Prepare a budget - Perform road shows -Conduct an open day and career day. 	<ul style="list-style-type: none"> c) Commitment and support of the community d) Community change in perception e) Raised Polytechnic profile f) Increased enrolment.

North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024

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

9. Corporate Governance Statement

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

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

The current student population by the close of the year under review stood 1,432 students. We continue to strive and raise the student enrolment. The teaching staff population is currently 68 trainers supported by 49 non-teaching staffs.

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

Currently, the polytechnic is partnering with YAW Kenya in the areas of Automotive and mechanical programmes and Applied Research.

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



Show Fondo Kalama

PRINCIPAL/SECRETARY TO GOVERNING COUNCIL

10. Management Discussion and Analysis

The Polytechnic's operational and financial performance

- (1) The Council commits to ensure that a proper management structure is in place and to make sure that the structure functions to maintain corporate integrity, reputation and responsibility.
- (2) The Council has a commitment to monitor and evaluate the implementation of strategies, policies, and management criteria and plans of North Eastern National Polytechnic.
- (3) The Council constantly reviews the viability and financial sustainability of the Polytechnic once every year.
- (4) The Council commits to ensure that the North Eastern National Polytechnic complies with all the relevant laws, regulations, governance practices, accounting and auditing standards.

Challenges

- In Security in the region has hindered growth in the polytechnic and this has contributed to Low enrolment in the polytechnic.
- Hardship related issues hinder capacity growth of our staff and this results to low staff moral and little or no income generating activities to generate more income to the institution
- Inadequate physical facilities in the polytechnic such as student hostels are some of the challenges relating to low enrolment.

Polytechnic's compliance with statutory requirements

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

Key projects and investment decisions the Polytechnic is planning/implementing

Most of our projects are financed by majorly by our internal generated revenue, however in the year under review, there were no projects undertaken.

Major risks facing the Polytechnic

Operational risks in the polytechnic include

- Loss of funds through scrupulous suppliers and service providers providing inferior materials and services.
Mitigation, Enhanced inspection and monitoring of both works and services.
- Risk to loss of funds through downtime on internet and LAN systems.
Mitigation, Signed Maintenance service contract to upgrade the equipment.
- Loss of portable workshop tools and equipment from the workshop stores
Proposal to carry out asset registration and asset tagging to identify tools and equipment from risk of pilfer and theft.

Material areas in statutory/financial obligations

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

The Polytechnic's financial probity and serious governance issues

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

11. Environmental and Sustainability Reporting Statement

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

1. Sustainability strategy and profile -

The core mandate of the Institution is training as well as carrying out research activities. This entails imparting CBET skills, attitude and knowledge to the trainees. There are six (6) departments and basically engineering courses collectively form our centre for excellence including Building and Civil Engineering, Electrical and Electronics, Mechanical and Automotive, Information Communication Technology, Business Studies, Community development and Secretarial Departments.

2. Environmental performance

We The North Eastern National Polytechnic have planted trees especially the neem trees around the compound which provide shade for the students, staff and visitors. The trees help to filter out the dust and carbon dioxide from the environment hence improving the quality of air that we breathe inside and around the institution. Despite the Institution being in a semi-arid area, the management has ensured that there is adequate flowing water for sanitation, consumption. And watering of the trees.

3. Employee welfare

The Polytechnic has in place a human resource policy manual which guides it on all issues to do with human resource. The Policy addresses key areas in human resource such as hiring, appraisals, training, discipline and dismissal. North Eastern National Polytechnic has qualified staff both in training and subordinate staff composed of both male and female. To ensure that there is motivation and productivity amongst its staff, North Eastern National Polytechnic ensures that its employees attend regular workshops and trainings organised by the Institution and other stakeholders like the National Treasury, Kenya Association Technical Training Institutions (KATTI.)

4. Market place practices-

The Polytechnic is guided by the TVETA Act, the PFM Act 2015 and the Public Procurement and Disposal Act 2015 among other key legislations governing public educational learning institutions.

We strive to comply all statutory requirements such as ensuring our books are submitted on time, deducting and remitting of statutory deductions like PAYE, NSSF and NHIF.

5. Community Engagements-

As part our corporate social responsibility, the polytechnic has equipped a dispensary constructed by the Garissa Township CDF with furniture and other fittings like water and electricity. The Dispensary serves the community from around the polytechnic as well as the students

12. Corporate Social Responsibility / Community Engagements

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

13. Report of the Council

The Council members submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the polytechnic's affairs.

Principal activities

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

Results

The results of the Polytechnic for the year ended June 30 2024 are set out on page 1 to page 37

COUNCIL

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

Auditors

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



Show Fondo Kalama.
Principal/Secretary to Governing Council

14. Statement of the Council's Responsibilities

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

The council members are responsible for the preparation and presentation of the Polytechnic's financial statements, which give a true and fair view of the state of affairs of the Polytechnic for and as at the end of the financial year ended on June 30, 2023. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Polytechnic;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Polytechnic;
- (v) Selecting and applying appropriate accounting policies;
- (vi) Making accounting estimates that are reasonable in the circumstances.

The council members accept responsibility for the Polytechnic's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act, 2013. The council members are of the opinion that the Polytechnic's financial statements give a true and fair view of the state of Polytechnic's transactions during the financial year ended June 30, 2024, and of the Polytechnic's financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the Polytechnic, which have been relied upon in the preparation of the Polytechnic's financial statements as well as the adequacy of the systems of internal financial control.

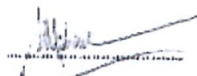
Nothing has come to the attention of the council members to indicate that the Polytechnic will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

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

Name Hon. Adan Mohamed Nooru, Mbs

Signature.



Chairperson of the Council

Name. Show Fondo Kalama

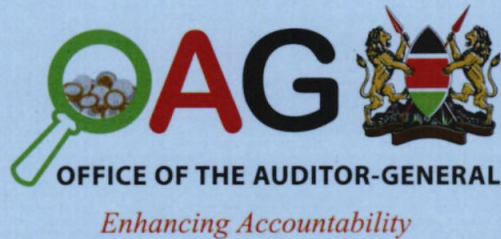
Signature.



Principal

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NORTH EASTERN NATIONAL POLYTECHNIC FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure that Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of North Eastern National Polytechnic set out on pages 1 to 37, which comprise of the statement of financial position

Report of the Auditor-General on North Eastern National Polytechnic for the year ended 30 June, 2024

as at 30 June, 2024 and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the North Eastern National Polytechnic as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Technical and Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Travel Expenses

The statement of financial performance reflects an amount of Kshs.34,653,044 in respect of use of goods and services as disclosed in Note 11 to the financial statements. Included in the amount is Kshs.2,809,100 incurred on travelling and accommodation. However, review of expenditure records provided for audit revealed that payments amounting to Kshs.649,000 were not supported by relevant documents including duly signed attendance registers for the trainings and workshops attended, proof of travel in form of work tickets/bus tickets, request and approvals for the training, invitation letters and nomination letters to attend the training.

In the circumstances, the accuracy and occurrence of expenditure of Kshs.649,000 spent on travel expenses could not be confirmed.

2. Unsupported Payment of Gratuity

The statement of financial performance reflects Kshs.12,973,210 in respect of employee costs as disclosed in Note 12 to the financial statement. Included in the amount is an expenditure of Kshs.11,558,956 in respect of salaries and wages. However, review of records provided for audit revealed that an amount of Kshs.339,680 was paid as gratuity to a member of staff who had resigned from the Polytechnic. The polytechnic did not have in place policies to guide on the payment of pension and gratuity to its staff. The basis for the determination of the amount payable could therefore not be determined.

In the circumstances, the accuracy and validity of Kshs.339,680 paid as gratuity could not be confirmed.

3. Unsupported Expenditure on Repairs and Maintenance

The statement of financial performance reflects an amount of Kshs.3,175,505 in respect of repairs and maintenance as disclosed in Note 15 to the financial statements. However, review of payment records and other documents revealed that expenditure amounting to Kshs.1,531,665 was not supported by proper procurement documents including requests

for quotations, appointment letters for the quotation evaluation and opening committees, minutes for the evaluation and opening committees, pre and post inspection reports for vehicle repairs, and motor vehicle repair logbooks.

In the circumstances, the accuracy and occurrence of expenditure of Kshs.1,531,665 on repairs and maintenance could not be confirmed.

4. Inaccurate Disclosure of Students Debtors as Long Outstanding Receivables

The statement of financial position reflects long-term receivables from exchange transactions balance of Kshs.39,850,978 as disclosed in 18(b) to the financial statements. The balance represents outstanding fees arrears due from students. Classification of the balance as non-current assets is inaccurate since the debts were due by 30 June, 2024. In addition, aging analysis indicated that the amount was outstanding for over one (1) year. However, the Management did not put in place effective strategies to facilitate timely collection of the student debts.

In the circumstances, the classification, accuracy and recoverability of the receivables balance of Kshs.39,850,978 could not be confirmed.

5. Doubtful Receivables from Non-Exchange Transactions

The statement of financial position reflects a balance Kshs16,843,000 in respect of current receivables from non-exchange transactions as disclosed in Note 19(b) to the financial statements. Included in the balance is an opening balance of Kshs.15,187,500 and additional provision for the year of Kshs.1,655,500. Management explained that the balance represents the capitation grants that was expected from the parent Ministry, but not received. However, Management did not provide evidence of commitment from the parent Ministry to transfer the outstanding amount in the subsequent financial year. The accumulation of the balance in the previous year's casts doubt on receipt of the amount from the Ministry.

In the circumstances, the accuracy and fair statement of the receivables from non-exchange transactions amounting to Kshs.16,843,000 could not be confirmed.

6. Ownership of Property, Plant and Equipment

The statement of financial position reflects property plant and equipment balance of Kshs.1,477,761,642 as disclosed in Note 21(b) to the financial statements. Management did not however provide proof of ownership for the land valued at Kshs.280,000,000. In addition, the Polytechnic did not have an assets depreciation policy in place. The basis for the depreciation charge for the year could therefore not be confirmed.

In the circumstance the rightful ownership of property, plant and equipment balance of Kshs.280,000,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the North Eastern National Polytechnic Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual reflects final revenue budget and actual on comparable basis of Kshs.53,427,900 and Kshs.84,860,292 respectively resulting in over-performance of Kshs.31,432,392 or 19% of the budget. This was explained by an unexpected income from transfers from the National Government. Similarly, the Polytechnic's budgeted expenditure was Kshs.47,821,100 against actual expenditure of Kshs.51,946,990 resulting to an over expenditure of Kshs.4,125,890.

The overperformance in budget is indicative of funding of unplanned activities.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the revenue statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues or given any explanation for the failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

Other Information

The Management is responsible for the Other Information set out on page v to xv which comprise of Key Entity Information and Management, Chairman's Statement, Report of the Principal, Statement of Performance against predetermined objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and sustainability Reporting, Corporate Social Responsibility / Community Engagement, Report of the Council and Statement of the Council's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the National Polytechnic's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAIs 3000 and 4000. The Standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed except, for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Effectiveness of Internal Audit and Audit Committee

Review of the operations of the internal audit revealed that the Unit did not have an annual internal audit plan based on risk assessment of the Polytechnic operations. There was also no evidence that the unit carried out audits during the year and submitted reports to the audit committee. Further, there was no evidence in form of Committee meeting minutes in support of meetings held by the audit committee during the year.

In the circumstances, the effectiveness of the internal audit unit and the audit committee could not be confirmed.

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

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

In preparing the financial statements, Management is responsible for assessing the Polytechnic's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Polytechnic or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them and that public resources are applied in an effective way.

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


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 December, 2024

**North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024**

16. Statement of Financial Performance for the Year Ended 30 June 2024

Revenue from Non-Exchange transactions			
Transfers from other National Government entities	6	105,191,500	46,978,200
Grants from donors and development partners	7	1,200,000	-
		106,391,500	46,978,200
Revenue from Exchange transactions			
Rendering of services- fees from students	8	24,921,514	23,083,106
Sale of goods	9	198,450	137,500
Miscellaneous income	10	14,273,828	6,833,050
		39,393,792	30,053,656
Total Revenue		145,785,292	77,031,856
Expenses			
Use of goods and services	11	34,653,044	30,762,449
Employee costs	12	12,973,210	18,364,475
Council Expenses	13	734,000	699,000
Depreciation and amortization expense	14	92,179,439	91,752,239
Repairs and maintenance	15	3,175,505	4,117,195
Grants and subsidies	16	47,225,000	25,083,000
Total Expenses		190,940,198	170,778,358
Net surplus/(deficit) for the year		(45,154,906)	(93,746,502)

(The notes set out on pages 8 to 26 form an integral part of the Annual Financial Statements).

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



.....
Chairman of Council/Board



.....
Principal



.....
Finance Officer
ICPAK No.14916
Date.24.10.24

Date. 24.10.24

Date.24.10.24

Comparative FY refers to the financial year preceding the current year.

17. Statement of Financial Position as at 30th June 2024


			2022-23
			Kshs
Assets			
Current Assets			
Cash and cash equivalents	17	57,533,303	6,708,657
Current portion of receivables from exchange transactions	18(a)	9,649,905	17,454,614
Receivables from non-exchange transactions	19(b)	16,843,000	15,187,500
Inventories	20	96,250	67,800
Total Current Assets		84,122,458	39,418,571
Non-Current Assets			
Long term receivables from exchange transactions	18(b)	39,850,978	22,396,364
Property, plant, and equipment	21(b)	1,477,761,642	1,565,674,680
Intangible assets	22	1,883,200	2,589,400
Total Non-Current Assets		1,519,495,820	1,590,660,444
Total Assets (A)		1,603,618,278	1,630,079,015
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	23	2,877,687	3,983,827
Mentee grants	23	12,500,000	-
Payments received in advance	23	8,165,958	6,125,649
Current portion of borrowings	25	1,700,000	2,500,000
Total Current Liabilities		25,243,645	12,609,476
Non-Current Liabilities			
Non- Current Borrowings	25	3,800,000	1,300,000
Total non- current liabilities		3,800,000	1,300,000
Total Liabilities (B)		29,043,645	13,909,476
Net Assets (A-B)		1,574,574,633	1,616,169,539
Represented By:			
Revaluation Reserves		1,152,922,888	1,149,362,888


**North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024**

Accumulated Surplus		(199,560,235)	(154,405,329)
Capital Fund		621,211,980	621,211,980
Net Assets		1,574,574,633	1,616,169,539

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


.....
Chairman of Council


.....
Principal


.....
Finance Officer
ICPAK No.14916
Date.24.10.24

Date.24.10.24

Date.24.10.24

North Eastern National Polytechnic
 Annual Report and Financial Statements for the year ended 30th June 2024

18. Statement of Changes in Net Asset for the Year Ended 30 June 2024

At July 1, 2022 (previous year)	1,149,362,888	(60,658,827)	594,819,230	1,683,523,291
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(93,746,502)	26,392,750	(67,353,752)
At June 30, 2023	1,149,362,888	(154,405,329)	621,211,980	1,616,169,539
At July 1, 2023 (current year)	1,149,362,888	(154,405,329)	621,211,980	1,616,169,539
Revaluation gain	3,560,000	-	-	3,560,000
Surplus/(deficit) for the year	-	(45,154,906)	-	(45,154,906)
At June 30, 2024	1,152,922,888	(199,560,235)	621,211,980	1,574,574,633

**North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024**

19. Statement of Cash Flows for the Year Ended 30 June 2024

Cash flows from operating activities			
Receipts			
Transfers from other National Government entities		105,191,500	46,978,200
Grants from donors and development partners		1200,000	-
Rendering of services- fees from students		33,087,472	25,659,339
Sale of goods		198,450	137,500
Miscellaneous income		14,273,828	6,833,050
Total Receipts		153,951,250	79,608,089
Payments			
Use of goods and services		38,653,044	29,811,487
Employee costs		12,973,210	18,364,475
Board /Council Expenses		734,000	699,000
Repairs and maintenance		5,241,350	3,543,535
Grants and subsidies		47,225,000	25,083,000
Total Payments		104,826,604	77,501,497
Net Cash Flows from operating activities	47	49,124,646	2,106,592
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(-)	(537,040)
Net cash flows used in investing activities		(-)	(537,040)
Cash flows from financing activities			
Proceeds From Borrowing		1700,000	2500,000
Net cash flows used in financing activities		1700,000	2500,000
Net Increase/(Decrease) in Cash and Cash equivalents			4,069,552
Cash and Cash equivalents at 1 JULY 2022	26	6,708,657	2,639,105
Cash and Cash equivalents at 30 JUNE	26	57,533,303	6,708,657

North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024
20. Statement of Comparison of Budget & Actual amounts For Year Ended 30 June 2024

	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Transfers from other National Government entities	41,000,000	-	41,000,000	45,466,500	4,466,500	10%
Rendering of services- fees from students	8,826,700	-	8,826,700	24,921,514	16,094,814	182%
Other income	3,601,200	-	3,601,200	14,472,278	10,871,078	302%
Total Income	53,427,900	-	53,427,900	84,860,292	31,432,392	
Expenses						
Use of goods and services	13,620,650	-	13,620,650	34,653,044	(21,032,394)	154%
Employee costs	17,500,000	-	17,500,000	12,973,210	4,526,790	26%
Council Expenses	1,100,000	-	1,100,000	734,000	366,000	33%
Repairs and maintenance	2,100,000	-	2,100,000	3,175,505	(1,075,505)	51%
Insurance and medical	1,900,450	-	1,900,450	411,231	1,489,219	78%
Administrative expenses	11,600,000	-	11,600,000	-	11,600,000	100%
Total Expenditure	47,821,100	-	47,821,100	51,946,990	(4,125,890)	
Surplus For the Period	5,606,800	-	5,606,800	32,913,302	27,306,502	
Capital Expenditure	--	-	-	-	-	

(Budget notes)

1. *Rendering of Services was higher collection than anticipated due to payments from HELB, County, NGCDFs and Ward bursaries and other sponsors which came a long way in improving the collection*
2. *The difference in other Income was brought by the farm produce selling which was not anticipated.*
3. *The variance in use of goods was brought about by the sharp increase in prices of commodities due to high inflation rates especially in the second half of the FY.*
4. *Employee cost difference was brought by two staffs retiring and other two resigning*
5. *Due to the financial constraint occasioned by the late disbursement of capitation and the revised rates, the council met fewer times than expected hence causing the variance.*
6. *The variance in RMI was occasioned by the repair and renovation works which had not been anticipated. This was due the request by our development partners CICAN to renovate some classrooms to their specifications at a short notice in order so that they could provide the Polytechnic with some specialized equipment for use in training the students especially in Building technology*
7. *It is however, worth noting that the overall expenditure was within the total budget approved of Kshs 53 M.*

21. **Notes to the Financial Statements**

1. **General Information**

NENAP entity is established by and derives its authority and accountability from TVET Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to train highly skilled workforce.

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 judgment in the process of applying the *NENAP* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 6. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *NENAP*. The values are rounded off to the nearest shilling. The financial statements have been prepared in accordance with the PFM Act, 2012 the State Corporations Act, the TVET Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024

3. Adoption of New and Revised Standards

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2024.*

There are no new standards in the year ended 30th June 2024

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

<p>IPSAS 43: Leases</p>	<p><i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
<p>IPSAS 45: Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under-maintenance of assets and distinguishing significant parts of infrastructure assets.</p>

North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024

<p>IPSAS 46: Measurement</p>	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47: Revenue</p>	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48: Transfer Expenses</p>	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49: Retirement Benefit Plans</p>	<p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024

iii. *Early adoption of standards*

NENAP did not early adopt any new or amended standards in year ended 30th JUNE 2024. the polytechnic adopted standard. The impact of these standards on entity's financial statements

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

b) Budget information

The original budget for FY 2023/2024 was approved by the Council on **20.03.2023**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. Accordingly, on the FY 2023/2024 budget following the Council/ Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 1 under section 30 of these financial statements.

c) Taxes

Current income tax

The entity is exempt from paying taxes as per schedule xxx of the xxx Act.

Sales tax/ Value Added Tax

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

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

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

d) Investment property

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

e) Property, plant and equipment

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

f) Leases

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

g) Intangible assets

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

h) Research and development costs

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

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

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

i) Financial instruments

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

Financial assets

Classification

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

j) Inventories

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

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

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

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

Inventories (Continued)

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

k) Provisions

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

Contingent liabilities

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

Contingent assets

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

l) Social Benefits

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

m) Nature and purpose of reserves

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

n) Changes in accounting policies and estimates

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

o) Employee benefits

Retirement benefit plans

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

p) Foreign currency transactions

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

q) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

r) Related parties

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

s) **Service concession arrangements**

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

t) **Cash and cash equivalents**

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

u) **Comparative figures**

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

v) **Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. Transfers from other National Government entities

	2022-23	2023-24
	KShs	
Unconditional Grants		
Capitation Grants	4,966,500	17,645,000
Operational Grant	40,500,000	4,333,200
Other Grants(mentored institution)	59,725,000	25,000,000
Total unconditional Grants	105,191,500	46,978,200
Total Government Grants and Subsidies	105,191,500	46,978,200

7. Grants from Donors and Development Partners

	2022-23	2023-24
	KShs	
Other Grants (YAW-K)	1200,000	-
Total Grants from Development Partners	1,200,000	-

8. Rendering of Services

	2022-23	2023-24
Tuition Fees	20,341,020	14,000,658
Activity Fees	2,000	322,716
Industrial Attachment Fees	896,350	-
Boarding fees	1,430,094	2,859,415
Contingency fees	3500	648,747
EWC- Fees	-	1,030,029
Repair and maintenance fees	43,500	814,323
Insurance fees	1000	629,604
Internet fees	-	510,203
LTT fees	-	976,970
Medical fees	-	532,780
PE fees	-	619,741
Production fees	7550	-
Admission fees	494,000	-
Student ID	182,500	-
Students welfare	319,500	137,920
Registration Fees	999,000	-
TVETA fees	177,500	-
Others (advanced packages)	24,000	-
Total Revenue from The Rendering of Services	24,921,514	23,083,106

(Provide brief explanation for this revenue)

North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024

9. Sale of Goods

Hire of facilities	198,450	137,500
Total Revenue from Sale of Goods	198,450	137,500

10. Miscellaneous Income

Production income	13,843,828	6,823,050
Driving income	430,000	-
Income from sale of tender	-	10,000
Total other income	14,273,828	6,833,050

11. Use of Goods and Services

		2022-23
		KShs
Utilities and supplies services	104,080	631,377
Industrial attachment costs	1,061,200	820,600
Electricity	714,704	948,056
Water	615,000	615,000
Tuition expense	2,300,932	4,219,410
Admission expense	172,400	-
Activity expenses	3,152,667	7,273,567
Boarding equipment and stores	2,711,857	4,416,575
Examination fees	16,707,000	1,500,300
Driving expense	-	148,300
Contingency expenses	1,064,270	1,460,041
Travelling and accommodation	2,809,100	4,798,000
Fuel and oil	982,420	433,100
Insurance	411,231	446,515
Production expense	1,415,240	1,714,688
Registration expense	65,000	-
Consumable stores	-	246,200
Petty cash utilized	-	439,900
Telephone expenses	68,300	-
Internet expenses	290,583	650,820
Other (student medical)	7060	-
Total good and services	34,653,044	30,762,449

North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024

12. Employee Costs

Salaries and wages	11,558,956	17,155,562
Employee related costs –(NSSF,NHIF)	858,340	812,703
PAYE	357,051	396,210
NITA levy	10550	-
Housing levy	188,313	-
Employee Costs	12,973,210	18,364,475

13. Council Expenses

Council Expenses	734,000	699,000
Total	734,000	699,000

14. Depreciation and Amortization expense

Property, plant and equipment	91,473,239	91,046,039
Intangible assets	706,200	706,200
Total depreciation and amortization	92,179,439	91,752,239

15. Repairs and Maintenance

Property, motor vehicle and machinery	3,175,505	4,117,195
Total Repairs and Maintenance	3,175,505	4,117,195

16. Grants and Subsidies

Transfer to mentored institution	47,225,000	25,083,000
Total Grants and Subsidies	47,225,000	25,083,000

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

17. Cash and Cash Equivalents

Current Account	57,299,582.16	6,692,213
Research account	233,721.10	16,444
Total Cash and Cash Equivalents	57,533,303.26	6,708,657

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

18. (a) Receivables from Exchange transactions

	2023-24	2022-23
	Kshs	Kshs
Current Receivables		
Student Debtors	9,649,905	17,454,614
Total Current Receivables	9,649,905	17,454,614

18. (b) Ageing Analysis of Receivables from Exchange transactions

		% of to	2022-23	
			Comparative FY	% of the total
Less than 1 year	9,649,905	19%	39,850,978	100%
Above 1 year	39,850,978	81%	-	%
Total (a+b)	49,500,883	%	39,850,978	100%

19. Receivables from Non-Exchange transactions

Current Receivables		
Capitation Grants*	1,655,500	5,640,000
Total Current Receivables	1,655,500	5,640,000

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

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

	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	1,655,500	23%	9,547,500	100%
Between 1- 2 years	5,640,000	77%	-	%
Total	7,295,500	100%	9,547,500	100%

North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024

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

At the beginning of the year	15,187,500	9,547,500
Additional provisions during the year	1,655,500	5,640,000
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	16,843,000	15,187,500

20. Inventories

Consumable stores	96,250	67,800
Less: Impairment allowance	-	-
Total Inventories at lower of Cost and Net Realizable Value	96,250	67,800

North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024

21. Property, Plant and Equipment

At 1 July 2022 (previous year)	280,000,000	418,360,193	5,440,000	4,754,700	4,105,836	1,006,797,609	1,719,458,339
Additions	-	55,000	145,300	255,500	81,240	-	537,040
Disposals	-	-	-	-	(-)	-	(-)
Transfers/Adjustments	-	-	-	(-)	(-)	-	(-)
At 30th June 2023 (previous FY)	280,000,000	418,415,193	5,585,300	5,010,200	4,187,076	1,006,797,609	1,719,995,379
Additions	-	-	3,560,000	-	-	-	3,560,000
Disposals	-	-	-	-	-	-	(-)
Transfer/Adjustments	-	-	-	-	-	-	(-)
At 30th June 2024 (current year)	280,000,000	418,415,193	9,145,300	5,010,200	4,187,076	1,006,797,609	1,723,555,579
	0%	2%	12%	12.5%	20%	8%	
Depreciation And Impairment							
At 1 Jun 2022 (previous year)	-	(41,836,020)	(272,000)	(475,470)	(555,217)	20,135,952	63,274,658
Depreciation	-	8,368,304	670,236	626,275	837,415	80,543,809	91,046,039
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
At 30 Jun 2023 (current year)		50,204,324	942,236	1,101,745	1,392,632	100,679,761	154,320,698
Depreciation	-	8,368,304	1,097,436	626,275	837,415	80,543,809	91,473,239
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-	-	-
At 30th Jun 2024 (current y	-	58,572,628	2,039,672	1,728,020	2,230,047	181,223,570	245,793,937
Net Book Values							
At 30th Jun 2023 (previous year)	280,000,000	368,210,869	4,643,064	3,908,455	2,794,444	906,117,848	1,565,674,680
At 30th Jun 2024 (current year)	280,000,000	359,842,565	7,105,829	3,282,180	1,957,029	825,574,039	1,477,761,642

[Include Brief Description of WIP as A Footer]

North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024

Notes to the Financial Statements (Continued)

Valuation

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

21 (b) Property, Plant and Equipment at Cost

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

Land	280,000,000	-	280,000,000
Buildings	418,415,193	58,572,628	359,842,565
Plant And Machinery	1,006,797,609	181,223,570	825,574,039
Motor Vehicles including Motorcycles	9,145,300	2,039,672	7,105,829
Computers and Related Equipment	4,187,076	2,230,047	1,957,029
Office Equipment, Furniture, And Fittings	5,010,200	1,728,020	3,282,180
Total	1,723,555,579	245,793,937	1,477,761,642

22. Intangible Assets

Cost		
At beginning of the year	4,708,000	4,708,000
Additions	-	-
At end of the year	4,708,000	4,708,000
Additions—internal development	-	-
At end of the year	4,708,000	4,708,000
Amortization and impairment		
At beginning of the year	2,118,600	1,412,400
Amortization	706,200	706,200
At end of the year	2,824,800	2,118,600
Impairment loss	-	-
At end of the year	2,824,800	2,118,600
NBV	1,883,200	2,589,400

23. Trade and Other Payables

	2022-23			
	Kshs			
Trade payables	2,877,687		3,983,827	
Fees paid in advance	8,165,958		6,125,649	
Grants for mentoring institution	12,500,000		-	
Total Trade and Other Payables	23,543,645		10,109,476	
	Current FY	% of the Total	Comparative FY	% of the Total
Ageing analysis:				
Under one year	13,184,441	56%	10,109,476	100
1-2 years	10,359,204	44%	-	-
Total (to tie to totals above)	23,543,645	%	10,109,476	100

24. Payments received in advance.

	2022-23			
	Kshs			
Fees received in advance	8,165,958		6,125,649	
Total	8,165,958		6,125,649	
	2023-24	% of the Total	2022-23	% of the Total
Ageing analysis:				
Under one year	8,165,958	100%	6,125,649	100%
1-2 years	-	%	-	%
Total	8,165,958	100%	6,125,649	100%

25. Borrowings

Balance at beginning of the year	3,800,000	1300,000
Inter entity borrowings during the year	1700,000	2,500,000
Repayments of inter entity borrowings during the year	-	-
Balance at end of the year	5,500,000	3800,000

25 b) Breakdown of Long and Short-Term Borrowings

Short Term Borrowings (Current Portion)	1700,000	2500,000
Long Term Borrowings	3800,000	1300,000
Total	5,500,000	3,800,000

North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024

26. Cash generated from operations.

Adjusted for:	(45,154,906)	(93,746,502)
Depreciation	92,179,439	91,752,239
Non-Cash grants received	(-)	(-)
Contributed assets	(-)	(-)
Impairment	-	-
Gains and Losses on Disposal of Assets	(-)	(-)
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Finance Income	(-)	(-)
Finance Cost	-	-
Working Capital Adjustments		
Increase in Inventory	(-)	(31500)
Increase in Receivables	(-)	(1,810,806)
Increase in Deferred Income	-	-
Increase in Payables	-	-
Increase in Payments received in advance	2,099,646	1,666,977
Net Cash Flow from Operating Activities	49,124,646	2,106,592

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

27. Financial Risk Management

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

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

(i) Credit risk

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

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

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

At 30 June 2023 (previous year)				
Receivables from exchange transactions	39,850,978	39,850,978	-	-
Receivables from non-exchange transactions	15,187,500	15,187,500	-	-
Bank balances	6,708,657	6,708,657	-	-
Total	61,747,135	61,747,135	-	-
At 30 June 2024 (current year)				
Receivables from exchange transactions	48,309,772	48,309,772	-	-
Receivables from non-exchange transactions	7,295,500	7,295,500	-	-
Bank balances	57,533,303	57,533,303	-	-
Total	113,138,575	113,138,575	-	-

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

North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024

Financial risk management (continued)

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

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

(ii) Liquidity risk management

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

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

At 30 June 2023 (previous year)				
Trade Payables	3,983,827	-	-	-
Current Portion Of Borrowings	2,500,000	-	-	-
Provisions	-	-	-	-
Deferred Income	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	6,483,827	-	-	-
At 30 June 2024 (current year)				
Trade Payables	2,877,687	877,687	2000,000	2877,687
Current Portion Of Borrowings	1700,000	1700,000	-	1700,000
Provisions	-	-	-	-
Deferred Income	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	4,577,687	2,577,687	2000,000	4,577,687

(iii) Market risk

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

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

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

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

iv) Capital Risk Management

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

Revaluation Reserve	1,152,922,888	1,149,362,888
Retained Earnings	(199,560,235)	(154,405,329)
Capital Reserve	621,211,980	621,211,980
Total Funds	1,574,574,906	1,616,169,539
Total Borrowings	5,500,000	3,800,000
Less: Cash and Bank Balances	(57,533,303)	(6,708,657)
Net Debt/(Excess Cash and Cash Equivalents)	1,522,541,603	1,613,260,882
Gearing	66%	78%

**North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024**

28. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management;
- iv) Council members;

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

a) Grants /Transfers from the Government		
Grants from National Govt	45,466,500	46,978,200
Total	45,466,500	46,978,200
b) Key Management Compensation		
Directors' emoluments	734,000	699,000
Total	734,000	699,000

29. Events After The Reporting Period

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

30. Ultimate And Holding Entity

NENAP is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of education its ultimate parent is the Government of Kenya.

31. Currency

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

**North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024**

22. Appendices

Appendix 1: Implementation Status of Auditor-General Recommendations

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

1.0	Unsupported Expenditure on Repairs and maintenance	Responded to	Resolved	N/A
2.0	Unsupported transfers to mentored institutions	Responded to	Not resolved	30 th June 24
3.0	Unsupported use of Goods and Services	This was in relation to Local travel where attendance registers were not attached	Not resolved	30 th June 2024
4.0	Unsupported Council Expenses	The registers and minutes were later availed albeit late	Resolved	N/A
5.0	Long Outstanding student receivables	This was in relation to student arrears	Not resolved	30 th June 2024
10	Underutilized Intangible assets	The Polytechnic is in the process of operationalization of all the modules not in use	Not resolved	30 th June 2024
11	Uninspected Boarding Equipment and Stores	Was responded to and the Procurement officer agreed to provide the documents	Not resolved	30 th June 2024
12	Irregular Procurement of Insurance services	Responded to	Partly resolved	30 th June 2024
13	Irregular Lease of Polytechnic land	The management is in the process of establishing a risk management policy	Not resolved	30 th June 2024

Name. show fondo kalama

Accounting Officer

(The Principal)

Date ...24.10.2024



**North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024**

Appendix III- NORTH EASTERN NATIONAL POLYTECHNIC Confirmation Letter


Name of transferring entity... *State Department for Technical and Vocational Training*

Name of beneficiary entity... NORTH EASTERN NATIONAL POLYTECHNIC.....


Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
	26/03/2024		19,500,000	19,500,000	
	26/03/2024		12,500,000	12,500,000	
	03/10/2023	4,966,500			
MOE/DTE/CAP9/43(9)	12/06/2024	40,500,000			
	12/07/2024		17,000,000	17,000,000	
	12/07/2024		10,725,000	10,725,000	
Total		45,466,500	59,725,000	59,725,000	

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

Head of Accounts Department - Disbursing Entity:

Name . Show Fondo Kalama Sign .  Date .24.10.2024

Head of Accounts Department - Beneficiary Entity:

Name.. Show Fondo Kalama Sign .  Date..24.10.2024

North Eastern National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2024

Appendix IV: Reporting of Climate Relevant Expenditures

There was no expenditure in relation to climate change in the FY 2023-24

Appendix V: Reporting on Disaster Management Expenditure

There was no expenditure in related to disaster in the FY 2023/24