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REPORT

OF

THE AUDITOR-GENERAL

ON

SIGALAGALA NATIONAL POLYTECHNIC

**FOR THE YEAR ENDED
30 JUNE, 2020**



THE SIGALAGALA NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE, 2020

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

THE SIGALAGALA NATIONAL POLYTECHNIC
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KEY POLYTECHNIC INFORMATION AND MANAGEMENT

(a) Background information

Sigalagala National Polytechnic (SNP) was founded in 1950 and has evolved within a span of over sixty-nine years to become a leading Polytechnic in Kenya under the Ministry of Education. It is the third oldest Technical and Vocational Training Institute in this country after the current Kabete National Polytechnic and Machakos Technical Training Institute.

SNP was started in 1950 as Nyanza Technical and Trade School on a 33-acre piece of land.

It inherited land and buildings from gold miners who had been operating there since 1930s

It became a National Technical School in 1967 offering ordinary level technical competencies and programs including Kenya Certificate of Education (KCE) till when all such schools were turned into Technical Training Institutes (TTIs) in the late 80s.

The institution was made a National Polytechnic on May 30th, 2016 by the Cabinet Secretary for Education Science and Technology in exercising the powers conferred by section 26(2) of the TVET Act, 2013 through a legal notice No.90 known as Sigalagala National Polytechnic Order of 2016, and currently offers Competency Based Training (CBET) besides those of Kneec and Kasneb. Other than the Main Campus the Polytechnic currently has other campuses; Kakamega Town Campus and Maturu Campus.

(b) Principal Activities.

The mandates of the Polytechnic, as contained in the Sigalagala National Polytechnic Order of 2016 are/is to;

- a) Offer training to students in technical courses and business courses as per the industry needs and examined by Kneec, Kasneb and CBET courses.
- b) Provide an excellent educational experience to attract and retain students who, regardless of their background, will succeed at the Polytechnic and become graduates of influence
- c) Continuously improve our research performance and, through our research, deliver social dividends.
- d) Be a sustainable institution of TVET Training
- e) Enhance our engagement with the entire Republic of Kenya and to consolidate our reputation as one of the country's most engaged Polytechnic.
- f) Contribute to industrial and technological development of society in collaboration and partnership with industry and other organizations;
- g) Develop quality and relevant programmes for diplomas and certificates and Artisan;

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- h) Inculcate and promote a culture of innovation, critical inquiry and creativity in art, science, technology, engineering, and education, amongst staff, students, and society;
- i) Develop an institution of excellence in teaching, training, entrepreneurship, research, consultancy, community service, among other educational services and products, with emphasis on technology and its development, impact and application to society;
- j) Provide a multi-level system of education and training that is relevant to the needs of the community covering a wide range of fields and levels with provision for recognition of prior learning and flexibility of transition between educational levels;
- k) Provide high quality facilities for educational, research, residential, commercial, cultural, social, recreational, sporting, and other activities;
- l) Facilitate student mobility between programmes of study at different Polytechnics;
- m) Participate in commercial ventures and activities that promote the objectives of the Polytechnic;
- n) Foster the general welfare of staff, students, and the community;
- o) Provide opportunities for development and further training for the staff of the institution;
- p) Develop and provide educational, cultural, professional, technical and vocational services to the community, and in particular foster corporate social responsibility;
- q) Facilitate the development, provision, and expansion of services, programmes, and other products in ways that are easily accessible and which reflect the principles of equity and social justice;
- r) Conduct examinations, and grant such academic awards as may be provided for in the Statutes, and to syndicate examinations for awards at other institutions as may be approved by Knec;
- s) Determine who may teach, what may be taught, and how it may be taught in the Polytechnic;
- t) Promote social-economic development in line with the country's development agenda; and

Our Vision

A premier technical training, research and innovation institution relied upon by industry.

Our Mission

To provide innovative industry responsive technical skills training for sustainable development.

Our Motto

Skills to transform livelihoods.

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Core Values

Sigalagala National Polytechnic is guided by:

- **Integrity** – Committed to acting in an honest, accountable and transparent manner in all our undertakings.
- **Professionalism** – Committed to the highest levels of achievement obtainable through competence and critical skills.
- **Teamwork** -Embrace collaboration both within the Council and with all partners in the provision of services.
- **Efficiency** – Strive to achieve the highest value of benefit from the deployment of resources, particularly to the TVET graduates and industry.
- **Transparency**- Ensure timely disclosure and access of adequate information to allow for active Public participation in the Council's processes.
- **Good Governance**-Committed to the protection of stakeholders' rights and the enforceability of contracts with service providers.
- **Accountability**- responsible for decisions and actions, including stewardship of public funds and performance through clarity of responsibilities and roles.
- **Equality and gender** _ committed to ensuring non-discrimination and fairness in all undertakings.

Our Strategic Direction

1. Quality training for sustainable development
2. Resource mobilization and management
3. Research, Innovation and Technology
4. Cooperate Governance, Partnerships and linkages for effective service delivery

(a) Key Management

The day-to-day management of the institution is under the following key organs:

- The Governing council
- Principal/Council Secretary
- Management Board
- Heads of department

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(b) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

- i. Principal– Mr. Evans Bosire
- ii. DP Administration –Mr. Timothy Oluchiri
- iii. Finance Manager–Mr. Christopher Oselu
- iv. Procurement officer –Mr. Ignatius Muhati
- v. Store officer - Mrs. Fadhila Ramadhan

(c) Polytechnic Location

Country: Kenya
County: Kakamega
Sub County: Shinyallu
Location: Khayega
Street: Kisumu/ Kakamega Road

(d). Polytechnic Contacts

Telephone: 0726 - 806105
E-mail: info@sigalagalapoly.ac.ke
sigalagala@yahoo.com
Website: www.sigalagala.ac.ke

(e). Polytechnic Bankers

i.	Absa Bank- GOK Operation Account	-	8043543
ii.	Absa Bank – College Fund Account	-	8043551
iii.	Absa Bank – Savings Account	-	8256911
iv.	Kenya Commercial Bank – Development Account	-	1234829517
v.	Co-operative Bank – Town Campus Account	-	01120098473700
vi.	Co-operative Bank – Enterprises(PU) Account	-	01139098473702
vii.	Co-operative Bank – Maturu campus Account	-	01139098473700
viii.	National Bank – Mentored Institutions Account	-	01037017738900
ix.	National Bank – Examination Account	-	01021071653900
x.	Equity Bank - Fees collection account	-	0500277394606
xi.	Mpesa – Fees collection	-	Pay bill No. 908008

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(f). Independent Auditors

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

(g). Principal Legal Adviser

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

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MEMBERS OF GOVERNING COUNCIL



MRS. CATHERINE M. MUMMA - COUNCIL CHAIRPERSON

Joined as a council chairperson in October 2016. Holds LLM, University of London (Queen Mary and Westfield's College) LLB (Hons), University of Nairobi, Diploma in Legal Studies- the Kenya School of Law.

Ms. Mumma is a Seasoned Human Rights practitioner with over 20 years of experience working with government, independent and constitutional organs and other civil societies. She served in the Public Service, in State Law Office for 9 years where she, among other things represented the Attorney General on various parastatal boards and is therefore well versed with the government policies on public service management including the *Mwongozo* guidelines and rules. She has also served as a commissioner on three constitutional commissions including the Commission for The Implementation of the Constitution (CIC), the Kenya National Commission on Human Rights (KNCHR) and the Independent Review Commission (IREC) on the 2007 elections that led to post election violence in Kenya.

Catherine serves on various other international and private sector advisory committees and boards of management. She is involved in shaping policy and legislative frameworks on human rights, monitoring and advocating for implementation of human rights principles



CPA. CHRISTOPHER BETI ATENYA – COUNCIL MEMBER

He is a practising accountant professional who is a graduate from The University of Nairobi with a Bachelor of Commerce (Accounting Option) and holder of CPA (K) with a practising certificate. He has a lot of experience in all phases of auditing, financial accounting and management including administration.

He has held senior management positions in the service industry for over 25 years, and developed strong leadership and interpersonal skills and hence able to handle any leadership position or any assigned responsibility and add value to operations in the organization.

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M/S SIMIYU DOREEN NANJALA - COUNCIL MEMBER

Doreen Joined as a council member in October 2016. She holds B.sc in Information Sciences-Library and Information Studies from Moi University. She is a professional librarian who works at the Catholic University of Eastern Africa. She has a vast knowledge in management and also an alumnus of the Polytechnic. She is a role model to students and always encourages them to work hard to achieve success in life.



MR. ANDREW MASESE - COUNCIL MEMBER

He is a human resource practitioner who has a Master's degree in Labour Welfare and a Bachelor's degree in Commerce (Marketing) He has a long career in Human Resources Management, Staff Welfare, Remuneration Administration, Recruitment and Staff Development; Human Resources Advisory, Training & Ethical Standards Audit and labour laws and industrial relations. He has over 27 years progressive experience in Human Resources Management in dynamic labour intensive and structured set ups. He is the pioneer chairman of Institute of Human Resource Management- Western Chapter Private Sector



DR. REHEMA NDEDA - COUNCIL MEMBER

She is a Mechatronic Engineer, working as a lecturer at Jomo Kenyatta University of Agriculture & Technology. She has over 10 years' experience in teaching and research in her area of specialization. She holds a Ph.D. in Engineering from the University of Botswana and a M.Sc. in Mechatronic Engineering from Jomo Kenyatta University of Agriculture and Technology. She is the current managing editor for the Journal of Sustainable Research in Engineering and reviews manuscripts for several scientific journals. She is a graduate member of the Engineers Board of Kenya and the Institute of Engineers of Kenya. She serves as a board member in African Women in Science and Engineering and volunteers as a mentor for several other organizations.

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LINETE ODONDI - COUNCIL MEMBER

She is a seasoned adult facilitator and lecturer (International Relations, Gender, associate Ell Jean Monnet Network, Fellow- institute of human resource management and Examiner Human Resource Management Professional Examiner Board)

She has over 20 year experience working in international development agencies. In the council she represents leadership and management as her key competency.

She has diploma in agricultural education, BA – Public Administration, MA – International studies.

She does volunteer work in peace and conflict management and is currently focussing on capacity building of religious organizations in Preventing/Countering Violent Extremism and terrorism.



MR. JACKSON ANDAI - COUNTY DIRECTOR TVET (KAKAMEGA/VIHIGA)

He is a seasoned educationist who holds MBA from Kenyatta university. He has served in TVET sector for over 30 years both as a trainer and technical officer at the ministry of education headquarters. He is currently serving as the regional director for Kakamega and Vihiga counties



ENG. JOHN MOKAYA OMBENGI - COUNCIL MEMBER

Eng. Ombengi is the director of Mokaya Ombengi consulting agencies. He holds Bsc- Civil Engineering and is a registered consultant engineer No. E/103, specialized in civil and structural infrastructure for over 43 years. In the council he represents engineering as his key competency. He has experience in project design, project management and construction supervision for many projects in Kenya and Tanzania. He is a devoted Christian and serves in the church as an Elder

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MR. EVANS O. BOSIRE - COUNCIL SECRETARY

Mr Bosire is the Principal who serves as the Accounting Officer for the Institution and Secretary to the council. He is a well-trained Electrical Engineer with skills that have enabled him to transform the various institutions. He has over 15 years' experience as principal in TVET Institutions. His vision is to effectively and efficiently manage the Polytechnic both in terms of Competence Based Education and Training (CBET) as defined by TVET Act 2013 as well as the Sigalagala Polytechnic Strategic plan.

b) Council Committees

The council does oversight role through the use of committees in various areas with composition Stated below;

NAME OF THE COMMITTEE	MEMBERS
Finance and Operations Committee	1. Mr. Christopher Beti - Chair 2. Mr. Jackson Andai- Member 3. Mr. Andrew Masese- Member
Risk & Audit Committee	1. M/s. Doreen Simiyu -Chair 2. Mrs. Lynette A. Odoni - Member 3. Mr. Jackson Andai- Member
Education, Training & Research Committee	1. Dr. Rehema Ndeda - Chair 2. Mrs. Lynette A. Odoni - Member 3. Mr. Jackson Andai- Member

c) Council Meetings Attendance

The Polytechnic had two sets of Governing Council Members during the financial year 2019/2020. The first category was in office between July 2019 to December 2019 when their term expired and the Cabinet secretary of Education appointed another team whose mandate commenced on January 2020. The meeting attendances of the council members is presented below;

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FULL COUNCIL MEETINGS

NO.	NAME	QUARTER 1.					QUARTER2
		1/7/2019	30/7/2019	19/8/2019	2/9/2019	17/9/2019	4/10/2019
1	Mrs. Catherine Mumma	✓	✓	✓	✓	✓	✓
2	Mr. Joseph Imbwaga	✓	✓	✓	=	✓	=
3	Mrs. Peris Muniafu	✓	✓	✓	=	✓	=
4	Mr. Obed Kipruto	✓	-	✓	=	✓	=
5	Ms. Doreen Simiyu	✓	✓	✓	=	✓	=
6	Mr. Joseph Sunguti	✓	✓	=	=	=	=
7	Mr. Tom Mulati	✓	-	=	=	=	=
8	Eng John Ombegi	-	-	✓	✓	✓	=
9	Mrs. Catherine Kelonye	-	✓	✓	✓	✓	✓
10	Jackson Andai		-	✓	✓	✓	✓

FINANCE AND OPERATIONS COMMITTEE

NO.	NAME	1 ST QUARTER	2 ND QUARTER
		DATE	DATE
		16/9/2019	
1	Mr. Joseph Imbwaga	✓	-
2	Mrs Peris Muniafu	✓	-
3	Mr. Joseph Sunguti	✓	-
4	Mrs. Catherine Kelonye	✓	-
5	Eng John Ombegi	✓	-

RISK & AUDIT COMMITTEE

NO.	NAME	1 ST Quarter	2 ND Quarter
		Date	Date
			18/10/2019
1	Mr. Obed Kipruto	-	✓
2	Ms. Doreen Simiyu	-	✓
3	Mrs. Catherine Mumma	-	✓

FULL COUNCIL MEMBERS' MEETINGS

	Names	Quarter 3			Quarter 4			
		31/1/2020	6/2/2020	4/3/2020	15/4/2020	22/5/2020	29/5/2020	30/6/2020
1	Mrs. Catherine Mumma	✓	✓	✓	✓	✓	✓	✓
2	Mr. Jackson Andai	✓	✓	✓	✓	✓	✓	✓
3	Mrs. Lynette A. Odondi	✓	✓	-	✓	✓	✓	✓
4	Mr. Christopher Beti	✓	✓	✓	✓	✓	✓	✓
5	Mr. Andrew Masese	✓	✓	-	✓	✓	✓	✓
6	Dr. Rehema Ndeda	✓	✓	✓	✓	✓	✓	✓
7	Ms. Doreen Simiyu	✓	✓	✓	✓	✓	✓	✓
8	Mrs. Catherine Kelonye	✓	✓	✓	✓	✓	✓	✓

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EDUCATION, TRAINING AND RESEARCH COMMITTEE

		Quarter 3	Quarter 4	
			15/4/2020	19/5/2020
1	Dr. Rehema Ndeda	-	✓	✓
2	Mr. Jackson Andai	-	✓	✓
3	Mrs. Lynette A. Odondi	-	✓	✓
4	Mrs. Catherine Kelonye	-	✓	✓

OPERATION & FINANCE COMMITTEE




		Quarter 3	Quarter 4.
		21/2/2020	2/5/2020
1	Mr. Christopher Beti	✓	✓
2	Mr. Jackson Andai	✓	✓
3	Mr. Andrew Masese	✓	✓
4	Mrs. Catherine Kelonye	✓	✓

RISK & AUDIT COMMITTEE

		Quarter 3	Quarter 4.
			19/5/2020
1	Ms. Doreen Simiyu	-	✓
2	Mr. Jackson Andai	-	✓
3	Mr. Andrew Masese	-	✓

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MANAGEMENT BOARD MEMBERS

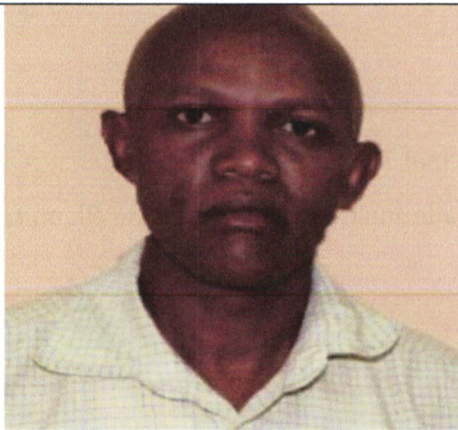
Manager's name, and key profession/academic qualifications	Indicate the main area of responsibility – without details
 <p>Mr. Evans Bosire Omwenga</p>	<ul style="list-style-type: none"> • He is the Principal and the accounting officer of the Polytechnic. • Head of the institution. • Oversee day to day running of the polytechnic
 <p>Mr. Timothy Oluchiri. – Trainer Bsc – Civil Engineering Dip. in Architecture</p>	<ul style="list-style-type: none"> • Deputy Principal Administration. • In charge of administrative, Finance and Planning programmes.
 <p>Mrs. Anne Mutsami B. Ed (Sciences) M. Sc (Microbiology)</p>	<ul style="list-style-type: none"> • Deputy Principal Academic. • Head of all academic programmes in the Polytechnic. • She is also in-charge trainee and trainers affairs.

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Cpa. Christopher Oselu.- Accountant
MBA (Finance)
B. Com (Finance)
CPAK

- He is the Finance Manager
- Head of Finance and Accounts
- He is in charge of budgetary formulation and execution
- Advisor to the principal on matters of finance operations and required regulations on financial management



Mr. Wilberforce Manoah Jahonga
B. Education

- He is the Polytechnic's Acting Registrar
- In charge of admission and career guidance
- Oversee the management of examinations



Mr. Geoffrey Ondele - Trainer
B. Education

- He is the dean of students
- In charge of students' affairs
- Oversee functions at co-curricular and sports activities
- Oversee operations at the polytechnic kitchen

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Fred Carter
Dip. HRM

- He is the Human Resource Manager
- In charge of human resource management and staff development

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CHAIRPERSON'S STATEMENT.

The Sigalagala National Polytechnic is one of the ten (10) National Polytechnic Institutions in Kenya under the Ministry of Education - State Department of Technical and Vocational Training (TVET).

The Polytechnic has a governing council having been established pursuant Section 28 (1) (c) of the TVET Act 2013. The council is ultimately responsible for the stewardship of the Polytechnic and has the mandate of overseeing the conduct of education and training in the institution in accordance with the provisions of the TVET Act, fundraising, preparing annual estimates of revenue and expenditure for the institution and incurring expenditure on behalf of the institutions and taking care of the resources of the institution among others. The council is focused on steering the polytechnic forward to achieve its mission and vision through the strengthening of its operational systems and processes.

During the financial year 2019/2020, the council put in place measures that ensured the enrolment of students increased from 5823 students to over 8,087 students by March 2020 when all learning institutions were closed due to Covid-19 pandemic. This was achieved due to serious marketing of the polytechnic and implementation of CBET courses aligned to the government policies that made it easy for students to be admitted at the polytechnic.

The governing council has also passed the key policies that will help to create a culture of good governance for the institution as envisaged by Article 10 of the Constitution of Kenya including the entrenchment of the principles of transparency and accountability. The policies passed include the Academic Policy, the Finance Policy, the Human Resource Career Progression policy, The Internal Audit Charter, the Information Communication Technology Policy and the Environmental Sustainability Policy. The Council has also developed the Council and Council committee charters to guide the conduct of its business. These include:-

- The Governing Council Charter
- The Operations and finance committee Charter
- The Education, training and research Charter
- The Audit and risk management Charter
- The Enterprise committee Charter

The council managed to construct a perimeter wall fence around the Administration Block and improvements at the Institutional Management workshop at a cost of Kshs. 15,749,005.00 to secure the heavy equipment donated by the government through Chinese - Avic International Company.

During the year under review, the Council managed to set up an Internal Audit Department to assist the polytechnic in monitoring budget control, legal and policy compliance as well as risk identification and risk management as required under PFM act 2012.

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The Polytechnic has a challenge of inadequate infrastructure of classrooms and lecture halls for serving the continued increase in the student population. To mitigate this challenge, the governing council has developed a master plan to guide infrastructure development and has in this year allocated Kshs. 60 million to commence a Multi - Story Tuition Complex Block that will accommodate 40 lecture halls and departmental offices to enable the Polytechnic accommodate the students and enable them learn in a conducive environment.

The council, in collaboration with the County government of Vihiga and the CDF Emuhaya Constituency, is also in the process of opening a campus at a newly acquired Eburngwe campus in Vihiga County where we plan to commence Biotechnology courses. This campus will train students in biotechnology and agricultural courses to support communities within the western region of the country. The agricultural centre will impart new agricultural technologies to students and communities to guide the re-imagining of the food production processes in the region for the economic empowerment of these communities.

The council is also putting a lot of emphasis on the virtual learning by allocating substantial amount to acquisition of ICT equipment and training of staff to assist the polytechnic in the implementation of virtual learning.

Chairperson: **Catherine M. Mumma**

Signature: 

Date: 30/9/2020

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REPORT OF THE PRINCIPAL

The Sigalagala National Polytechnic uses government fiscal year as their financial year. The period under review was between July 2019 to June 2020.

Operational results

The Polytechnic operated with a net deficit of Kshs. 4,657,294 after provision for depreciation on its non-Current Assets of Kshs. 67,688,105. This was due to early closure of the institution due to Covid – 19 pandemic but the Polytechnic still had heavy bills to pay even though revenue flow had stopped.

The Polytechnic operated in the fourth quarter without students.

The average student population rose from 5800 during the previous year to 8,078 in the year 2019/2020

The increase in population was due to the following factors;

- Government direction on capitation of Kshs, 30,000 per student which enabled many students to access free training in TVET institutions
- Easy access to Helb loans and helb Bursaries that can now enable many students to pay college fees and have some money for upkeep and subsistence. Annually Helb gives each student loans and bursaries at Kshs. 40,000, of which Kshs. 26,000.00 as their Tuition fees and Kshs. 14,000.00 as their pocket money for subsistence and upkeep
- Polytechnic marketing strategies that enabled students to understand the need to access TVET trainings for self-employment.
- Introduction of various courses that are market oriented and enables students to be absorbed in industry easily. (Market oriented courses).

Projects.

During the year under review, the Polytechnic managed to undertake various projects which were funded by the government and internally generated funds.

The Sigalagala National Polytechnic in their Annual budget for the year 2019/2020 was to receive a total of Kshs. 150,000,000 from the government to undertake various projects during the year, but only a total of Kshs. 3,820,875.00 was received for the Sigalagala Polytechnic development projects. This made the Polytechnic to reduce on the projects by suspending some projects and only concentrated on the construction of the Perimeter Wall Fence around the administration building and Institutional management Buildings to secure very expensive Chinese Equipment donated to the Polytechnic by the National Government.

The Polytechnic also managed to clear two loans from Absa bank used to secure Mini Bus and College Van in the year 2017. Currently the Polytechnic is servicing one loan at Kenya Commercial Bank that was used to secure 67-seater bus and will be concluded during the third quarter of the financial year 2020/2021.

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During the year, the ministry of education used the Sigalagala Polytechnic procurement process to procure furniture for 13 new TVCs at initial cost of Kshs. 32,500,000.00 which was wired to the polytechnic account but the polytechnic used a total of Kshs. 30,784,800.00 to pay the winning bidder leaving a savings of Kshs. 1,715,200.00 which will be used to upgrade the ICT servers. This process was concluded and the said institutions have all received their furniture.

The projects undertaken during the year and their levels of completion are as stated below;

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completi on % to date	Budget	Actual	Sources of funds
1.	Loan repayments	16,882,498	15,217,868	91%	5,000,000	4,502,571	A-in-A
2.	Installation of ERP	15,000,000	6,000,000	90%	10,000,000	2,000,000	Gok A-in-A
3.	Wall fence around Adm. Block	15,749,005	15,749,005	100%	10,200,000	15,749,005	A-in-A
4.	Furniture for other institutions	32,500,000	30,784,800	100%	32,500,000	30,784,800	Gok
5.	Construction of Chanzeywe Tvc	57,500,000	59,153,610	100%	9,000,000	8,820,529	Gok

The Polytechnic still lacks key facilities like tuition facilities and workshop facilities for teaching and learning to accommodate the increasing student population. The Polytechnic is in the process of constructing a Multi-Storey Tuition Complex that will accommodate 40 classroom to ease the congestion for the increasing number of students.

Fees arrears

As at the end of the financial year 2019/2020, the Sigalagala National Polytechnic had accumulated fees arrears amounting to Kshs. 84,646,556 as compared to arrears as at the end of the last financial year 2018/2019 which was Kshs. 143,391,144. This was majorly attributed to National Youth Service clearing all fees for their sponsored students for the years 2018/2019 and 2019/2020 and also increase in access to Helb loans and bursaries.

The Polytechnic still faced challenges in poor fees collection due to changes in mode of fees payments as directed by the government. In this new arrangement, students were to be enrolled freely and their data captured and sent to Kenya universities and colleges central placement services (KUCCPS) where the government was to pay for them capitation of Kshs. 30,000 and helb to fund the balance. This programme had the following challenges;

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- The Polytechnic sent a total of 8,078 students but only 5,398 students were partly paid for
- Capitation was to pay Kshs. 30,000 per student at a rate of Kshs. 7,500 per quarter but Government only sent funds for 2 quarters only making SNP to face deficit for the two quarters (Q3 & Q4)
- Capitation disbursement comes late which makes it difficult to implement the budgets programs.

Automation

The Polytechnic is undergoing a lot of automation by installing Abno Unisol ERP. This will be used by all departments in the Polytechnic for both financial and academic programmes. It will contain the following modules after completion

	Modules	% completion
	Finance module	70%
	Procurement and stores module	100%
	Human Resource and payroll module	80%
	Student management (registrar) module	100%
	Student Academic and Examination module	80%
	Accommodation module	100%
	Staff and student portal	80%
	Average completion rate	87%

The Polytechnic intends to complete the process in the next financial years so as to make Sigalagala National Polytechnic fully compliant with the ERP. This will connect all the polytechnic activities under one roof and will increase efficiency in management.

The Polytechnic has also installed student portal system which is already interlinked with the equity bank that will allow students paying fees at equity to automatically get receipted at the Finance office and acknowledgement receipts sent to their portals. This will reduce face to face contacts with accounts staff.

Donations

During the year under review, the Sigalagala National Polytechnic received solar training equipment from Germany and Canada through KEFEP programme This equipment will boost training within the department since they are the only ones available in western Kenya.

By the end of the financial year, Canadian college Hamburg was still in the process of bringing more equipment to facilitate training in solar technology.

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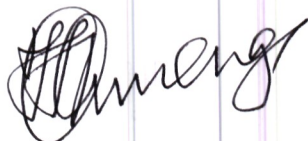
Collaborations

The Polytechnic through the state department of TVET is still in collaboration with Hamburg College in Canada through a project called KEFEP. This programme is sponsored by Canadian government through the ministry of education to the Kenya National Polytechnics.

The Sigalagala National Polytechnic will be equipped with Solar Pv Equipment to train students in green energy and will be the only polytechnic in this region doing that course. The German sponsors are in the process of installing these equipment that have been donated by them and some equipment will be donated by the Canadians.

Governance

The Sigalagala National Polytechnic through governing council executed their duties well during the year. Various policies were put in place to facilitate good governance. The meeting attendances were good as stated above under council profile. There were no conflicts of interest reported on them during the year under review. The Polytechnic had day to day management under management board which comprise of all top management staff and the heads of departments. During the year under review, the Management board also executed their role well and there were no conflict of interest reported.



Evans Bosire

Principal

Date..... 25/9/2020

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PERFORMANCE REVIEW FOR FY 2019/2020

Strategic pillar	objective	Activities	Expected Output	Performance Indicators	Achievements
1. Provision of Quality and inclusive education and Technical Training	1.1 To Collaborate with universities for the provision of Degree Programmes.	Identify areas of need for degree level training	Inventory of need areas conducted	Inventory report	Work in progress in applied science and biotechnology
		Identify suitable technical universities and develop partnership	List of technical universities identified and partnerships developed	MOU document detailing collaboration arrangement	Available
	1.2 Develop and implement competency based Certificate and Diploma programmes	Develop curriculum in collaboration with technical universities	Curricular developed	Number of curricula developed	Work in progress in the areas of applied science
		Conduct industry skills needs assessment	List of skill areas identified	Availability of reports on industry skill needs	Reports available
	1.3 Provide a conducive environment for training and nurture trainee talents	Develop new relevant market driven CBET	The CBET programme	Availability of the CBET programme	Completed and available
		Implementing and monitoring the CBET	Approved running of CBET courses	Presence of implementation & monitoring reports	20 programmes
		Evaluating the programmes and review if necessary	Data and information available	Number of programmes	Evaluation done and report available
		ICT integration and training	Enhanced automation level	Networks, MIS	Implementation of ERP is on-going
		Promote Trainee participation in sports and games	Trainee participation in sports and games	Participation in tournaments and competitions	Participated in various tournaments within the year.

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Strategic pillar	objective	Activities	Expected Output	Performance Indicators	Achievements
		Promote Trainee participation in cultural events	Trainee participation in cultural events	Participation in cultural events	Done Annually.
		Promote trainee leadership training program	Trainee leadership training program	No. of training programmes	Done twice annually for students leaders
		Develop and implement trainee work study programme	Trainee work study programme	No. of trainee on work study programme per year	200 trainees are involved annually during holidays
2. Improve Resource Mobilization and fiscal management of the institution	2.1 Improve Financial Resource Base	Establish Mechanisms to support needy students	Support Mechanism established.	Support Mechanisms	Intervening for them to sponsors like CDF and helb bursaries
	2.2 Improve Financial Resource Base	Establish Mechanisms to support needy students by financing their training.	Support Mechanism established.	Support Mechanisms	Cdf, Helb and other NGOs for financial support
	2.3 Improve stewardship in financial, built and natural resources	Compliance with Budgetary Estimates	Budget prepared	Availability of Annual Budget Statement	Available
		Formulate and implement procurement and Finance management Shift	Finance and Procurement policies	Finance and Procurement Policies	Available
		Formulate and implement internal controls and procedures	Internal controls and procedures policy	Controls and Procedures	Available
		Developing Environmental management policy	Environmental management policy developed	Policy document	Available
		Carry out environmental	Number of audits done	Audit reports	Available

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Strategic pillar	objective	Activities	Expected Output	Performance Indicators	Achievements
		audit and impact assessment			
		Sensitization of the environmental audit report	Environmental awareness creation	Seminars held	To times during the year
		Developing policy on waste management	Policy in place	Waste management policy document	Work in progress
		Construction of 1 incinerator	Proper waste disposal	Functional Incinerator in place	One for the villagers as part of CSR
		Acquiring a dump site	Proper Waste disposal	At least one dump star in place	Is in place
		Upgrade electricity supply and distribution system	Upgraded Electricity and Distribution System	Quality of Electricity and Distribution System	Upgraded and further upgrade budgeted for (owning a transformer)
		Establish rain water harvesting systems	Rain water system installed	Availability of Rain water Harvesting System	Process on-going
		Improve Storm Water drainage system	Drainage Systems improved	water drainage system constructed or improved	completed
	2.4 Develop effective Human Resource Functional Processes to attract and retain Quality staff.	Develop a framework for partnership with industry	Improved skills for staff.	Increased number of staff trained and partnerships with industry	50 staff in were involved
		Review the HR Policy Manual and Develop Scheme of service	HR Policy Scheme of service developed	Policy Manual Scheme of Service	Are in place
		Carry out Staff Skills Gap Analysis	Skills Gap Analysis conducted	Gap Analysis Reports	Done
		Review Organizational Structure	Organizational Structure Reviewed	A reviewed Organization Structure	completed
		Carry out Staff Training	Needs Assessment	Needs Assessment	Done

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Strategic pillar	objective	Activities	Expected Output	Performance Indicators	Achievements
		Needs Assessment	Conducted		
		Appraise and Capacity Build Staff	Performance Appraisal and CB Conducted	Training Evaluation report	Done
		Exchange programmes	MOU with 3 institutions of higher learning	MOU in place	Available
		Capacity Building	Benchmarking carried out	Reports	Available
		Review of fees	New Fee structure	Availability of New fee structure	Fees structure not reviewed as per GOK policy on fees
	2.6 Expand Infrastructure to cope with increasing number of students	Improve internal roads and walkways	Roadways and Walk ways	Number of walkways and roadways improved	Improved mobility
		Improve facilities for the physically challenged	Ramps	Number of constructed ramps	Improved mobility for the physically challenged
		Construct Central Stores & warehouse / Garage	Central Store and Ware house	Availability of Central Stores	Improved stores and procurement management
		Construct a training Complex for Applied Sciences	Training Complex with a 3 star hotel	Availability of Training Complex	Improved training for Applied Sciences students
		Construct a training Complex for ICT	Training Complex with a 3 star hotel	Availability of Training Complex	Improved training for ICT
		Construct a training Complex for Building and Civil Engineering	Training Complex with a 3 star hotel	Availability of Training Complex	Improved training for Building and Civil Engineering Students

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Strategic pillar	objective	Activities	Expected Output	Performance Indicators	Achievements
		Construct a Tuition	Training Complex with a 3 star hotel	Availability of Training Complex	Improved training
		Complete Constructions of Perimeter Wall-fence	Perimeter Fence/wall	Length of Wall	Construction completed around the administration offices
		Audit infrastructure and Buildings	Status report for facilities	Presence of Audited Infrastructure Status report	Completed and new Master Plan prepared
		Inventory of physical infrastructure and equipment	Register of physical infrastructure and equipment	Register	Completed and complete Assets register maintained for all assets
		Maintain ICT equipment	ICT equipment	Availability of Serviceable ICT Equipment	Ict service department in place and all ICT equipment are in place
	2.7 Achieve or exceed best practice in environmentally efficient operations	Developing Environmental management policy	Environmental management policy developed	Policy document	Work is in progress
		Carry out environmental audit and impact assessment	Number of audits done	Audit reports	Audit done and report available
		Sensitization of the environmental audit report	Environmental awareness creation	Seminars held	Various training and awareness done
		Developing policy on waste management	Policy in place	Waste management policy document	Work is in progress
		Sensitization on the policy	Awareness of the Waste management policy	Seminar Proceedings report	Work is in progress
		Construction of 1 incinerator	Proper waste disposal	Functional Incinerator in place	Developed and is functional.
		Acquiring a dump star	Proper Waste disposal	At least one dump star in place.	Work in progress

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Strategic pillar	objective	Activities	Expected Output	Performance Indicators	Achievements
	2.8 Develop high quality teaching programs relevant to sustainability	Industrial Attachment	Students/Staff attachment	Reports	Very term a set of students always go for industrial attachment and reports are available
		Participation in shows and exhibition	More exposure and marketing	Annual participation in shows and exhibition	Done annually at the regional ASK shows at Kakamega
		Appoint an ODFL team Establish an ODFL office.	Team appointed ODFL office	Appointment letters Operational office	Established Established
		Develop ODFL Policy	Policy developed	ODFL Policy document	Established
		Conduct TNA in Informal Sector.	TNA	TNA Report	On-going
		Sensitization and Training of staff	Training schedules	Training manuals and documents	Done
		Develop Digital Course Content	Developed Open Educational Resources (OER)	OER available in the institutional e-portfolio	Available under O'Del programmes
		Conduct M &E on ODFL	Feedback from users	M &E report	Done and available
	2.9 To Enhance Risk and Disaster Preparedness	Develop risk management policy	Policy developed	Policy document in place	Done
3. To continuously improve the institutional research and innovation capacities for	3.1 Develop capacities for trainers in research and research proposal writing	To collaborate with reputable research bodies for enhancement of research capacities of SNP trainers	Enhanced research capacities	collaborative initiatives with reputable research partners	Done with IREN

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Strategic pillar	objective	Activities	Expected Output	Performance Indicators	Achievements
alignment with industry					
		Develop winning research proposal writing skills among the trainers and trainees	Research proposals funded	No. of funded proposals No. of trainers and trainees who are writing winning research proposals	One
	3.2 Engage in strategic research partnerships to develop better tools and processes to enhance community entrepreneurial capacities	Identify and work with key partners in industry and communities to collaborate in the development of skills for greater involvement of vulnerable groups in viable small scale economic ventures in line with the national economic strategies	strategic partnerships with industry and communities formed	No. of collaborative initiatives formed No. of industry partners No. of community partners	One
	3.3 Establish a business hub for the incubation of innovative trainees in the development of their entrepreneurial ideas	Develop funding proposal for the establishment of the hub	Funding proposal developed and hub established	An operational hub No. of talented trainees working at the hub	On-going
	3.4 To continuously improve the institutional research and innovation capacities for alignment with industry	Identify reputable journals in which research works form the institution may be published	Research works published in reputable journals	No. of SNP research works published in reputable journals	Two

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Strategic pillar	objective	Activities	Expected Output	Performance Indicators	Achievements
		Develop a program to incentivize trainers and trainees engaged in research to publish their works	Trainers and trainees engaged in research and publishing	No. of trainers and trainees engaged in research and publication	3 trainers
4. To improve Governance, Partnerships and Linkages	4.1 Enhance Corporate Governance and Quality Management Systems	Formulate and Implement Financial Management Policy	Policy Document	Financial Management Policy	Available
		Formulate and Implement Governing Council Charter	Council Charter	Council Charter	Available
		Formulate and Implement Integrity Assurance Policy	Policy Document	Integrity Assurance Policy	Available from EACC and is fully implemented
		Formulate and Implement Public Complaints Management Policy	Policy Document	Public Complaints Policy	Available from the office of the ombudsman and fully implemented
		Establish a one stop customer service centre	Huduma Centre	Customer friendly Huduma Centre	Available
		Review ICT policy	Policy reviewed	Policy in place	Reviewed and available
		Operationalize the ICT policy	Policy Operationalized	No. SNP Polytechnic community sensitized	Training done to key officers who will train others
		Develop and Operationalize the ICT Strategy	Strategy Operationalized	ICT Strategy	Implementation on-going
		Formulate and Implement Financial Management Policy	Policy Document	Financial Management Policy	Fully implemented
		Formulate and Implement Governing Council Charter	Council Charter	Council Charter	Fully implemented

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Strategic pillar	objective	Activities	Expected Output	Performance Indicators	Achievements
		Formulate and Implement Integrity Assurance Policy	Policy Document	Integrity Assurance Policy	Fully implemented
		Formulate and Implement Public Complaints Management Policy	Policy Document	Public Complaints Policy	Fully implemented
		Establish a one stop customer service Centre	Huduma Centre	Customer friendly Huduma Centre	Fully implemented
		Review ICT policy	Policy reviewed	Policy in place	Available
		Operationalize the ICT policy	Policy Operationalized	No. SNP Polytechnic community sensitized	Full operationalization on-going
		Develop and Operationalize the ICT Strategy	Strategy Operationalized	ICT Strategy	Full operationalization on-going
	4.2 Provide cost effective infrastructure for ICT	Undertake ICT infrastructure audit	Audit undertaken	Audit report	Available
		Improve ICT infrastructure	Improved user experience and access	Effective utilization of ICT services	On-going – fibre network installation
		Implement recommendations of Audit report	Audit report implemented	No. of implemented reports	3 areas implemented
		Undertake ICT infrastructure audit	Audit undertaken	Audit report	Available
		Improve ICT infrastructure	Improved user experience and access	Effective utilization of ICT services	Various trainings sponsored and organized
		Implement recommendations of Audit report	Audit report implemented	No. of implemented reports	On-going
	4.4 Develop, review and	Review and Operationalize	<ul style="list-style-type: none"> e-learning policies 	<ul style="list-style-type: none"> No. of Designed e- 	200 staff trained and are

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Strategic pillar	objective	Activities	Expected Output	Performance Indicators	Achievements
	implementation of departmental policies and procedures	the e-learning framework	<ul style="list-style-type: none"> and guidelines developed Staff sensitized on e-learning 	<ul style="list-style-type: none"> learning policies and guidelines No. of staff trained on e-learning 	running the e-learning programmes
		Acquire and setup primary requirements for E-Learning	<ul style="list-style-type: none"> Learning Management system (LMS) acquired LMS installed and customized Integration of third party applications and plugins Support accessories acquired 	<ul style="list-style-type: none"> No. of Learning Management system (LMS) acquired No. of LMS installed and customized No. of Integrated third party applications and plugins No. of other support accessories acquired 	One LMs acquired and is operationalized
	4.5. Develop and implement a marketing strategy	Review and Operationalize the e-learning framework	<ul style="list-style-type: none"> e-learning policies and guidelines developed Staff sensitized on e-learning 	<ul style="list-style-type: none"> No. of Designed e-learning policies and guidelines No. of staff trained on e-learning 	One
		Acquire and setup primary requirements for E-Learning	<ul style="list-style-type: none"> Learning Management system (LMS) acquired LMS installed and customized Integration of third party applications and plugins Support accessories acquired 	<ul style="list-style-type: none"> No. of Learning Management system (LMS) acquired No. of LMS installed and customized No. of Integrated third party applications and plugins No. of other support accessories acquired 	One hosted at KTTC

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Strategic pillar	objective	Activities	Expected Output	Performance Indicators	Achievements
	4.6 Develop frame work for industry and partnership linkages	Develop Corporate Social Responsibility Framework	CSR Framework Developed	CSR Framework	On-going
		Exchange program mes	MOU with 3 institutions of higher learning	MOU in place	On-going – MMUST and JOOUST
		Capacity Building	Benchmarking carried out	Reports	Available
		Develop and Operationalize an Alumni Engagement Strategy	Engagement strategy	Alumni activities e.g sponsorship schemes	Various activities identified but non started
		Co-curricular activities	Activities carried out	Certificates, trophies, letters	Various earned
		Seminars/Seminars	Seminars conducted	Certificates/letters, reports	Available
		Workshops	Workshops conducted	Certificates, Letters	Various workshops and seminars conducted

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CORPORATE GOVERNANCE STATEMENT

We believe in good corporate governance as an organisation. The governing Council provides leadership through oversight, review and guidance whilst setting the strategic direction. The governing council is the primary decision-making body for all matters considered as material to the service.

The governing Council has the appropriate mix of skills, knowledge and experience to perform its oversight role effectively and efficiently.

Council meetings are held quarterly as per *Mwongozo* guidelines and the Polytechnic Order of 2016 and they have formal schedules of matters specifically reserved for deliberation. The Polytechnic ensures that it provides the necessary resources and expertise to the governing council to assist the ministry in their decision-making and as such, they are regularly consulted on key policy matters.

General Responsibilities

The Council has a duty to the people of Kenya to ensure that the Sigalagala National Polytechnic achieves its objectives efficiently and effectively and in compliance with PFM Act, 2012, TVET Act 2013, Polytechnic order No. 9 of 2016 and all other laws related to their duties

Statutory powers of the Polytechnic governing council include:

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

Risk Management and Internal Controls

The Council has overall responsibility for the establishment and oversight of the Polytechnic's risk management frameworks. The risk Management Policies are established to identify and analyse the risks faced by the Polytechnic and to set appropriate risk limits and controls, and to monitor adherence to these limits. Risk Management policies and systems are reviewed regularly to reflect changes in operating conditions, legislation and services offered. Subsequently, the Polytechnic Identifies and manages risk through in-house risk review enhanced by compliance, internal and external audits.

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The Polytechnic has put in place a system of internal controls with defined procedures, financial and operational controls to ensure that resources are safeguarded; transactions authorised, validated and reported in line with International Public-Sector Accounting Standards and other treasury and ministry circulars and guidelines.

Conflicts of interest

All Council members are under a duty to avoid conflicts of interest. This entails not engaging, directly or indirectly in any business that competes or conflicts with the Polytechnic's business. The council has established a robust process requiring members to disclose their business interests for the polytechnic to know and have them in records.

Compliance

The Council confirms that it is satisfied that the Polytechnic has adequate resources to continue operating for the foreseeable future. For this reason, it continues to adopt the going Concern basis when preparing the financial statements.

The Council is satisfied that the Polytechnic as to the best of their knowledge complied with all relevant laws and conducted its business affairs in accordance with the law in particular to the PFM act 2012, TVET act 2013 and Polytechnic Order No. 9 of 2016



Mrs. Catherine M. Mumma
Chairperson Council



Mr. Evans Bosire
Principal

**THE SIGALAGALA NATIONAL POLYTECHNIC
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MANAGEMENT DISCUSSION AND ANALYSIS

The Polytechnic operational and Financial Performance

Generally, the Polytechnic operated at a net deficit of Ksh. 4,657,294 after providing for depreciation on its Non - Current assets at a cost of Kshs. 67,688,105 as indicated on the Property, plant and equipment schedule attached on note 23.

This was majorly due to the factors below;

- Early closure of the Polytechnic due to outbreak of Covid -19 which made the polytechnic not to collect fees for the 4th quarter but fixed cost still remain to be paid.
- Failure to receive 3rd and 4th quarter of capitation from the government.

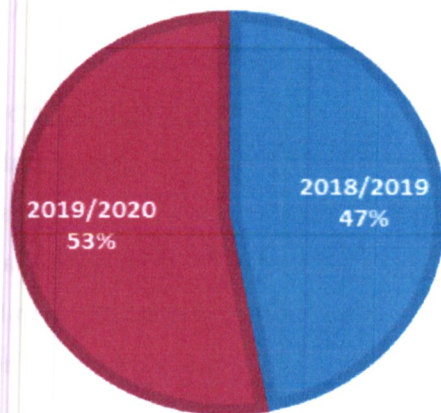
The revenue movement for the two years is as shown below

Revenue Movement

2018/2019	306,686,327.00	47.09%
2019/2020	344,701,122.00	52.92%

REVENUE MOVEMENT

■ 2018/2019 ■ 2019/2020



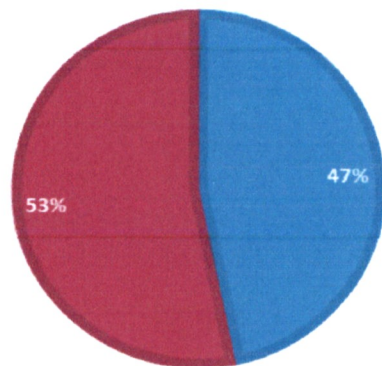
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The expenditure movement for the last two years is as below;

2018/2019	308,030,526.00	47%
2019/2020	349,358.416.00	53%

EXPENDITURE MOVEMENT

■ 2018/2019 ■ 2019/2020



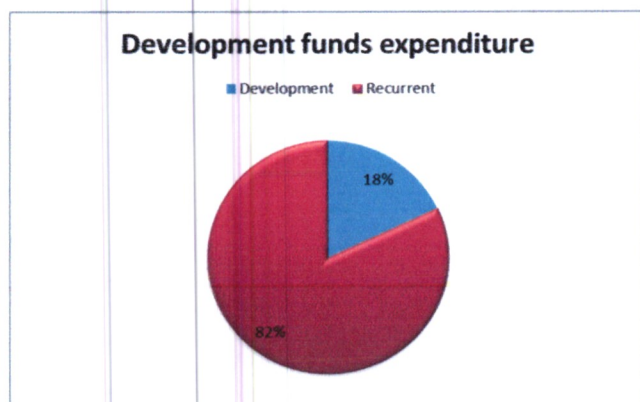
The nets assets base of the Polytechnic also grew over the last two years. This is an indication that the Polytechnic is growing well and the going concern is guaranteed. The polytechnic received equipment from China Avic International through the ministry of education in the Institutional Management department worth Kshs. 29,061,790 as reported on the PPE schedule on note 23.

The Polytechnic managed to conclude the construction of Chanzeywe TVc on behalf of the government and handed it over to the ministry – state department of TVET, this shows the overall reduction in net assets. The cost of construction of the mentored institution has been shown in the books as work in progress and once it was completed it was to be handed over to the ministry to post a principal for its operations. The polytechnic used funds received both from government and internally mobilized funds to carry out various projects like; acquisition of property plant and equipment as shown in note 23, acquisition of intangible assets as shown in note 24.

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The chart below shows the proportionate development funds expenditure during the year

Development	76,751,157	18%
Recurrent	349,358,415	82%



Compliance with Statutory Requirements

By the end of the year, the Sigalagala National Polytechnic had paid all its statutory requirements in terms of NSSF, NHIF, PAYE, Helb and all withholding taxes from contractors and suppliers it was mandated to pay to KRA. The Polytechnic has been withholding 3% taxes on all payment made to contractors and remitting them to KRA when due. The Polytechnic was also registered as VAT withholding agent as at 1st July 2019 and has been withholding VAT on all its services and payments which were rendered to KRA on or before stipulated time. During the year the VAT withholding changed from 6% - 2%. The functions of the polytechnic is also anchored on various law and statutes and other government regulations which the polytechnic operated under

By the end of the year the Polytechnic did not have any issues with non-compliance to any legal and statutory requirements. The Polytechnic is operating under legal frame works necessary under public sector requirement such as;

- The Constitution of Kenya, 2010
- The Sigalagala National Polytechnic order, 2016
- TVET Act, 2013
- PFM Act, 2012
- Procurement and Assets Disposal act, 2015
- IPSAS standards.
- All other relevant laws in its operation(regular circulars from Treasury and Ministry Of Education)

The Polytechnic has also internal policies it uses in its operation. These policies are in line with all the relevant laws stated above and only direct the specific operations on how tasks are handled.

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These policies are;

- Finance Policy
- Procurement Policy
- Academic Policy
- Human Resource Policy
- Ict Policy

Key Projects the Polytechnic is Implementing

The projects undertaken during the year and their levels of completion are as stated below;

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completi on % to date	Budget	Actual	Sources of funds
1.	Loan repayments	16,882,498	15,217,868	91%	5,000,000	4,502,571	A-in-A
2.	Installation of ERP	15,000,000	6,000,000	90%	10,000,000	2,000,000	Gok A-in-A
3.	Wall fence around Adm. Block	15,749,005	15,749,005	100%	10,200,000	15,749,005	A-in-A
4.	Furniture for other institutions	32,500,000	30,784,800	100%	32,500,000	30,784,800	Gok
5.	Construction of Chanzeywe Tvc	57,500,000	59,153,610	100%	9,000,000	8,820,529	Gok

During year under review, the Polytechnic incurred an additional purchase of the following Assets;

- i. Buildings of perimeter wall fence Kshs. 15,749,005.00
- ii. Furniture and Fittings Kshs. 37,952,810
- iii. Equipment Kshs. 1,295,000.00
- iv. Computers and Accessories of Ksh. 10,933,913
- v. ERP (*Abno Unisol.*) Kshs. 2,000,000
- vi. Chanzeywe of Kshs. 8,820,529

Major risks the Polytechnic is facing;

Operational Risks

The Polytechnic faces competition for resources including; students, staff and financial resources.

The Polytechnic financial assets are trade receivables as well as cash and short term deposits which arise directly from its operations. The Polytechnic has financial liabilities comprising trade and other payables.

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The Polytechnic has exposure to the following risks:

- i) Market risks
- ii) Liquidity risks
- iii) Credit risks

The Council has overall responsibility for the establishment and oversight of the Polytechnic's risk management framework. The Polytechnic's risk management policies are established to identify and analyze the risks faced by the Polytechnic, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in economic conditions and the organization's activities.

The Principal oversees how management monitors compliance with the Polytechnic's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Polytechnic.

Market Risk Management

Interest Rate Risk

The Polytechnic paid an interest of **Kshs. 1,331,518.00** on the loan it has with Absa Bank and Kenya commercial bank as per rates prescribed by the Central Bank of Kenya during the year and other bank charges as indicated below;

Description	KShs
Bank charges	668,533
Interest on loan	662,985
Total	1,331,518

Foreign Currency Risk

The Polytechnic undertakes certain transactions denominated in foreign currencies, mainly the US Dollar and Canadian Dollar. This results in exposures to exchange rate fluctuations. Exchange rate exposures can be managed well if the polytechnic was allowed to operate bank dollar account.

Liquidity Risk

Liquidity risk is the risk that the Polytechnic will not be able to meet its financial obligations as they fall due. The Polytechnic's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Polytechnic's reputation. Typically, the Polytechnic ensures that it has sufficient cash on demand to meet

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expected operational expenses for a period of 30 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political violence. All liquidity policies and procedures are subject to review and approval by the Council. All capital developments are funded by the Government and internally generated funds.

Credit Risk

Credit risk is the risk of financial loss to the Polytechnic if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the organization's receivables from customers. The Polytechnic receives fees from students and government capitation which minimizes the credit risk exposure.

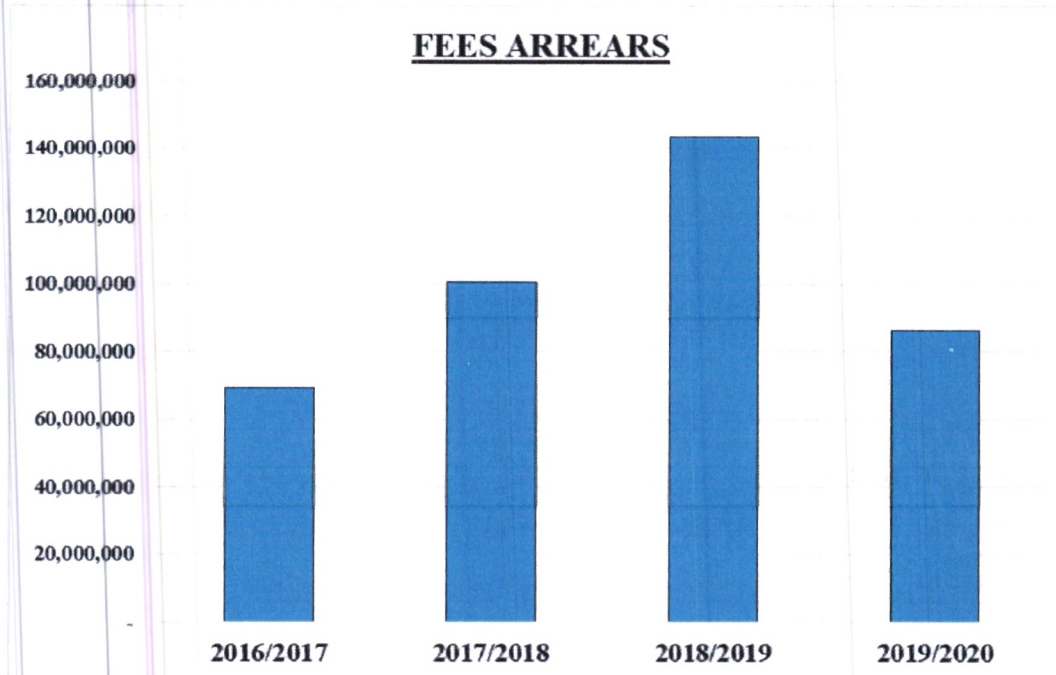
The Polytechnic has a student's fees payment policy which defines how and when fees are supposed to be paid hence minimizes credit risk.

Material Arrears and Financial Obligations

The Polytechnic had substantial fees arrears owed by various entities totalling to Ksh. 86,271,809 which had not been received by the year end the polytechnic attribute this to earlier closure of learning institutions due to Covid-19 pandemic in early march 2020. This was a decrease as compared to the same period during the last financial years as shown in the graph below;

- 2016/2017 - 69,412,980
- 2017/2018 - 100,383,982
- 2018/2019 - 143,391,144
- 2019/2020 - 84,646,556

THE SIGALAGALA NATIONAL POLYTECHNIC
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The Polytechnic Financial Probity and Governance Issues

The Polytechnic is governed by a Council appointed by the Cabinet Secretary for education, who are independent overseers of the running of the Polytechnic. They hold quarterly meetings to discuss management affairs of the Polytechnic. The full council has sub-committees who also meet quarterly to oversee operations in their respective areas. The governing council oversights the financial operations of the Sigalagala National Polytechnic through its sub - Committee on Finance and Administration. The committee met and discussed the accounts for the financial year 2019/2020. The committee noted that the financial report under review is the third to be presented under the new International Public Sector Accounting Standards Accruals basis. (IPSAS Accruals). As directed by the National Treasury to all public tertiary institutions. The following issues were observed;

(i) Variances

The council observed that positive variance on revenue was due to increased number of students' population which reflected in more revenue collection. Negative variance on expenditure was due to increase in expenditure due to increased population which had stretched needs. The council however noted that the general performance had a positive variance a sign that the Polytechnic did not commit beyond its revenue limit.

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Un-paid Creditors.

By the end of the year the Polytechnic have unpaid creditors total to Kshs. 2,938,649. The entire financial obligation for the year 2019/2020 and all other previous creditors were cleared in line with the president's directives on the pending bills except creditors worth Kshs. 2,938,649 which had not been cleared for payment.



By order of the council

Mr. Evans Bosire

Principal/Secretary to the Council

**THE SIGALAGALA NATIONAL POLYTECHNIC
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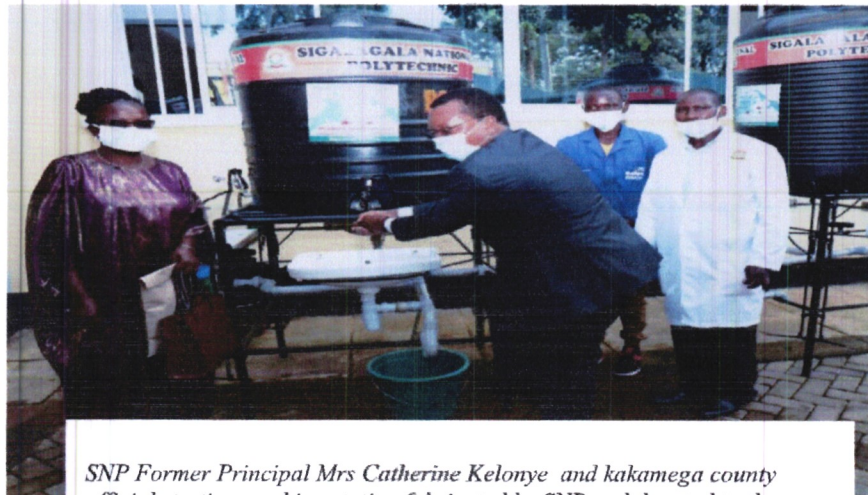
CORPORATE SOCIAL RESPONSIBILITY STATEMENT

During the year under review, Sigalagala National Polytechnic had some activities to the locals to uplift their lively hoods. These activities were as below;

- Joint Mock Examinations for all primary schools surrounding the College and the best overall school was awarded by our College.
- Since the emergence of Covid – 19 pandemic, the polytechnic was involved in the fabrication and production of PPEs such as face masks and water station which some were distributed to Kakamega county government to place them at public places for public use as indicated below;



SNP Former Principal Mrs Catherine Kelonye donating face masks to kakamega county officials to be distributed to residents in a local market



SNP Former Principal Mrs Catherine Kelonye and kakamega county officials testing washing station fabricated by SNP and donated to the county

- During the year, the polytechnic trained 100 members of the community on Baking Technology skills sponsored by ADB Bank, this was mainly to improve on their baking skills hence they can be self-employed and assist the Government in achieving the big four Agenda.

**THE SIGALAGALA NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

REPORT OF THE COUNCIL

The Council members submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Sigalagala National Polytechnic affairs.

Principal activities

The Principal activities of the Sigalagala National Polytechnic are to offer training and research in technical fields.

Results

The results of the polytechnic for the year ended June 30 2020 are set out on page 1-6

GOVERNING COUNCIL

The members of the Council who served during the year are shown on page viii - x

During the year 2019/2020 there were two sets of council members, the first set were completing their term which ended on December 2019 hence served the first two quarter of the fiscal year, and the new council members who are currently serving were inaugurated on 30th January 2020 and served during the last two quarters of the fiscal year.

Auditors

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

By Order of the Council



Secretary

**THE SIGALAGALA NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, and section 29 of schedule 2 of the Technical and Vocational Education and Training Act 2013 require the governing council to prepare financial statements in respect of the polytechnic, which give a true and fair view of the state of affairs of the Polytechnic at the end of the financial year and the operating results of the Polytechnic for that period. The council members are also required to ensure that the polytechnic keeps proper accounting records which disclose reasonable accuracy of the financial position of the polytechnic. The council members are also responsible for safeguarding the assets of the polytechnic.

The governing council 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, 2020

These responsibilities include:

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

The council members accept responsibility for the polytechnic's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act, and the TVET Act).

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 30,2020and of the polytechnic's financial position as at that date.

THE SIGALAGALA NATIONAL POLYTECHNIC
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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 approved by the full council on 30/9/2020 and signed on its behalf by:



Council Chairperson



Council Secretary

REPUBLIC OF KENYA



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

REPORT OF THE AUDITOR-GENERAL ON SIGALAGALA NATIONAL POLYTECHNIC FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Sigalagala National Polytechnic set out on pages 1 to 46 which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 Sigalagala National Polytechnic as at 30 June, 2020, 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 (TVET) Act, 2013 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.247,873,131 as at 30 June, 2020 comprising bank balance of Kshs.247,869,321 held on ten (10) bank accounts and cash in hand balance of Kshs.3,810 as disclosed in Note 20 to the financial statements. An audit review of the bank reconciliation statements for the month of June, 2020 revealed the following unsatisfactory matters;

1.1 College Fund Account

The cash and cash equivalents balance under Note 20 to the financial statements includes Kshs.27,035,476 in respect of college fund account, whose bank reconciliation statement reflects returned cheques amounting to Kshs.1,310,318 with some dating back to September, 2019. In addition, the reconciliation statement reflects unrepresented cheques totalling Kshs.11,254,645 which includes a cheque of Kshs.876,000 dated

9 November, 2019 and therefore stale. No reason was provided for not reversing these cheques in the cashbook.

Further, the bank reconciliation statement reflects payments totalling Kshs.396,863 that were made in January, 2020 but had not been recorded in the cashbook as at 30 June, 2020.

1.2 Development Account

Included in the cash and cash equivalents balance is Kshs.20,824,313 relating to GOK development account. Audit review of the bank reconciliation statement for the month of June, 2020 revealed uncredited receipts totalling to Kshs.379,100 all of which related to the month of October, 2019 and had not been recorded in the cashbook as at 30 June, 2020. No reason was provided for not recording them in the cashbook.

1.3 Fees Collection Account

Reflected under Note 20 to the financial statements is Kshs.117,494,631 in respect of a fees collection account. The bank account's reconciliation statement for the month of June, 2020 reflected un-receipted credits totalling to Kshs.1,671,096 out of which Kshs.85,100 related to 31 December, 2019. No reason was provided for not recording them in the cashbook.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.247,873,131 as at 30 June, 2020 could not be confirmed.

2. Unsupported Receivables from Exchange Transactions

Disclosed under Note 21 to the financial statements, The statement of financial position as at 30 June, 2020 reflects receivables from exchange transactions balance of Kshs.86,271,809 which includes student debtors of Kshs.84,646,556 whose analysis was not provided.

Consequently, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.86,271,809 as at 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.521,192,000 and Kshs.420,212,611 respectively resulting to an under-funding of Kshs.100,979,389 or 19% of the budget. Similarly, the institution recorded an actual expenditure amounting to Kshs.358,421,568 against an approved budget of Kshs.521,192,000 resulting to an under-expenditure of Kshs.162,770,432 or 31% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregularities in the Award of Tender for Supply of Fuel and Lubricants

The statement of financial performance and as disclosed in Note 12 to the financial statements reflects the use of goods and services balance of Kshs.91,416,903. Included in this amount is local travel and transportation amount of Kshs.7,976,421 out of which Kshs.3,451,927 was paid to a local firm for the supply and delivery of fuel and lubricants. However, a review of tender evaluation reports for the supply and delivery of fuel and lubricants revealed, the lowest recommended supplier was a different firm and no reason or documentation was provided to support the change of award. This is contrary to Section 86 (1)(a) of the Public Procurement and Disposal Act, 2015 which requires that the successful tenderer shall be the one with the lowest evaluated bid.

In the circumstances, the Management breached law.

2. Irregular Award of Tender to supply and Delivery of Foodstuffs

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects general expenses amount of Kshs.89,914,520. Included in this amount is Kshs.656,027 paid to a local firm for the supply and delivery of foodstuffs vide tender number SNP/T/2019-2021/18 and payment made vide payment voucher number M0778. A review of the related tender evaluation reports provided revealed, the local supplier that was awarded the tender had been disqualified for being non-responsive based on the set criteria. However, no reason or documentation was provided for

awarding the tender to a firm that was not responsive contrary to Section 86(1)(b) of the Public Procurement and Asset Disposal Act 2015, which requires that the successful tender shall be the responsive proposal/bid with the highest score determined by the procuring entity for each proposal, in accordance with the procedures and criteria set out in the request for proposals.

Consequently, the Management breached law.

3. Irregular Award of Tender for Supply and Delivery of Groceries and Cleaning Detergents

Included in the general expenses figure of Kshs.89,914,520 reflected in the statement of financial performance, are payments totalling to Kshs.1,044,580 that were made to two suppliers of Kshs.830,780 and Kshs.213,800 vide voucher numbers M0621, CF23415 and CF22250 respectively. The suppliers were awarded tenders for supply and delivery of groceries and cleaning detergents. .

Although the suppliers were in the list of registered suppliers, there was no evidence that the two firms submitted their tender documents for evaluation for the said tenders contrary to Section 86(1)(b) of the Public Procurement and Asset Disposal Act, 2015, which requires that the successful tender shall be the responsive proposal/bid with the highest score determined by the procuring entity for each proposal, in accordance with the procedures and criteria set out in the request for proposals.

Consequently, the management breached the law.

4. Delay in the Implementation of Enterprise Resource Planning (ERP) System

Information made available for audit, revealed, a contract for the upgrade, testing, training and configuration of the Management Information Systems to an Enterprise Resource Planning (ERP) was awarded to a system developer on 14 June, 2018 at a contract sum of Kshs.11,774,000. The contract was to remain valid for one and half years after the commencement date. The system was to contain seven modules to be used by all departments in the college for both financial and academic programs. As at 30 June, 2020 Kshs.6,000,000 had been paid to the contractor.

However, as at the time of audit in January, 2021, fifty-two (52) weeks after the expiry of the contract period, the ERP had not been fully implemented as some procurement functions such as evaluation of tenders and issuing of stocks from the stores were being done manually and not through the system. In addition, four modules, which include, finance module, Human resource and payroll module, student academic and examination module and staff and student portal module were not complete and no reason or explanation was provided for the delay in completion.

Consequently, the institution may not have got value for money in respect of Kshs.6,000,000 so far invested in the system.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the

financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Risk Management Policy

As reported in the previous year, the Polytechnic continues to operate without a comprehensive risk management policy which would have assisted the entity to identify inherent risks that could interrupt the operations and help in designing and implementing appropriate mitigating measures. The Management also did not have approved IT Steering Committee, strategic and data recovery plans and business continuity plans contrary to Regulation 165(1) (a)-(b) of the Public Finance Management (National Governments) Regulations, 2015 which require that the accounting officer should ensure that there is a risk management policy including prevention mechanisms and systems.

Consequently, the management breached the law and may not be able to restart in case of a disaster occurring.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires 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 Governing 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control.

In preparing the financial statements, Management is responsible for assessing the Polytechnic's ability to continue to sustain services, disclosing, as applicable, matters

related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Polytechnic or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that

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


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Polytechnic's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Polytechnic to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Polytechnic to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 February, 2022

THE SIGALAGALA NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020


	Notes	2019/2020	2018/2019
		Kshs.	Kshs
Income			
Revenue from Non-Exch. Transactions			
GOK Operation Grant	6	130,281,929	49,815,000
		130,281,929	49,815,000
Revenue from Exchange Transactions			
Rendering of services- Fees from students	7	157,308,577	196,872,270
Sale of goods	8	54,438,051	55,875,210
Rental revenue from facilities and equip.	9	1,473,513	3,956,372
Finance Income	10	1,072,352	99,475
Other income	11	126,700	68,000
		214,419,193	256,871,327
Total Revenue		<u>344,701,122</u>	<u>306,686,327</u>
Expenses			
Use of goods & Services	12	91,416,903	111,510,395
Employee costs	13	73,951,172	49,619,597
Depreciation	14	67,688,105	57,318,561
Repairs and maintenance	15	14,254,066	19,495,003
General expenses	16	89,914,520	68,786,694
Council Expenses	17	10,802,132	-
Finance costs	18	1,331,518	1,300,276
Total Expenses		<u>349,358,416</u>	<u>308,030,526</u>
Gross Surplus		(4,657,294)	(1,344,199)
Gain from Town campus	11	-	3,200,065
Net Surplus for the year		(4,657,294)	1,855,866

Notes on pages 7- 46 form an Integral part of the Financial Statements

THE SIGALAGALA NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

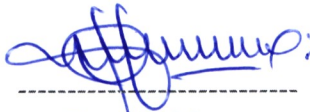
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2019/2020	2018/2019
		Kshs.	Kshs.
Assets			
Current assets			
Cash and Cash Equivalents	20	247,873,131	91,052,079
Receivables from Exchange Transactions	21	86,271,809	145,582,897
Inventories	22	2,791,832	1,736,030
Total Current Assets		336,936,772	238,371,006
Non-current assets			
Property, Plant and Equipment	23	759,736,242	805,717,820
Intangible Assets	24	6,000,000	4,000,000
Biological Assets	25	295,000	112,000
Total Non- Current Assets		766,031,242	809,829,820
Total Assets		1,102,968,014	1,048,200,826
Liabilities			
Current Liabilities			
Trade Payables from Exchange Transactions	26	78,012,806	81,276,248
Refundable deposits from customers	27	80,509,308	35,766,629
Total Current Liabilities		158,522,114	117,042,877
Non-Current Liabilities			
Non-current provisions	28	1,083,480	1,285,523
Borrowings	29	1,664,630	6,167,201
Total Non-Current Liabilities		2,748,110	7,452,724
Capital and Reserves			
Accumulated Funds		941,697,790	923,705,225
Total Capital and Reserves		941,697,790	923,705,225
Total Net Assets and Liabilities		1,102,968,014	1,048,200,826



 Chairperson of Council

Date..... 1/3/2021



 Finance Manager
 ICPAK No 15907

Date..... 1/3/2021



 Principal

Date..... 1/3/2021

STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Capital Reserve	Retained Earnings	Capital/ Dev Grants	Mentored Institution	Total
At July 1, 2017	16,994,459	16,514,912	58,630,778	-	92,140,149
Revaluation gain	692,699,414	-	-	-	692,699,414
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	15,757,928	-	-	15,757,928
Development grants received during the year	1,924,590	-	44,722,247	40,326,545	86,973,382
At June 30, 2018	711,618,463	32,272,840	103,353,025	40,326,545	887,570,873
At July 1, 2018	711,618,463	32,272,840	103,353,025	40,326,545	887,570,873
Revaluation gain	-	-	-	-	-
Total comprehensive income	-	1,855,866	-	-	1,855,866
Development grants received during the year	-	-	17,105,031	17,173,455	34,278,486
At June 30, 2019	711,618,463	34,128,706	120,458,056	57,500,000	923,705,225
Prior year adjustment	-	(564,238)	-	-	(564,238)
Revaluation gain	37,076,780	-	-	-	37,076,780
Surplus/ Deficit	-	(4,657,294)	-	-	(4,657,294)
Development grants received during the year	-	-	74,422,117	1,089,372	75,511,489
Transfer to other institutions	-	-	(30,784,800)	(58,589,372)	(89,374,172)
At June 30, 2020	748,695,243	28,907,174	164,095,373	0	941,697,790

NOTE

- In the year 2016/2017, there was a Payment Voucher No CF. 10769 of Kshs. 564,238.00 in the name of Sunshine Automobile ltd which was meant for LTT vote but erroneously included in the schedule for Work- in- Progress.
- Adjustments have been made as shown above in statement in changes in Net Assets

THE SIGALAGALA NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

STATEMENT OF CASH FLOW FOR THE YEAR ENDING 30 JUNE 2020

	Note	2019/2020	2018/2019
		Kshs.	Kshs.
Cash Flows from Operating Activities			
Government. Recurrent grants	6	130,281,929	49,815,000
Rendering of services - Fees from students	7	157,308,577	196,872,270
Sale of goods	8	54,438,051	55,875,210
Rental Revenue from hire of facilities	9	1,473,513	3,956,372
Finance income	10	1,072,352	99,475
Other income	11	126,700	68,000
Surplus from town campus		-	3,200,065
Total Receipts		344,701,122	309,886,392
Use of goods and services	12	(91,416,903)	(111,510,395)
Employees costs	13	(73,951,172)	(49,619,597)
Repairs and Maintenance	15	(14,254,066)	(19,495,003)
General Expenses	16	(89,914,520)	(68,786,694)
Council Costs	17	(10,802,132)	-
Finance costs	18	(1,331,518)	(1,300,276)
Total payments		(281,670,311)	(250,711,965)
Net cash flows from Operating Activities		63,030,811	59,174,427
Cash flows from Investing Activities			
Acquisition of PPE	23	(65,930,628)	(19,728,696)
Acquisition of intangible assets	24	(2,000,000)	(4,000,000)
Expenditure on Chanzeywe Tvc	23	(8,820,529)	(14,767,206)
Net cash flows used in Investing Activities		(76,751,157)	(38,495,902)
Cash flows from Financing Activities			
Development Fees	19	75,511,489	17,105,031
Repayment of borrowings	29	(4,502,571)	(4,007,860)
Grants for Chanzeywe Tvc		-	17,173,455
Disposal of Cattle	26	-	112,000
Reduction in Provision	28	(202,043)	-
Net cash flows used in Financing Activities		70,806,875	30,382,626
Changes in Current Asset/Liabilities			
Receivables from Exchange Transactions	21	59,311,088	(40,958,865)
Trade Payables from Exchange Transactions	26	(3,263,442)	25,612,363
Refundable Deposits from Customers	27	44,742,679	20,537,384
Increase in Inventories	22	(1,055,802)	360,315
Net changes in working capital		99,734,523	5,551,198
Net increase in cash & cash equivalents		156,821,052	56,612,348
Cash and cash equivalents at 1 July 2019		91,052,079	34,439,731
Cash and cash equivalents at 30 June 2020		247,873,131	91,052,079

THE SIGALAGA NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2020

VOTEHEADS	BUDGET	ACTUAL	VARIANCE	%	EXPLANATIONS
REVENUE					
Internally Generated Revenues (A-in-A)	221,192,000	253,609,807	32,417,807	15%	
GOK Recurrent Grants	150,000,000	130,281,929	(19,718,071)	-13%	3 rd and 4 th quarter grants did not come.
GOK Development Grants	150,000,000	36,320,875	(113,679,125)	-76%	Development Grants were reduced by GOK
	521,192,000	420,212,611	(100,979,389)	19%	
EXPENSES					
Personal Emoluments	68,450,000	73,951,172	-5,501,172	-8%	
Council Expenses	11,000,000	10,802,132	197,868	2%	
Contracted Services	23,400,000	8,141,943	15,258,057	65%	
Tuition	34,000,000	23,238,829	10,639,011	31%	Due to increase in students population
Practical	14,000,000	16,163,142	-2,163,142	-15%	
Library	5,000,000	211,140	4,788,860	96%	Most activities were in 3 rd & 4 th quarter
Research & Innovation	15,500,000	5,032,553	10,467,447	67%	Most activities were in 3 rd & 4 th quarter
Co-Curricular Activities	15,301,000	12,680,795	4,572,319	30%	Most activities were in 3 rd & 4 th quarter
Performance Contracting	10,152,000	2,052,760	8,099,240	80%	Most activities were in 3 rd & 4 th quarter
Curriculum Development	11,000,000	2,107,026	8,892,074	81%	Most activities were in 3 rd & 4 th quarter
Staff Development & Academic Trips	6,000,000	2,231,610	3,768,390	63%	Most activities were in 3 rd & 4 th quarter
Attachment & Internships	11,000,000	5,821,450	5,178,550	47%	Most activities were in 3 rd & 4 th quarter
ICT & Automation	20,000,000	3,461,872	16,538,128	83%	Most activities were in 3 rd & 4 th quarter
Travel & Accommodation	7,700,000	7,976,421	-276,421	-4%	
Administration Expenses	9,000,000	41,316,171	-32,316,171	-359%	Due to Covid 19 pandemic
Boarding & Hostel Services	15,000,000	12,309,150	2,690,850	18%	Most activities were in 3 rd & 4 th quarter
E. W. & C.	8,189,000	7,046,126	1,142,874	14%	Most activities were in 3 rd & 4 th quarter

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

PU Expenses	13,500,000	34,871,953	-21,289,293	-157%	Due to increase in Pu Activities which created more revenues
RMI - Buildings	10,000,000	2,093,194	7,906,806	79%	More works delayed due to procurement process but will be done in Q1 of 2020/21
RMI - Motor Vehicles	3,500,000	3,053,832	446,168	13%	Reduction due to low usage of vehicles
RMI - Computers & Accessories	2,500,000	28,500	2,471,500	99%	Reduction due to low usage of vehicles
RMI - Furniture, Fittings & Equipment	3,000,000	20,000	2,980,000	99%	Increased due to increase in students population that required more furniture & Equipment
RMI Others	0	9,058,540	-9,058,540	-	
Development Projects	204,000,000	74,751,257	129,248,843	63%	Reduced due to reduction in funding from the government
	521,192,000	358,421,568			

Other notes on the variances

- The revenue collection did not meet the target because the institutions were closed early and the Polytechnic did not have any collection during the 4th quarter of the year.
- Due to fiscal challenges the government did not disburse the full capitation and full development funds, this made the polytechnic to miss the budgeted target
- Most expenditure that contain non-fixed charges did not reach their budgeted figure since the polytechnic closed earlier than usual
- Expenditure that had fixed charges slightly passed the budget due to Covid – 19 constraints especially administrative charges where all Covid 19 protocols were undertaken from like PPEs, Trainings, Cleanings, Cleaning reagents, water points, medical tests and posters

THE SIGALAGALA NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Sigalagala National Polytechnic was established by and derives its authority and accountability from Sigalagala National Polytechnic Order of 2016 and TVET act of 2013. The Polytechnic is wholly owned by the Government of Kenya and is domiciled in Kenya. The Polytechnic principal activity is to offer technical training and research on industry need and solution to problems facing industries in Kenya and east Africa.

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, market able securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Polytechnic accounting policies.

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS40: Public Sector Combinations	Applicable: 1st January 2019 This is not applicable because the Sigalagala National Polytechnic does not operate under public combination

THE SIGALAGALA NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The Sigalagala National Polytechnic does not involve in financial instruments hence this IPSAS 41 does not apply.
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The Sigalagala National Polytechnic is yet to get in to social benefit like pensions and others. During the year under review. The IPSAS 42 does not apply to the Polytechnic since it is not even in operation

iii. Early adoption of standards

The Polytechnic adopted IPSAS Accruals in the year 2016/2017 hence are still within transition period under IPSAS 33.

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 polytechnic and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) Revenue from exchange transactions

Rendering of services

The Polytechnic recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. During the year under review, the Sigalagala National Polytechnic received fees from students for exchange of tuition service rendered to them amounting to Kshs.157,308,577.00

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Sale of goods

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

During the year Sigalagala National Polytechnic received revenue from sale of goods on production unit programmes it runs amounting to Kshs.54,438,051.00

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.

During the year Sigalagala National Polytechnic received interest income from the savings account it holds at Absa Bank account of Kshs. 1,072,352.00

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.

During the year Sigalagala National Polytechnic received rental income from the staff houses amounting to Kshs.1, 473,513.00

b) Budget information

The original budgets for year 2019/2020 was approved by the Council on 1/7/2019

The Polytechnic's budget was prepared on same basis to the actual income and expenditure disclosed in the financial statements. The financial statements were prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance.

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.

THE SIGALAGALA NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued Taxes)

Current income tax

The Polytechnic is exempted from paying corporation taxes as per income tax Act. But it assists KRA in revenue collections by withholding taxes such as PAYE, VAT, Withholding taxes on contractors, professional and consultancies as per regulations in place

Sales tax/ Value Added Tax

Sigalagala National Polytechnic is registered as VAT withholding agent, such that anytime they are paying suppliers who deal with vatable goods and services, a certain percentage agreeable with KRA is retained and surrendered to Kenya revenue authority.

During the year 2019/2020, the VAT withholding was 6% but was later reduced to 2%

c) Investment property

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

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

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

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

d) Property, Plant and Equipment

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

The Sigalagala National Polytechnic uses **Straight Line Depreciation Method** on its Non-current assets. The depreciation rates as per the Finance Policy on non-current

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Assets are as below;

Description	Rate
Buildings	2%
Machinery & Equipment	12.5%
Furniture & Fittings	12.5%
Moto vehicle	25%
Computers	33.3%
Loose tools	50%
Total	

During the year under review the polytechnic transferred some Non-Current assets to other Institutions as below;

- i. Building - Transferred to Chanzeywe after completion – Kshs.58,589,372
- ii. Furniture - 11 Institutions – Kshs. 30,784,800.00

e) Leases

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

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

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

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

f) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful life of the intangible assets is assessed as either finite or indefinite.

During the year under review, the Sigalagala National Polytechnic acquired more modules on their ERP to boost efficiency in its operation.

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

g) Research and Development Costs

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

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

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

h) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Polytechnic determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Polytechnic has the positive intention and ability to hold it to maturity. After initial measurement, held-to-

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Loans and borrowing

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

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

i) Inventories

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

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

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

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

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

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

j) Provisions

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

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

The Polytechnic creates and maintains reserves in terms of specific requirement. The reserves maintained in the Polytechnic include;

- ***Capital reserves*** – represent the values of assets that were in the polytechnic up to the year 2016
- ***Revenue reserves*** - balances of surpluses accumulated over the years
- ***Capital grant reserves***-represent development grant from the exchequer from the year 2016 to date.
- ***Development reserve*** - represent development funds from internally generated funds accumulated from the year 2016

l) Changes in accounting policies and estimates

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

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

m) Employee benefits Retirement benefit plans

The Polytechnic currently do not operate any employment benefit retirement plans other than the contribution to national social security fund. The governing council is having a plan to establish one in the years coming.

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Service concession arrangements

The Polytechnic analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Polytechnic recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets,

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts at various commercial banks at the end of the financial year which was Kshs.247,873,131 as at 30 June 2020

s) Comparative figures

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

t) Subsequent events

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, 2020 that required adjustments.

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 28

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.

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6. TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2019/2020	2018/2019
	Kshs	Kshs
Unconditional grants		
1 st Capitation Grant	49,815,000	12,250,500
2 nd Capitation Grant	2,901,929	37,564,500
3 rd Capitation Grant	34,290,000	-
4 th Capitation Grant	43,275,000	-
	<u>130,281,929</u>	<u>49,815,000</u>
Conditional grants		
Library grant	-	-
Hostels grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
Learning facilities grant	-	-
Other organizational grants	-	-
Total Government Grants and Subsidies	<u>130,281,929</u>	<u>49,815,000</u>

TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Polytechnic sending the grant	Amount Recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount Recognised in capital fund.	Total grant income during the year
	KShs	KShs	KShs	KShs
Sigalagala National Polytechnic	130,281,929	-	36,320,875	166,602,804

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7. RENDERING OF SERVICES

Description	2019/2020	2018/2019
	Kshs	Kshs
Activity fees	11,462,301	14,372,686
Tuition fees	49,943,514	62,593,875
Administrative fees	9,918,006	12,633,291
Ict levy	3,869,304	4,021,913
RMI	14,846,451	17,338,099
EWC	11,275,191	11,177,539
L.T&T	9,488,004	15,465,907
Library	4,949,558	5,995,681
Medical	217,290	443,148
Personal Emoluments	24,500,312	32,651,656
Council trainers	3,684,821	13,272,964
PTA	124,994	973,591
Practicals	13,028,831	5,931,920
Total	157,308,577	196,872,270

8. SALE OF GOODS

	2019/2020	2018/2019
	Kshs	Kshs
Driving school	1,465,199	513,040
PU -Training	18,059,500	1,484,960
PU – food & beverage	6,064,410	3,134,869
PU -others	2,363,935	5,470,729
Farm revenues	115,020	131,945
Guest house revenues	294,250	91,600
Research funds	0	122,550
Graduation fees	708,735	
Pay as you eat services	16,683,790	26,150,130
Hostel services	8,683,212	18,775,387
Total	54,438,051	55,875,210

9. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

	2019/2020	2018/2019
	Kshs	Kshs
Kise Programme	67,000	2,546,420
Staff Houses Rent Income	1,275,013	1,054,432
Bus hire	131,500	355,520
Total	1,473,513	3,956,372

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10. FINANCE INCOME

Description	2019/2020	2018/2019
	Kshs	Kshs
savings deposits interest	460,642	99,475
Earning on exchange rate	611,710	-
Total Finance Income	1,072,352	99,475

11. OTHER INCOME

Description	2019/2020	2018/2019
	Kshs	Kshs
Income from sale of tender	1,000	68,000
Skills/curriculum development levy	32,000	-
Income from disposal of assets	93,700	-
Total	126,700	68,000

12. USE OF GOODS AND SERVICES

Description	2019/2020	2018/2019
	Kshs	Kshs
Tuition Expenses	19,839,218	32,810,271
Activity Expenses	12,680,795	12,210,723
Administration Expenses	30,659,777	38,014,217
Ict Expenses	1,461,872	2,633,550
LT&T	7,976,421	12,353,812
Library	211,140	448,990
Electricity & Water	7,046,126	11,751,348
Medical	1,178,216	1,287,484
Contracted Services	8,141,943	0
Withholding Vat on Goods & Services	2,221,395	0
Total	91,416,903	111,510,395

13. EMPLOYEE COSTS

Description	2019/2020	2018/2019
	Ksh	Kshs
Salaries to Non-academic staff	38,711,951	33,085,950
Salaries to academic staff	25,945,608	12,963,454
Casual wages	181,900	318,600
Pension and Service gratuity	753,812	172,461
KRA PAYE	7,779,701	3,079,132
Staff Welfare	578,200	0
Total	73,951,172	49,619,597

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14. DEPRECIATION AND AMORTIZATION EXPENSE

Description	Rate	2019/2020	2018/2019
		Kshs	Kshs
Buildings	2%	10,572,799	10,257,817
Machinery & Equipment	12.5%	17,958,330	15,421,356
Furniture & Fittings	12.5%	9,620,743	6,938,743
Moto vehicle	25%	5,521,500	5,521,500
Computers	33.3%	11,320,906	6,485,318
Loose tools	50%	12,693,827	12,693,827
Total		67,688,105	57,318,561

15. REPAIRS AND MAINTENANCE

Description	2019/2020	2018/2019
	Kshs	Kshs
Buildings	2,093,194	8,290,497
Furniture and fittings	20,000	251,940
Computers and accessories	28,500	556,668
Motor vehicle	3,053,832	-
Others	9,058,540	10,395,898
Total	14,254,066	19,495,003

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. GENERAL EXPENSES

Description	2019/2020	2018/2019
	KShs.	KShs
Advertising	1,537,454	1,310,740
PU Training	8,521,732	115,625
Driving school expenses	3,594,150	-
Hostel	12,309,150	13,146,639
KISE	521,716	642,586
Tender	179,500	41,000
PAYE	17,144,233	22,191,538
PU others	5,125,052	2,506,087
Farm Expenditure	410,183	555,080
Practicals	16,163,142	13,323,668
Performance Contract	2,052,760	2,297,849
Food & Beverage PU Expenses	3,146,537	1,644,670
Guest House Expenses	2,500	43,865
PTA	548,683	300,000
Curriculum Development	2,107,026	1,559,344
Graduation	3,465,089	
Research and innovations	5,032,553	9,108,003
Attachment	5,821,450	
Seminar & Workshop	2,231,610	
Total	89,914,520	68,786,694

17. REMUNERATION OF COUNCIL MEMBERS

Description	2019/2020	2018/2019
	KShs	KShs
Council Expenses	10,802,132	
	10,802,132	

18. FINANCE COSTS

Description	2019/2020	2018/2019
	KShs	KShs
Bank charge on current accounts	668,533	19,900
Interest on loan	662,985	1,280,376
Total	1,331,518	1,300,276

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. DEVELOPMENT REVENUE

Description	2019/2020	2018/2019
	KShs	KShs
G.O.K Development funds	36,320,875	5,444,625
A in A Development funds	39,190,614	11,660,406
Total	75,511,489	17,105,031

20. DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

Description	2019/2020	2018/2019
	KShs	KShs
a)Current account		
Absa Bank A/c No. 8043551	27,035,476	30,854,443
Absa Bank A/c No. 8043543	49,139,964	1,743,429
Absa Bank A/c No. 8256911	695,994	20,305,048
Co-operative bank A/c No. 01139098473700	681,345	
Co-operative bank A/c No. 01139098473702	908,595	5,753,485
Co-operative bank A/cNo.01120098473700	62,949	4,828,681
National bank A/c No. 01037017738900	297,494	11,433,626
National bank A/c No. 01021071653900	30,728,560	6,201,952
Kenya Commercial Bank A/c No. 1234829517	20,824,313	79,758
Equity Bank, A/c No. 0500277394606	117,494,631	9,583,620
	247,869,321	90,784,042
b)Others(specify)		
Cash in transit	0	0
Cash in hand	3,810	268,037
M -pesa	0	0
Sub-Total	3,810	268,037
Grand total	247,873,131	91,052,079

21. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2019/2020	2018/2019
	KShs	KShs
Current receivables		
Student debtors	84,646,556	143,391,144
Alumni Association	163,280	163,280
Sabatia Tvc	493,490	493,490
Un-cleared imprests		0
Total Current Receivables	85,303,326	144,047,914
	KShs	KShs
Non-current receivables		
Staff Advance payments	932,613	1,499,113
Teaching staff association b/f	35,870	35,870
Total	968,483	1,534,983
Total receivables	86,271,809	145,582,897

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. INVENTORIES

Description	2019/2020	2018/2019
	Kshs.	Kshs
Consumable stores	863,130	611,700
Maintenance stores	246,100	143,372
Health Unit stores	72,100	61,584
Electrical stores	615,472	208,700
Cleaning materials stores	427,110	140,200
Catering stores	567,920	403,000
CBT Workshop	0	167,474
	2,791,832	1,736,030

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Motor Vehicle	Furniture & Fittings	Computers	Loose Tools	Machinery & Equipment	Capital Working progress	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
At 1 July 2017	0	56,541,567	5,697,585	0	0	0	0	0	62,239,152
Additions	0	33,964,625	4,249,121	0	0	0	0	35,565,875	73,779,621
Disposals	0	0	0	0	0	0	0	0	0
Valuation	54,000,000	409,153,908	12,139,294	51,660,100	16,809,900	25,387,654	123,370,850	0	692,521,606
At 30 June 2018	54,000,000	499,660,000	22,086,000	51,660,100	16,809,800	25,387,654	123,370,850	35,565,875	828,540,379
Additions	0	13,230,856	0	3,849,840	2,648,000	0	0	14,767,206	34,495,902
Disposals	0	0	0	0	0	0	0	0	0
Transfer/adjustments	0	0	0	0	0	0	0	0	0
At 30 June 2019	54,000,000	512,890,956	22,086,000	55,509,940	19,457,800	25,387,654	123,370,850	50,333,081	863,036,281
Additions	0	15,749,005	0	37,952,810	10,933,913	0	1,295,000	8,820,529	74,751,257
Revaluation	0	0	0	14,287,990	3,605,000	0	19,000,790	0	36,893,780
Prior year adjustment								(564,238)	(564,238)
Transfer/adjustments	0	0	0	(30,784,800)	0	0	0	(58,589,372))	(89,374,172)
At 30 June 2020	54,000,000	528,639,961	22,086,000	76,965,940	33,996,713	25,387,654	143,666,640	0	884,742,908
Depreciation and impairment	0	0.02	0.25	0.13	0.33	0.50	0.13	0	0
At 1 July 2017	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0	0	0
At 30 June 2018	0	0	0	0	0	0	0	0	0
Depreciation	0	10,257,817	5,521,500	6,938,743	6,485,318	12,693,827	15,421,356	0	57,318,561
Disposals	0	0	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0	0	0
Transfer/adjustment	0	0	0	0	0	0	0	0	0
At 30 June 2019	0	10,257,817	5,521,500	6,938,743	6,485,318	12,693,827	15,421,356	0	57,318,561
Depreciation	0	10,572,799	5,521,500	9,620,743	11,320,906	12,693,827	17,958,330	0	67,688,105

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Disposals	0	0	0	0	0	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0	0	0	0	0	0
Transfer/adjustment	0	0	0	0	0	0	0	0	0	0	0	0
At 30 June 2020		20,830,616	11,043,000	16,559,486	17,806,223	25,387,654	33,379,686	0	125,006,665			
Closing NBV												
At 30 June 2018	54,000,000	499,660,000	22,086,000	51,660,100	16,809,900	25,387,654	123,370,850	0	828,540,478			
At 30 June 2019	54,000,000	502,633,039	16,564,500	48,571,198	12,972,582	12,693,827	107,949,494	0	805,717,820			
At 30 June 2020	54,000,000	507,809,345	11,043,000	60,406,455	16,190,490	0	110,286,954	0	759,736,242			

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. INTANGIBLE ASSETS-SOFTWARE

Description	2019/2020	2018/2019
	KShs	KSh
Cost		
At the beginning of the year	4,000,000	0
Additions	2,000,000	4,000,000
At the end of the year	6,000,000	4,000,000
Additions– Internal Development	0	0
At the end of the year	6,000,000	4,000,000
Amortization and Impairment		0
NBV	6,000,000	4,000,000

25. Biological Assets

Balance as at 1/7/2019	-	112,000
Revaluation during the year	-	183,000
Balance as at 30/6/2020	-	295,000

26. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019/2020	2018/2019
	KShs.	KShs.
Trade payables	2,938,649	40,823,211
Fees paid in advance	75,411,006	38,466,960
Production Unit	29,950	1,505,000
Attachment	0	485,537
Maturu Campus	886,925	-1,488,236
ChanzeyweTvc	(1,253,724)	1,483,776
Total	78,012,806	81,276,248

27. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2019/2020	2018/2019
	KShs	KSh
Caution money	8,825,351	8,825,851
Bursaries	14,526,151	11,469,871
Helb Loan	30,968,925	12,374,022
Student Council	966,474	2,234,976
Examination	24,606,381	-666,117
Mumias Tvc	616,026	1,528,026
	80,509,308	35,766,629

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28. NON-CURRENT PROVISIONS

Description	2019/2020	2018/2019
	KShs	KShs
Balance at the beginning of the year	1,285,523	0
Additional Provisions	0	1,285,5230
Provision utilised	(202,043)	0
Total	1,083,480	1,285,523

29. BORROWINGS

The borrowing was a loan from KCB in the year 2017 to purchase a 67seater bus and Absa Bank in the year 2016/2017 to purchase a 26 seater mini buses and a van for the polytechnic use

Description	2019/2020	2018/2019
	KShs	KShs
Balance at beginning of the period	6,167,201	10,175,061
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the year	0	0
Repayments of domestic borrowings during the year	(4,502,571)	-4,007,860
Balance at end of the period	1,664,630	6,167,201

a) ANALYSIS OF DOMESTIC BORROWINGS

Description	2019/2020	2018/2019
	KShs	KShs
Domestic Borrowings		
Kenya Shilling loan from KCB	1,664,630	3,858,641
Kenya Shilling loan from Absa Bank	0	2,308,560
Total balance at end of the year	1,664,630	6,167,201

b) BREAKDOWN OF LONG AND SHORT-TERM BORROWINGS

Description	2019/2020	2018/2019
	KShs	KShs
Short term borrowings (current portion)	0	0
Long term borrowings	1,664,630	6,167,201
Total	1,664,630	6,167,201

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. FINANCIAL RISK MANAGEMENT

The Sigalagala National Polytechnic's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The polytechnic's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

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

(i) Credit risk

The Polytechnic has exposure to credit risk, which is the risk that 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 polytechnic'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 polytechnic's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impair ed
At 30 June 2018				
Receivables from exch. transactions	104,624,033	30,971,002	73,653,031	0
Bank balances	34,234,158	34,234,158	0	0
Total	138,858,191	65,205,160	73,653,031	0
At 30 June 2019				
Receivables from exch. transactions	145,582,897	73,007,162	72,575,735	0
Bank balances	91,052,079	91,052,079	0	0
Total	236,634,976	164,059,241	72,575,735	0
At 30 June 2020				
Receivables from exch. transactions	86,271,809	46,977,584	39,294,225	0
Bank balances	247,873,131	247,873,131	0	0
Total	334,144,940	294,850,715	39,294,225	0

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

The Governing Council sets the Polytechnic's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Polytechnic's governing Council who have to build an appropriate liquidity risk management frame work for the management of the Polytechnic's short, medium and long-term funding and liquidity management requirements. The Polytechnic manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Polytechnic 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.

	Less than 1 month Kshs	B/w 1-3 months Kshs	Over5 months Kshs	Total Kshs
At 30 June 2018				
Trade payables	0	25,205,099	30,458,786	55,663,885
Current portion of borrowings	0	0	0	0
Provisions	0	0	1,285,523	1,285,523
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total		25,205,099	31,744,309	56,949,408
At 30 June 2019				
Trade payables	0	7,355,384	73,920,864	81,276,248
Current portion of borrowings	0	0	0	0
Provisions	0	0	1,285,523	1,285,523
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	7,355,384	75,206,387	82,561,771
At 30 June 2020				
Trade payables	0	0	2,938,649	2,938,649
Current portion of borrowings	0	0	0	0
Provisions	0	0	1,083,480	1,083,480
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	4,022,129	4,022,129

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk

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

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

The Polytechnic's Internal Audit 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.

a) Foreign currency risk

The Polytechnic has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency.

	Ksh	Other currencies	Total
At 30 June 2019			
Assets			
Financial assets(cash & debtors)	238,203,532	0	238,203,532
Liabilities			
Trade and other payables	117,042,877	0	117,042,877
Borrowings	6,167,201	0	6,167,201
Total	123,210,078	0	123,210,078
At 30 June 2020			
Assets			
Financial assets (cash & debtors)	334,144,940	0	334,144,940
Liabilities			
Trade and other payables	158,522,114	0	158,522,114
Borrowings	1,664,630	0	1,664,630
Total	160,186,744		160,186,744

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

b). Interest rate risk

Interest rate risk is the risk that the polytechnic's financial condition may be adversely affected as a result of changes in interest rate levels. The Polytechnic's interest rate risk arises from bank deposit and bank loans. This exposes the Polytechnic to cash flow interest rate risk.

Management of interest rate risk

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

The Sigalagala National Polytechnic analyses its interest rate exposure on a dynamic Basis of conducting sensitivity analysis. This involves determining the impact on the statement of performance of the defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant

iv) Capital Risk Management

The objective of the Sigalagala National Polytechnic's capital risk management is to Safe guard the Councils' ability to continue as a going concern. The Polytechnic capital structure comprises of the following funds:

	2019/2020	2018/2019
	Kshs	Kshs
Retained earnings	28,309,367	33,961,232
Capital reserve	748,764,153	712,903,986
Development Grant/Capital grants	165,184,745	120,458,056
Mentorship programme	(1,653,610)	57,500,000
Total funds	940,604,655	924,823,274
Total borrowings	1,664,630	6,167,201
Less: cash and bank balances	-247,873,131	-91,052,079
Net debt(excess cash and cash equivalents)	-246,208,501	-84,884,878
Gearing	0.18%	0.7%

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. RELATED PARTY TRANSACTION

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the Sigalagala National Polytechnic, holding 100% of the Polytechnic's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Polytechnic, both domestic and external. Related parties of the Polytechnic include;

- (i) The National Government
- (ii) The Parent Ministry
- (iii) Governing Council
- (iv) Key management

	2019/2020	2018/2019
	Kshs.	Kshs
a) Grants from the Government		
Grants from National Govt	166,602,804	55,259,625
Grants from County Government	0	0
Donations in kind	29 061 790	0
Total	195,664,594	55,259,625

32. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	2019/2020	2018/2019
	Kshs.	Kshs
Court case against former Sigalagala Polytechnic employees	1,083,480	1,285,523
Total	1,083,480	1,285,523

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. CAPITAL COMMITMENTS

Capital commitments	2019/2020	2018/2019
	Kshs.	Kshs
Authorised and contracted for fencing of Administration block and new workshop.	0	11,857,520
Authorised and contracted for Tuition block complex Administration block and new workshop	60,000,000	0
Total	60,000,000	11,857,520

34. EVENTS AFTER THE REPORTING PERIOD

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

35. ULTIMATE AND HOLDING POLYTECHNIC

The Sigalagala National Polytechnic is a State Corporation /or a Semi-Autonomous Government Agency under the Ministry of Education, state department of technical and vocational training. Its ultimate parent is the Government of Kenya.

36. Currency

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

**THE SIGALAGALA NATIONAL POLYTECHNIC
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APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS

Ref. No. on External Audit Report	Issue/observations From Auditor	Management Comments	Focal Point person to resolve the issue(Nam	Status (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
1	<p>Un-Supported Balances The statement of financial position reflects cash and cash equivalents balance of Kshs.91,052,079 as at 30 June 2019 comprising bank balance of Kshs.90,784,042 and cash at hand of Kshs.268,037 as disclosed in note 20 to the Financial statements. However, it was noted that the bank balance of Kshs.91,052,059 includes Kshs.29,888,668 in respect of two bank accounts for which bank reconciliation statements and/cash books were not provided</p>	<p>The two accounts were savings account and fees collection account. Savings accounts normally is not maintained through cash book since it reflects savings from other bank accounts of which cash books are kept and reflect movement in savings account. Fee collection was only used to collect fees and all transactions were done through college fund account.</p>	Principal Finance Manager	Resolved	30.6.2020
2	<p>Bank balances in respect of two bank accounts totalling Kshs.5,833,243 were at variance with the reconciled cashbook balances . Further, it was noted that the Polytechnic had an account No.1149686693 with Kenya Commercial Bank which according to the bank statement availed for review, had a balance of Kshs. 734,068 as at 30 June 2019 but the cash book and bank reconciliation statements were not availed for audit review.</p>	<p>The variance was a bank error which has been reconciled Account No.1149686693 with Kenya Commercial Bank was a liquidation account on loan the Polytechnic had and was not an operational account for the Polytechnic was more of loan movement showing how loan deposit are treated and how the bank deduct their interest and premium amount.</p>	Principal Finance Manager	Resolved	30.6.2020

**THE SIGALAGALA NATIONAL POLYTECHNIC
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	<p>Un-Cleared Reconciling Items Audit review of the bank reconciliation statement for National Bank- Mentor Institutions A/C No.01037017738900 for the month of June 2019 showed un-credited deposit of Kshs.4,554,534 which has remained outstanding since July 2018 and which was not analysed. Also, no explanation was provided for non-clearance of the long outstanding balance or what it relates to. Further, a review of the bank reconciliation statement for Absa Bank Account No.009-8043551-College Fund account for the month of June 2019 showed bank balance of Kshs.32,511,725 while the bank confirmation certificate reflected a balance of Kshs.34,319,054 as at 30 June 2019 resulting to an unexplained and unreconciled variance of Kshs.1,807,329. In the circumstances, it was not possible to ascertain accuracy and completeness of the cash and cash equivalents balance of Kshs.91,052,079 as at 30 June 2019.</p>	<p>The amount was a transfer from one of the polytechnic account which was done but one bank had not been receipted making it appear like direct deposit not in the cash book. The error has been corrected and he bank reconciled well</p>			
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**THE SIGALAGALA NATIONAL POLYTECHNIC
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3	<p>The trade and other payables from non-exchange transactions balance of Kshs.81,276,248 as at 30 June 2019 includes trade payables balance of Kshs.40,823,211 as disclosed in note 27 to the statements while the supporting schedule availed for Audit supported a balance of Kshs.48,818,255 resulting to an unexplained and unreconciled variance of Kshs.7,995,044. Further, the trade payables balance of Kshs.40,823,211 included payables amounting to Kshs.26,328,274 relating to 2017/2018 and earlier years and no reason was provided for their Non-clearance. Consequently, it has not been possible to confirm that the trade payables balance of Kshs.40,823,211 as at 30 June 2019 is not fairly stated</p>	<p>The payable figure of Kshs.48,818,255 Was obtained from a system which was being tested before being put to use. The auditor was told of this but insisted that he uses the figure The right figure as per the polytechnic creditors ledger verified was Kshs.40,823,211. The Abno System the auditor obtained the wrong figure from has not been fully put to use especially on the suppliers management module to give accurate figure on the creditors balance</p>	Principal Finance Manager	Resolved	30.6.2020
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**THE SIGALAGALA NATIONAL POLYTECHNIC
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<p>1. Borrowings</p> <p>The statement of financial position reflects borrowings balance of Kshs.6,167,201 in respect of long term borrowings as at 30 June 2019 as disclosed in Note 30 to the financial statements after loan repayment of Kshs.4,007,860 during in the year under review. Though the payments made during the year under review were totalling to Kshs 4,007,860, the supporting schedule provided for audit review amounted to Kshs. 3,647, resulting to an unexplained variance of Kshs. 360,314. Further, apart from the schedule, the payment documents supporting the loan repayments of Kshs. 3,647,546 during the year under review were not availed for audit review. The accuracy of Kshs. 6,167,201 as at 30 June 2019 could not be confirmed</p>	<p>The loan agreement was availed to the auditor which clearly show how much installment is paid by the polytechnic, The banks always calculate their interest on the prevailing rates not on the same rate throughout. This was explained to the auditor who insisted that the interest rate must remain the same thought the loan period. The polytechnic has so far cleared all the loans it had</p>	<p>Principal Finance Manager</p>	<p>Resolved</p>	<p>30.6.2020</p>
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**THE SIGALAGALA NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

	<p>1.1 Revenue Budget</p> <p>During the year under review, the Polytechnic had a revenue budget of Kshs. 373,290,000 but realised actual earnings of Kshs. 306,686,327 resulting in Under collection of Kshs. 66,603,673 or 18% of the budget. During the same period, the Polytechnic incurred expenditure amounting to Kshs. 250,711,965 resulting to an under expenditure of Kshs. 122,578,035 or approximately 33% of the budget.</p> <p>1.2 Capital Expenditure Budget</p> <p>During the year 2018/2019, the Polytechnic had budgeted to spend Kshs.55,573,455 on development and mentorship projects out of which Kshs.47,574,264 or approximately 86% of the budget was utilised resulting to an under expenditure of Kshs.7,999,191 representing 14%. The under expenditure on development projects is an indication that the approved development projects were not implemented during the year and therefore the Polytechnic may not meet its mandate.</p>	<p>Budget variance was due to low fees collections and failure to receive all the budgeted government grant which made the polytechnic to slow its operations to avoid too much unpaid debts during the year</p> <p>Budget variance was due to low fees collections and failure to receive all the budgeted government grant which made the polytechnic to slow its operations to avoid too much unpaid debts during the year</p>	<p>Principal Finance Manager</p>	<p>Resolved</p>	<p>30.6.2020</p>
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**THE SIGALAGALA NATIONAL POLYTECHNIC
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<p>4</p>	<p>Construction of Perimeter Wall During the previous year, it was reported that the property, plant and equipment figure of Kshs.828,540,478 included Kshs.30,313,585 paid to a local contractor for supply of materials for construction of a perimeter wall. A review of the bills of quantities for erection and completion of the perimeter wall revealed that the total cost of the project was Kshs.43,241,074. However, the management could not give satisfactory explanation on the following:</p> <ul style="list-style-type: none"> (i) why the cost of materials was separated from labour and why they were carried out separately. (ii) Records of labour and how they were acquired. (iii) Why the labour contract tender for the project was awarded through direct method to a contractor prequalified during 2016/2018 despite the project cost of Kshs.43,241,074 exceeded the limit of Kshs.4 million for direct use of quotation contrary to Section 90 of the Public Procurement and Assets Disposal Act, 2015. (iv) Why the tender opening and evaluation minutes for 	<p>The project was a labour contract only where the polytechnic was to use building department and some skilled Labours from outside to do the construction. Materials were supplied by the polytechnic registered suppliers through normal procurement process</p>	<p>Not Resolved</p>	
<ul style="list-style-type: none"> for the supply of material to the project were not availed for audit review. (v) Why the wall was still incomplete with plastering electrical fence not yet done and it was not clear when the same shall be done and whether it shall be completed within the budget of Kshs.43,241,074. 				

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<p>5</p>	<p>During the year under review, the Polytechnic operated without a comprehensive risk management policy which would have otherwise assisted the entity to identify possible inherent risks that could interrupt the operations of the institution and design and implement appropriate mitigating measures. The management also did not have approved IT Steering Committee, strategic and data recovery plans and business continuity plans contrary to Regulation 165(1) (a)-(b) of the Public Finance Management (National Government) Regulations, 2015 which require that accounting officers should ensure that there is a risk management policy including prevention mechanisms and systems. Consequently, the management breached the law and may not be able to restart in case of a disaster occurring.</p>	<p>The polytechnic is in the process of developing risk management policy which will indicate clearly how risks are identified and how mitigation measures and conducted to manage such risks should they occur</p>	<p>Not Resolved</p>	<p>Resolved</p>	<p>30.6/2020</p>
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**THE SIGALAGALA NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

	<p>Although, the Polytechnic had an internal auditor, the internal audit unit had not been properly established to operate effectively and independently as required by regulation 160 and 161 of the Public Finance Management (National Government) Regulations, 2015 which requires all accounting officers to establish independent internal audit functions where the Internal auditors shall comply with the International Professional Practices Framework as issued by the Institute of Internal Auditors from time to time and shall conduct audits in accordance with policies and guidelines issued by the Public Sector Accounting Standards Board. In addition, the internal audit function operated without an approved internal audit charter detailing the scope, responsibilities and purpose of internal audit function and an annual work plan. Consequently, the unit lacks the operational independence to execute its mandate of overseeing governance mechanisms and promoting transparency and accountability in management of the Polytechnic.</p> <p>The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether 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.</p>	<p>The Polytechnic has sponsored the Internal Auditor for various training which it believes will enable her improve on her operational skills</p>	<p>Not Resolved</p>	<p>Resolved</p>	
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**THE SIGALAGALA NATIONAL POLYTECHNIC
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APPENDIX II: PROJECTS IMPLEMENTED BY THE POLYTECHNIC

Status of Projects completion

	Project	Total project Cost	Total expended to date	Comple tion % to date	Budget	Actual	Sources of funds
1.	Loan repayments	16,882,498	15,217,868	91%	5,000,000	4,502,571	A-in-A
2.	Installation of ERP	15,000,000	6,000,000	90%	10,000,000	2,000,000	Gok A-in-A
3.	Wall fence around Adm. Block	15,749,005	15,749,005	100%	10,200,000	15,749,005	A-in-A
4.	Furniture for other institutions	32,500,000	30,784,800	100%	32,500,000	30,784,800	Gok
5	Construction of Chanzeywe Tvc	57,500,000	59,153,610	100%	17,173,455	8,820,529	Gok

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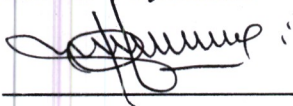
APPENDIX III: INTER-POLYTECHNIC TRANSFERS

POLYTECHNIC NAME:		THE SIGALAGALA NATIONAL POLYTECHNIC		
Break down of Transfers from the State Department of Technical and Vocational Training				
FY 2019/2020				
a.	Re-current Grants			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts
	☐	11/07/2019	2,901,929	2018/2019
		4/10/2019	49,815,000	2018/2019
		18/10/2019	34,290,000	2019/2020
		10/6/2020	43,275,000	2019/2020
		Total	130,281,929	
b.	Development Grants			
		Bank Statement Date	Amount (Kshs)	The FY to which the amounts relate to.
		15/7/2019	3,820,875	2018/2019
		10/7/2019	27,500,000	2019/2020
		4/2/2020	5,000,000	2019/2020
		Total	36,320,875	

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager
Sigalagala National Polytechnic

Signature _____



Principal
Sigalagala National Polytechnic

Signature _____



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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date Received	Nature Re-current/Dev /Others	Total Amount.	Statement of Financial Performance	Where Recorded/Recognized					Total Transfers during the Year
					Capital Fund	Deferred	Receivables	Others	Transfers	
Ministry of Education	11/07/2019	Re-current	2,901,929	2,901,929	-	-	-	-	2,901,929	
Ministry of Education	04/10/2019	Re-current	49,815,000	49,815,000	-	-	-	-	49,815,000	
Ministry of Education	18/10/2019	Re-current	34,290,000	34,290,000	-	-	-	-	34,290,000	
Ministry of Education	10/6/2020	Re-current	43,275,000	43,275,000	-	-	-	-	43,275,000	
Ministry of Education	15/7/2019	Development	3,820,875	-	3,820,875	-	-	-	3,820,875	
Ministry of Education	10/7/2019	Development	27,500,000	-	27,500,000	-	-	-	27,500,000	
Kitale Polytechnic	4/2/2020	Development	5,000,000	-	5,000,000	-	-	-	5,000,000	
Total			166,602,804	130,281,929	36,320,875	-	-	-	166,602,804	