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## REPORT

OF

THE NATIONAL ASSEMBLY  
PAPERS LAID

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CLERICAL RESPONSIBLE: Mado

**THE AUDITOR-GENERAL**

ON

**SIGALAGALA NATIONAL POLYTECHNIC**

**FOR THE YEAR ENDED  
30 JUNE, 2021**



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# THE SIGALAGALA NATIONAL POLYTECHNIC

## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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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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**I. 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 30<sup>th</sup>, 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 to;

- Offer training to students in technical and business courses as per the industry needs which are examined by KNEC, KASNEB and CBET courses.
- 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.
- Continuously improve our research performance and through our research, deliver social dividends.
- Be a sustainable institution of TVET Training
- Enhance our engagement with the entire Republic of Kenya and to consolidate our reputation as one of the country's most engaged Polytechnic.

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- Contribute to industrial and technological development of society in collaboration and partnership with industry and other organizations;
- Develop quality and relevant programmes for diplomas, certificates and Artisan.
- Inculcate and promote a culture of innovation, critical inquiry and creativity in art, science, technology, engineering, and education, amongst staff, students, and society;
- 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;
- 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.
- Provide high quality facilities for educational, research, residential, commercial, cultural, social, recreational, sporting, and other activities.
- Facilitate students' mobility between programmes of study at different Polytechnics.
- Participate in commercial ventures and activities that promote the objectives of the Polytechnic.
- Foster the general welfare of staff, students, and the community.
- Provide opportunities for development and further training for the staff of the institution.
- Develop and provide educational, cultural, professional, technical and vocational services to the community, and in particular foster corporate social responsibility.
- 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;
- 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.
- Determine who may teach, what may be taught, and how it may be taught in the Polytechnic.
- Promote social-economic development in line with the country's development agenda

# THE SIGALAGALA NATIONAL POLYTECHNIC ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## **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.

## **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

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**(c) 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

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30 June 2021 and who had direct fiduciary responsibility were:

- |                                   |                       |
|-----------------------------------|-----------------------|
| • Principal                       | Mr Evans O. Bosire    |
| • Deputy Principal Administration | Mr Timothy Oluchiri   |
| • Deputy Principal Academic       | Mrs Anne Malumbe      |
| • Registrar                       | Mr Manoah W. Jahonga  |
| • Dean of students                | Mr Geoffrey M. Ondele |
| • Finance Manager                 | Mr Christopher Oselu  |
| • Human Resource Manager          | Mr Fred Carter        |
| • Procurement officer             | Mr Ignatius Muhati    |
| • Supplies Officer                | Ms. Fadhila Ramadhan  |

**(e) Fiduciary Oversight Arrangements**

**(i) Internal audit department**

- Assessing the level of compliance with all legal requirements and practices within the polytechnic.
- Assisting in the investigation of suspected fraudulent activities as and when requested.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets
- Reviewing the implementation of the SNP corporate strategic plan and operational plans periodically
- Reviewing the efficiency and effectiveness of management processes;
- Preparing the internal audit strategic plan and budget for the Committee;

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- Developing a flexible annual risk based audit plan reference that includes any risks or control concerns identified by management;
- Implementing the annual audit plan, including any special tasks or projects requested by management, the Audit and Risk management Committee and the Council;
- Regularly reporting on the status of the Internal Audit activity, including progress against the plan, to the Council Audit and Risk Committee

### **(ii) Audit and risk committee activities**

- Obtain assurance from management that all financial and non-financial internal control and risk management functions are operating effectively and reliably.
- Oversee the implementation of developed policies, procedures and strategies that will promote effective and efficient management systems within the Polytechnic;
- Provide an independent review of the Polytechnic's reporting functions to ensure the integrity of the financial reports.
- Ensure the Polytechnic effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behaviour.
- Provide oversight of the implementation of accepted audit recommendations and consider reports on matters relating to audit.
- Provide strong and effective oversight of the Polytechnic's internal audit function.
- Report to Council regularly regarding matters considered in each of the committee's meetings.

### **(iii) Finance and Operations Committee Activities**

- Oversee the development and administration of policies, procedures and strategies that will promote prudent financial management, high quality infrastructural development and acceptable resource mobilization practices including recruitment, reward, retention, motivation and development of the Polytechnic's staff.
- Oversee the Polytechnic's compliance with legal, statutory and regulatory requirements relating to finance, infrastructure and resource mobilization matters as well as compliance with ethical and quality standards adopted by the Polytechnic.

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- Receive and consider proposals and reports on matters relating to finance, development projects and resource mobilization in the Polytechnic and its campuses.
- Oversee the development of policies and procedures to enhance effective and efficient utilization of all the resources of the Polytechnic.

**(iv) Academic Committee Activities**

- To oversee the preparation and regular review of the Polytechnic's academic policy; the research policy and the staff development and training policy and compliance to the provisions thereof.
- To receive and consider proposals for collaboration with other institutions of higher learning, research and technology institutions for the enhancement of technological, professional and scientific education.
- To receive, review and consider proposals for introduction of new or review of existing courses and subjects of study, institutes, departments, resource and research and innovation.
- To monitor and oversee institutional excellence in teaching, training, scholarship, entrepreneurship, research, consultancy, community service, among other educational services and products, with emphasis on technology and its development, impact and application within and outside Kenya;
- To monitor and oversee provision of a multi-level system of post-secondary school education and training programs 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 programs.
- To receive and consider proposals for development and further training of the academic staff of the Polytechnic.
- To oversee the management of scholarships, bursaries and prizes which may be provided for by the Academic Policy.
- To submit regular reports to the Council on all matters related to education, training and research.

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**(v) Enterprise Committee Activities**

- Oversee the implementation of initiated enterprise activities in order to generate revenue for the Polytechnic.
- Ensure the Polytechnic effectively monitors compliance requirements that promote an environment in which the Polytechnic can strategically invest resources with an aim of making profits.
- Provide oversight of the implementation of accepted income generating activities through production or manufacturing, consultancy, tailor-made short courses, part – time training programmes, hire of facilities and approved equipment, hospitality services to complement government grants and revenue from fees collection.
- Provide a strong and effective oversight and a coordination framework in the Polytechnic that will facilitate the creation of profitable business units across all departments.
- Provide an assurance to the Governing Council that the Polytechnic has adopted appropriate cost recovery strategies coupled with integrated modern technology, creativity, quality procedures and customer focus to offer products and services that meet the demand of the targeted market.
- Promote a vibrant and effective implementation of a Trainee work study program at the Polytechnic within the Polytechnics Income Generating activities.
- Report to Council regularly regarding matters considered in each of the committee's meetings

**(f) Polytechnic Location**

Country: Kenya  
County: Kakamega  
Sub County: Shinyalu  
Location: Khayega  
Street: Kisumu/ Kakamega Road/Butere Road Junction.  
P.O Box 2966- 50100 - Kakamega.

**(g) Polytechnic Contacts**

Telephone: 0726 - 806105

E-mail: [info@sigalagalapoly.ac.ke](mailto:info@sigalagalapoly.ac.ke) , [sigalagala@yahoo.com](mailto:sigalagala@yahoo.com)

Website: [www.sigalagalapoly.ac.ke](http://www.sigalagalapoly.ac.ke)

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**(h) Sigalagala National Polytechnic Bankers**

	<b>Bank Name</b>	<b>Bank Account Number</b>	<b>Branches</b>
(i)	Absa Bank	8043543	Kakamega
(ii)	Absa Bank	8043551	Kakamega
(iii)	Absa Bank	8256911	Kakamega
(iv)	Kenya Commercial Bank	1234829517	Kakamega
(v)	Co-operative Bank	01120098473700	Kakamega
(vi)	Co-operative Bank	01139098473702	Kakamega
(vii)	Co-operative Bank	01139098473700	Kakamega
(viii)	National Bank	01037017738900	Kakamega
(ix)	National Bank	01021071653900	Kakamega
(x)	Equity Bank	0500277394606	Kakamega
(xi)	Mpesa	908008	Kakamega

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

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**II. 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. Mrs. Mumma is a Seasoned Human Rights practitioner with over 27 years of experience working with government, independent and constitutional organs, civil society and as an independent adviser. 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 various issues including constitutional implementation, Devolved Governance, Inter-governmental relations, Public Policy, health rights, Gender and Inclusion, and other human rights.





**CPA. Christopher Beti Atenya – Council Member**

He is a practicing 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 practicing 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 26 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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	<p><b>M/s Simiyu Doreen Nanjala - Council Member</b></p> <p>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.</p>
	<p><b>Mr. Andrew Masese - Council Member</b></p> <p>He is a human resource practitioner who has a Master's degree in Labour Welfare and a Bachelor's degree in Commerce (Marketing)</p> <p>He has a long career in Human Resources Management, Staff Welfare, Remuneration Administration, Recruitment and Staff Development; Human Resources Advisory, Training &amp; 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</p>
	<p><b>Eng. Dr. Rehema Ndeda - Council Member</b></p> <p>She is a Mechatronic Engineer, working as a lecturer at Jomo Kenyatta University of Agriculture &amp; 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</p>

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	<p>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.</p>
	<p><b>Mrs. Linnete Odondi - Council Member</b> 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 years' 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 focusing on capacity building of religious organizations in Preventing/Countering Violent Extremism and terrorism.</p>
	<p><b>Eng. John Mokaya Ombengi - Council Member</b> 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 44 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.</p>

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**Mr. Charles Wambua Ndambuki.**

Mr. Ndambuki is an alternate member representing the PS National Treasury in the Council. He holds bachelor of Economics and Mathematics from the University of Nairobi. He has vast knowledge in economics having worked in several ministries as an economist.

He Currently works as a senior economist at the National Treasury.



**Mr. Joseph Sunguti**

He is the County Director TVET Kakamega and Vihiga Counties He has vast knowledge in TVET sector having been a trainer for many years.






**Mr. Evans O. Bosire - Council Secretary**


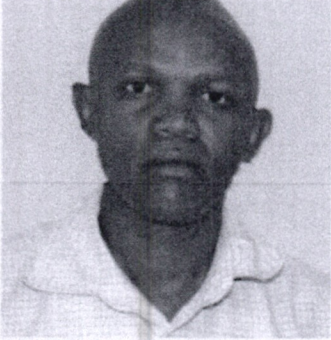

Mr Bosire is the Principal and serves as the Accounting Officer for the Institution and Secretary to the Council. He holds Med. – Educational Planning and Bed. - Electrical and Electronics from Moi University Eldoret. He is a well-trained Electrical Engineer with vast management skills that have enabled him to transform various TVET institutions. He has over 17 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 National Polytechnic Strategic plan.

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**III. MANAGEMENT TEAM**

Name, Key Profession and Academic Qualifications	The Main Area of Responsibility
 <p>Mr. Evans Bosire Omwenga Med. – Educational Planning Bsc.– Electrical and Electronics</p>	<ul style="list-style-type: none"> <li>• He is the Principal and the accounting officer of the Polytechnic.</li> <li>• Head of the institution.</li> <li>• Oversee day to day running of the polytechnic</li> </ul>
 <p>Mr. Timothy Oluchiri. – Trainer Bsc.– Civil Engineering Dip. - Architecture</p>	<ul style="list-style-type: none"> <li>• Deputy Principal Administration.</li> <li>• In charge of administrative, Finance and Planning programmes.</li> </ul>
 <p>Mrs. Anne Mutsami B. Ed - Sciences MSc. – Microbiology</p>	<ul style="list-style-type: none"> <li>• Deputy Principal Academic.</li> <li>• Head of all academic programmes in the Polytechnic.</li> <li>• She is also in-charge trainee and trainers affairs.</li> </ul>

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 <p>CPA. Christopher Oselu. MBA (Finance) B.Com (Finance) CPAK</p>	<ul style="list-style-type: none"> <li>• He is the Finance Manager</li> <li>• Head of Finance and Accounts</li> <li>• He is in charge of budgetary formulation and execution</li> <li>• Advisor to the principal on matters of finance operations and required regulations on financial management</li> </ul>
 <p>Mr. Wilberforce M. Jahonga Med. Educational Planning B. Education</p>	<ul style="list-style-type: none"> <li>• He is the Polytechnic's Registrar</li> <li>• In charge of admission and career guidance</li> <li>• Oversee the management of examinations</li> </ul>
 <p>Mr. Sammy Gachui Mwangi B. Education Dip - Project Management</p>	<ul style="list-style-type: none"> <li>• He is the director of quality assurance</li> <li>• He is in charge of all performance measurement including QMS, Academics. Production units' quality among others</li> </ul>

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Mr. Geoffrey Ondele  
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



Fred Carter  
Dip. HRM

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

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## IV. CHAIRPERSON'S STATEMENT

The Sigalagala National Polytechnic (SNP) is one of the ten (10) National Polytechnic Institutions in Kenya under the State Department of Technical and Vocational Training (TVET) in Ministry of Education. The Governing Council was established pursuant to Section 28 (1) (c) of the TVET Act 2013. The council is mandated with, among others, the responsibility of steering the Polytechnic and overseeing its role in the conduct of education and training in accordance with the provisions of the TVET Act. The council is also expected to conduct fundraising, and oversee the accountability of the institutional use of the resources raised. The council has a statutory duty to prepare annual estimates of revenue and expenditure for the institution and incurring expenditure on behalf of the institution while taking care to ensure the prudent use of the institutional resources among others. The council is focused on steering the polytechnic forward to achieve its mission and vision through the strengthening of its operational frameworks, systems and processes.

During the financial year 2020/2021, the council put in place measures that ensured the enrolment of students increased from 8,087 students to over 9124 students. 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. This financial year came with the global challenge of the COVID-19 pandemic that has seen a slow-down in operations in all educational institutions worldwide. SNP was no exception in this regard and our learning schedule was disrupted. In the spirit of pulling together we, nevertheless, joined the national effort and got our various departments to support different efforts including the sewing of masks, and calibration of wash-stations for use. We made the necessary adjustments to the college infrastructure to ensure compliance with the Ministry of health directives on the pandemic.

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. As at the end of this financial year, the policies passed by the council 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:-

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- *'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'*.

During the year under review, the Council managed to enhance the functions of the Internal Audit department by employing an Internal Audit Assistant 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.

The Polytechnic continues to experience the challenge of inadequate infrastructure of classrooms, lecture halls and workshops for serving the continued increase in the student population. There is also an acute shortage of hostels for accommodating the students thus exposing some of them to living standards that may not be appropriate within surrounding communities. To mitigate this challenge, the governing council has developed a master plan to guide infrastructure development and has in this year commenced the construction of a Multi - Storey 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 Eburnangwe Campus in Vihiga County where we plan to commence Biotechnology and agricultural courses. This campus will train students in biomedical technology 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, noting the new normal with the COVID- 19 experience, is also putting a lot of emphasis on virtual learning by allocating substantial amount to acquisition of ICT equipment, the training of staff and students to assist the polytechnic in the implementation of virtual learning in a manner that will be equitable to all students.

**Catherine Muyeka Mumma**  
**Chairperson**

Signature .....

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FOR THE YEAR ENDED 30 JUNE 2021**

**V. REPORT OF THE PRINCIPAL**

The Sigalagala National Polytechnic uses government of Kenya fiscal year as their financial year.

The period under review was between 1<sup>st</sup> July 2020 to 30<sup>th</sup> June 2021.

**Operational Results**

The Polytechnic operated with a net surplus of Kshs. 67,766,167 This was due to the following reasons;

- Closure of the Institution during the first and second quarter of the year which reduced expenses in student related activities like research, practicals, physical tuition expenses among others.
- Austerity measures put in place as per the president's office circular and stringent measures put in place that led to prudent expenditure management.
- Late disbursement of 4th quarter capitation of Kshs. 62,220,000 (disbursed on 30/6/2021) which could not be committed to use before year end.

During the year, the government capitation increased from Kshs. 130,281,929 to Kshs. 213,645,000 which enabled many students to be supported and learn with little amount on their side to pay as fees.

The effect of Covid 19 affected many students who could not afford to pay part of the fees obligation meant for them after capitation leaving the Polytechnic with annual fees arrears of Kshs. 103,528,685. This was occasioned by low disbursement of Helb funds and CDF bursaries which are the main fees support to our students

**Debtors**

As at the end of the financial year 2020/2021, the Sigalagala National Polytechnic had debtors amounting to Kshs. 142,096,592 which comprised of fees debtors and other institutional debtors

The analysis of the Polytechnic debtors was as below;

	During the year	Other years	Total
Category	Kshs.	Kshs	Kshs.
Fees debtors	103,528,685	34,630,757	138,159,442
Other institution debtors	2,363,777	1,573,373	3,937,150
<b>Total</b>	<b>105,892,462</b>	<b>36,204,130</b>	<b>142,096,592</b>

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**Projects.**

During the year under review, the Polytechnic managed to start the construction of multi tuition complex facility which will host 40 class rooms.

The polytechnic also managed to purchase assets as summarized below;

**Status of Projects completion**

	Project	Total Project Cost	Total Expended to Date	Comp Letion % to Date	Budget	Actual	Sources of Funds
1.	Loan repayments	16,882,498	16,882,498	100%	1,664,630	1,664,630	A-in-A
2.	Installation of ERP	15,000,000	9,545,419	94%	5,000,000	3,545,419	Gok
3.	Tuition complex	111,741,210	14,482,473	13%	111,000,000	14,482,473	A-in-A
4.	Purchase of computers and computer accessories	13,000,000	3,160,271	24%	13,000,000	3,160,271	Gok
5.	Building & Civil works	17,000,000	16,015,108	100%	17,000,000	16,015,108	A-in-A
6.	Driving school car	4,000,000	3,092,600	100%	3,000,000	3,092,600	A-in-A
7.	Machinery & Equipment	60,000,000	684,052	2%	35,000,000	684,052	Gok
8.	Furniture & Fittings	5,000,000	2,746,214	55%	5,000,000	2,746,214	A-in-A

**Automation**

The Polytechnic is undergoing a lot of automation by installing Abno Unisol ERP and expanding the internet bandwidth within the Polytechnic. During the year under review, the polytechnic managed to connect all the departments with internet connectivity to enhance operations. The Polytechnic also embraced the usage of the ERP and managed to automate functions of;

- Departmental requisition.
- Lpo/ Lso processing.
- Suppliers Quotation preparation and quotation evaluation.
- Financial processes
- Examination processes
- Payroll processes
- Student portal (to enhance communication)

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The implementation of the ERP is as below:

	<b>Modules</b>	<b>% Completion</b>
1.	Finance module	90%
2.	Procurement and stores module	100%
3.	Human Resource and payroll module	90%
4.	Student management (registrar) module	100%
5.	Student Academic and Examination module	100%
6.	Accommodation module	100%
7.	Staff and student portal	80%
	<b>Average completion rate</b>	<b>94%</b>

### **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.

### **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 roles well and there was no conflict of interest reported.



**Evans Bosire**  
**PRINCIPAL**

Date: 18/07/2022

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**VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES**

Strategic Theme/Issue	Objective	KPI	Activities	Achievement
Quality Training for Sustainable Development	To Provide quality and inclusive education and Technical Training	<ul style="list-style-type: none"> <li>No of MOUs with institutions</li> <li>No of Curricula developed</li> <li>No. of CBET programs</li> <li>M&amp;E REPORTS</li> <li>No of CBET programs</li> <li>Availability of implementation &amp; monitoring reports</li> <li>No of tournaments and competitions</li> <li>No. of training programmes</li> </ul>	<ul style="list-style-type: none"> <li>Develop and implement a competency-based certificate and diploma programmes</li> <li>Develop new relevant Market driven by CBET</li> <li>Implementing and monitoring the CBET programs</li> <li>Promote Trainee participation in sports and games</li> <li>Promote trainee leadership training program</li> </ul>	<ul style="list-style-type: none"> <li>Most trainers have undergone CBET training.</li> <li>All departments have rolled out at least two CDACC programmes which are CBET aligned</li> <li>All elected student leaders have undergone a leadership course during the year</li> </ul>
Resource mobilization and management	To Improve resource mobilization and fiscal management of the institution	<ul style="list-style-type: none"> <li>Amount of funds sourced</li> <li>Amount of funds raised from production units</li> <li>Annual budget statements</li> <li>Audit reports</li> <li>Finance and procurement policies</li> <li>Needs Assessment Reports</li> </ul>	<ul style="list-style-type: none"> <li>Improve financial resource base</li> <li>Improve stewardship in financial, built and natural resources</li> <li>Develop effective human resource functional processes to attract and retain quality staff</li> <li>Promote effective stewardship of the built and natural environment</li> <li>Expand infrastructure to cope with increasing number of students</li> </ul>	<ul style="list-style-type: none"> <li>Improved service delivery</li> <li>The procurement plan has been implemented with structural human resource adjustments in order to increase efficiency and effectiveness.</li> <li>The Polytechnic employed an internal auditor who reports directly to the council. In addition, the college has internal controls and procedures in the administration in the teaching</li> </ul>

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<p>Research, innovation and technology</p>	<p>To continuously improve the institutional research and innovation capacities for alignment with industry</p>	<ul style="list-style-type: none"> <li>• No of innovations developed</li> <li>• No of partnerships formed</li> <li>• No of published articles in refereed journals</li> <li>• No. of Annual Conferences held</li> </ul>	<ul style="list-style-type: none"> <li>• Achieve or exceed best practice in environmentally efficient operations</li> <li>• Develop high quality teaching programmes relevant to sustainability</li> <li>• To enhance risk and disaster preparedness</li> </ul>	<p>and administration of exams and other procurement procedures. The inspection and acceptance committee needs training to improve on its effectiveness</p> <ul style="list-style-type: none"> <li>• Through the PC, a TNA has been conducted</li> </ul>
			<ul style="list-style-type: none"> <li>• Develop capacities for trainers in research and research proposal writing</li> <li>• Engage in strategic research partnerships to develop better tools and processes to enhance community entrepreneurial capacities</li> <li>• Facilitate the publication of research works by the institution</li> <li>• Host one international conference</li> </ul>	<ul style="list-style-type: none"> <li>• The college has both local and global initiatives for collaborations</li> <li>• community partnership strengthens in order to ensure the relevance of the polytechnic to its immediate environment</li> <li>• The research department has established a partnership with IREN Kenya in a number of innovations. Momentous and experts from the industry need to be put on board.</li> <li>• Two trainees have been assisted by Industry experts (KIRDI &amp; IREN) to develop innovations for Electrical and ICT department.</li> </ul>

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<p>Corporate Governance, Partnerships and Linkages for Effective Service Delivery</p>	<p>To improve governance, partnerships and linkages</p>	<ul style="list-style-type: none"> <li>• Financial Management Policy</li> <li>• Council Charter</li> <li>• Integrity Assurance Policy</li> <li>• Public Complaints</li> <li>• <del>Roby</del> ICT services</li> </ul>	<ul style="list-style-type: none"> <li>• Formulate and Implement Financial Management Policy</li> <li>• Formulate and Implement Governing Council Charter</li> <li>• Formulate and Implement Integrity Assurance Policy</li> <li>• Formulate and Implement Public Complaints Management Policy</li> <li>• Review and operationalize the ICT policy</li> <li>• Improve ICT infrastructure</li> <li>• Enhance corporate governance and quality management systems</li> <li>• Provide cost effective infrastructures for information communication technology.</li> <li>• Develop and implement a corporate communications and media engagement strategy</li> <li>• Strengthening the existing customer care platform</li> <li>• Develop and implement a marketing strategy</li> <li>• Develop a framework for industry and partnership linkages</li> <li>• Development, review and implementation of departmental policies and procedures.</li> </ul>	<ul style="list-style-type: none"> <li>• The policy was formulated and is being implemented</li> <li>• The charter has been formulated and cascaded to all departments</li> <li>• The college has since established integrity insurance officers at the departmental level who are working on the formulation of the integrity insurance policy</li> <li>• The college has established complaints offices at the departmental level who are working on the formulation and implementation of the complaints management policy</li> <li>• The ICT policy was reviewed and has been operationalized</li> <li>• A number of capacity building workshops for secretaries, registry staff and staff have been done to improve on use of ERP system.</li> </ul>
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**VII. CORPORATE GOVERNANCE STATEMENT**

The Sigalagala National Polytechnic believes in good corporate governance as an organization. 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. 90 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

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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.

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 authorized, 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**

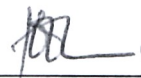
The Council confirms that it is satisfied that the Polytechnic has adequate resources to continue operating for the foreseeable future. For this reason, it continues to adopt the Going Concern basis when preparing the financial statements.

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. 90 of 2016



**Mrs. Catherine M. Mumma**

**Chairperson Council**



**Mr. Evans Bosire**

**Principal**

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**VIII. MANAGEMENT DISCUSSION AND ANALYSIS**

**The Polytechnic operational and Financial Performance**

The Polytechnic operated with a net surplus of Kshs. 67,766,167. This was due to the following reasons;

- Austerity measures put in place as per the president's office circular and stringent measures put in place that led to prudent expenditure management.
- Late disbursement of 4<sup>th</sup> quarter Capitation (disbursed on 30/6/2021) which could not be committed to use before year end.
- Closure of the Institution during the first and second quarter of the year which reduced student related activities in some areas like research, practical, physical tuition among others.
- Procurement logistics in acquisition of learning equipment totaling to Kshs, 34,315,948, furniture of Kshs. 2,253,786 and computers worth Kshs.9, 839,729 crossed the year before completion of process due to technicality in these equipment and procurement processes.

**Revenue Movement**

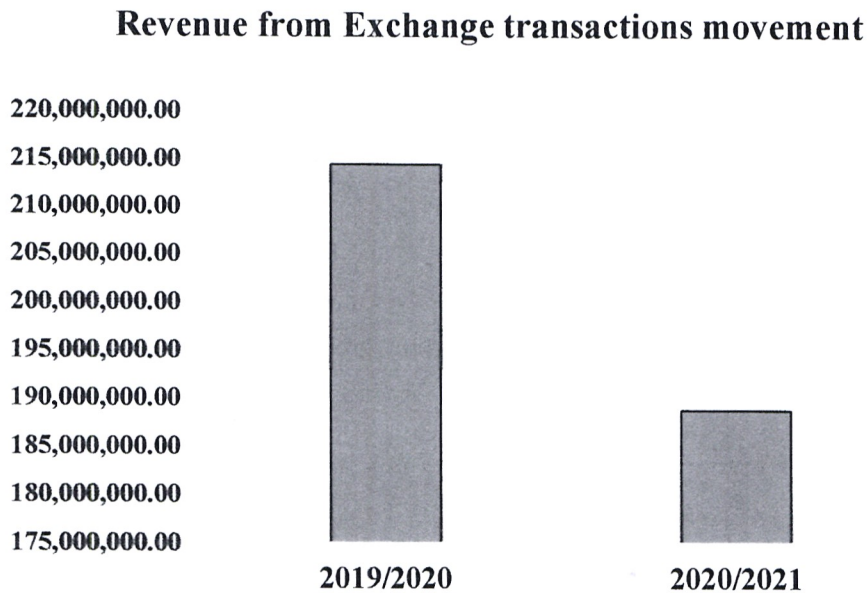
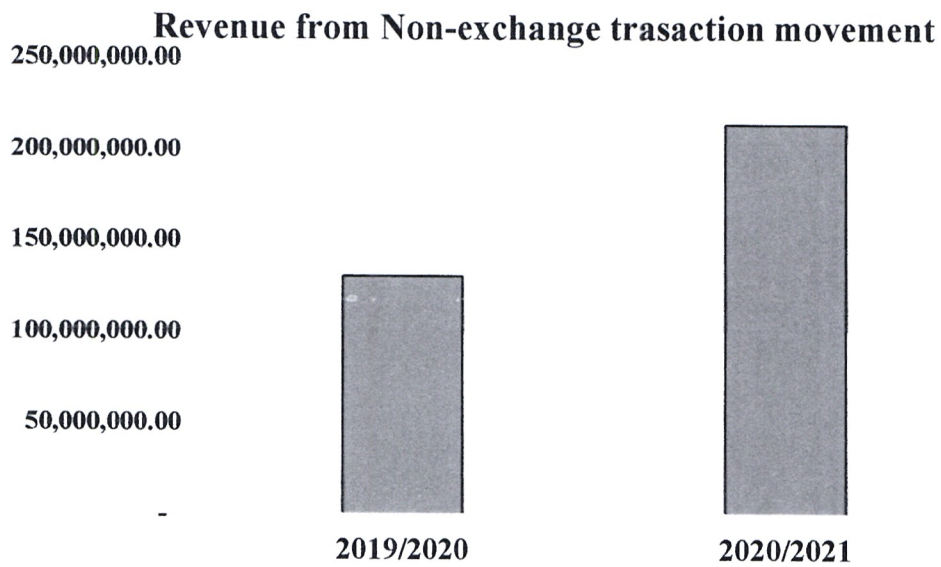
The revenue base from re-current income increased during the current year under review as opposed to the last financial year.

The revenue from non-exchange transaction were inversely proportional to the revenue from exchange transaction in that as government capitation increases the fees expected from students under revenue from exchange transaction reduces.

S/n	Sources of Revenue	2020/2021	2019/2020
1.	Revenue from non-exchange transaction	213,645,000	130,281,929
2.	Revenue from exchange transaction	188,780,844	214,419,193
	<b>Total</b>	<b>402,425,844</b>	<b>344,701,122</b>

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The bar graphs below explain the movement

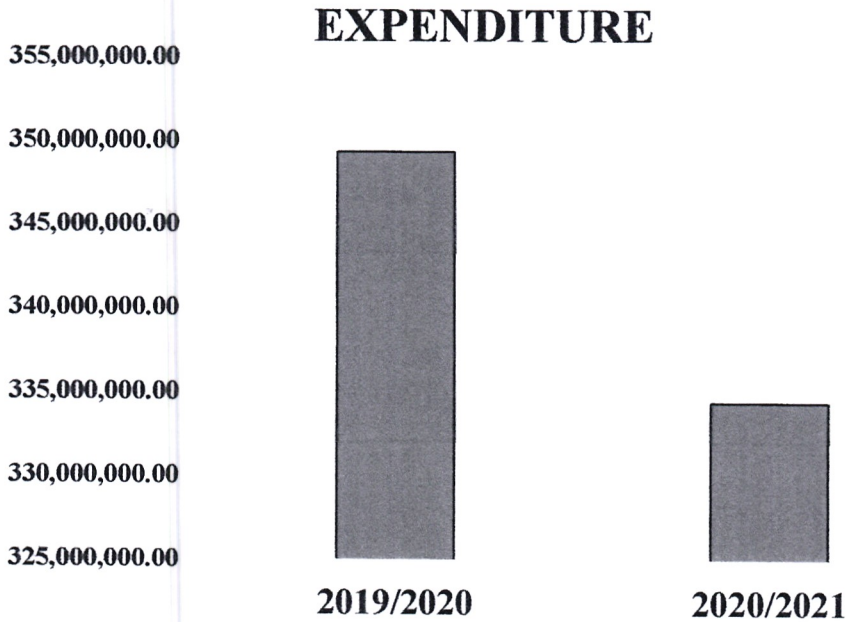


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**Expenses movement**

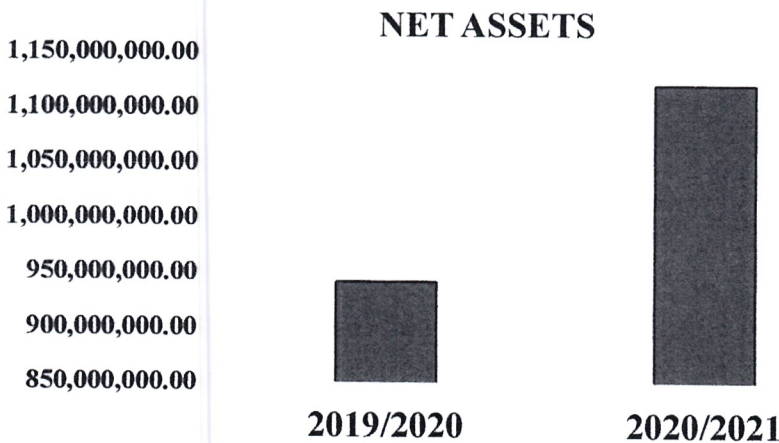
The polytechnic expense reduced from Kshs. 349,358,416 to Kshs. 334,659,677.

The graph below represents the expenses movement within the two years;



**Changes in net assets**

The net 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 net worth of the polytechnic grew from Kshs. 941,697,790 to Kshs. 1,121,075,670 as represented in the bar graph below;



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## 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 withholding 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 1<sup>st</sup> 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 function 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 with legal frame works necessary under public sector requirement such as;

- The Constitution of Kenya, 2010
- The Sigalagala National Polytechnic order No. 90 of 2016
- TVET Act, 2013
- PFM Act, 2012 and its regulations of 2016
- Procurement and Assets Disposal act, 2015 and its regulations of 2020
- IPSAS Accruals standards.
- All other relevant laws in its operation ( regular circulars from Treasury and Ministry of Education)

The Polytechnic has Internal Policies in her operation. These policies are in line with all the relevant laws stated above and only direct the specific operations on how tasks are handled.

These policies are;

- Finance Policy
- Procurement Policy
- Academic Policy
- Human Resource Policy
- ICT Policy
- Environmental policy
- Production unit policy

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**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	Completion % to date	Budget	Actual	Sources of funds
1.	Loan repayments	16,882,498	16,882,498	100%	1,664,630	1,664,630	A-in-A
2.	Installation of ERP	15,000,000	9,545,419	94%	5,000,000	3,545,419	Gok
3.	Tuition complex	111,741,210	14,482,473	13%	111,000,000	14,482,473	A-in-A
4.	Purchase of computers and computer accessories	13,000,000	3,160,271	24%	13,000,000	3,160,271	Gok
5.	Building & Civil works	17,000,000	16,015,108	100%	17,000,000	16,015,108	A-in-A
6.	Driving school car	4,000,000	3,092,600	100%	3,000,000	3,092,600	A-in-A
7.	Machinery & Equipment	60,000,000,	684,052	2%	35,000,000	684,052	Gok
8.	Furniture & Fittings	5,000,000	2,746,214	55%	5,000,000	2,746,214	A-in-A

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

- i. Tuition Complex Kshs. 14,482,473
- ii. Furniture and Fittings Kshs. 2,746,214
- iii. Machinery & Equipment Kshs. 684,052
- iv. Driving school car Kshs. 3,092,600
- v. Computers and Accessories of Ksh. 3,160,271
- vi. ERP (*Abno Unisol.*) Kshs. 3,545,419

**Major risks the Polytechnic is facing;**

**Operational Risk**

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. The Polytechnic has exposure to the following risks:

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

# THE SIGALAGALA NATIONAL POLYTECHNIC ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The Council has overall responsibility for the establishment and oversight of the Polytechnic's risk management framework. The Polytechnic's risk management policy is 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 policy 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 policy 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. 88,781.00** on the loan it has with Kenya commercial bank as per rates prescribed by the Central Bank of Kenya during the year and other bank charges as indicated below;

<b>Description</b>	<b>KShs</b>
Interest on loan	88,781
<b>Total</b>	<b>88,781</b>

### **Foreign Currency Risk**

The Polytechnic did not undertake transactions denominated in foreign currencies during the year 2020/2021 hence did not face any risk that line.

### **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 risk 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 her 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.

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**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. During the year, the polytechnic was heavily affected by this risk due to effect of the pandemic

**Material Arrears and Financial Obligations**

As at the end of the financial year 2020/2021, the Sigalagala National Polytechnic had debtors amounting to Kshs. 142,096,592 which comprised of fees debtors and other institutional debtors as shown below

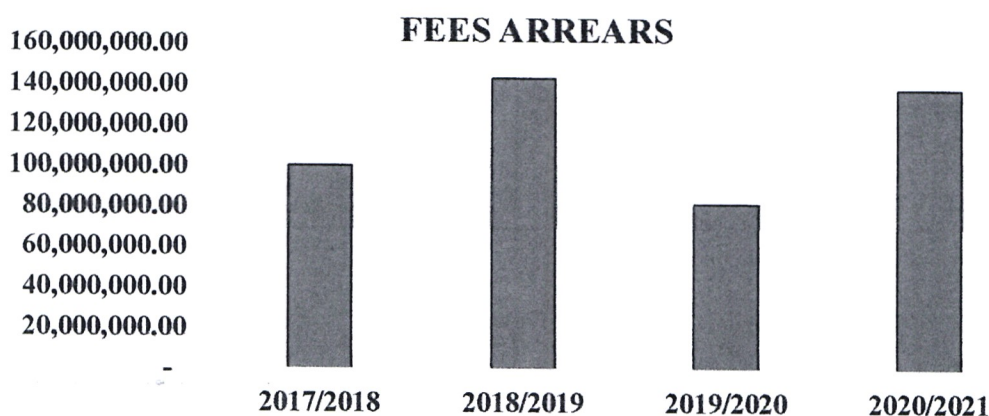
	During the year	Other years	Total
Category	Kshs.	Kshs	Kshs.
Fees debtors	103,528,685	34,630,757	138,159,442
Other institution debtors	2,363,777	1,573,373	3,937,150
<b>Total</b>	<b>105,892,462</b>	<b>36,204,130</b>	<b>142,096,592</b>

The Polytechnic had accumulated fees arrears totaling to Ksh. 138,159,442 which had not been received by the year end. The Polytechnic attributes this to effects of Covid-19 pandemic.

The Polytechnic has put up various measures to ensure that the arrears are reduced in the coming years by sensitizing all students to apply for Helb loan and CDF bursaries. The distribution of accumulated fees arrears for the last four years is as shown on the graph below;

- 2017/2018 - 100,383,982
- 2018/2019 - 143,391,144
- 2019/2020 - 84,646,556
- 2020/2021 - 138,159,442

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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 oversees 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 2020/2021 on 11/8/2021. The committee noted that the financial report under review is the fourth to be presented under the new International Public Sector Accounting Standards Accruals basis. (IPSAS Accruals) using the most current template dated 30 June 2021 released by the National Treasury to all public tertiary institutions.

## **Variances**

The Council observed that positive variance on revenue was due to increased number of students' population which reflected in more revenue collection.

The positive variance on expenditure was due to reduction in expenditure due to long closure of the polytechnic because of effects of Covid -19 pandemic and stringent measures put in place to reduce wastages on non-essential services.

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**Un-paid Creditors.**

By the end of the year 2020/2021, the Polytechnic had unpaid creditors total to Kshs. 3,092,684 which were not processed for payment by year end due to lack of necessary support for the payment. This was 0.6% of the total Polytechnic annual turnover.

**By order of the council**



**Mr. Evans Bosire**

**Principal/Secretary to the Council**

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## IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

### Sustainability Strategy and Profile

The Sigalagala National Polytechnic is guided by the SNP Environmental Sustainability Policy in her environmental activities. The main objective of this policy is: 'Better Quality of Life for Present and Future Generations through Sustainable Management of Sigalagala National Polytechnic's Environmental and National Resources'. The polytechnic is also guided by other policy objectives as follows;

- Provide a framework for an integrated approach to planning and sustainable management of Sigalagala National Polytechnic's environment and natural resources.
- Strengthen the legal and institutional framework for good governance, effective coordination and management of the environment and natural resources.
- Ensure sustainable management of the environment and natural resources such as unique terrestrial and aquatic ecosystems for national economic growth and improved livelihoods.
- Promote and support research and capacity development as well as use of innovative environmental management tools such as incentives, disincentives, total economic valuation, indicators of sustainable development, Strategic Environmental Audits (SEAs), Environmental Impact Assessments (EIA), Environmental Audits (EA), and Payment for Environmental Services (PES).
- Promote and enhance cooperation, collaboration, synergy, partnerships and participation in the protection, conservation, sustainable management of the environment and natural resources.
- Ensure inclusion of cross-cutting and emerging issues.

The polytechnic as an ISO certified institution, is committed to quality through technical training, research and innovation works fostering scientific and technological, culture that bridges theory and practice, producing holistic graduates prepare for the purpose, service and leadership.

The polytechnic is involved in various activities to enhance environmental sustainability;

- i. Management of Ecosystems and Sustainable use of Natural resources.
- ii. Environmental stewardship
- iii. Environmental quality and Health
- iv. Integration of Environmental concern in all policy, planning and Development process.
- v. Implementation framework
- vi. Research monitoring and evaluation.

# THE SIGALAGALA NATIONAL POLYTECHNIC ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## **Environmental Performance**

The polytechnic has developed an environmental policy to guide on environmental performance and sustainability to ensure that the environment is well protected for lives.

As for efforts to manage biodiversity, wastes management are concerned, the Sigalagala National Polytechnic has put in place adequate systems of collecting solid, plastic and organic wastes by hiring a qualified and capable VITALCO Company that does general cleanliness and disposes the wastes at proper dumping sites.

Through environmental sustainability and wildlife clubs, the Sigalagala National Polytechnic has a project of putting up a green space and Arboretum where feeding tables (for birds and small animals) will be fixed. The project is in process.

## **Employee Welfare**

The Polytechnic has put in place policies guiding the recruitment and selection process as set out in the Human resources manual that is reviewed by the council from time to time. Stakeholder engagements are incorporated every time review of the policy document is undertaken. In order to increase the representation of women, an analysis of gender relations and ratio provides information on the different conditions those women and men face, and the different effects that policies and programs may have on them because of their situations. Such information creates opportunities of workplace diversity and improve specific college policies and programs, and is essential in ensuring that the different needs of both women and men are met. A specific policy on Gender and disability established a Gender and Disability Mainstreaming Committee with all college wide gender guidelines implemented.

Proper initiatives as per policy provide for equal employment policy, Sigalagala National Polytechnic promotion and Career progression policies, procedures, an elaborate and functional appraisal management system. The College has an established Safety and Health policy in compliance with the Occupational Safety and Health Act of 2007 (OSHA Act 2007)

## **Corporate Social Responsibility/Community Engagements**

Sigalagala National Polytechnic undertook tree planting initiatives in collaboration with Kenya Forest Service (KFS) in several primary schools neighboring it. About 1200 tree species were planted by pupils and teachers in those primary schools. Speeches emphasizing on the importance of environmental conservation were made. Sigalagala National Polytechnic also donated seven hand washing stations, five thousand washable face masks, three thousand litres of sanitizers and thirteen dust coats to the six neighboring primary schools and business community.

**THE SIGALAGALA NATIONAL POLYTECHNIC  
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*SNP principal Mr. Evans Bosire and team donating handwash station to local primary schools within shinyalu sub county*



*SNP team led by Principal Mr. Evans Bosire donating sanitizer to local primary schools to help them fight Covid 19 in their schools*

# THE SIGALAGALA NATIONAL POLYTECHNIC ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## Market Place Practices

### Responsible competition practice

Sigalagala National Polytechnic has put in place several strategies to ensure responsible competition practice as outlined below;

- Appointment of integrity assurance officers to sensitize its staff on integrity issues as well as setting a corruption prevention policy.
- Internal control system through coming up with Human resource, Finance and procurement manuals.
- Compliance with the public procurement and asset disposal act 2015 when it comes to its procurement activities. Giving preference to the marginalized by setting up aside 30% of the procurement opportunities for the women, youth and PWD.
- Set up a customer feedback mechanism by coming up with suggestion boxes and complain boxes where customer rates their satisfaction with the services offered. This helps in decision making.
- Set competition price. This is when it comes to products that supplier is able to offer on the market from its production units.

### Responsible supply chain and supplier relations

Sigalagala National Polytechnic has maintained good business practices with its supplier by;

- Promoting clear and consistent communication on the basis of equal partnerships. Tenders are advertised on public forums where suppliers are able and can easily access information for instance on newspapers, websites etc.
- Use of technology for mutual benefit. The Polytechnic has embraced the use of modern technology which has made it easy to come up with procurement documents and also promoted faster communication through the use of emails. It's easier to update contracts information, submit invoices and respond to quotes. Helps also in creating an audit trails.
- Understanding and honouring contractual obligation. Clear contracts/orders spelling the terms and conditions coming up with an effective inspection and acceptance team has boosted confidence in contracts relationship with supplier.
- Timely/prompt payment. Suppliers are paid on time to enable them stay afloat and stable.
- Supplier appraisal regularly reviewing reviews performance of suppliers promoting vendor accountability, reducing loss and improving customer satisfaction.

# THE SIGALAGALA NATIONAL POLYTECHNIC ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## **Responsible marketing and advertisement**

The following are efforts being undertaken to maintain ethical marketing practices;

- Being transparent by sharing the information on public platforms such as our websites.
- Protecting supplier data and privacy
- Responding meaningfully to our customer for instance through our able customer care staff.
- Carrying out corporate social responsibility with an intention to have a positive image and help force a stronger bond with immediate surrounding environment.
- Committing to sustainability and human rights.
- Being honest about our products and supply chain.

## **Product stewardship**

Sigalagala has outlined efforts to safeguard consumer rights and interest by;

- Setting up a quality assurance officer to check on the standards of quality of products/services.
- Setting an inspection and acceptance committee to verify on the goods/services being declined.
- Having a safety policy to ensure that their staffs are protected against risks such as accidents and hazardous substances.
- Providing quality services to its clients for as to be competitive on the job market

**THE SIGALAGALA NATIONAL POLYTECHNIC  
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**X. REPORT OF THE COUNCIL**

The Council members submit their report together with the audited financial statements for the year ended 30 June 2021 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 30 June 2021 are set out on page 1-7

**Governing Council**

The members of the Council who served during the year are shown on page x – xiii.

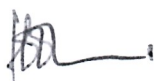
During the year, there were two new members who were appointed to join the council as stated below;

No.	Name	Date of appointment
1.	Eng. John Mokaya Ombengi	13/10/2020
2.	Mr. Charles Wambua Ndambuki	05/05/2021

**Auditors**

The Office of 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  
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**XI. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES**

According 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, the Sigalagala National Polytechnic has prepared Financial Statements that gives true view of the Polytechnic state of affairs as at the end of the financial year June 30, 2021. 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;
- (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 judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) accruals basis, 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 30 June, 2021 and of the polytechnic's financial position as at that date.

The Council members further confirm the completeness of the accounting records maintained for the polytechnic, which have been relied upon in the preparation of the polytechnic's financial statements as well as the adequacy of the systems of internal financial control.

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

**THE SIGALAGALA NATIONAL POLYTECHNIC  
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FOR THE YEAR ENDED 30 JUNE 2021**

**Approval of the Financial Statements**

The Polytechnic's financial statements were approved by the full council on 24/9/2021 and signed on its behalf by:



.....  
**Council Chairperson**



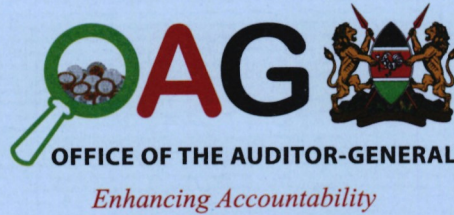
.....  
**Council Secretary**



.....  
**Council Member**

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON SIGALAGALA NATIONAL POLYTECHNIC FOR THE YEAR ENDED 30 JUNE, 2021

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### PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Sigalagala National Polytechnic set out on pages 1 to 53, which comprise of the statement of financial position as at

30 June, 2021, 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 effects of the matter 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, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, and the Technical and Vocational Education and Training (TVET) Act, 2013.

### **Basis for Qualified Opinion**

#### **Inaccuracies in Cash and Cash Equivalents**

The statement of financial position reflects a cash and cash equivalents balance of Kshs.294,130,148 as at 30 June, 2021 which, as detailed under Note 26, comprises bank balances in 10 bank accounts totaling Kshs.294,128,466 and a cash on hand balance of Kshs.1,682.

However, a bank reconciliation statement provided for audit review for one account reflects an amount of Kshs.2,817,383 in the bank statements not in the cash book. In addition, amounts totaling Kshs.1,340,968 were returned unpaid (return to drawer) but had not been reversed in the cash book .

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.294,130,148 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 were no key audit matters to report in the year under review.

## **Other Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts indicates that the Polytechnic had a final approved revenue budget of Kshs.256,200,000 from tuition fee but realized only Kshs.188,780,844. No explanation was provided for the shortfall in revenue collection by Kshs.67,419,156 or about 26%.

In addition, the statement of comparison of budget and actual amounts indicates that the Polytechnic had a total final approved budget of Kshs.518,645,000 out of which actual receipts amounted to Kshs.513,707,557. However, out of the actual receipts of Kshs.513,707,557, the Polytechnic realized actual expenditure of Kshs.322,399,061. No explanation was provided for the gross under-expenditure of Kshs.191,308,496 or 37%.

Based on the approved estimates, the under collection and under expenditure 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. Long Outstanding Trade Payables**

The statement of financial position reflects a balance of Kshs.31,622,242 under trade payables from exchange transactions which includes, as shown under Note 34, a balance of Kshs.3,092,684 relating to trade payables. However, the balance of Kshs.3,092,684 includes a balance of Kshs.1,477,149 relating to five suppliers who have not been settled since 2017. No explanation was provided for the failure to settle debts as and when they fall due.

Failure to settle creditors as and when the debts fall due adversely affects the creditworthiness of the Polytechnic.

#### **2. Lack of Staff Ethnic Diversity**

Analysis of the payroll and staff list provided for audit indicates that the Institution had 238 employees (both teaching and non-teaching). However, out of the 238 employees, 182

(or about 76%) were from one ethnic community. This is contrary to the provisions of Section 7(2) of the National Cohesion and Integration Act, 2008, which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

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

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

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

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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.

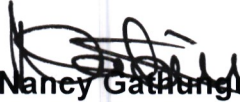
Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that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

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

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

I communicate with 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 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

02 September, 2022

**THE SIGALAGALA NATIONAL POLYTECHNIC**  
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**XIII. STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2020/2021	2019/2020
<b>Income</b>		<b>Kshs.</b>	<b>Kshs.</b>
<b>Revenue from Non-Exch. Transactions</b>			
Transfer from National Government	6	213,645,000	130,281,929
Grants from donors	7	-	-
Transfers from other levels of government	8	-	-
Public Contribution & Donations	9	-	-
		<b>213,645,000</b>	<b>130,281,929</b>
<b>Revenue from Exchange Transactions</b>			
Rendering of services- Fees from students	10	140,878,028	157,308,577
Sale of goods	11	45,154,665	54,438,051
Rental revenue from facilities and equip.	12	2,516,180	1,473,513
Finance Income	13	17,981	1,072,352
Other income	14	213,990	126,700
		<b>188,780,844</b>	<b>214,419,193</b>
<b>Total Revenue</b>		<b><u>402,425,844</u></b>	<b><u>344,701,122</u></b>
<b>Expenses</b>			
Use of goods & Services	15	155,483,371	173,858,013R
Employee costs	16	80,967,085	73,951,172
Council Expenses	17	6,571,222	10,802,132
Depreciation	18	57,651,383	67,688,105
Repairs and Maintenance	19	17,783,290	14,254,066
Contracted Services	20	16,114,545	8,141,943
Grants & Subsidies	21	-	-
Finance costs	22	88,781	662,985R
<b>Total Expenses</b>		<b><u>334,659,677</u></b>	<b><u>349,358,416</u></b>
<b>Net Surplus for the year</b>		<b>67,766,167</b>	<b>(4,657,293)</b>

R – Restatement of 2019/2020 figures

Notes on pages 8- 47 form an Integral part of the Financial Statements

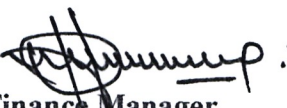
**THE SIGALAGALA NATIONAL POLYTECHNIC  
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**XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	Notes	2020/2021	2019/2020
<u>Assets</u>		Kshs.	Kshs.
<b>Current assets</b>			
Cash and Cash Equivalents	26	294,130,148	247,873,131
Receivables from Exchange Transactions	27	142,096,592	86,271,809
Receivables from Non- Exchange Transactions	28	-	-
Inventories	29	10,151,551	2,791,832
Investments	30	-	-
<b>Total Current Assets</b>		<b>446,378,291</b>	<b>336,936,772</b>
<b>Non-current assets</b>			
Property, Plant and Equipment	31	742,595,577	759,736,242
Intangible Assets	32	9,545,419	6,000,000
Biological Assets	33	295,000	295,000
<b>Total Non- Current Assets</b>		<b>752,435,996</b>	<b>766,031,242</b>
<b>Total Assets</b>		<b>1,198,814,287</b>	<b>1,102,968,014</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade Payables from Exchange Transactions	34	31,622,242	78,012,806
Refundable deposits from customers	35	45,032,895	80,509,308
<b>Total Current Liabilities</b>		<b>76,655,137</b>	<b>158,522,114</b>
<b>Non-Current Liabilities</b>			
Non-current provisions	40	1,083,480	1,083,480
Borrowings	41	-	1,664,630
<b>Total Non-Current Liabilities</b>		<b>1,083,480</b>	<b>2,748,110</b>
<b>Capital and Reserves</b>			
Reserves		748,695,243	748,695,243
Accumulated Surplus		97,003,341	28,907,174
Capital Funds		275,377,086	164,095,373
<b>Net Assets</b>		<b>1,121,075,670</b>	<b>941,697,790</b>
<b>Total Net Assets and Liabilities</b>		<b>1,198,814,287</b>	<b>1,102,968,014</b>

  
Chairperson of Council

Date.....18/07/2022.

  
Finance Manager  
ICPAK No. 15907

Date.....18/7/2022

  
Principal

Date.....18/07/2022

**THE SIGALAGALA NATIONAL POLYTECHNIC**  
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**XV. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021**

Details	Revaluation Reserve	Retained Earnings	Capital/ Dev. Grants	Mentored Institution	TOTAL
<b>As at July 1, 2018</b>	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 funds received during the year	-	-	17,105,031	17,173,455	34,278,486
<b>As at June 30, 2019</b>	711,618,463	34,128,706	120,458,056	57,500,000	923,705,225
<b>As at July 1, 2019</b>	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 funds 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)
<b>As at June 30, 2020</b>	748,695,243	28,907,174	164,095,373	-	941,697,790
<b>As at July 1, 2020</b>	748,695,243	28,907,174	164,095,373	-	941,697,790
Prior year adjustment	-	330,000	-	-	330,000
Revaluation gain	-	-	-	-	-
Surplus/ Deficit	-	67,766,167	-	-	67,766,167
Development funds received during the year	-	-	111,281,713	-	111,281,713
Transfer to other institutions	-	-	-	-	-
<b>As at June 30, 2021</b>	748,695,243	97,003,341	275,377,086	-	1,121,075,670

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**XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2020/2021	2019/2020
<b>Cash Flows from Operating Activities</b>		<b>Kshs.</b>	<b>Kshs.</b>
Government. Recurrent grants	6	213,645,000	130,281,929
Rendering of services - Fees from students	10	140,878,028	157,308,577
Sale of goods	11	45,154,665	54,438,051
Rental Revenue from hire of facilities	12	2,516,180	1,473,513
Finance income	13	17,981	1,072,352
Other income	14	213,990	126,700
<b>Total Receipts</b>		<b>402,425,844</b>	<b>344,701,122</b>
<b>Payments</b>			
Use of goods and services	15	(155,483,371)	(173,858,013) R
Employees costs	16	(80,967,085)	(73,951,172)
Council Costs	17	(6,571,222)	(10,802,132)
Repairs and Maintenance	19	(17,783,290)	(14,254,066)
Contracted Services	20	(16,114,545)	(8,141,943)
Finance costs	22	(88,781)	(662,985) R
<b>Total payments</b>		<b>(277,008,294)</b>	<b>(281,670,311)</b>
<b>Net cash flows from Operating Activities</b>		<b>125,417,550</b>	<b>63,030,811</b>
<b>Cash flows from Investing Activities</b>			
Acquisition of PPE	31	(40,180,718)	(65,930,628)
Acquisition of intangible assets	32	(3,545,419)	(2,000,000)
Expenditure on Chanzeywe TVC		-	(8,820,529)
<b>Net cash flows used in Investing Activities</b>		<b>(43,726,137)</b>	<b>(76,751,157)</b>
<b>Cash flows from Financing Activities</b>			
Development Fees	25	111,281,713	75,511,489
Repayment of borrowings	41	(1,664,630)	(4,502,571)
Reduction in Provision	28	-	(202,043)
<b>Net cash flows used in Financing Activities</b>		<b>109,617,083</b>	<b>70,806,875</b>
<b>Changes in Current Asset/Liabilities</b>			
Receivables from Exchange Transactions	27	(55,824,783)	59,311,088
Trade Payables from Exchange Transactions	34	(46,390,564)	(3,263,442)
Refundable Deposits from Customers	35	(35,476,413)	44,742,679
Increase in Inventories	29	(7,359,719)	(1,055,802)
<b>Net changes in working capital</b>		<b>(145,051,479)</b>	<b>99,734,523</b>
<b>Net increase in cash &amp; cash equivalents</b>		<b>46,257,017</b>	<b>156,821,052</b>
<b>Cash and cash equivalents at 1 July 2020</b>		<b>247,873,131</b>	<b>91,052,079</b>
<b>Cash and cash equivalents at 30 June 2021</b>		<b><u>294,130,148</u></b>	<b><u>247,873,131</u></b>

R – Restatement of 2019/2020 figures

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**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021**

VOTEHEADS	Items Description	Original Budget 2020/2021	Adjustment in budget 2020/2021	Final Budget 2020/2021	Actual Performance 2020/2021	Performance Difference 2020/2021	Utilization Difference 2020/2021
1	Tuition fee Revenue (A-in-A)	225,000,000	31,200,000	256,200,000	188,780,844	(67,419,156)	-26%
2	Government Capitation	50,000,000	101,445,000	151,445,000	213,645,000	62,220,000	41%
3	Government Development Grant	-	-	-	-	-	
4	Development (A-in-A)	50,000,000	61,000,000	111,000,000	111,281,713	281,713	0.25%
5	<b>Total Recurrent Revenues</b>	<b>325,000,000</b>	<b>193,645,000</b>	<b>518,645,000</b>	<b>513,707,557</b>	<b>(4,937,443)</b>	<b>-1%</b>
	<b>Operating Expenses</b>						
6	Employees costs	67,574,000	10,426,000	78,000,000	80,967,085.00	2,967,085	4%
7	<b>Board/Council Expenses</b>	<b>6,310,000</b>	<b>2,690,000</b>	<b>9,000,000</b>	<b>6,571,222.00</b>	<b>(2,428,778)</b>	<b>-27%</b>
8	<b>Contracted Services</b>						
	i) Outsource Legal Services	449,000	-	449,000	426,836.00	(22,164)	-5%
	ii) Consultancies	4,000,000	-	4,000,000	2,638,379.00	(1,361,621)	-34%
	iii) Security & Cleaning Services	9,000,000	3,000,000	12,000,000	12,624,842.00	624,842	5%
	iv) Assets Insurance	1,494,000	-	1,494,000	424,488.00	(1,069,512)	-72%
	<b>Sub Total</b>	<b>14,943,000</b>	<b>3,000,000</b>	<b>17,943,000</b>	<b>16,114,545</b>	<b>(1,828,455)</b>	<b>-10%</b>
9	<b>Expenses on Operations Relating to core Mandates</b>						
	i) Teaching and Learning Materials & Equip.	50,000,000	4,219,000	54,219,000	21,852,989.00	(32,366,011)	-60%
	ii) Library Books	3,688,000	1,000,000	4,688,000	2,554,138.00	(2,133,862)	-46%
	iii) Research & Innovations	8,000,000	7,000,000	15,000,000	2,213,036.00	(12,786,964)	-85%
	iv) Co-Curricular Activities	10,044,000	-	10,044,000	4,748,361.00	(5,295,639)	-53%

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	v) Performance Contract	8,000,000	-	8,000,000	4,745,400.00	(3,254,600)	-41%
	vi) Practical	15,000,000	5,000,000	20,000,000	17,006,503.00	(2,993,497)	-15%
	vii) Curriculum Development	1,500,000	3,500,000	5,000,000	3,610,680.00	(1,389,320)	-28%
	viii) Staff Development & Academic trips	3,000,000	-	3,000,000	2,249,100.00	(750,900)	-25%
	ix) Attachment & Internships	7,000,000	-	7,000,000	4,198,640.00	(2,801,360)	-40%
	x) Computer & Accessories	8,190,000	7,810,000	16,000,000	3,787,045.00	(12,212,955)	-76%
	<b>Sub Total</b>	<b>114,422,000</b>	<b>28,529,000</b>	<b>142,951,000</b>	<b>66,965,892.00</b>	<b>(75,985,108)</b>	<b>-53%</b>
10	<b>Administrative Expenses</b>						
	(i) Travel and Accommodation	2,000,000	1,000,000	3,000,000	2,880,565	(119,435)	-4%
	(ii) General Adm. & Hospitality	22,000,000	1,000,000	23,000,000	24,071,695	1,071,695	5%
	(iii) EWC	8,751,000	-	8,751,000	5,074,091	(3,676,909)	-42%
	(iv) Marketing & Publicity	2,000,000	-	2,000,000	237,018	(1,762,982)	-88%
	(v) Automation	5,000,000	3,000,000	8,000,000	3,545,419	(4,454,581)	-56%
	(vi) Graduation Expenses	5,000,000	-	5,000,000	-	(5,000,000)	-100%
	vii) Medical Insurances	2,000,000	3,000,000	5,000,000	1,460,143.00	(3,539,857)	-71%
	v) Covid - 19 Interventions	-	35,000,000	35,000,000	34,269,001	(730,999)	-2%
	<b>Sub Total</b>	<b>46,751,000</b>	<b>43,000,000</b>	<b>89,751,000</b>	<b>71,537,932</b>	<b>(18,213,068)</b>	<b>-20%</b>
11	<b>Repairs and Maintenance</b>						
	i) Buildings and Civil works	10,000,000	-	10,000,000	9,457,348	(542,652)	-5%
	ii) Motor Vehicles Operating Expenses	6,000,000	-	6,000,000	7,467,844	1,467,844	24%
	iii) Computers & Office equipment	3,000,000	-	3,000,000	666,798	(2,333,202)	-78%
	iv) Furniture & Equipment	6,000,000	-	6,000,000	191,300	(5,808,700)	-97%
	<b>Sub Total</b>	<b>25,000,000</b>		<b>25,000,000</b>	<b>17,783,290</b>	<b>(7,216,710)</b>	<b>-29%</b>
12	<b>Tuition Infrastructural Expansion</b>	<b>50,000,000</b>	<b>101,000,000</b>	<b>151,000,000</b>	<b>62,459,095</b>	<b>88,540,905</b>	<b>59%</b>
13	<b>Total Operating Expenses</b>	<b>325,000,000</b>	<b>188,645,000</b>	<b>513,645,000</b>	<b>322,399,061</b>	<b>(191,245,939)</b>	<b>-37%</b>

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**Explanation on the variances above 10%**

- Due to Covid 19 pandemic which left the polytechnic closed during the first two quarters of the financial year 2020/2021, most of the activities like tuition, research and activities would not be done hence the underperformance on those vote heads.
- Due to government policies on restrictions to movement and ban on physical meetings during the year because of Covid 19 pandemic, the polytechnic was forced to cancel external meetings affecting functions in areas like research and innovation, co-curricular activities and other related vote heads.
- The Polytechnic was in the process of buying learning equipment, furniture and computers to aid in learning at a cost of Kshs. 46,409,463 as stated in commitment list in notes to the financial statements No. 48. However, due to uniqueness of the equipment that required suppliers to import them from outside the country, the delivery delayed and was the cause of underperformance in the Teaching and Learning Equipment

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**XVIII NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

The Sigalagala National Polytechnic is established by and derives its authority and accountability from The Sigalagala National Polytechnic Order No. 90 of 2016 and the TVET Act of 2013. The Polytechnic is wholly owned by the Government of Kenya and is domiciled in Kenya within Kakamega County. The Polytechnic principal activity is to offer training and skills in science and technology

**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 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 Sigalagala National 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, the TVET Act, The Sigalagala National Polytechnic Order No. 90 of 2016 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. ADOPTION OF NEW AND REVISED STANDARDS**

**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2021**

Standard	Impact
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <ul style="list-style-type: none"> <li>• Sigalagala National Polytechnic is not affected by the changes in 13</li> </ul> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <ul style="list-style-type: none"> <li>• Sigalagala National Polytechnic has been reporting financial statements for more than 3 years hence not affected with the clauses in IPSAS 33</li> </ul> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <ul style="list-style-type: none"> <li>• Sigalagala National Polytechnic did not revalue any asset under Property Plant and Equipment during the year hence not affected with the clause.</li> </ul> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> <ul style="list-style-type: none"> <li>• Sigalagala National Polytechnic has been reporting financial statements for more than 3 years hence not affected with the clauses in IPSAS 33</li> </ul>

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**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.**

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of a polytechnic's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>•Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>•Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing.</li> <li>•Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between a polytechnic's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>The Sigalagala National Polytechnic does not deal with the financial instruments hence not affected by this clause</i></p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting polytechnic provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the polytechnic;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the polytechnic's financial performance, financial position and cash flows.</li> </ul> <p><i>The Sigalagala National Polytechnic is not registered with any social benefits other than the NSSF hence not affected with the clause</i></p>

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<p><b>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</b></p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> <li>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Sigalagala National Polytechnic has been reporting financial statements for more than 3 years hence not affected with the clauses in IPSAS 33</p>
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**iii. Early adoption of standards**

The Sigalagala National Polytechnic did not adopt any new or amended standards in the year 2020/2021.

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**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 realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

During the year capitation received from the ministry of education amounted to **Kshs.213,645,000**

The polytechnic did not receive any development funds during the year.

**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 services rendered to them amounting to **Kshs. 140,878,028**

**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. 45,154,665**

**Interest on Savings Account**

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. 17,981**

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**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. 2,516,180**

**b) Budget Information**

The original budgets for year 2020/2021 was approved by the Council on 30/1/2021

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.

**c) 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 KRA regulations in place.

*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 2020/2021, the VAT withholding was reduced to 2%.

**d) Investment property**

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

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

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**e) Property, Plant and Equipment**

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

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 Assets are as below;

Description	Rate	Amount
Buildings	2%	10,893,101
Machinery & Equipment	12.5%	18,043,837
Furniture & Fittings	12.5%	9,964,019
Motor vehicle	25%	6,377,150
Computers	33.3%	12,373,276
Loose tools	50%	0
<b>Total</b>		<b>57,651,383</b>

**(f) 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.

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**(g) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. 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. As below;

Modules	% completion
Finance module	90%
Procurement and stores module	100%
Human Resource and payroll module	90%
Student management (registrar) module	100%
Student Academic and Examination module	100%
Accommodation module	100%
Staff and student portal	80%
<b>Average completion rate</b>	<b>94%</b>

**h) Research and Development Costs**

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

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

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of 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.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**i) Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

*Held-to-Maturity*

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

*Impairment of financial assets*

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

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

*Financial liabilities*

*Initial Recognition and Measurement*

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

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

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***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.

**j) Inventories**

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

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

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

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

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.

By the end of the year the Sigalagala National Polytechnic had inventories as below;

Description	2020/2021	2019/2020
	Kshs	
Central stores (Consumable)	3,240,545	863,130
Maintenance stores	250,855	246,100
Health Unit stores	778,067	72,100
Electrical stores	2,914,005	615,472
Cleaning materials stores	794,255	427,110
Catering stores	1,109,973	567,920
Bakery stores	435,909	-
Food & Beverage stores	627,942	-
	<b><u>10,151,551</u></b>	<b><u>2,791,832</u></b>

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**j) Provisions**

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

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

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

During the year 2020/2021, the Sigalagala National Polytechnic had a provision of Kshs. 1,083,480 to take care of litigation case in court where a former employee is seeking injury compensation

***Contingent Liabilities***

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

***Contingent Assets***

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

**k) Nature and purpose of reserves**

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

The Sigalagala National Polytechnic does not have a reserve created for specific function but the reserves it has represent the value of its assets as shown in the statement of changes in net assets

**l) Changes in Accounting Policies and Estimates**

The Sigalagala National 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. During the financial year 2020/2021 there were no changes in accounting policies within the Polytechnic

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**m) Employee Benefits**

**Retirement Benefit Plans**

The Siglagala National Polytechnic does not have a retirement benefits plan currently but operates NSSF as the sole retirement plan for her workers.

The polytechnic is in the process of complying with the treasury guideline on running a contributory pension scheme in the next financial year

**n) Foreign Currency Transactions**

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

**o) Borrowing Costs**

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

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

**p) Related Parties**

The Polytechnic regards a related party as a person or an polytechnic with the ability to exert control individually or jointly, or to exercise significant influence over the Polytechnic, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO/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, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Polytechnic also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

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**r) Cash and Cash Equivalents**

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

The Sigalagala National Polytechnic closed the year with cash and cash equivalent figure amounting to **Kshs. 294,130,148**

**s) Comparative Figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in new presentation dated 30 June 2021.

**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, 2021.

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**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. (a) TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

Description	2020/2021	2019/2020
	Kshs	Kshs
<b>Unconditional grants</b>		
1 <sup>st</sup> Capitation Grant	52,755,000	49,815,000
2 <sup>nd</sup> Capitation Grant	50,025,000	2,901,929
3 <sup>rd</sup> Capitation Grant	48,645,000	34,290,000
4 <sup>th</sup> Capitation Grant	62,220,000	43,275,000
	<b><u>213,645,000</u></b>	<b><u>130,281,929</u></b>
<b>Conditional grants</b>		
Library grant	-	-
Hostels grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
Learning facilities grant	-	-
Other organizational grants	-	-
<b>Total Government Grants and Subsidies</b>		<b><u>130,281,929</u></b>

**b). 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 Recognized in capital fund.	Total grant income during the year
	KShs	KShs	KShs	KShs
-	-	-	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**7. GRANTS FROM DONORS AND DEVELOPMENT PARTNERS**

Description	2020/2021	2019/2020
	Kshs	Kshs
JICA- Research grant	-	-
World Bank grants	-	-
In-kind Donations	-	-
Other grants	-	-
<b>Total grants from development partners</b>	-	-

**Reconciliations of grants from donors and development partners**

	2020/2021	2019/2020
	Kshs	Kshs
<b>Balance unspent at beginning of year</b>	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions to be met - remain liabilities</b>	-	-

**8. TRANSFERS FROM OTHER LEVELS OF GOVERNMENT**

	2020/2021	2019/2020
	Kshs	Kshs
	-	-
Transfer from County government	-	-
Transfer from University	-	-
Transfer from institute	-	-
<b>Total Transfers</b>	-	-

**9. PUBLIC CONTRIBUTIONS AND DONATIONS**

	2020/2021	2019/2020
	Kshs	Kshs
Public donations	-	-
Donations from local leadership	-	-
Donations from religious institutions	-	-
Donations from alumni	-	-
Other donations	-	-
<b>Total donations and sponsorships</b>	-	-

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**10. RENDERING OF SERVICES**

Description	2020/2021	2019/2020
	Kshs	Kshs
Activity fees	11,578,455	11,462,301
Tuition fees	38,771,569	49,943,514
Administrative fees	11,671,067	9,918,006
ICT Levy	4,476,483	3,869,304
RMI	12,947,913	14,846,451
EWC	11,301,512	11,275,191
L.T&T	11,290,113	9,488,004
Library	5,647,853	4,949,558
Medical	4,500	217,290
Personal Emoluments	20,378,263	24,500,312
Council trainers	732,750	3,684,821
PTA	-	124,994
Practicals	12,077,550	13,028,831
<b>Total</b>	<b>140,878,028</b>	<b>157,308,577</b>

The revenues under this category are mainly fees from students for the exchange of tuition services offered to them as per the fees structure and government guidelines of TVET fees.

**11. SALE OF GOODS**

	2020/2021	2019/2020
	Kshs	Kshs
Driving school	839,755	1,465,199
PU - Training	5,244,594	18,059,500
PU – food & beverage	5,580,505	6,064,410
PU - others	4,038,755	2,363,935
Farm revenues	509,505	115,020
Guest house revenues	285,450	294,250
Research funds	401,508	-
Graduation fees	-	708,735
Pay as you eat services	22,114,164	16,683,790
Hostel services	6,140,429	8,683,212
<b>Total</b>	<b>45,154,665</b>	<b>54,438,051</b>

This category of revenue is due to non-academic activities the polytechnic is engaged into to raise its revenue base other than fees from students and capitation from the government

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12. HIRE OF FACILITIES AND EQUIPMENT**

	2020/2021	2019/2020
	Kshs	Kshs
Kise Programme	1,771,200	67,000
Staff Houses Rent Income	597,900	1,275,013
Bus hire	147,080	131,500
<b>Total</b>	<b>2,516,180</b>	<b>1,473,513</b>

This includes hire of idle facilities like halls, busses and rent from staff who stay in polytechnic houses. Kenya institute of special education undertakes some training within the facilities where some money is paid to cover the costs.

**13. FINANCE INCOME**

14. Description	2020/2021	2019/2020
	Kshs	Kshs
Savings Deposits Interest	17,981	460,642
Earning on Exchange Rate	-	611,710
<b>Total Finance Income</b>	<b>17,981</b>	<b>1,072,352</b>

These are revenues from interest earned from the polytechnic saving account at Absa bank.

**14. OTHER INCOME**

Description	2020/2021	2019/2020
	Kshs	Kshs
Income from sale of tender	-	1,000
Skills/curriculum development levy	-	32,000
Income from disposal of assets	213,990	93,700
<b>Total</b>	<b>213,990</b>	<b>126,700</b>

The revenue under this category is from disposal of unused inventories.

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**15. USE OF GOODS AND SERVICES**

Description	2020/2021	2019/2020
	Kshs	Kshs
Tuition Expenses	18,422,723	19,839,218
Activity Expenses	4,748,361	12,680,795
Administration Expenses	23,583,346	30,659,777
Ict Expenses	3,787,045	1,461,872
LT&T	2,880,565	7,976,421
Library	2,554,138	211,140
Electricity& Water	5,074,091	7,046,126
Medical	1,460,143	1,178,216
withholding Vat on Goods & Services	-	2,221,395
Covid 19 Protocols	34,269,001	-
Advertising & Marketing	237,018	1,537,454
Driving school expenses	295,500	3,594,150
PU Training	3,251,601	8,521,732
Hostel	3,155,878	12,309,150
KISE	268,000	521,716
Tender	-	179,500
PAYE	11,288,794	17,144,233
PU others	3,278,948	5,125,052
Farm Expenditure	407,653	410,183
Practicals	17,006,503	16,163,142
seminar & workshops	2,249,100	2,231,610
Performance Contract	4,745,400	2,052,760
Food & Beverage PU Expenses	1,982,019	3,146,537
Guest House Expenses	-	2,500
PTA	-	548,683
Curriculum Development	3,610,680	2,107,026
Graduation	-	3,465,089
Attachment	4,198,640	5,821,450
Research and innovations	2,213,036	5,032,553
PU - Baking	115,620	-
Bank charge on current accounts	399,568	668,533R
<b>Total</b>	<b><u>155,483,371</u></b>	<b><u>173,858,013 R</u></b>

R – Restatement of 2019/2020 figure due to combination of three vote heads (use of goods & services and General Expenses and current account bank charges as per the new template dated 30/6/2021)

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**16. EMPLOYEE COSTS**

Description	2020/2021	2019/2020
	Kshs	Kshs
Salaries to Non-academic staff	48,683,370	38,711,951
Salaries to academic staff	30,703,798	25,945,608
Casual wages	386,700	181,900
Pension and Service gratuity	123,717	753,812
Statutory deductions	-	7,779,701
Staff Welfare	1,069,500	578,200
<b>Total</b>	<b>80,967,085</b>	<b>73,951,172</b>

**17. REMUNERATION OF COUNCIL**

Description	2020/2021	2019/2020
	KShs	KShs
Council Expenses	6,571,222	10,802,132
	<b>6,571,222</b>	<b>10,802,132</b>

**18. DEPRECIATION AND AMORTIZATION EXPENSE**

Description	Rate	2020/2021	2019/2020
		Kshs	Kshs
Buildings	2	10,893,101	10,572,799
Machinery & Equipment	12.5%	18,043,837	17,958,330
Furniture & Fittings	12.5%	9,964,019	9,620,743
Moto vehicle	25%	6,377,150	5,521,500
Computers	33.3%	12,373,276	11,320,906
Loose tools	50%	-	12,693,827
<b>Total</b>		<b>57,651,383</b>	<b>67,688,105</b>

**19. REPAIRS AND MAINTENANCE**

Description	2020/2021	2019/2020
	Kshs	Kshs
Buildings	9,457,348	2,093,194
Furniture and fittings	191,300	20,000
Computers and accessories	666,798	28,500
Motor vehicle	7,467,844	3,053,832
Others	-	9,058,540
<b>Total</b>	<b><u>17,783,290</u></b>	<b><u>14,254,066</u></b>

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**20. CONTRACTED SERVICES**

Description	2020/2021	2019/2020
	Kshs	KShs
Security Services	6,545,402	4,281,704
Cleaning Services	6,079,440	3,669,864
Insurance of Assets	424,488	190,375
Consultancy Services	2,638,379	-
Legal Expenses	426,836	-
<b>Total</b>	<b>16,114,545</b>	<b>8,141,943</b>

**21. GRANTS AND SUBSIDIES**

	2020/2021	2019/2020
	Kshs	Kshs
Community development	-	-
Education initiatives and programs	-	-
Social development	-	-
Community trust	-	-
<b>Total grants and subsidies</b>	<b>-</b>	<b>-</b>

**22. FINANCE COSTS**

Description	2020/2021	2019/2020
	KShs	KShs
Interest on loan	88,781	662,985 R
<b>Total</b>	<b>88,781</b>	<b>662,985 R</b>

R – Restatement of 2019/2020 figures due to separation of bank charges moved to use of goods and services and interest on bank loan remained under finance costs

**23. GAIN ON SALE OF ASSETS**

	2020/2021	2019/2020
	KShs	KShs
Disposal gain	-	-
<b>Total gain on sale of assets</b>	<b>-</b>	<b>-</b>

**24. UNREALIZED GAIN ON FAIR VALUE INVESTMENTS**

	2020/2021	2019/2020
	KShs	KShs
Investments at fair value	-	-
<b>Total gain</b>	<b>-</b>	<b>-</b>

R – Restatement of 2019/2020 figure

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**25. DEVELOPMENT REVENUE**

Description	2020/2021	2018/2019
	KShs	KShs
G.O.K Development funds	-	36,320,875
A in A Development funds	111,281,713	39,190,614
<b>Total</b>	<b>111,281,713</b>	<b>75,511,489</b>

**26. CASH AND CASH EQUIVALENTS**

**DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS**

Description	2020/2021	2019/2020
	KShs	KShs
<b>a) Current account</b>		
Absa Bank A/c No. 8043551	91,894,667	27,035,476
Absa Bank A/c No. 8043543	35,294,021	49,139,964
Absa Bank A/c No. 8256911	710,998	695,994
Co-operative bank A/c No. 01139098473702	3,538,012	681,345
Co-operative bank A/c No. 01139098473700	1,540,337	908,595
Co-operative bank A/cNo.01120098473700	2,358,852	62,949
National bank A/c No. 01037017738900	287,174	297,494
National bank A/c No. 01021071653900	8,164,525	30,728,560
Kenya Commercial Bank A/c No. 1234829517	96,718,084	20,824,313
Equity Bank, A/c No. 0500277394606	53,621,796	117,494,631
	<b>294,128,466</b>	<b>247,869,321</b>
<b>b) Others(specify)</b>		
Cash in transit	-	-
Cash in hand	1,682	3,810
M -pesa - (908008)	-	-
<b>Sub-Total</b>	<b>1,682</b>	<b>3,810</b>
<b>Grand total</b>	<b>294,130,148</b>	<b>247,873,131</b>

The amounts stated have been reconciled with the bank statement figures.

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**27. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

**(a) Current Receivables from Exchange Transactions**

Description	2020/2021	2019/2020
	KShs	KShs
<b>Current Receivables</b>		
Student Debtors	103,528,685	44,140,864
Other Customers	2,363,777	-
<b>Total Current Receivables</b>	<b>105,892,462</b>	<b>44,140,864</b>

**(b) Long Term Receivables from Exchange Transactions**

	2020/2021	2019/2020
	KShs	KShs
<b>Non-current receivables</b>		
Student Debtors	34,630,757	40,505,692
Sabatia TVC	493,490	493,490
Alumni Association	163,280	163,280
Staff Advance payments	880,733	932,613
Teaching staff Association b/f	35,870	35,870
<b>Total</b>	<b>36,204,130</b>	<b>42,130,945</b>
<b>Less; transferred to current receivables</b>	<b>-</b>	<b>-</b>
<b>Total Non-current receivables</b>	<b>36,204,130</b>	<b>42,130,945</b>
<b>Total Receivables</b>	<b>142,096,592</b>	<b>86,271,809</b>

**(c) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions**

	2020/2021	2019/2020
	Kshs.	Kshs.
At the beginning of the year	86,271,809	145,582,897
Provisions during the year	105,892,462	
Recovered during the year	(50,067,679)	
Write offs during the year	-	-
At the end of the year	142,096,592	86,271,809

**28 (a). RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	2020/2021	2019/2020
	KShs	KShs
<b>Current receivables</b>		
Capitation grants	-	-
Transfers from other govt. entities	-	-
Undisbursed donor funds	-	-
Other debtors (Non-exchange transactions)	-	-
Less: impairment allowance	-	-
<b>Total current receivables</b>	<b>-</b>	<b>-</b>

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**28 (b) Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions**

	2020/2021	2019/2020
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

**29. INVENTORIES**

Description	2020/2021	2019/2020
	Kshs	Kshs
Central stores (Consumable)	3,240,545	863,130
Maintenance stores	250,855	246,100
Health Unit stores	778,067	72,100
Electrical stores	2,914,005	615,472
Cleaning materials stores	794,255	427,110
Catering stores	1,109,973	567,920
Bakery stores	435,909	-
Food & Beverage stores	627,942	-
	<b>10,151,551</b>	<b>2,791,832</b>

**30. INVESTMENTS**

Description	2020/2021	2019/2020
	Kshs.	Kshs.
a) Investment in treasury bills and bonds	-	-
b) Investment with financial institutions	-	-
c) Equity investments (specify)	-	-
<b>Grand total</b>	<b>-</b>	<b>-</b>

**d) Shareholding in other entities**

The Sigalagala National Polytechnic does not have any shareholding in any entity.

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**31. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Motor Vehicles	Furniture & Fittings	Computers	Loose Tools	Machinery Equipment	Work in progress	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 1 July 2019</b>	<b>54,000,000</b>	<b>512,890,956</b>	<b>22,086,000</b>	<b>55,509,940</b>	<b>19,457,800</b>	<b>25,387,654</b>	<b>123,370,850</b>	<b>50,333,081</b>	<b>863,036,281</b>
Additions	-	15,749,005	-	37,952,810	10,933,913	-	1,295,000	8,820,529	74,751,257
Revaluation	-	-	-	14,287,990	3,605,000	-	19,000,790	-	36,893,780
Prior year adjustment	-	-	-	-	-	-	-	(564,238)	(564,238)
Transfer/adjustments	-	-	-	(30,784,800)	-	-	-	(58,589,372)	(89,374,172)
<b>At 30 June 2020</b>	<b>54,000,000</b>	<b>528,639,961</b>	<b>22,086,000</b>	<b>76,965,940</b>	<b>33,996,713</b>	<b>25,387,654</b>	<b>143,666,640</b>	<b>-</b>	<b>884,742,908</b>
<b>At 1 July 2020</b>	<b>54,000,000</b>	<b>528,639,961</b>	<b>22,086,000</b>	<b>76,965,940</b>	<b>33,996,713</b>	<b>25,387,654</b>	<b>143,666,640</b>	<b>-</b>	<b>884,742,908</b>
Additions	-	16,015,108	3,092,600	2,746,214	3,160,271	-	684,052	14,482,473	40,180,718
Prior year adjustment	-	-	330,000	-	-	-	-	-	330,000
Revaluation	-	-	-	-	-	-	-	-	-
<b>At 30 June 2021</b>	<b>54,000,000</b>	<b>544,655,069</b>	<b>25,508,600</b>	<b>79,712,154</b>	<b>37,156,984</b>	<b>25,387,653</b>	<b>144,350,692</b>	<b>14,482,473</b>	<b>925,253,625</b>
<b>Depreciation Rate</b>	<b>-</b>	<b>0.02</b>	<b>0.25</b>	<b>0.13</b>	<b>0.33</b>	<b>0.50</b>	<b>0.13</b>	<b>-</b>	<b>-</b>
<b>At 1 July 2019</b>	<b>-</b>	<b>10,257,817</b>	<b>5,521,500</b>	<b>6,938,743</b>	<b>6,485,318</b>	<b>12,693,827</b>	<b>15,421,356</b>	<b>-</b>	<b>57,318,561</b>
Depreciation	-	10,572,799	5,521,500	9,620,743	11,320,906	12,693,827	17,958,330	-	67,688,105
Transfer/adjustment	-	-	-	-	-	-	-	-	-
<b>At 30 June 2020</b>	<b>-</b>	<b>20,830,616</b>	<b>11,043,000</b>	<b>16,559,486</b>	<b>17,806,224</b>	<b>25,387,654</b>	<b>33,379,686</b>	<b>-</b>	<b>125,006,666</b>



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**Prior year adjustment**

- The institution bought three motorcycles in the year 2019/2020 at a cost of Kshs. 330,000 to assist the driving school to train boda boda riders. These motorcycles were charged in the ledger of Transport cost as opposed to Motor vehicles.
- These motorcycles did not attract depreciation since they were not put into use by then due to registration process and early closure due to covid 19 pandemic but were put into use during the financial year 2020/2021.
- Appropriate adjustment have been made in the books to place them rightly

**Valuation**

- The Sigalagala National Polytechnic did not undertake any valuation during the year but had calculated its property plant and equipment based on the initial costs as indicated below;

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**31 (b) Property, Plant and Equipment at Cost**

Historical costs of freehold land, buildings and other assets are at below;

	Cost	Accumulated Depreciation	NBV As at 30 June 2021
	Kshs.	Kshs.	Kshs.
Land	54,000,000	-	54,000,000
Buildings	544,655,069	31,723,718	512,931,351
Plant and machinery	144,350,692	51,423,523	92,927,169
Motor vehicles, including Motorcycles	25,508,600	17,420,150	8,088,450
Computers and Related Equipment	37,156,984	30,179,499	6,977,485
Furniture and Fittings	79,712,154	26,523,505	53,188,649
Loose tools	25,387,653	25,387,653	-
Work in Progress	14,482,473	-	14,482,473
<b>Total</b>	<b>925,253,625</b>	<b>182,658,048</b>	<b>742,595,577</b>

**32. INTANGIBLE ASSETS - ABNO SOFTWARE**

Description	2020/2021	2019/2020
	KShs	KShs
<b>Cost</b>		
<b>At the beginning of the year</b>	<b>6,000,000</b>	<b>4,000,000</b>
Additions	3,545,419	2,000,000
<b>At the end of the year</b>	<b>9,545,419</b>	<b>6,000,000</b>
Additions- Internal Development	-	-
<b>At the end of the year</b>	<b>9,545,419</b>	<b>6,000,000</b>
<b>Amortization and Impairment</b>		
	-	-
<b>NBV</b>	<b>9,545,419</b>	<b>6,000,000</b>

**33. BIOLOGICAL ASSETS**

	2020/2021	2019/2020
	KShs	KShs
<b>At beginning of the year</b>	<b>295,000</b>	<b>112,000</b>
Additions	-	-
Disposal during the year	-	-
Depreciation	-	-
Impairment	-	-
Revaluation		183,000
<b>At end of the year</b>	<b>295,000</b>	<b>295,000</b>

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**34. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Description	2020/2021	2019/2020
	KShs.	KShs.
Trade Payables	3,092,684	2,938,649.00
Fees paid in advance	28,983,327	75,411,006
Production Unit	-	29,950
Maturu Campus	62,655	886,925
Chanzeywe Tvc	(516,424)	(1,253,724)
<b>Total</b>	<b>31,622,242</b>	<b>78,012,806</b>

**35. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS**

Description	2020/2021	2019/2020
	Kshs.	KShs.
Caution money	8,825,351	8,825,351
Bursaries	16,680,151	14,526,151
HELB Loan	11,735,873	30,968,925
Student Council	1,743,926	966,474
Examination	4,931,568	24,606,381
Mumias TVC	1,116,026	616,026
	<b>45,032,895</b>	<b>80,509,308</b>

**36. CURRENT PROVISIONS**

Description	Leave provision	Bonus provision	Gratuity Provision	Other provision	Total
	KShs	KShs	KShs	KShs	KShs
<b>Balance at the beginning of the year</b>	-	-	-	-	-
Additional Provisions	-	-	-	-	-
Provision utilised	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-
Transfers from non -current provisions	-	-	-	-	-
<b>Total provisions</b>	-	-	-	-	-

**37. FINANCE LEASE OBLIGATION**

Description	2020/2021	2019/2020
	KShs	KShs
<b>At the start of the year</b>	-	-
Discount interest on lease liability	-	-
Paid during the year	-	-
<b>At end of the year</b>	-	-

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**38. DEFERRED INCOME**

Description	2020/2021	2019/2020
	KShs	KShs
National government	-	-
International funders	-	-
Public contributions and donations	-	-
<b>Total deferred income</b>	-	-

**39. EMPLOYEE BENEFIT OBLIGATIONS:**

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2020/2021	2019/2020
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
<b>Total employee benefits obligation</b>	-	-	-	-	-

**Retirement benefit Asset/ Liability**

The Polytechnic does not operate a defined benefit scheme for all full-time. The only scheme administered by the Polytechnic is NSSF.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was not appropriate under the NSSF scheme during the year

	2020/2021	2019/2020
	KShs	KShs
Discount rates	-	-
Future salary increases	-	-
Future pension increases	-	-
Mortality (Pre- retirement)	-	-
Mortality (Post- retirement)	-	-
Withdrawals	-	-
Ill health	-	-
Retirement	-	-

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**Recognition of Retirement Benefit Asset/ Liability**

**a) Amounts recognised under other gains/ Losses in the statement of Financial Performance:**

	2020/2021	2019/2020
	KShs	KShs
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Adjustments for restrictions on the defined benefit asset	-	-
<b>Re-measurement of the net defined benefit liability (asset)</b>	<b>-</b>	<b>-</b>

**b) Amounts recognised in the Statement of Financial Position**

	2020/2021	2019/2020
	KShs	KShs
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	-	-
Funded Status(= a-b)	-	-
Restrictions on asset recognised	-	-
<b>Net Asset or liability arising from defined benefit obligation</b>	<b>-</b>	<b>-</b>

The Sigalagala National Polytechnic contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Polytechnic's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 2160 per employee per month. Other than NSSF the Polytechnic does not have a defined contribution scheme.

**40. NON-CURRENT PROVISIONS**

	Long service leave	Bonus Provision	Gratuity	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	1,083,480	<b>1,083,480</b>
Additional Provisions	-	-	-	-	-
Provision utilised	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-
Less: Current portion	-	-	-	-	-
<b>Total deferred income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,083,480</b>	<b>1,083,480</b>

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**41. BORROWINGS**

	2020/2021	2019/2020
	KShs	KShs
Balance at beginning of the year	1,664,630	6,167,201
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	(1,664,630)	(4,502,571)
Balance at end of the year	-	1,664,630

**41 a) ANALYSIS OF EXTERNAL AND DOMESTIC BORROWINGS**

	2020/2021	2019/2020
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from external organization	-	-
Sterling Pound denominated loan from external organization	-	-
Euro denominated loan from external organization	-	-
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB	-	1,664,630
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
<b>Total balance at end of the year</b>	-	<b>1,664,630</b>

**41 b) BREAKDOWN OF LONG- AND SHORT-TERM BORROWINGS**

Description	2020/2021	2019/2020
	KShs	KShs
Short term borrowings (current portion)	-	-
Long term borrowings	-	1,664,630
<b>Total</b>	-	<b>1,664,630</b>

**42. SERVICE CONCESSION ARRANGEMENTS**

Description	2020/2021	2019/2020
	KShs	KShs
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	-	-
Net carrying amount	-	-
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	-	-

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**43. CASH GENERATED FROM OPERATIONS**

	2020/2021	2019/2020
	KShs	KShs
<b>Surplus for the year before tax</b>	67,766,167	
<b>Adjusted for:</b>	-	
Depreciation	57,651,383	-
Non-cash grants received	-	-
Contributed assets	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Finance income	-	-
Finance cost	-	-
<b>Working Capital adjustments</b>	-	-
Increase in inventory	-	-
Increase in receivables	-	-
Increase in deferred income	-	-
Increase in payables	-	-
Increase in payments received in advance	-	-
<b>Net cash flow from operating activities</b>	<b>125,417,550</b>	-

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**44. FINANCIAL RISK MANAGEMENT**

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

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

**(i) Credit risk**

The polytechnic has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and 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:

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2020</b>				
				-
Receivables from exchange transactions	86,271,809	44,140,864	42,130,945	-
Receivables from non-exch. transactions	-	-	-	-
Bank balances	247,873,131	247,873,131	-	-
<b>Total</b>	<b>334,144,940</b>	<b>292,013,995</b>	<b>42,130,945</b>	-
<b>At 30 June 2021</b>		-	-	-
Receivables from exchange transactions	142,096,592	105,892,462	36,204,130	-
Receivables from non-exch. transactions	-	-	-	-
Bank balances	294,130,148	294,130,148	-	-
<b>Total</b>	<b>436,226,740</b>	<b>400,022,610</b>	<b>36,204,130</b>	-

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

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

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	Between 1-3 months	Over 5 months	Total
<b>At 30 June 2020</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Trade payables	-	-	2,938,649	2,938,649
Current portion of borrowings	-	-	-	-
Provisions	-	-	1,083,480	1,083,480
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	<b>4,022,129</b>	<b>4,022,129</b>
<b>At 30 June 2021</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Trade payables	-	1,615,534	1,477,149	3,092,683
Current portion of borrowings	-	-	-	-
Provisions	-	-	1,083,480	1,083,480
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	<b>1,615,534</b>	<b>2,560,629</b>	<b>4,176,163</b>

**(iii) Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the 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 optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

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**a) Foreign currency risk**

The polytechnic did not have transactional currency exposures because it did not have any transaction that involved foreign currency during the year.

The carrying amount of the polytechnic's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2020</b>			
Financial assets (investments, cash, debtors)	-	-	-
<b>Liabilities</b>	-	-	-
Trade and other payables	-	-	-
Borrowings			
<b>TOTAL</b>	-		-
			-
<b>At 30 June 2021</b>			-
Financial assets (investments, cash, debtors)	-	-	
<b>Liabilities</b>	-	-	-
Trade and other payables	-	-	-
Borrowings		-	-
Net foreign currency asset/(liability)	-	-	-
			-
			-

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the polytechnic's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
<b>2020</b>			
Euro	-	-	-
USD	-	-	-
<b>2021</b>			
Euro	-	-	-
USD	-	-	-

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**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 deposits. This exposes the polytechnic to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the polytechnic's deposits.

*Management of interest rate risk.*

To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable interest rates

*Sensitivity analysis.*

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

By the end of the year, the sensitivity analysis did not indicate any impact on the statement of comprehensive income.

**iv) Capital Risk Management**

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

	2020/2021	2019/2020
	Kshs	Kshs
Revaluation Reserve	748,695,243	748,764,153
Retained earnings	97,003,341	28,309,367
Capital grants	275,377,086	165,184,745
Mentorship Programme	-	(1,653,610)
<b>Total funds (Equity)</b>	<b>1,121,075,670</b>	<b>940,604,655</b>
Total borrowings	-	1,664,630
Less: cash and bank balances	294,130,148	247,873,131
Net debt/(excess cash and cash equivalents)	<b>294,130,148</b>	<b>246,208,501</b>
<b>Gearing Ratio</b>	<b>-</b>	<b>0.18%</b>

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**45. RELATED PARTY BALANCES**

**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. Other related parties include:

- i) The National Government;
- ii) The Parent Ministry;
- iii) The governing council
- iv) Key Management staff

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

	2020/2021	2019/2020
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of electricity to Govt agencies	-	-
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Others (Specify)	-	-
<b>Total</b>	-	-
<b>b) Purchases from related parties</b>		
Purchases of electricity from KPLC	-	-
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Others (specify)	-	-
<b>Total</b>	-	-
<b>b) Grants /Transfers from the Government</b>		
Grants from National Govt	213,645,000	166,602,804
Grants from County Government	-	-
Donations in kind	-	29,061,790
<b>Total</b>	<b>213,645,000</b>	<b>195,664,594</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
<b>Total</b>	-	-
<b>d) Key management compensation</b>		
Directors' emoluments	-	-
Compensation to key management	-	-
<b>Total</b>	-	-

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**46. SEGMENT INFORMATION**

The Sigalagala National Polytechnic does not operate in different lactation hence do not maintain segmental accounting under IPSAS 18

**47. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

**Contingent Assets**

	2020/2021	2019/2020
	Kshs	Kshs
<b>Contingent assets</b>		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Others (Specify)	-	-
<b>Total</b>	-	-

**Contingent Liabilities**

	2020/2021	2019/2020
	Kshs	Kshs
<b>Contingent liabilities</b>	-	-
Court case against the polytechnic	1,083,480	1,083,480
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	-	-
<b>Total</b>	1,083,480	1,083,480

**48. CAPITAL COMMITMENTS**

	2020/2021	2019/2020
	Kshs	Kshs
Authorized for purchase of learning equipment	34,315,948	-
Authorized for purchase computers	9,839,729	-
Authorized for purchase furniture	2,253,786	-
Authorized for construction of Science Complex	75,000,000	-
Authorized and contracted for Tuition Block	97,258,737	60,000,000
<b>Total</b>	218,534,033	60,000,000

*(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the polytechnic but at the end of the year had not been contracted or those already contracted for and on-going)*

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**49. DEFERRED TAX LIABILITY**

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2020/2021	2019/2020
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealized exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for Liabilities and charges	-	-
	-	-
<b>Net deferred tax liability/(asset)</b>		
The movement on the deferred tax account is as follows:	-	-
	-	-
Balance at beginning of the year	-	-
Credit to Revaluation Reserve	-	-
Under provision in prior year	-	-
Income Statement charge/(credit)	-	-
<b>Balance at end of the year</b>	-	-

**50. EVENTS AFTER THE REPORTING PERIOD**

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

**51. ULTIMATE AND HOLDING POLYTECHNIC**

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

**52. CURRENCY**

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

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**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

Issues/observations from auditor	Management comment	Focal point person to resolve the issue	Status- resolved / not resolved	Time frame
<p><b>1.1 Barclays Bank -College Fund Account No.8043551</b></p> <p>Audit review of the bank reconciliation for month of June 2020 revealed that there were returned cheques totalling to Kshs.1,310,318 out of which cheques totalling Kshs.589,318 related to 2018/2019 and earlier and seven other cheques related to the period between 17 December 2019 and 11 September 2019. However, no action appears to have been taken to have the dishonoured cheques replaces. In addition, the reconciliation reflected un-presented cheques totalling Kshs.11,254,645 out of which a cheque of Kshs.876,000 was dated 9 November, 2020 and was therefore stale and no reason was provided for not reversing it in the cashbook. The bank reconciliation also reflected two bank payments to an insurance firm totalling to Kshs.396,863 which were made in January, 2020 but had not been recorded in the cashbook as at 30 June, 2020.</p>	<p>The amount of Kshs. 396,863 shown in the bank statement was a payment made erroneously by the bank for insurance of our vehicles but so far, the correction has been done after we wrote to the bank over the same as per attached d documents</p>	Finance Manager	Resolved	31/12/2021
<p><b>1.2 KCB GOK-Development Account No.1234829517</b></p> <p>Audit review of the bank reconciliation statement the month of June, 2020 revealed eleven (11) un-credited receipts totalling to Kshs.379,100 all of which related to the month of October, 2019 and no reason was provided for not recording them in the cashbook.</p>	<p>During the year 2019/2020, most students who were on attachment did not report back to college due to Covid 19 pandemic hence these fees paid by parents and sponsors remained in our bank accounts un-receipted till the time they will come to college to use them.</p>	Finance Manager	Resolved	31/12/2021

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<p><b>1.3 Equity Bank-Fees Collection Account No. 0500277394606</b></p> <p>The bank reconciliation 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 and 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</p>	<p>The Polytechnic bank accounts are majorly used for fees collection and any student or potential student can deposit fees in these accounts in readiness for joining or continuing students deposit fees so that they can use these fees after attachment. During the year 2019/2020, most students who were on attachment did not report back to college due to Covid-19 pandemic hence these fees paid by parents and sponsors remained in our bank accounts un-receipted till the time they will come to college to use them</p>	<p>Finance Manager</p>	<p>Resolved</p>	<p>31/12/2021</p>
<p><b>2. Receivables from Exchange Transactions</b></p> <p>The statement of financial position reflects receivables from exchange transactions balance of Kshs.86,271,809 as at 30 June, 2020 as disclosed at Note 21 to the financial statements and 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.</p>	<p>The analysis of fee debtors is in the system and can be analyzed in anyway required. This is a system generated operation</p>	<p>Finance Manager</p>	<p>Not Resolved</p>	<p>31/12/2021</p>
<p><b>3. Statement of Comparison of Budget and Actual Amounts</b></p> <p>The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects a budget of Kshs.521,192,000 which included GOK development grants of Kshs.150,000,000 and development projects expenditure budget of Kshs.204,000,000. However, no reason has been provided for combining the development budget with the revenue budget and thus not comparable with the statement of financial performance. Consequently, the accuracy of the statement of comparison of budget and actual expenditure for the year ended 30 June 2020 cannot be confirmed.</p>	<p>The Sigalagala National Polytechnic used the approved National Treasury Budget Template on budget making which indicated how revenue budget and capital budgets are made. hence there was no breach of any kind in combining the budgets as stated</p>	<p>Finance Manager</p>	<p>Not Resolved</p>	<p>31/12/2021</p>

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<p><b>Budget Process</b> Paragraph 5.0 of National Treasury Circular No. No. 15/2016 of 19 August, 2016 requires all accounting officers to submit their budget estimates to the Parent Ministry for their comments and recommendations for onward transmission to the National Treasury, and finally to the National Assembly for approval. Although the management availed a budget approved by the Governing Council, a letter from the ministry showing that their budget was submitted late, that is after 31/01/2018, and that it did not comply with the National Treasury guidelines, there was no evidence that the same was resubmitted to the line ministry for approval and transmitted to National Assembly as per the Treasury guidelines on preparation of the annual budget for state corporations.</p>	<p>The budget was submitted to the National Treasury and Ministry of Education on 31<sup>st</sup> January 2019 as per evidence on email provided. It is only that the ministry made a communication on 1<sup>st</sup> February 2019 that the budget received did not meet the treasury template and had to be re-done according to treasury template. This did not mean that the budget was submitted later than 31<sup>st</sup> January 2019 as required</p>	<p>Finance Manager</p>	<p>Resolved</p>	<p>31/12/2021</p>
<p><b>4. Irregularities in the Award of Tender for Supply of Fuel and Lubricants</b> Included in the use of goods and services figure of Kshs.91,416,903 is local travel and transportation amount of Kshs.7,976,421 and which includes Kshs.3,451,927 paid to a local firm for supply and delivery of fuel and lubricants. However, according to tender documents for supply and delivery of fuel and lubricants, the lowest recommended supplier was M/s Total Kenya Ltd and no reason or documentation was provided to change the award contrary to Section 86 (1)(a) of the Public Procurement and Disposal Act, 2015 which requires that the successful tender shall be the one whose tender will be with the lowest evaluated price. Consequently, the management breached law.</p>	<p>Although the Evaluation Committee recommended Total –Kenya Limited Kisumu for a ward of tender it was noted that Total was not able to serve SNP country wide.</p> <ul style="list-style-type: none"> <li>• They could only offer services within Kakamega County. This was a limiting factor in acquiring the services.</li> <li>• It was noted that the fuel prices is subjected to Electricity Regulatory Commission.</li> <li>• Suitable to serve supersedes any other consideration to tender.</li> <li>• Total Kenya was demanding upfront payment before delivery</li> </ul>	<p>Procurement officer</p>	<p>Not Resolved</p>	<p>31/12/2021</p>

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<p><b>Irregular Award of Tender to supply and Delivery of Foodstuffs</b></p> <p>The general expenses figure of Kshs.89,938,240 includes an amount of Kshs.656,027 paid to a local firm for the supply and delivery of foodstuffs including tomatoes, onions and liquid soap vide tender number SNP/T/2019-2021/18 and payment made vide payment voucher number M0778. According to the tender evaluation documents reviewed, 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.</p>	<p>Although the said supplier was non-responsive as per evaluation report avail to you, we considered him for supply and delivery of the said suppliers due to the following reasons</p> <ul style="list-style-type: none"> <li>• He had a PWD certificate</li> <li>• He was the only one who submitted his bids as a person living with disability</li> <li>• For us to attain our 2% of our budget to the PWD group we had to consider him</li> </ul> <p>The non- responsive requirements which he did not attain could not deny him an opportunity so long as he had the capacity to supply and deliver</p>	<p>Procurement Officer</p>	<p>Not Resolved</p>	<p>31/12/2021</p>
<p><b>1. Award of Tender for Supply and Delivery of Groceries and Cleaning Detergents</b></p> <p>Included in general expenses figure of Kshs.89,914,520 are payments totalling to Kshs.1,044,580 which were made to two suppliers (Kshs.830,780 and Kshs.213,800 respectively) who were awarded tenders for supply and delivery of groceries and cleaning detergents and payments made vide voucher numbers M0621, CF23415 and CF22250 respectively. 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.</p>	<p>The two suppliers were included in the list of the pre-qualified suppliers after submitting their company profiles and other relevant documents that were verified and confirmed to be authentic.</p> <p>Section 157(1-2) PPAD Act, 2015 the act stipulates that the head of procurement function shall maintain and update a list of suppliers best on the procurement function needs. Submission is a continuous process. Basing on these we considered and included the two bidders in our list of prequalified suppliers, they had the capacity to supply and deliver.</p>	<p>Procurement Officer</p>	<p>Not Resolved</p>	<p>31/12/2021</p>

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<p><b>1. Lack of Risk Management Policy</b></p> <p>As reported in the previous year, the Polytechnic continued to operate without a comprehensive risk management policy which would have otherwise assisted the entity to identify possible inherent risks that could interrupt the operations 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 Governments) Regulations, 2015 which require that the accounting officer should ensure that there is a risk management policy including prevention mechanisms and systems.</p>	<p>The management is in the process of finalizing their Risk Management Policy.</p> <p>The draft policy has been made and is currently being discussed by the stakeholders and public participation before it is adopted and ratified by the Full Council</p>	Principal	Not Resolved	31/12/2021
<p><b>1. Information Communication Technology</b></p> <p>According to the report of the Principal, the college has been undergoing automation by installing an Enterprise Resource Planning (ERP)- the Abno Unisol ERP which is to be used by all departments in the college for both financial and academic programs. The system that was to contain seven modules was acquired from a systems developer through a contract into for upgrade, testing, training and configuration of the Management Information Systems at a contract sum of Kshs.11,774,000 on 14 June, 2018 out of which Kshs.6,000,000 had been paid by 30 June, 2020. According to the contract agreement clause 3 (ii), the contract was to remain valid for one and half years after the commencement date meaning that the contract period expired on 14 December, 2019.</p> <p>As at the time of audit in January, 2021, fifty-two (52) weeks after the expiry of the contract period, there was no evidence that the ERP had been fully implemented. Although the report of the Principal indicates that 3 modules which include</p>	<p>The contract expired before completion of installation of the system due to the following reasons;</p> <ul style="list-style-type: none"> <li>i. Workers' mobility; the initial team of workers who were to implement the system got transferred and a new team who came required some time to understand the system</li> <li>ii. Change in operation: some department like finance had a lot of changes in reporting which required the vendor to reconfigure the system to reflect the new demands by law.</li> <li>iii. Delay in government funding: this was budgeted as GOK development project for the year 2019/2020 but the funding delayed and the institution had to renegotiate with the contractor to delay the project</li> </ul> <p>However, the polytechnic is in the process of revising the contract agreement.</p>	Principal	Not Resolved	31/12/2021

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<p>procurement and stores module, student management module and accommodation module were 100% complete, it was noted that some procurement functions such as evaluation of tenders and issuing of stocks from the stores were not being done through the system but rather they were being done manually. Four modules, which include, finance module, Human resource and payroll module, student academic and examination module and staff and student portal module were not yet completed to be completed and no reason or explanation was provided for the non-completion. Consequently, the institution has not got value for money in respect of Kshs.6,000,000 so far invested in the system</p>	<p>Staff training on the module installed are continuous to enable the users understand it well. Before fully put into use. Currently the stores are using the system for internal and external requisition as well as issues out.</p>			
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**Mr. Evans O. Bosire**  
**Principal**

Signature ..  .....

Date. ...18/07/2022.....

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**APPENDIX 11: PROJECTS IMPLEMENTED BY THE POLYTECHNIC**

**Projects**

The Sigalagala National Polytechnic did not have any project funded by the development partner during the period under review

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

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1.	Loan repayments	16,882,498	16,882,498	100%	1,664,630	1,664,630	A-in-A
2.	Installation of ERP	15,000,000	9,545,419	94%	5,000,000	3,545,419	Gok
3.	Tuition complex	111,741,210	14,482,473	13%	111,000,000	14,482,473	A-in-A
4.	Purchase of computers and computer accessories	13,000,000	3,160,271	24%	13,000,000	3,160,271	Gok
5.	Building & Civil works	17,000,000	16,015,108	100%	17,000,000	16,015,108	A-in-A
6.	Driving school car	4,000,000	3,092,600	100%	3,000,000	3,092,600	A-in-A
7.	Machinery & Equipment	60,000,000,	684,052	2%	35,000,000	684,052	Gok
8.	Furniture & Fittings	5,000,000	2,746,214	55%	5,000,000	2,746,214	A-in-A

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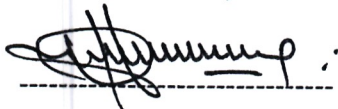
**APPENDIX III: INTER-POLYTECHNIC TRANSFERS**

<b>POLYTECHNIC NAME: SIGALAGALA NATIONAL POLYTECHNIC</b>				
<b>Break down of Transfers from the State Department of Technical and Vocational Training</b>				
<b>FY 2020/2021</b>				
<b>a.</b>	<b>Recurrent Grants</b>			
		<b><u>Bank Statement Date</u></b>	<b><u>Amount (KShs)</u></b>	<b><u>Indicate the FY to which the amounts relate</u></b>
		6/11/2020	52,755,000	2020/2021
		22/2/2021	50,025,000	2020/2021
		30/3/2021	48,645,000	2020/2021
		30/6/2021	62,220,000	2020/2021
		<b>Total</b>	<b>213,645,000</b>	
<b>b.</b>	<b>Development Grants</b>			
		<b><u>Bank Statement Date</u></b>	<b><u>Amount (KShs)</u></b>	<b><u>Indicate the FY to which the amounts Relate</u></b>
			-	-
			-	-
			-	-
		<b>Total</b>	<b>-</b>	<b>-</b>
<b>c.</b>	<b>Direct Payments</b>			
		<b><u>Bank Statement Date</u></b>	<b><u>Amount (KShs)</u></b>	<b><u>Indicate the FY to which the amounts elate</u></b>
			-	-
			-	-
			-	-
		<b>Total</b>	<b>-</b>	<b>-</b>
<b>d.</b>	<b>Donor Receipts</b>			
		<b><u>Bank Statement Date</u></b>	<b><u>Amount (KShs)</u></b>	<b><u>Indicate the FY to which the amounts relate</u></b>
			-	-
			-	-
			-	-
		<b>Total</b>	<b>-</b>	<b>-</b>

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

**Finance Manager  
Sigalagala National Polytechnic**

Sign



**Principal  
Sigalagala National Polytechnic**

Sign



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**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Details				Where Recorded/recognized					Accumulated total
Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
Ministry of Education	6/11/2020	Capitation	52,755,000	52,755,000	-	-	-	-	52,755,000
Ministry of Education	22/2/2021	Capitation	50,025,000	50,025,000	-	-	-	-	102,780,000
Ministry of Education	30/3/2021	Capitation	48,645,000	48,645,000	-	-	-	-	151,425,000
Ministry of Education	30/6/2021	Capitation	62,220,000	62,220,000	-	-	-	-	213,645,000
USAID	-	Development	-	-	-	-	-	-	-
Ministry of Education	-	Donor Fund	-	-	-	-	-	-	-
Ministry of Education	-	Direct Payment	-	-	-	-	-	-	-
<b>Total</b>			<b>213,645,000</b>	<b>213,645,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>213,645,000</b>