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**OFFICE OF THE AUDITOR-GENERAL**

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## REPORT

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 10 FEB 2022	DAY: Tues
TABLED BY: LOM	<b>THE AUDITOR-GENERAL</b>
CLERK AT THE TABLE: B. Inzofu	

OF

ON

**SIGALAGALA NATIONAL POLYTECHNIC**

**FOR THE YEAR ENDED  
30 JUNE, 2017**



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# **THE SIGALAGALA NATIONAL POLYTECHNIC**

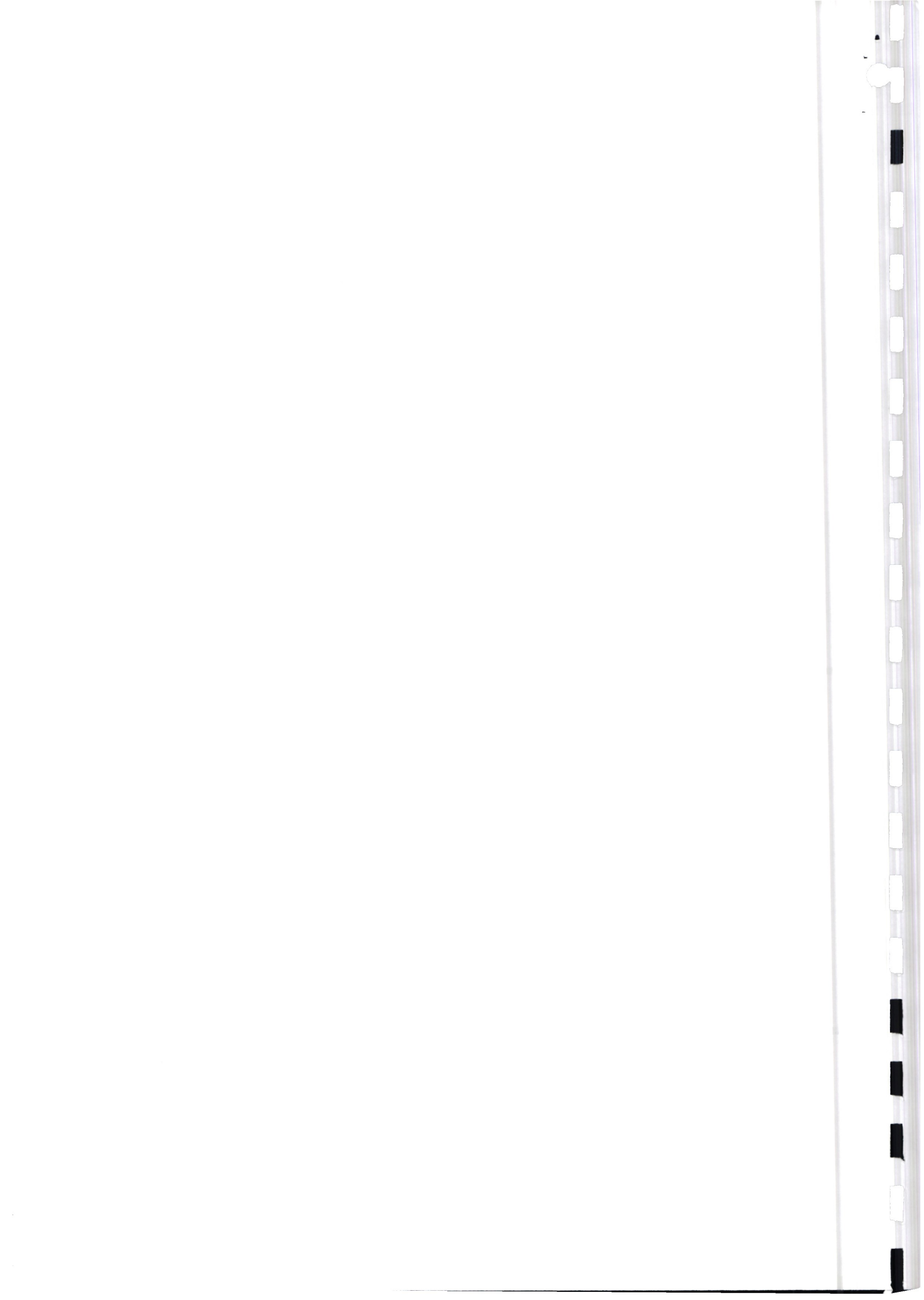
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE, 2017**

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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  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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**ABBREVIATIONS**

- KISE - Kenya Institute for Special Education
- EWC – Electricity Water & Conservancy
- PAYE - Pay as You Eat
- LT&T - Local Transport & Travelling
- PE - Personal Emoluments
- RMI - Repairs Maintenance & Improvements
- PTA - Parents Teachers Association
- PU - Production Unit
- TTI - Technical Training Institute
- I&M - Institutional Management
- SNP - Sigalagala National Polytechnic
- IPSAS – International Public Sector accounting Standards
- KETISA – Kenya Technical Institutions Sports Association
- GOK – Government of Kenya
- TVC – Technical and Vocational College

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**KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

The Sigalagala National Polytechnic was established in 1950 and has grown over the years to become a leading Polytechnic in Kenya under the Ministry of Education.

It is the third oldest Vocational and Technical Institute in this country after Kabete National Polytechnic and Machakos Technical training Institute

Sigalagala Polytechnic started as Nyanza Technical and Trade School on 33 acre piece of land. It inherited land and buildings from gold miners who had been operating there since the 1930s. It became a Technical School in 1967 offering courses up to East African Certificate of Education (E.A.C.E) level in 1986 it became a Technical Training Institute offering various courses at certificate, diploma and higher diploma level.

In the year 2016 it was awarded a National Polytechnic status and currently offers Competency Based Training (CBET) besides those of Kneec and Kasneb.

**(b) Principal Activities**

The principal activity of the Sigalagala National Polytechnic is to offer training to

Students in technical courses and business courses as per the industry needs and examined by Kneec, Kasneb and CBET courses.

The mission of the Polytechnic is to provide technical training in science, engineering and technology and to foster applied research and community outreach for innovation and sustainability

**(c) Key Management**

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

- The Governing council
- Principal/Council Secretary
- Deputy Principal
- Heads of department

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**(d) Fiduciary Management**

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

1. Principal - Tom W. Mulati
2. DP Administration – JWO Okumu
3. Chief Finance Officer - Christopher Oselu
4. Procurement officer - John Manyonge
5. Store officer - Pius Otwane

**(e) Fiduciary Oversight Arrangements**

**COUNCIL COMMITTEE MEMBERS**

NAME OF COMMITTEE	MEMBERS
Finance and Operations Committee	<ol style="list-style-type: none"> <li>1. Mrs. Peris Muniafu - Chair</li> <li>2. Mr. Joseph Sunguti - Member</li> <li>3. Eng. John Ombengi - Member</li> <li>4. Mr. Joseph Imbwaga - Member</li> </ol>
Audit Committee	<ol style="list-style-type: none"> <li>1. Mr. Obed Rono - Chair</li> <li>2. Mr. Joseph Sunguti - Member</li> <li>3. M/s. Doreen Simiyu - Member</li> <li>4. Mr. Joseph Imbwaga - Member</li> </ol>
Education, Training & Research Committee	<ol style="list-style-type: none"> <li>1. Eng. John Ombengi - Chair</li> <li>2. Mr. Obed Rono - Member</li> <li>3. Mr. Joseph Sunguti - Member</li> <li>4. Mr. Joseph Imbwaga - Member</li> </ol>

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**(f) College Location**

Country: Kenya  
County: Kakamega  
Sub County: Shinyalu  
Location: Khayega  
Street: Kisumu/ Kakamega road

**(g) Entity Contacts**

Telephone: 0726 - 806105  
E-mail: sigalagala@yahoo.com  
Website: [www.sigalagala.ac.ke](http://www.sigalagala.ac.ke)

**(h) Entity Bankers**

- i. Barclays Bank- GOK Operation Account - 8042543
- ii. Barclays Bank – College Fund Account - 8043551
- iii. Barclays Bank – Savings Account - 8256911
- iv. Kenya Commercial Bank – Buses Loan Account – 1149686693
- v. Cooperative Bank – Town Campus Account - 01120098473700
- vi. National Bank – Mentored Institutions Account - 01037017738900
- vii. National Bank – Examination Account - 01021071653900

**(i) Independent Auditors**

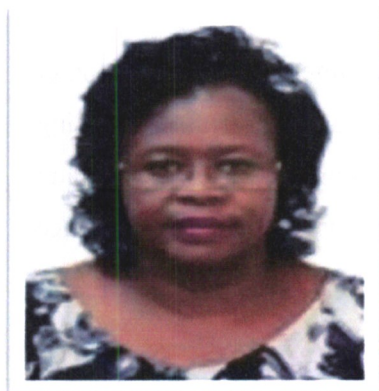
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084 - 00100  
Nairobi, Kenya

**(j) Principal Legal Adviser**

- The Attorney General  
State Law Office  
Harambee Avenue  
P o Box 40112 - 00200  
Nairobi - Kenya

**THE SIGALAGALA NATIONAL POLYTECHNIC  
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**THE GOVERNING COUNCIL**



**Catherine Muyeka Mumma**

**Council Chairperson**

Seasoned Human Rights practitioner with over 20 years of experience working with government, independent and constitutional organs and the civil society, shaping policy and

legislative frameworks on human rights; monitoring and advocating for implementation of human rights principles. Conversant with skills on strategic and organizational planning and development including Rights

Based approaches to service delivery and Results Based management. Efficient, diligent, enthusiastic, positive thinking and independent professional. Team player, faithful and loyal to causes involved in.

Catherine 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

**PROFFESIONAL EXPERIENCE**

- Appointed Member of the Global Health Advisory Committee of the Open Society Foundation (one of the George Soros Foundations. (April 2016).
- Appointed Member of the Advisory Team to the Health Committee of the Council Of Governors in Kenya (Jan 2016).
- Member of Nyabondo Hospital Board of Governors, Kisumu County (Dec 2015)
- Commission for the Implementation of the Constitution (CIC). [Jan 2011 – Dec 2015]

**SELECTED CONSULTANCY WORK**

- Consultant for the State Department of Gender- Ministry of Public Works, Youth and Gender the development of a strategy for facilitating greater participation of women in elective bodies.
- Consultant for the Kenya AIDS NGO Consortium (KANCO) - on the development of an advocacy strategy for improved national and county policy and legislative drug control frameworks that integrate of health, harm reduction and human rights based strategies (March 2016)
- Consultant for the Council of Governors (COG)- to provide technical support to the
- Intergovernmental technical committee on the flow of conditional grants under the system of devolved government (Jan 2016)

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**Peris Alera Muniafu  
Council member**

High energetic, innovative and results-oriented professional with a wealth of experience mainly in Banking Operations, sales, investment services, customer service and banc assurance. Proven success in good leadership skills. Possessing team-working skills further attributed with good communication, reporting and organizational skills. She holds Bachelor of Science and Masters of Science Degree – Strategic Management, from USIU

**PROFESSIONAL EXPERIENCE**

Perez has over twenty years strong experience in Bank Operations, Project Management experience having been in the project team for NBK/KRA collections, Hay Group - South Africa job evaluation team, Branch power system project team and a certified custodian. She has experience in insurance having worked in bank assurance. A certified trustee and a representative of National Bank trustee services.

**EMPLOYMENT HISTORY**

She has wide experience in banking operations having worked at the National bank at various posts from 1994 up to now. She is currently the bank branch manager at the Upper Hill branch Nairobi.



**Simiyu Doreen Nanjala  
Council member**

Doreen 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 student and always encourages them to work hard to achieve success in life.

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**Eng. John Mokaya Ombengi**

**Council member**

Eng. Ombengi is a registered Civil and Structural Engineer with 40 years' post graduate practical experience in all aspects of Civil and Structural Engineering projects from feasibility studies through design, construction supervision and commissioning of works. He is conversant with GOK, World Bank, KfW procurement procedures and FIDIC Conditions of

Contract.

He holds Bsc. Eng. (Hons) University of Nairobi.

Eng. Ombengi has been involved in drawing and updating master plans in various organizations across the country and has specialized skills acquired over the years while in the employment of Nairobi City Council and consulting engineering firms. Eng. Ombengi has held positions of Resident Engineer, Project Engineer, Project Manager, Project Co-ordinator and Team Leader for various projects.



**Joseph M. Imbwaga.**

**Council member**

He is a retired administrator who has vast experience in public management having served in various areas as district officer and district commissioner. He has attended many management courses and officiated many successful projects in Kenya. His knowledge in public administration is an asset to the council in matters of arbitration and public awareness. He holds BA in

public administration from the University of Nairobi.

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**Ronoh Obed Kipruto**

**Council member**



He is a professional banker with wide range of experience in public finance having worked as Branch Manager at Juhudi Kilimo for the last 6years. He had previously worked for various forms in the field of accounting and finance Mr. Rono holds Bachelor of Business Management – Accounting Option from Moi University. His knowledge in accounting is essential in council monitoring system for good governance

**MR. TOM MULATI**

**PRINCIPAL**






Mr. Tom Mulati holds a Master's Degree from University of Eldoret (Med Techn) Construction Technology, Diploma in Technical Education and Building and Civil Engineering from KTTC (1986-1990), Higher Diploma from Mombasa Polytechnic; 1992-1994.





He has served as trainer and Head of Department at various TVET Institutions ie Sangalo, Teremi, Kitale TTI before taking on TVET administration duties from the year 2004 to date. He served as Deputy Principal at Ol'lessos T.T.I Nandi county, and Moi Institute of Technology; Migori county Mr. Mulati has served as Principal at Kisiwa T.T.I and currently at Sigalagala National Polytechnic with effect from January 2018.

**THE SIGALAGALA NATIONAL POLYTECHNIC  
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**MANAGEMENT BOARD MEMBERS**

<b>Manager's name, and key profession/academic qualifications</b>	<b>Indicate the main area of responsibility – without details</b>
 <p>Mr. Tom Mulati – Trainer Principal</p>	<p>Accounting officer B. Ed. (Technical Education) Masters Education (Technology)</p>
 <p>Mr. Zedekiah Lomolo. - Trainer Deputy Principal administration</p>	<p>Dip. Tech Education General administration</p>
 <p>Mr. Patrick Ngore. - Trainer Deputy Principal Academic</p>	<p>In charge of academic programmes B. Science</p>

**THE SIGALAGALA NATIONAL POLYTECHNIC  
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 <p>Cpa. Christopher Oselu. - Accountant Chief Finance Officer</p>	<p>Head of Finance and Accounts B.Com (Finance) MBA (Finance), CPAK</p>
 <p>Mrs. Grace Mauti. - Trainer Registrar</p>	<p>In charge of admission and career guidance B. Education</p>
 <p>Mr. Lucas Wegesa. - Trainer Dean of students</p>	<p>In charge of students affairs Dip. Tech Education</p>
 <p>Fred Carter. - HRM Dip. HRM</p>	<p>Human Resource In charge of human resource</p>

**THE SIGALAGALA NATIONAL POLYTECHNIC  
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**CHAIRPERSON STATEMENT**

The governing council are responsible for the preparation and presentation of financial statements of the Sigalagala National Polytechnic, which give a true and fair view of the state of affairs as at the end of the financial year ended on June 30<sup>th</sup> June, 2017. This responsibility includes:

Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Sigalagala National Polytechnic, 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; Safeguarding the assets of the Sigalagala National Polytechnic, Selecting and applying appropriate accounting policies; and

Making accounting estimates that are reasonable in the circumstances



**Catherine Mumma**

**Council Chair**

**THE SIGALAGALA NATIONAL POLYTECHNIC  
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**REPORT OF THE PRINCIPAL**

The financial year under audit started in the year 1<sup>st</sup> July 2016 to 30<sup>th</sup> June 2017.

During this period the polytechnic had done transition from being Technical Training Institute to National Polytechnic which slightly different mandate in operation.

The new polytechnic order required the polytechnic to be in a category of state corporation hence to keep accounting documents in line with IPSAS accruals basis. This posed a lot of challenge taking into account that half of the fiscal year all accounting document were kept under cash where fixed assets were not taken into account.

The change had the following implications;

- Changing accounting records to accruals.
- Valuation of fixed assets
- Quarterly reporting

Due to the above, preparation of books had to delay since capacity building from treasury was needed for the change to start

**Valuation of Non Current Assets**

The committee also noted that the management had appointed their own internal committee consisting experts in from Building and Accounts department to do valuation of all its Non Current Assets. Exercise is ongoing and by the time of preparation of these accounts, the polytechnic could not be able to find the exact value of its fixed asset. Once the exercise is through the value will be incorporated into the books of accounts.

The polytechnic will involve the public works department in charge of valuation to ascertain the values or cost of its Non Current assets as indicated above to compliment the work of the internal valuers.

**Variiances**

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

Negative variance on expenditure was due to increase in expenditure due to increased population which had stretched needs.

The council however noted that the general performance had a positive variance a sign that the Polytechnic did not commit beyond its revenue limit.

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**Un-paid Creditors.**

By the end of the year, the Polytechnic had unpaid creditors amounting to Kshs. 21,614,093 this was due huge arrears the college had which was contributed by delayed funding from Kenya National Youth Service who were to pay fees for their students at the college.

**Use of URP to do Final Accounts**

The council had recommended the use of URP to do the accounts for efficiency and ease of work for the accounts staff. The polytechnic is installing an ERP by the name *Unisol* which will assist accounts staff in accounting and will make the work faster and more accurate going by the complexity of the work as required by the standard

**Development Projects.**

The Polytechnic received a total of Kshs. 33,237,679 from the government as development grant and also collected a total Kshs. 25,393,099 as development funds from internally generated funds.

In the year under review the Polytechnic concentrated in the completion of the existing projects for the college which include perimeter wall fence, ablution block, Guest house, Hospitality Building, and Tuition Block which will open space for more lecture halls and more workshop to cater for the increasing student population.

The management opted for the main works only on the hospitality building to avoid accumulating more unpaid debts so that should funds be available in the coming years then they can complete other associated works on the building.



**Mr. Tom Mulati  
Principal**

**THE SIGALAGALA NATIONAL POLYTECHNIC  
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**CORPORATE GOVERNANCE STATEMENT**

We believe in good corporate governance as an organisation. The Council provides leadership through oversight, review and guidance whilst setting the strategic direction. It is the primary decision-making body for all matters considered as material to the Service. The Board has the appropriate mix of skills, knowledge and experience to perform its role effectively.

Council meetings are held quarterly and they have formal schedule of matters specifically reserved for deliberation. The Service ensures that it provides the necessary resources and expertise to the Board of directors to assist them 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 and Polytechnic order 2016. Statutory powers of the polytechnic 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

**Council remuneration**

The remuneration of all council members is subject to regular review to ensure that levels of remuneration and compensation are appropriate as provided for by law.

The council members are paid a sitting allowance and travel expenses for meetings attended.

**Risk Management and Internal Controls**

The council has overall responsibility for the establishment and oversight of the Polytechnic's risk management framework. 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 in place a system of internal controls with defined procedures, financial and operational controls to ensure that resources are safe guarded; transactions authorised, validated and reported in line with International Public-Sector Accounting Standards.

**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 Service's business. The council has established a robust process requiring members to disclose outside business interests before they are entered into.

**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 has 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 2016

**Mrs. Catherine Muuma**  
**Chair, Council**

**Mr. Tom Mulati**  
**Principal**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **The Polytechnic operational and Financial Performance**

Generally, the Polytechnic operated at a net surplus of Kshs. 16,514,912 This was majorly due to the factors below;

- Reduction on expenditure due to huge arrears owed by NYS and Lapsset
- Reduction on wastage due to operational structure introduced in the college
- Increase in population which reduces marginal cost of operation.
- Low marginal cost of operation due to increase number of students

### **Compliance with Statutory Requirements**

By the end of the second quarter, the Sigalagala National Polytechnic had paid all its statutory requirements in terms of NSSF, NHIF, PAYE. and all withholding taxes from contractors and suppliers it was mandated to pay to KRA.

The polytechnic has been withholding taxes on all payment made to contractors and remitting them to KRA when due

The polytechnic is operating under legal frame works necessary under public sector requirement such as ;

- The constitution of Kenya, 2010
- The Sigalagala National Polytechnic order, 2016
- TVET act, 2013,
- PFM act, 2012,
- Procurement and Assets Disposal act ,2015
- all other relevant laws in its operation

### **Key Projects the Polytechnic is Implementing**

The Polytechnic is implementing various projects during the year 2016/2017 which are partly funded by the GOK and partly with the internally generated funds, and they include;

- Completion of the Tuition block complex which houses lecture rooms and
- Completion of wall fence in the Polytechnic which has a cost of.
- Completion of the Institutional Management Workshop which will be used to house Chinese equipment for hospitality training at a cost of Kshs. 37,113,964 this building is co-funded by the GOK in conjunction with the Polytechnic internally generated funds. equipment were already in the country and a place for them needed to be completed first so that they could be assembled and commissioned.
- The polytechnic is also overseeing the construction of new technical and vocational centre at Vihiga County called ChanzeyweTvc.

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**Major risks the Polytechnic is facing**

The major risks Polytechnic has operated under include risk of fees arrears becoming huge due to delay in payment of fees by the ministry of youth service who are sent their student for courses at the polytechnic and but by the end of the year had not paid their fees

**Material Arrears and Financial Obligations**

The Polytechnic had substantial fees accumulated fees arrears totalling to Ksh. 69,412,980 of which within the year under review arrears for the year was Kshs. 9,908,134

The management is coming up with debtor's policy so as to guide on the best way of handling debtors

**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 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 2016/2017. The committee noted that the financial report under review is the second to be presented under the new International Public Sector Accounting Standards Accruals basis (IPSAS Accruals). As directed by treasury to all public tertiary institutions. The following issues were observed;

**Audit Report**

The polytechnic has since changed its accounting system to IPSAS accruals and therefore subjected to audit by the office of the Auditor general in Kakamega. This financial statement will therefore be forwarded to that office for them to plan for the audit as required by law.

**Valuation of Non-Current Assets**

The committee also noted that the management had appointed their own internal committee consisting experts in from Building and Accounts department to do valuation of all its Non Current Assets. Exercise is ongoing and by the time of preparation of the financial statements for the year, the Polytechnic was not able to ascertain the exact value of its fixed asset. Once the exercise is through the value will be incorporated into the books of accounts.

The polytechnic will involve the public works department in charge of valuation to ascertain the values or cost of its Non-Current assets as indicated above to compliment the work of the internal valuers.

**THE SIGALAGALA NATIONAL POLYTECHNIC  
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**Variations**

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**Use of URP to do Final Accounts**

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**Mr. Tom Mulati**  
**Principal**

**THE SIGALAGALA NATIONAL POLYTECHNIC  
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**CORPORATE SOCIAL RESPONSIBILITY**

The principal activity and the core mandate of the Sigalagala National Polytechnic is to offer training and research in areas technical to Students in technical courses and business courses as per the industry needs.

The mission of the Polytechnic is “to provide technical training in science, engineering and technology and to foster applied research and community outreach for innovation and sustainability”.

Because the college is located in a community where not all of them gets training, the management of the polytechnic has various activities they under take to the locals under Corporate Social Responsibilities.

These activities are;

- The polytechnic supports the sub county primary school around the Polytechnic in organizing evaluation examinations to prepare students for the KCPE exams.
- The Polytechnic supports the needy students to access secondary schools by assisting them in part purchase of form one requirements.

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

The council submits their report together financial statements for the year ended June 30, 2017 which show the state of the Sigalagala National Polytechnic state of affairs.

**Principal activities**

The principal activities of the Sigalagala National Polytechnic continue to be;

- i. Offer training in the area of technology
- ii. Conduct research on market needs and come up with industry solutions

**Results**

The results of the Sigalgala National Polytechnic financial statements for the year ended June 30, 2017 are set out on page 1 to 19.

**Council members**

The members of the council who served during the year are shown on page viii.

**Auditors**

The Auditor General is responsible for the statutory audit of the polytechnic, in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015, for the year ended June 30 2017.

By Order of the Board



**Mr. Tom Mulati**  
Secretary

**THE SIGALAGALA NATIONAL POLYTECHNIC  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**STATEMENT OF COUNCIL RESPONSIBILITIES**

The governing council are responsible for the preparation and presentation of financial statements of the Sigalagala National Polytechnic, which give a true and fair view of the state of affairs as at the end of the financial year ended on June 30 June, 2017.

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 Sigalagala National 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 Sigalagala National Polytechnic
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances



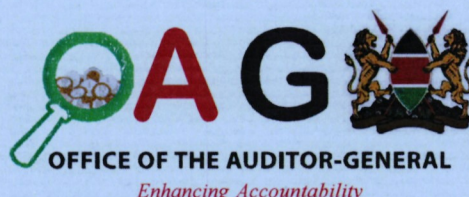
**Mr. Tom Mulati**  
**Principal**



**Catherine Mumma**  
**Chair Council**

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON SIGALAGALA NATIONAL POLYTECHNIC FOR THE YEAR ENDED 30 JUNE, 2017**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Adverse Opinion**

I have audited the accompanying financial statements of Sigalagala National Polytechnic set out on pages 1 to 13, which comprise the statement of financial position as at 30 June, 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Sigalagala National Polytechnic as at 30 June, 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training (TVET) Act, 2013.

#### **Basis for Adverse Opinion**

##### **1.0 Lack of Opening Balances**

The opening balances for the year under review were not supported by an audit report by previous auditors, the Directorate of Schools' Audit Services of the Ministry of Education. Further, the statement of financial performance, statement of cash flows and Notes 3 to 12 to the financial statements do not reflect comparative balances.

In view of the anomalies, the accuracy and validity of the balances reflected in the financial statements for the year under review could not be confirmed.

##### **2.0 Revenue from Exchange Transactions**

The statement of financial performance reflects revenue from tuition fees totalling Kshs.116,876,971 as detailed in Note 4 to the financial statements. However, the

balance does not tally with the supporting ledger which reflects Kshs.152,739,506 in respect to the account, resulting to an unexplained variance of Kshs.35,862,535.

Consequently, the accuracy of income from tuition balance totalling Kshs.116,876,971 reflected in the statement of financial performance could not be confirmed.

### **3.0 Property, Plant and Equipment**

The property, plant and equipment balance totalling Kshs.62,239,152 as at 30 June, 2017 was not supported by an assets register and schedules. In addition, the initial property, plant and equipment balance totalling Kshs.99,145,877 was adjusted by Kshs.36,906,725 to Kshs.62,239,152 but the adjusting journal vouchers were not provided for audit review. As a result, the accuracy, validity and completeness of the closing property, plant and equipment balance as at 30 June, 2017 could not be confirmed.

Further, no assets movement schedule was disclosed to explain the change in the assets balance over the previous year and the depreciation charge or policy thereof was not disclosed.

In the circumstances, it was not possible to confirm that the property, plant and equipment balance totalling Kshs.62,239,152 as at 30 June, 2017 is fairly stated.

### **4.0 Trade and Other Payables from Exchange Transactions**

Included in the trade and other payables from exchange transactions balance totalling Kshs.51,717,329 disclosed in Note 16 to the financial statements is Kshs.6,325,050 comprised of Kshs.1,505,000 denoted as owed by the Production Unit and prepaid fees totalling Kshs.4,820,050. The balances were not supported with accounting records and as a result, their nature, accuracy and validity could not be confirmed.

As a result, it was not possible to confirm the accuracy of trade and other payables from exchange transactions balance totalling Kshs.51,717,329 as at 30 June, 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of 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 the audit evidence obtained is sufficient and appropriate to provide a basis for my adverse opinion.

### **Key Audit Matters**

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

## **Other Matter**

### **Budget Performance and Control**

The approved revenue budget for the Polytechnic for the year under review was Kshs.192,938,100 and actual receipts Kshs.225,507,210.

Further, budgeted expenditure totaled Kshs.164,310,509 and actual expenditure Kshs.211,987,471 resulting in an over-expenditure of Kshs.47,676,902 or 29%.

The over-expenditure was partly funded by development grants totalling Kshs.33,007 disbursed by the Government and which, however, had not been included in the budget.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way

### **Basis for Conclusion**

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

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

## **Responsibilities of Management and the Governing Council**

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

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

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

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

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

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

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion on whether, in all material respects, 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, 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 which 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 which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Polytechnic's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Polytechnic to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Polytechnic to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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**

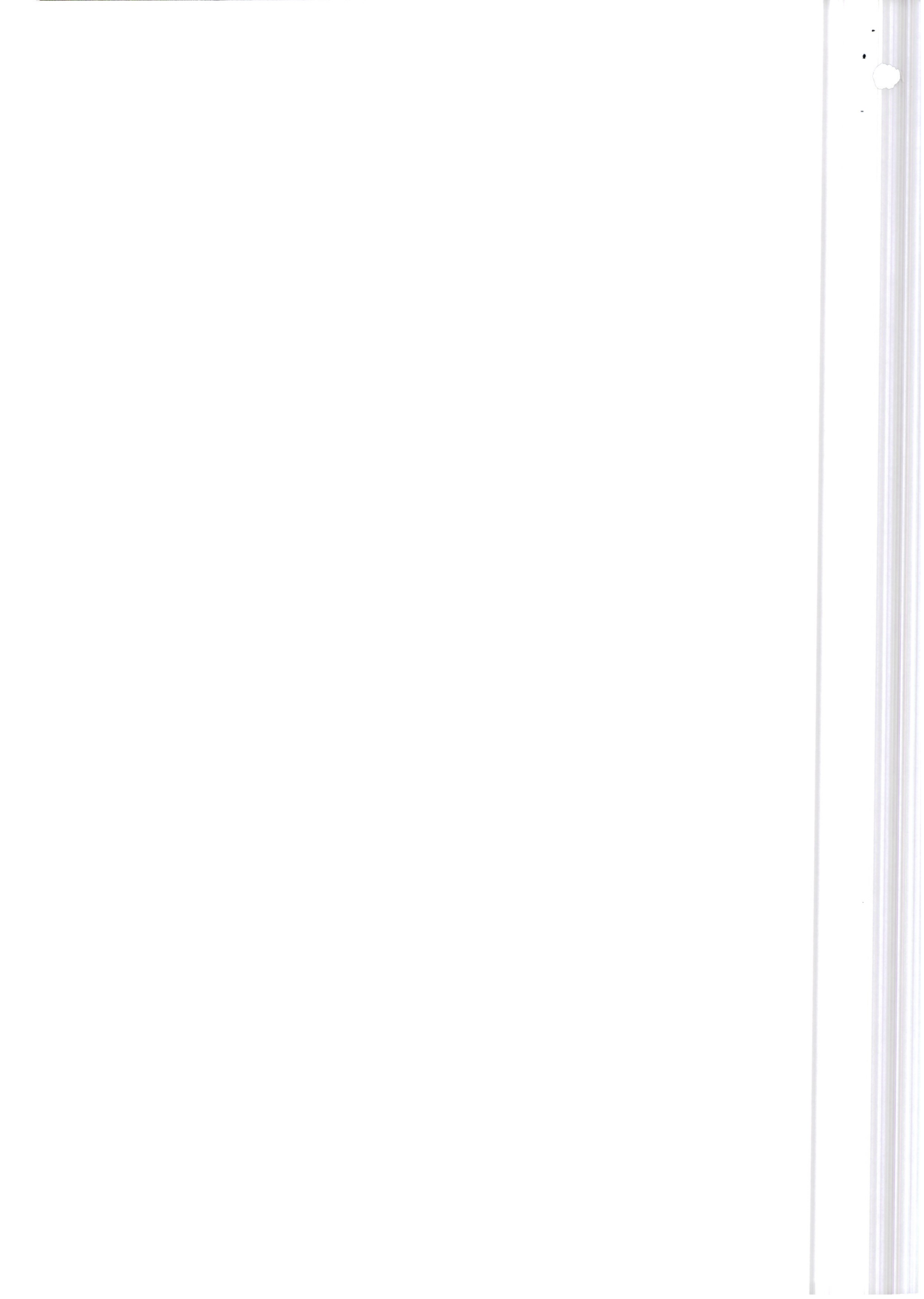
**29 December, 2021**

**THE SIGALAGALA NATIONAL POLYTECHNIC  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

	<u>Notes</u>	<u>2016-2017</u>	<u>2015-2016</u>
<b>Revenue from non-exchange transactions</b>		<b><u>Kshs.</u></b>	<b><u>Kshs.</u></b>
<b>Income</b>			
GOK Operation Grant	3	50,250,000	
<b>Revenue from exchange transactions</b>			
Tuition Fees	4	116,876,971	
Rendering of services	5	39,665,376	
Other income	6	982,322	
Rental Revenue from facilities and equip.	7	633,293	
<b>Total Income</b>		<b><u>208,407,962</u></b>	
<b>Expenditure</b>			
Employee costs	8	32,845,543	
Repairs and maintenance	9	13,733,965	
General expenses	10	82,156,292	
Rendering of services	11	31,800,425	
Other Expenditure	12	35,975,630	
Rental Expenditure	13	38,019	
<b>Total expenses</b>		<b><u>196,549,874</u></b>	
<b>surplus from other operations</b>		<b><u>11,858,089</u></b>	
<b>Gains from town campus</b>	23	<b><u>4,656,823</u></b>	
<b>Surplus for the period</b>		<b><u>16,514,912</u></b>	

Notes supporting the figures are set out in pages 7-13 form an integral part of the Financial statements



**THE SIGALAGALA NATIONAL POLYTECHNIC  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017  
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017**

ASSETS	Notes	<u>2016-2017</u>	<u>2015-2016</u>
<b>Current assets</b>		<b>Kshs.</b>	<b>Kshs.</b>
Cash and Cash Equivalent	14	36,149,969	19,959,162
Receivables from Exchange Transactions	15	70,987,734	60,615,857
Investment in savings account	20	185,199	185,199
Inventories	22	1,095,427	2,851,973
		<b>108,418,329</b>	<b>83,719,239</b>
<b>Non-Current Assets</b>			-
Property, Plant and Equipment	24	62,239,152	
<b>Total Assets</b>		<b><u>170,657,481</u></b>	<b><u>83,612,191</u></b>
<b>Current Liabilities</b>			
Trade payables from exch. transactions	16	51,717,329	44,497,879
Refundable Deposits from Customers	17	13,153,680	12,734,992
		<b>64,871,009</b>	<b>57,232,871</b>
<b>Long Term Liabilities</b>			
Bank Loan	21	13,646,323	9,892,952
Accumulated Funds		92,140,149	16,486,368
		<b>105,786,472</b>	<b>25,486,368</b>
<b>Total Equity &amp; Liabilities</b>		<b><u>170,657,481</u></b>	<b><u>83,612,191</u></b>



**MR. TOM MULATI**

**PRINCIPAL**



**CATHERINE MUMMA**

**CHAIR COUNCIL**

**THE SIGALAGALA NATIONAL POLYTECHNIC  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**STATEMENT IN CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>Capital reserve</b>	<b>Revenue reserve</b>	<b>Capital grant</b>	<b>Development funds</b>	<b>Accumulated funds</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
Balance as at 1/7/2016	16,486,368	-	-	-	16,486,368
Gok Grant Received			33,237,679		33,237,679
Development fees	508,091			25,393,099	25,901,190
Surplus for the year		16,514,912			16,514,912
<b>Balances as at 30/6/2017</b>	<b>16,994,459</b>	<b>16,514,912</b>	<b>33,237,679</b>	<b>25,393,099</b>	<b>92,140,149</b>

**THE SIGALAGALA NATIONAL POLYTECHNIC  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**THE STATEMENT OF CASH FLOW AS AT 30 JUNE 2017**

<b>1</b>	<b><u>Cash Flow From Operating Activities</u></b>	<b><u>Notes</u></b>	<b><u>2017</u></b>
			<b>Kshs.</b>
	GOK Operation grant	3	50,250,000
	Tuition fees	4	116,876,971
	Rendering of services	5	39,665,376
	Other income	6	982,322
	Rental revenue	7	633,293
	Employees cost	8	(32,845,543)
	Repairs & maintenance	9	(13,733,965)
	General expenditure	10	(82,156,292)
	Rendering of services	11	(31,800,425)
	Other expenditure	12	35,975,630)
	Rental expenditure	13	(38,019)
	Town Campus	23	4,656,823
	<b>Net Cash flows From Operating Activities</b>		<b>16,514,912</b>
<b>2</b>	<b><u>Cash Flow From Investing Activities</u></b>		
	Development expenditure	18	56,541,567
	Bus Repayment	18	(5,697,585)
	<b>Net Cash flows From Investing Activities</b>		<b>(62,239,152)</b>
<b>3</b>	<b><u>Cash Flow From Financing Activities</u></b>		
	Development Fees	19	25,393,099
	Development Grant	19	33,237,679
	Loan	21	3,853,369
	<b>Net cash Inflows from financing activities</b>		<b>62,484,147</b>
<b>4</b>	<b><u>CHANGES IN NET CURRENT ASSETS</u></b>		
	Increase in Receivables from exchange Transactions	15	(10,371,876)
	Increase in Trade payables from Exch. Transactions	16	7,219,450
	Increase in Refundable deposits from customers	17	418,688
	Increase in Reserve		508,091
	Reduction in Inventories	22	1,756,546
	<b>Net cash inflows from net current assets</b>		<b>(469,100)</b>
<b>5</b>	<b>Decrease in Cash and Cash Equivalent</b>		<b>16,290,807</b>
<b>6</b>	<b>Opening Cash and Cash Equivalent</b>		<b>19,859,162</b>
<b>7</b>	<b>Closing Cash and Cash Equivalent</b>		<b><u>36,149,969</u></b>

**THE SIGALAGALA NATIONAL POLYTECHNIC  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AS AT 30 JUNE 2017**

<u>VOTE HEADS</u>	<u>BUDGETED</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>%</u>
<b>REVENUES</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	
Activity	7,920,000	5,295,979	(2,624,021)	33%
Administrative fees	5,978,100	10,948,804	4,970,704	83%
Attachment	2,400,000	2,211,990	(188,010)	8%
Bus account	7,920,000	7,223,115	(696,885)	9%
Computer literacy	6,600,000	4,430,440	(2,169,560)	33%
Ewc	3,960,000	1,757,557	(2,202,443)	30%
Hostel (Bes)	12,000,000	8,273,893	(3,726,107)	31%
LT & T	3,960,000	3,471,959	(488,041)	48%
Library	660,000	442,680	(217,320)	33%
Medical	1,980,000	1,286,720	(693,280)	35%
Personal emoluments	16,500,000	13,614,760	(2,885,240)	17%
P.T.A	16,500,000	10,730,715	(5,769,285)	34%
R.M.I	10,230,000	4,835,676	(5,394,324)	23%
Reserve fund	1,980,000	1,285,466	(694,534)	35%
Student council	3,300,000	2,134,226	(1,165,774)	35%
Tuition	24,300,000	53,662,026	29,362,026	140%
BOG teachers levy	9,900,000	6,399,655	(3,500,345)	35%
Development fee	6,600,000	4,244,451	(2,355,549)	36%
Operation grant	50,250,000	50,250,000	0	
PU activities	0	33,007,098	33,007,098	100%
	<b>192,938,100.00</b>	<b>225,507,210</b>	<b>32,569,110</b>	
<b>Expenditure</b>			-	
Activity	7,920,000	8,942,295	(1,022,295)	13%
Administrative	20,398,000	28,192,844	(7,794,844)	38%
Attachment	2,388,820	2,267,450	121,370	5%
Bus account	7,200,000	5,697,585	1,502,415	21%
Computer literacy	6,767,000	3,884,982	2,882,018	43%
E.w.c	8,600,000	3,751,407	4,848,593	56%
Hostel (BES)	11,456,780	8,219,720	3,237,060	28%
L.T&T	3,060,000	5,049,249	(1,989,249)	65%
Library	630,820	534,650	96,170	15%
Medical	979,520	1,711,926	(732,406)	75%
Personal Emoluments	24,339,473	26,669,714	(2,330,241)	10%
P.T.A	16,500,000	25,561,467	(9,061,467)	55%
R.M.I	10,230,000	13,733,965	(3,503,965)	34%
Reserve fund	1,980,000	777,375	1,202,625	61%
Student council	2,750,900	2,463,947	286,953	10%
Tuition	25,909,196	30,088,939	(4,179,743)	16%
Trainers' salaries.	6,600,000	6,175,829	424,171	6%
PU activities	0	26,497,257	(26,497,257)	100%

**THE SIGALAGALA NATIONAL POLYTECHNIC  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

Development Fee	6,600,000	4,231,240	2,368,760	36%
P/ Contracting	0	7,497,611	(7,497,611)	100%
Rental Expenses	0	38,019	(38,019)	100%
	<b><u>164,310,509</u></b>	<b><u>211,987,471</u></b>	<b><u>(47,676,962)</u></b>	<b>29%</b>

**Explanation on the variances**

- The major source of income for Sigalagala National Polytechnic is through student fees.
- The Polytechnic does their budget with estimated number of students with the hope that the enrolment will be ideal as per budgeted number. Due to other factors in the course of the year enrolment changes either below the budgeted or above the budgeted number. This change affects the revenues in both ways.
- During the year under review, the polytechnic had budgeted to have 2,200 students but the number fell below the budgeted figures indicated below.
  - Term 1 - 1564
  - Term 2 - 1597
  - Term 3 - 1863
  - **Average total - 1675**
- This affected the revenue in negative way as indicated above and since the population was below the budgeted, even expenditures had to be reduced to match the actual number of students and also with the actual revenue collected

From the above analysis other than vote head supported by the Gok grant, all of them had performance below the budget because of the reason stated above.

During the budget all production unit activities were not budgeted for and once done it was only their surplus that was to be reported in the books of accounts.

**NOTES TO THE FINANCIAL STATEMENTS  
SIGNIFICANT ACCOUNTING POLICIES SUPPORTING ACCOUNTS**

**1. Statement of compliance and basis of preparation – IPSAS 1**

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

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

**2. Summary of significant accounting policies**

**a) Revenue recognition**

**Revenue from exchange transactions – IPSAS 9**

***Rendering of services***

The Polytechnic recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to fees charged per student per course, rent charged on tenants per month, hire of facilities as per required.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

***Tuition fees***

Revenue from tuition fees arise when students pay fees for the various courses they undertake at the polytechnic. Even though it is collected per term, the overall charge is based on the course which is modular and takes one year

***Rental income***

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

**b) Budget information – IPSAS 24**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Polytechnic. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED.....**

**c) Property, Plant and Equipment – IPSAS 17**

The Sigalagala National Polytechnic has valued its Non-Current assets as at 30 September 2018 and the values have been incorporated in the accounts as stated below;

**d) Research and Development costs**

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

- The technical feasibility of completing the asset so that the asset will be available for use.
- Its intention to complete and its ability to use 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, as stated above, the asset will be carried at cost less any amortization and 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. Amortization shall be done as per the polytechnic Finance policy

**e) Inventories – IPSAS 12**

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 Entity.

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED.....**

**f) Cash and cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, cheques, Mpesa balances, 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised officers which were not surrendered or accounted for at the end of the financial year.

**g) Comparative figures**

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

The Sigalagala National polytechnic adopted IPSAS accruals basis of accounting for the first time in the year under review. This made it difficult to have comparative figures for the previous years since accounts we done under cash basis of accounting hence not compatible with accrual system

**h) Significant judgments and sources of estimation uncertainty – IPSAS 1**

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

***Estimates and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

***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:

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

**THE SIGALAGALA NATIONAL POLYTECHNIC  
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**NOTES TO THE FINANCIAL STATEMENTS CONTINUED .....**

<b>3</b>	<b>GOK OPERATION GRANT</b>	<b><u>2016/2017</u></b>	<b><u>2015/2016</u></b>
		<b><u>Kshs.</u></b>	
	1 <sup>st</sup> Quarter	12,562,500	
	2 <sup>nd</sup> Quarter	12,562,500	
	3 <sup>rd</sup> Quarter	12,562,500	
	4 <sup>th</sup> Quarter	12,562,500	
		<b><u>50,250,000</u></b>	
<b>4</b>	<b>Tuition</b>	<b><u>Kshs.</u></b>	
	Tuition fees	53,662,026	
	Activity fees	5,295,979	
	Administrative expenses	10,948,804	
	Computer Literacy	4,430,440	
	Ewc	1,757,557	
	LT&T	3,471,959	
	Library	442,680	
	Medical	1,286,720	
	Personal Emoluments	13,614,760	
	RMI	4,835,676	
	Council Trainers	6,399,655	
	PTA	10,730,715	
		<b><u>116,876,971</u></b>	
<b>5</b>	<b>Rendering Of Services</b>	<b><u>Kshs.</u></b>	
	Driving school fees	424,080	
	PU Training	15,953,138	
	Hostel	8,273,893	
	KISE	9,810,044	
	Tender	146,450	
	PAYE	5,057,771	
	PU others	-	
		<b><u>39,665,376</u></b>	
<b>6</b>	<b>Other Income</b>	<b><u>Kshs.</u></b>	
	Farm Revenue	942,852	
	Charity Run	39,470	
		<b><u>982,322</u></b>	
<b>7</b>	<b>Rental Revenue</b>	<b><u>Kshs.</u></b>	
	Rent Revenues	<b><u>633,293</u></b>	

**THE SIGALAGALA NATIONAL POLYTECHNIC  
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**NOTES TO THE FINANCIAL STATEMENTS CONTINUED.....**

	<b><u>EXPENDITURE</u></b>	<b><u>2016/2017</u></b>	<b><u>2015/2016</u></b>
<b>8</b>	<b>EMPLOYEES COST</b>	<b><u>Kshs.</u></b>	
	Personal Emoluments	26,669,714	
	Council Trainers	6,175,829	
		<b><u>32,845,543</u></b>	
<b>9</b>	<b>REPAIRS AND MAINTENANCE</b>	<b><u>Kshs.</u></b>	
	RMI	<b>13,733,965</b>	
<b>10</b>	<b>GENERAL EXPENDITURE</b>	<b><u>Kshs.</u></b>	
	Tuition Expenses	<b>30,088,939</b>	
	Activity Expenses	8,942,295	
	Administrative expenses	28,192,844	
	ICT Levy	3,884,982	
	Ewc	3,751,407	
	LT&T	5,049,249	
	Library	534,650	
	Medical	1,711,926	
		<b><u>82,156,292</u></b>	
<b>11</b>	<b>RENDERING OF SERVICES</b>	<b><u>Kshs.</u></b>	
	Driving school expenses	110,800	
	PU Training	7,686,884	
	Hostel	8,219,720	
	KISE	8,049,239	
	Tender	894,872	
	PAYE	6,838,910	
		<b><u>31,800,425</u></b>	
<b>12</b>	<b>OTHER EXPENDITURE</b>	<b><u>Kshs.</u></b>	
	Farm Expenditure	766,862	
	Charity Run	1,899,640	
	Performance Contract	7,497,611	
	PTA	25,561,467	
	Graduation	250,050	
		<b><u>35,975,630</u></b>	
<b>13</b>	<b>RENTAL EXPENDITURE</b>	<b><u>Kshs.</u></b>	
	Rent Expenditure	<b>38,019</b>	
<b>14</b>	<b>Cash And Cash Equivalent</b>	<b><u>Kshs.</u></b>	<b><u>Kshs.</u></b>
	Cash at hand (C/F)	247,741	322,619
	Cash at bank A/c No. 908043551	11,226,342	13,882,763
	Cash at bank A/c No. 01021071653900	9,005,162	14,762
	Cash at bank A/c No. 908043543	5,365,213	27,029
	cash hand (town campus)	1,860,549	-
	Cash at bank A/c No. 01120098473700	8,444,962	571,198
		<b><u>36,149,969</u></b>	<b><u>19,959,162</u></b>

**THE SIGALAGALA NATIONAL POLYTECHNIC  
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**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

		<u>2016/2017</u>	<u>2015/2016</u>
		<u>Kshs.</u>	<u>Kshs.</u>
<b>15</b>	<b>Receivables From Exchange Transactions</b>		
	Fees Arrears	69,412,980	59,699,556
	SNP Alumini	292,780	-
	SNP Mumias T.T.I	400,248	168,999
	Advance	745,973	611,550
	Uncleared Imprest	99,883	99,883
	Teaching staff association	35,870	35,870
		<b><u>70,987,733</u></b>	<b><u>60,615,858</u></b>

	<u>Liabilities</u>	<u>Kshs.</u>	<u>Kshs.</u>
<b>16</b>	<b>Trade payables from exch. transactions</b>		
	Creditors	45,467,239	42,992,879
	Production Unit	1,505,000	1,505,000
	Attachment	(55,460)	-
	Chenzeywe TTI	(19,500)	-
	Prepaid Fees	4,820,050	-
		<b><u>51,717,329</u></b>	<b><u>44,497,879</u></b>
<b>17</b>	<b>Refundable Deposits From Customers</b>	<u>Kshs.</u>	<u>Kshs.</u>
	Caution Money	5,624,909	4,094,459
	Bursary	5,500,580	2,525,890
	Student Council	1,744,824	2,074,545
	Examination	283,367	4,040,098
		<b><u>13,153,680</u></b>	<b><u>12,734,992</u></b>
<b>18</b>	<b>Development Expenditure</b>	<u>Kshs.</u>	
	Bus payments	5,697,585	
	Development projects	56,541,567	
		<b><u>62,239,152</u></b>	
<b>19</b>	<b>Development Income</b>	<u>Kshs.</u>	
	Development fees (A-in-A)	25,393,099	
	GOK development grant	33,237,679	
		<b><u>58,630,778</u></b>	
<b>20</b>	<b>Investment in Savings Account - A/c No.98256911</b>	<u>Kshs.</u>	<u>Kshs.</u>
	Opening balance	185,199	185,199
	Add interest accrued	.	.
	Closing balance as per bank certificate	<b><u>185,199</u></b>	<b><u>185,199</u></b>

**THE SIGALAGALA NATIONAL POLYTECHNIC  
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**NOTES TO THE FINANCIAL STATEMENTS CONTINUED.....**

		<b>2016/2017</b>	<b>2015/2016</b>
<b>21</b>	<b>Bank Loan</b>	<b>Kshs</b>	<b>Kshs</b>
	Balance with Barclays bank	2,668,884	-
	Balance with Barclays bank	3,635,103	-
	Balance with KCB	7,342,336	9,892,952
	Total Loan Outstanding	<u>13,646,323</u>	<u>9,892,952</u>
<b>22</b>	<b>Inventory stock</b>	<b>Kshs.</b>	<b>Kshs.</b>
	Closing stock values	1,095,427	2,851,973
		<u>1,095,427</u>	<u>2,851,973</u>
<b>23</b>	<b><u>Production units ( Town Campus)</u></b>	<b>Kshs</b>	
	<b>Income</b>	954,152	-
	Activity	617,770	-
	Administrative cost	414,032	-
	Attachment	771,730	-
	Development	3,518,433	-
	Exams	59,500	-
	Library	15,500	-
	Practicals	1,198,120	-
	RMI	382,170	-
	Tuition	13,000,503	-
	Caution Money	5,950	-
		<u>20,937,860.</u>	-
	Activity	21,450	-
	Admission	1,067,400	-
	Exams	3,461,890	-
	Student council	280,670	-
	Tuition Expenses	11,449,627	-
		<u>16,281,037</u>	-
	<b>Surplus</b>	<u>4,656,823</u>	-

**24. Property Plant and Equipment**

	<b><u>Buildings</u></b>	<b><u>Moto vehicle</u></b>	<b><u>Total</u></b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>Balance s at 1/7/2016</b>	-	-	-
Additions:	56,541,567	5,697,585	62,239,152
Revaluation	-	-	-
Depreciation	-	-	-
<b>Balance as at 30/6/2016</b>	<b>56,541,567</b>	<b>5,697,585</b>	<b>62,239,152</b>

**THE SIGALAGALA NATIONAL POLYTECHNIC  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**APPENDIX I: TRANSFERS FROM MINISTRY OF EDUCATION TO  
SIGALAGALA NATIONAL POLYTECHNIC**

**Re-Current Grant 2016/2017**

<b>Bank Statement Date</b>	<b>Amount</b>	<b>Fiscal year</b>
	<b>Kshs.</b>	
5/7/2016	12,562,500	2016/2017
7/9/2016	12,562,500	2016/2017
25/10/2016	12,562,500	2016/2017
9/5/2017	12,562,500	2016/2017
<b><u>Total</u></b>	<b><u>50,250,000</u></b>	

**Development Grant 2016/2017**

<b>Bank Statement Date</b>	<b>Amount</b>	<b>Fiscal year</b>
	<b>Kshs.</b>	
4/7/2016	7,408,973	2017/2018
5/7/2016	17,830,636	2017/2018
8/9/2016	1,999,517	2017/2018
19/4/2017	1,999,517	2017/2018
20/5/2017	3,999,036	2017/2018
<b><u>TOTAL</u></b>	<b><u>33,237,679</u></b>	

**THE SIGALAGALA NATIONAL POLYTECHNIC  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**APPENDIX II: TRANSFERS FROM MINISTRY OF EDUCATION TO  
SIGALAGALA NATIONAL POLYTECHNIC**

<b>Name of the Entity Sending the grant</b>	<b>Amount Recognized to Statement of Comprehensive Income</b>	<b>Amount Deferred</b>	<b>Amount Recognised in capital fund.</b>	<b>Total grant Income during the quarter</b>	<b>Cumulative Transfers to date</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
Ministry of Education. State Department for Vocational and Technical Training <b>(QTR 1.)</b>	12,562,500	-	25,239,609	37,802,109	<b>37,802,109</b>
Ministry of Education. State Department for Vocational and Technical Training <b>(QTR 2.)</b>	12,562,500	-	1,999,517	14,562,017	<b>52,364,126</b>
Ministry of Education. State Department for Vocational and Technical Training <b>(QTR 3.)</b>	12,562,500	-	1,999,517	14,562,017	<b>66,926,143</b>
Ministry of Education. State Department for Vocational and Technical Training <b>(QTR 4)</b>	12,562,500	-	3,999,036	16,561,536	<b>83,487,679</b>