

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 25 SEP 2019

Wednesday

OF

*Majority Party Whip
Hon Benjamin Wambui*

Habari

THE AUDITOR-GENERAL

PARLIAMENT
OF KENYA
LIBRARY

ON

**THE FINANCIAL STATEMENTS OF
KISUMU NATIONAL POLYTECHNIC**

**FOR THE YEAR
ENDED 30 JUNE 2017**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
- 6 MAY 2019
RECEIVED

THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

In exercise of the powers conferred by section 26 (2) of the Technical and Vocational Education and Training Act, (No. 29 of 2013), the Cabinet Secretary for Education Science and Technology made the following Order through legal Notice No. 113 of 22nd August, 2014 cited as The Kisumu National Polytechnic Order, 2014. There is established a National Polytechnic known as the Kisumu National Polytechnic; body corporate with perpetual succession and a common seal and in its name, be capable of-suing and being sued; taking, purchasing or otherwise acquiring, holding, charging or disposing of both movable and immovable property; borrowing money; charging for services offered, with the approval of the Cabinet Secretary; and entering into contracts.

The Kisumu National Polytechnic is the successor to the Kisumu Polytechnic existing immediately before the commencement of the Order. All rights, liabilities and assets held by anybody on behalf of the Kisumu Polytechnic existing at the commencement of this order, were automatically and fully transferred to the National Polytechnic.

1.1. Vision, Mission and Core Values

Vision

To be a world class polytechnic in the provision of technical, vocational, entrepreneurship training and research.

Mission

To provide high quality technical, vocational, entrepreneurship training, research and innovation in partnership with stakeholders to produce globally competitive graduates

Core Values

- Teamwork
- Integrity
- Quality
- Innovation
- Environmental Stewardship

Motto

Industry Succeeds

1.2. Quality Policy

As an ISO certified institution The Kisumu National Polytechnic is committed to providing affordable, accessible, and sustainable and quality training by ensuring our services are effective and efficient and meet the customer needs and expectations. The Kisumu National Polytechnic is committed to complying with requirements of ISO 9001:2008 Quality Management Systems. To

achieve this, the polytechnic has established Quality Objectives which shall be reviewed from time to time for continuous improvement.

The key Quality Objectives seek to: -

- I. Achieve and maintain a level of quality training which enhance the institutions' reputation with customers.
- II. Ensure compliance with the TVET Act 2013 and other relevant statutory and safety requirements.
- III. Endeavour to always maximize customer satisfaction with services provided by The Kisumu National Polytechnic.

1.3. Historical Background

The institution was started in 1967 as a Technical Secondary School. The first batch of students was admitted at Sigalagala Technical and Trade School while they awaited the completion of the school at Kisumu. The then Minister for Education, Dr. Taita Towett officially opened the school in 1971.

In 1986, the institution became a Technical Training Institute. This was the time, when the philosophy of Education was to facilitate Social and Economic development of rural areas. The aim of this was to produce practical oriented human resource, competent in application of technical skills. This was the time when the 8.4.4. Curriculum of Education and training in Kenya was being implemented. Institutions at such levels were therefore required to cater for the needed technical skills.

In 1996, the institution became a National Polytechnic and was inaugurated on 21st June 1997 by His Excellency the President, Hon. Daniel Toroitich Arap Moi.

During the Strategic Planning of 2008-2012, the Polytechnic developed a Transitional Plan to attain a degree awarding institution status. The current legal order has made this provision in the objects and functions of the Polytechnic as currently established.

1.4. Mandate

The Polytechnic is mandated to offer courses at Certificate, Diploma and Higher Diploma levels in various disciplines. The Polytechnic mainly produces middle level human resources that are well equipped with technical and business skills required in industry, informal sector and service sectors. The institution produces technicians and technologists who are expected to play a major role towards the attainment of the Kenya's Vision 2030.

The current SP (2016–2020) has envisaged the development and implementation of technology degrees that will be offered in collaboration with existing recognized Universities.

1.5. Functions and Objects of The Kisumu National Polytechnic

- 1.5.1. The objects and functions of the National Polytechnic shall be to —
- 1.5.1.1. Provide directly, or in collaboration with other institutions of higher learning, facilities for technical trainers in technological, professional, scientific education;
 - 1.5.1.2. Participate in technological innovation as well as in the discovery, transmission and enhancement of knowledge and to stimulate the intellectual life in the economic, social cultural, scientific, and technological development;
 - 1.5.1.3. Contribute to industrial and technological development of Kenya in collaboration with industry and other organizations through transfer of technology;
 - 1.5.1.4. Examine and make proposals for new diploma courses and subjects of study, institutes, departments, resource and research and innovation;
 - 1.5.1.5. Promote and establish a culture of innovation in engineering and technology, and technology transfer amongst staff and students;
 - 1.5.1.6. Develop an institution with excellence in teaching, training, scholarship, entrepreneurship, research, consultancy, community service, among other educational services and products, with emphasis on technology and its development, impact and application within and outside Kenya;
 - 1.5.1.7. Provide a multi-level system of post-secondary school education and training programmes 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 programmes;
 - 1.5.1.8. Provide high quality educational, research, residential, commercial, cultural, social, recreational, sporting and other facilities;
 - 1.5.1.9. Advance knowledge and its practical application by research and other means, the dissemination of outcomes of research by various means, and the commercial exploitation of search results;
 - 1.5.1.10. Promote critical enquiry within the polytechnic and in the general community;
 - 1.5.1.11. Participate in commercial ventures and activities;
 - 1.5.1.12. Foster the general welfare of all staff and students;
 - 1.5.1.13. Provide opportunities for development and further training for staff of the National Polytechnic;

- 1.5.1.14. Develop and provide educational, cultural, professional technical and vocational services to the community and in particular the fostering of corporate social responsibility;
- 1.5.1.15. Provide programmes, products and services in ways that reflect the principles of equity and social justice;
- 1.5.1.16. Facilitate student mobility between different programmes at different technical training institutions, and other National Polytechnics;
- 1.5.1.17. Conduct examinations for and grant such academic awards as provided under this Order;
- 1.5.1.18. Collaborate with recognized universities for the conduct and award of degree programmes in technology;
- 1.5.2. The National Polytechnic shall have powers to grant higher diplomas, diplomas, certificates, or other academic qualifications which may, for the time being, be authorized by the Academic Policy of the National Polytechnic.
 - 1.1.1. Subject to this Order, the National Polytechnic may award scholarships, bursaries and prizes and make other awards which may be provided for by the Academic Policy.

(a) Key Management

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

- Governing Council
- Accounting officer
- Deputy Principal Administration
- Deputy Principal Academics
- Registrar
- Dean of Students

Fiduciary Management

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

No.	Designation	Name
1.	Senior Principal	Joyce Nyanjom
2.	Finance Manager	Monicah Otieno
3.	Supply Chain Manager	Milton Obote Omollo
4.	Human Resource Manager	Maurice Ominde
5.	Internal Auditor	Tabitha Ng'oma

Fiduciary Oversight Arrangements

- Finance, Infrastructure and Resource Mobilization (FIRM)
- Audit Committee
- Education, Research and Training Committee

(a) Entity Headquarters

P.O. Box 143-40100
Technology Road
Kisumu, KENYA

(b) Entity Contacts

Telephone : (254) 0723446773
E-mail: info@kisumupoly.ac.ke
Website: www.kisumupoly.ac.ke

(b) Entity Bankers

1. Kenya Commercial Bank
OgingaOdinga Road
P.O Box 17-40100
Kisumu, Kenya
2. Co-operative Bank
Kampala Street
P.O Box 1511-40100
Kisumu, Kenya
3. National Bank
OgingaOdinga Road
P.O Box 1152-40100
Kisumu, Kenya





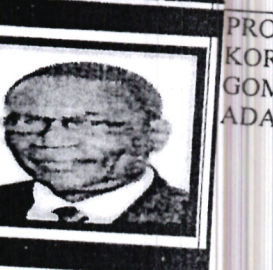
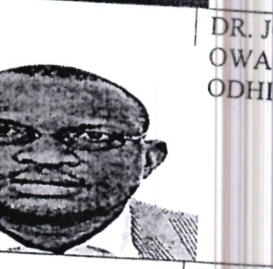
(c) Independent Auditors


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

(d) Principal Legal Adviser






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

THE BOARD OF DIRECTORS


PHOTO	NAME OF MEMBER	DATE OF BIRTH	ADDRESS/CONTACT	QUALIFICATIONS	WORK EXPERIENCE	COMMITTEE
	ENG. PETER OLOO OKAKA	AUGUST, 1945	P. O. BOX 50422-00200, NAIROBI. Mobile No. 0725157264	MASTER OF SCIENCE (MECHANICAL ENG)	LECTURER KENYATTA UNIV.	CHAIRMAN THE COUNCIL - KISUMU NATIONAL POLYTECH
	PROF. ELIJAH L. OMWENGA	MARCH, 1967	Mobile No. 0722822708	Ph. D IN INFORMATION COMMUNICATION TECHNOLOGY (ICT)	VICE CHANCELLOR - KABIANGA UNIV.	CHAIRMAN EDUCATION RESEARCH TRAINING COMMITTEE
	JACINTA KIPKERING	OCTOBER 1970	Mobile No. 0727721953	BACHELOR OF ARTS	HEAD OF HUMAN RESOURCE AT CHEMELIL SUGAR CO.	
	MRS BETTY ACHOCH	AUGUST, 1959	Mobile No. 0722791962	BACHELOR OF COMMERCE (ACCOUNTING OPTION)	WAS HEAD OF ACCOUNTING - MIN. OF HIGHER EDUCATION, SCIE. & TECH.	CHAIR OF FINANCE COMMITTEE AND MEMBER OF FULL COUNCIL
	PROF. KORWA GOMBE ADAR	10 TH OCTOBER, 1949	MOBILE NO. 0719506416	Ph D. IN POLITICAL SCIENCE	LECTURER USIU	
	DR. JOSHUA OWAGO ODHIAMBO	SEPT. 1969	Mobile No. 0721663808	Ph D. IN ENVIRONMENTAL SCIENCE	CONSULTANCY	CHAIR PERSON OF THE AUDIT COMMITTEE AND MEMBER OF THE FULL BOARD.
	MR. GEOFFREY KIBANDA				REPRESENTATIVE OF THE CABINET SECRETARY	

	MRS. JOYCE NYANJOM	OCTOBER 1958	Mobile No. 0722575151	MASTERS IN PROJECT PLANNING AND MANAGEMENT	SENIOR PRINCIPAL	SECRETARY TO THE COUNCIL
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I. MANAGEMENT TEAM

	MRS. JOYCE NYANJOM	SENIOR PRINCIPAL
	MR. JOHN WYCLIFF ODHIAMBO OKUMU	DEPUTY PRINCIPAL ADMINISTRATION
	MRS. NELLY KODERO	DEPUTY PRINCIPAL ACADEMICS
	DR. ASAKA NYANGARA	REGISTRAR
	MRS. LUCY KHOJA	DEAN OF STUDENTS

Reports and Financial Statements
for the year ended June 30, 2017

	MRS. MONICAH OTIENO	FINANCE MANAGER
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REPUBLIC OF KENYA

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Website: www.kenao.go.ke



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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KISUMU NATIONAL POLYTECHNIC FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kisumu National Polytechnic set out on pages 10 to 24, which comprise the statement of financial position as at 30 June 2017 and the statement of financial performance, and statement of cash flows 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,

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kisumu 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 Standard (Accrual Basis).

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, except for matters raised in both the Basis for Qualified Opinion and Other Matter section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis of Qualified Opinion

1. Inaccuracies of Financial Statements

1.1 Statement of Financial Position

Included in the financial statements under note 21 is property, plant and equipment of Kshs.2,613,960,031 whose values are based on estimation except work in progress since their valuation is yet to be done

Further, depreciation for the assets has not been incorporated in the financial statements.

Report of the Auditor-General on the Financial Statements of Kisumu National Polytechnic for the year ended 30 June 2017

Consequently, the accuracy and status of balances of these financial statements as presented for the year ended 30 June 2017 cannot be confirmed.

1.2 Failure to Maintain a Deposit Account

Included in the statement of financial position under note 22 is trade and other payables balance of Kshs.33,072,856 which includes retention fees of Kshs.13,731,509 held for various projects. However, the institution did not maintain a deposit account for the retention fees. No explanation has been provided by management on the same. However, contrary to section 81(2) of Public finance management Act (national government) regulations 2015 stipulates that the accounting officer shall include in the financial statements, a statement of the entity's assets and liabilities as at the end of the financial year in respect of the recurrent vote, development vote and funds and deposits.

Consequently, the accuracy of the deposit figure could not be confirmed

1.3 Unsupported Procurement

Included in the financial statements under note 9 is general expenses of Kshs.38,537,044 which includes production unit of Kshs.28,702,105 out of which Quest Consultants Ltd was paid a total of Kshs.751,390 through voucher number 313767 during FY 2016/2017 but procurement documents were not availed for audit. However, contrary to Section 104(I) of Public Finance Management Regulations, 2015 stipulate that all receipts and payment vouchers of public moneys shall be supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.

Consequently, the accuracy and validity of the expenditure of Kshs.751,390 could not be confirmed

1.4 Lack of Interface System Functions

Included in the statement of financial performance is revenue from exchange transaction of Kshs.214,251,268 which includes tuition and other related fees of Kshs.196,008,850 under note 4, out of which tuition fees of Kshs.186,609,612 is reflected. However, the fees collection module was not linked to the financial module thus the system could not give the summary of invoice amount, fees paid and outstanding balances per student in relation to the total figure of Kshs.186,609,612. However, contrary to section 109(1) of Public Finance Management National Government Regulations 2015 stipulate that for efficient and effective utilization of electronic systems in processing financial data, the National Treasury shall develop and regularly issue standard operating procedures and instructions on the automated integrated financial management system operations, use and maintenance

Consequently, the accuracy on tuition fees of Kshs.186,609,612 could not be confirmed.

1.5 Provision for Bad and Doubtful Debts

Included in the statements of financial position under note 17 is receivables from exchange transaction figure of Kshs.17,274,167 which includes student debtors of Kshs.16,390,757. However, the management had not made a provision for bad and doubtful debts, while it is not certain that the amount in question will be fully recovered. However, contrary to section 64 (1) (a) stipulate that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for all national government revenue and other public moneys relating to their ministries, departments or agencies.

Consequently, validity and accuracy of the current assets could not be confirmed.

1.6 Debtors Aging Analysis

Included in the statements of financial position under note 17 is receivables from exchange transaction figure of Kshs.17,274,167 which includes students' debtors (fee arrears) of Kshs.16,390,757. However, the list made available did not contain the dates when the income (fees) was recognized and there was no aging analysis for the debtors. This was, contrary to section 100 of Public Finance Management Regulation of 2015 which stipulate that Accounting Officers shall keep in all offices concerned with receiving cash or making payments, a cash book showing the receipts and payment and shall maintain such other books and register as may be necessary for the proper maintenance and production of the accounts of the vote for which he or she is responsible

Emphasis of Matter

1. Budgetary Under Performance

- 1.1 During the year 2016/2017, the Polytechnic approved budget estimates of Kshs.287,050,992 while the actual expenditure was Kshs.355,110,137. However, the items listed below had material variances between the budgets, and seven items expenditure was exceeded by over 30% of the budgeted items figures without approval.

Item	Budget 2016/2017 Kshs.	Actual Kshs.	Variance Kshs.	Percentage Variance %
General Expenses/Use of Goods				
Domestic Travel and Subsistence	2,674,662	5,368,817	2,694,155	201
Boarding Related Expenses	12,410,000	22,675,644	10,265,644	183

Item	Budget 2016/2017 Kshs.	Actual Kshs.	Variance Kshs.	Percentage Variance %
Sports Activity Expenses	7,360,000	9,682,045	2,322,045	132
Contingencies (Hospitality Services)	5,280,000	8,557,322	3,277,322	162
Medical Related Expenses (Clinic Expenses)	2,640,000	2,820,164	180,164	107
Industrial attachment Expenses	4,000,000	5,772,325	1,772,325	144
Application Fees (Advertisements)	1,000,000	1,107,444	107,444	111
Learning Materials and Training	37,976,943	72,877,880	34,900,937	192
Practical Related Expenses	11,452,000	19,429,118	7,977,118	170
Utility Supplies	5,895,184	6,323,471	428,287	107
Repairs and Maintenance	37,236,871	39,955,029	2,718,158	107

1.2 Further, we observed that the financial statements under use of goods and services does not reflect marketing courses expenses of Kshs.7,100,000, rent expenses of Kshs.1,656,000 and Kisumu garment making project Kshs.3,840,000 which were budgeted for while security services Kshs.4,903,500, ICT expenses Kshs.1,086,850 and catering expenses of Kshs.6,698,691 were reflected in the financial statement but not budgeted for. However, contrary to Section 31:2(a) of the Public Finance Management Regulations 2015 states that an Accounting Officer is responsible, in particular for ensuring that all services which can be reasonably foreseen are included in the estimates and that they are within the capacity of her/his national government entity during the financial year. Subsection 2(b) states that the estimates should be complete and accurate, while section 43(b) Public Finance Management Regulations 2015 states that an Accounting Officer shall ensure that public funds entrusted to their care are properly safeguarded and applied for purpose for only which they were intended and appropriated by the National Assembly.

Consequently, the Polytechnic breached the law by overspending on various items without approval

2. Stalled Library Construction, Model Training Laboratory and Clinic Projects

Included in the financial statements under note 21 is property, plant and equipment of Kshs.2,508,141,883 which includes work in progress of Kshs.163,970,382 while the correct casting it is 269,788,818 resulting to understatement of Kshs.105,818,436. Hence, the property, plant and equipment should be Kshs.2,613,960,319. However, the following were noted.

- i) The polytechnic awarded a contract of Kshs.110,672,457 to Cell Arc Systems on 19 December 2011 for the construction of a library. However, the contract had a variation midway of Kshs.12,821,012 (about 11.6%), and the contract has not been executed to completion to date and the contractor abandoned the site. In addition, the matter had also been referred to arbitration over disputes with total payment to the contractor amounting to Kshs.123,492,468 including retention as resolved and determined by arbitration after the contract was terminated by the minutes of consultative meeting of 28th February 2017.
- ii) The award of the Model Training Laboratory and contract was also made to M/s Diaspora Designs Build Ltd on 21st January 2013 at a contract sum of Kshs.47,227,422, however, the same was varied midway to Kshs.59,045,505 by Kshs.11,818,083 (25%) but the contract has not been executed to completion to date and the contractor abandoned the site.

However, contrary to section 23:2(e) of Public Finance Management Regulations, 2015 states that an Accounting Officer shall take into account all relevant financial considerations, including issues of propriety, regularity and value for money. Consequently, delayed projects completion could lead to cost escalation and the Polytechnic have not got value for money

Responsibilities of Management and Those Charge with Governance for the Financial Statements

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 such 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.

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

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

Those charged with governance are responsible for overseeing the Kisumu National Polytechnic financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 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.

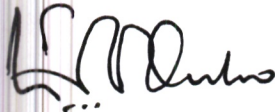
As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Kisumu National Polytechnic and internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Kisumu National Polytechnic ability to continue offering 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 Kisumu National Polytechnic to cease to continue Offering 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 of the entity's or business activities to express an opinion on the financial statements.

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

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

From the matters communicated with management, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. These matters are described in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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

Nairobi

23 August 2019

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

	Notes	2017 Kshs.
Revenue from non- Exchange Transaction		
Recurrent Grants	2	108,000,000
Research Grants		-
		<u>108,000,000</u>
Revenue from Exchange Transaction		
Tuition and Other Related Fees	4	196,008,850
Rental Revenue from Facilities and equipment	5	10,698,928
Financial Income - External Investments	6	-
Other Income	7	7,543,490
		<u>214,251,268</u>
		<u>322,251,268</u>
Total Revenue		
Expenditure		
Staff Costs	8	39,068,803
General Expenses	9	38,537,044
Finance Costs	10	-
Repairs and Maintenance	11	39,955,029
Amortization and Depreciation	12	-
Contracted Services	13	4,903,500
Use of goods and services	14	192,441,522
Council Expenses	15	4,204,239
		<u>319,110,137</u>
Total Expenditure		
Operating Surplus		<u>3,141,131</u>

Principal

Finance Manager

Chairman of the Council

The notes set out on pages 1 to 24 form an integral part of the Financial Statements

III. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

ASSETS	Notes	2017 Kshs.
Current assets		
Cash and cash equivalents		
Receivables from exchange transactions	16	94,643,347
Inventories	17 20	17,274,167 899,956
		<u>112,817,470</u>
Non-current assets		
Property, plant and equipment	21	2,613,960,319
Total Non-Current Assets		<u>2,613,960,319</u>
TOTAL ASSETS		<u><u>2,726,777,789</u></u>
 EQUITY AND LIABILITIES		
Current Liabilities		
Trade and Other Payables	22	33,072,856
Amounts Held for Third Parties	23	24,165,754
Refundable deposits from customers	24	2,662,004
Total Current Liabilities		<u>59,900,614</u>
Non-Current Liabilities		
Net Assets		<u><u>2,666,877,175</u></u>
Capital Grants Reserves	25	2,372,723,487
Revenue Reserve	26	188,335,253
Total Reserves		<u>2,561,058,740</u>
Total net assets and liabilities		<u><u>2,726,777,789</u></u>

The Financial Statements set out on pages 1 to 24 were signed on behalf of the Governing Council by:

Principal

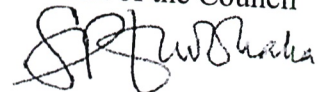


Finance Manager

Finance Manager

ICPAK Member Number: 13764

Chairman of the Council



KISUMU POLYTECHNIC

Annual Report and Financial statements
Statement of Changes in Net Assets for the year ended 30
June 2017

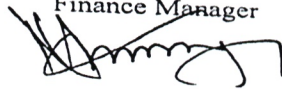
	Capital Reserves Kshs.	Revenue Reserve Kshs.	Total Equity Kshs.
Balance as at 1 July 2016	2,336,723,489	185,194,122	2,521,917,611
Surplus for the year		3,141,131	3,141,131
Capital Development Grants	36,000,000		36,000,000
Movement During the year	-	-	-
Balance as at 30 June 2017	2,372,723,489	188,335,253	2,561,058,742

Principal

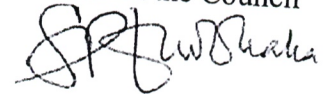


Finance Manager

Finance Manager



Chairman of the Council



IV. STATEMENT OF CASHFLOWS
AS AT 30 JUNE 2017

	Notes	2017 Kshs.
Cash flows from operating activities		
Surplus/(deficit) for the year		3,141,131
Add back : Depreciation and Amortization		-
Less Gain on Revaluation		-
Operating cash before working capital changes		3,141,131
(Increase)/Decrease in Inventory	20	(899,956)
(Increase)/Decrease in Receivables	17	(17,274,167)
Increase /(Decrease) in Payables	21-23	56,703,604
Net Cash flow from operating activities		38,529,481
Cash Flows from Investing Activities		
Purchase of Plant Property & Equipment	26	(82,810,451)
Disposal of Assets		
Purchase of Intangible Assets		
Purchase of Investments		
Net Cash Flow From investing activities		(82,810,451)
Cash flows from Financing activities		
Receipt of Capital Grants	23	36,000,000
Bank Loan		-
Loan Repayment		-
Net Cash flow from Financing Activities		36,000,000
Net Increase in cash and cash equivalents		(8,280,970)
Cash and cash Equivalents at the beginning		102,362,583
Cash and cash Equivalents at the end		94,081,613

Principal

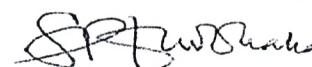


Finance Manager

Finance Manager



Chairman of the Council



Direct method has been adopted as recommended by PSASB

V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2017

	Original budget	Adjustments	Final budget	Actual Outcome	Performance difference	Percentage difference	comments
	2016-2017		2016-2017	2016-2017	2016-2017		
	Kshs		Kshs	Kshs	Kshs		
Revenue							
Recurrent Grants	108,000,000		108,000,000	108,000,000.00	0.00	0.00	
Development Grants & Loans	36,000,000		36,000,000	36,000,000.00	0.00	0.00	
Research Grants	0.00		0.00	-	0.00	0.00	
Tuition and Other Related Fees	136,554,992.00		136,554,992.00	205,008,850.00	68,453,858.00	50/100	Favourable
Rental Revenue	1,656,000.00		1,656,000.00	1,698,928.00	42,928.00	2.59/100	favourable
Finance Income	0.00		0.00	-		0.00	
Other Income	4,840,000.00		4,840,000.00	7,543,490.00	2,703,010	55.8/100	favourable
Retained Earning	0.00		0.00	0.00		0.00	
Total Income	287,050,992.00		287,050,992.00	358,251,268.00			
Expenses							
Employee Costs	42,986,010.00		42,986,010.00	39,068,803	3,917,207.00	9.11/100	favourable
General Expenses/use of goods	166,568,111.00		166,568,111.00	230,978,566	64,410,455.00	38.7/100	Adverse
Repairs and Maintenance	36,996,871.00		36,996,871.00	39,955,029	-2,958,158.00	7.99/100	Adverse
Depreciation and Amortisation	0.00		0.00	-	-	0.00	
Contracted services	4,903,500.00		0.00	4,903,500.00	0.00	0.00	
Council Expenses	4,500,000.00		4,500,000.00	4,204,239	295,761.00	6.57/100	Favourable

Reports and Financial Statements
For the year ended June 30, 2017

Capital Expenses	36,000,000.00		36,000,000.00	36,000,000.00		
Total Expenditure	287,050,992.00		287,050,992.00	355,110,137.00	0.00	0.00

Budget notes:

- The positive variance of ksh.68,453,858.00 on fees receipts was due to the increase in student population from 4,400 that was used during budgeting to 4,544 which was the actual student population for the FY 2016/2017. A supplementary budget was however not made leading to lack of the adjustments column in the statement of comparison of budget and actual amounts
- The inclusion of Examination fees as an item of income and expenditure from exchange transactions has also inflated the amount on fees receipts, in the previous years this vote head was treated as a non-recurrent vote head and never formed part of the recurrent vote heads, during the FY 2016/2017 a total of ksh.38, 280,799.38 was received against an expenditure of ksh.31, 085,378.75. It is important to note that this is a clearance account since all monies received in this vote are payable to the Kenya national exam council for students registration.
- Garment making is an income generating unit for the polytechnic that was initiated by COMESA to offer embroidery services, laundry, carpet cleaning and tailoring. it did not pick up well during the FY216/2017 as expected due to lack of training for the staff involved, installation costs for the machines that rose amongst other teething problems. This disabled the polytechnic from receiving its set target of ksh.3, 840,000.00 leading to a negative variance of ksh.3, 382,290.00. The challenges have since been overcome and the institution now considers it a viable project.
- The budgeting process was based on IPSAS cash whereas the financial statements have been prepared based on IPSAS accrual, this has also contributed to the adverse performance difference.

VI. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

In exercise of the powers conferred by section 26 (2) of the Technical and Vocational Education and Training Act, (No. 29 of 2013), the Cabinet Secretary for Education Science and Technology made the following Order through legal Notice No. 113 of 22nd August, 2014 cited as The Kisumu National Polytechnic Order, 2014. There is established a National Polytechnic known as the Kisumu National Polytechnic; body corporate with perpetual succession and a common seal and in its name, be capable of suing and being sued; taking, purchasing or otherwise acquiring, holding, charging or disposing of both movable and immovable property; borrowing money; charging for services offered, with the approval of the Cabinet Secretary; and entering into contracts.

The Kisumu National Polytechnic is the successor to the Kisumu Polytechnic existing immediately before the commencement of the Order. All rights, liabilities and assets held by anybody on behalf of the Kisumu Polytechnic existing at the commencement of this order, were automatically and fully transferred to the National Polytechnic.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The entity's financial statements have been prepared partially 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 entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost. The cash flow statement is prepared using the direct method. The institution has adopted IPSAS for the first time, we have not incorporated the statement of changes in net assets for the FY 2016/2017 since reliable models for recognition and measuring assets and liabilities have not been put in place and a policy for depreciation and amortisation is yet to be implemented.

The polytechnic instituted a management estimates committee that came up with approximate values of the college assets for incorporation in the financial statements for the FY 2016/2017, the polytechnic however intends to engage professional valuers during the FY 2017/2018. The values of the assets are therefore subject to change after the professional valuation.

During the FY 2015/2016 the institution did not adopt IPSAS accrual in preparation of the financial statements, it was therefore not possible to incorporate comparative figures for the FY 2015/2016 in these financial statements.

The Kisumu National Polytechnic
Reports and Financial Statements
For the year ended June 30, 2017

6 Finance Income- External Investments	
Investment Income	-
7 Other Incomes	
Application Fees	1,304,300
Garment Making	557,710
Graduation fees	-
Library fines and photocopy	-
Centre fees	87,900
Examination Resist charges	26,680
KMLTTB:Indexing	182,500
KMLTTB:Log book	87,600
Driving lessons	444,930
ODFL	76,500
Pay as you eat system	4,775,370
Medical claims	-
Miscellaneous	-
Total	7,543,490

The Kisumu National Polytechnic
Reports and Financial Statements
For the year ended June 30, 2017

	2017
8 Employee Costs	Kshs.
Salaries and wages	26,381,399
Housing benefits and allowances	6,898,279
Medical allowance	1,059,325
Commuter allowance	4,159,000
NSSF	570,800
Total	<u><u>39,068,803</u></u>

The Kisumu National Polytechnic
Reports and Financial Statements
For the year ended June 30, 2017

	2017
	Kshs.
9 General Expenses	
Domestic travel and subsistence	5,368,817
Student union related expenses	2,455,355
Production unit	28,702,105
Supplementary(Exam materials for resits)	1,140
Application fees(Advertisements)	1,170,444
S.E.S centre fees	67,653
KMLTTB Indexing Levies	107,000
KMLTTB log book levies	33,600
Driving lessons expenses	630,930
Total	<u>38,537,044</u>
10 Finance Cost	<u>-</u>
11 Repairs and Maintenance	
Repairs and maintenance of assets	39,955,029
	<u>39,955,029</u>
12 Amortization and Depreciation	
Depreciation expenses	-
Amortization	-
	<u>-</u>
13 Contracted services	
Security services	4,903,500
	<u>4,903,500</u>
14 Use of goods and services	
Practical related expenses	19,429,118
Learning materials and training	72,877,880
Boarding related expenses	22,675,644
Utility supplies	6,323,471
Contingencies (Hospitality services)	8,557,322
Examination fees to third parties (KNEC)	31,085,379
Medical related expenses (Clinic expenses)	2,820,164
Printing of identity cards	830,900
Registration related expenses	1,103,351
Library expenses	3,498,382
Sports Activity expenses	9,682,045
Industrial attachment expenses	5,772,325
ICT expenses	1,086,850
Catering expenses	6,698,691

The Kisumu National Polytechnic
Reports and Financial Statements
For the year ended June 30, 2017

192,441,522

15 Council Expenses

Council allowances

2,914,344

Travel and Subsistence

1,289,895

Total

4,204,239

	2017
16 Cash and Cash Equivalents	Kshs.
KCB 1103855905	43,572,888
KCB 1103855980	220,556
KCB 1114065498	6,303,180
KCB 1174585730	2,606,752
Co-operative Bank 2912042200	19,436,446
National Bank 4715392000	20,968,745
Cash in hand	973,048
	<hr/> 94,081,613 <hr/>
17 Receivables from Exchange Transactions	
Students Debtors	16,390,757
Salary Advances	883,410
	<hr/> 17,274,167 <hr/>
20 Inventories	
Cleaning materials	68,405
Medical supplies	57,331
Stationery	523,491
Catering	250,728
	<hr/> 899,956 <hr/>

**The Kisumu National Polytechnic
Reports and Financial Statements
For the year ended June 30, 2017**

Note: 21

Current year	Land and Buildings	Work in Progress	Equipment and Machinery	Motor Vehicles	Furniture & Fittings	Computers	Library Books	Total
Cost								
At 1 July 2016	1,946,590,200	104,239,208	309,830,360	9,830,000	25,465,614	9,629,950	19,746,100	2,425,331,432
Additions	-	165,549,610	5,925,701	9,110,000	2,583,176	5,460,400	-	82,810,451
Transfer								
At 30 June 2017	1,946,590,200	269,788,818	315,756,061	18,940,000	28,048,790	15,090,350	19,746,100	2,508,141,883
Depreciation								
At 1 July 2016	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-	-
Prior Year Adjustments	-	-	-	-	-	-	-	-
At 30 June 2017	-	-	-	-	-	-	-	-
Net Book Value	1,946,590,200	163,970,382	315,756,061	18,940,000	28,048,790	15,090,350	19,746,100	2,508,141,883

KISUMU POLYTECHNIC
Annual Report and Financial statements
For the Year ended 30th June 2017

	2017 Kshs.
22 Trade and Other Payables	
Accounts Payable	19,341,347
Retention fees	13,731,509
	<u>33,072,856</u>
23 Amounts held for Third parties	
Nyakach TTI	20,968,745
Lodwar TTI	2,635,275
	<u>23,604,020</u>
24 Refundable deposits	
Bursary	909,585
PAYE	548,255
Miscellaneous	1,141,762
Welfare	38,300
VAT	24,102
	<u>2,662,004</u>
25 Capital Grants Reserve	
Capital Development Grants	
EQUITY	36,000,000
Transfer from Retained Earnings	2,336,723,489
	<u>2,372,723,489</u>
Revenue Reserves	
Opening Balance	
26 Prior Year Adjustment(Depreciation)	185,194,122
Transfer to capital reserves	-
For the year	-
	<u>3,141,131</u>
	<u>188,335,253</u>