

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY
PARLIAMENTARY COMMISSION

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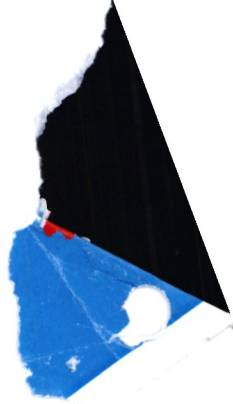
OF

THE AUDITOR-GENERAL

ON

NORTH EASTERN NATIONAL POLYTECHNIC

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





THE NORTH EASTERN NATIONAL POLYTECHNIC

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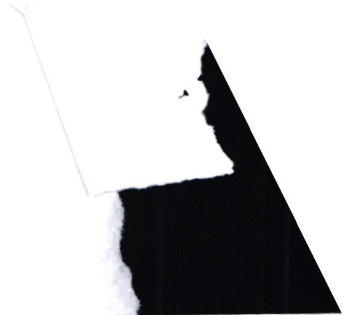


NORTH EASTERN NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2020**

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



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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

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

(b) Principal Activities

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

The core functions of North Eastern National Polytechnic includes;

(a) Provide directly, or in collaboration with other institutions of higher learning, facilities for technical trainers in technological, professional, scientific education; conduct examinations for and grant such academic awards as provided under the polytechnic order.

(b) Participate in technological innovation as well as in the discovery, transmission and enhancement of knowledge and to stimulate the intellectual life in the economic, social cultural, scientific, and technological development;

(c) Contribute to industrial and technological development of Kenya in collaboration with industry and other organizations through transfer of technology and adopting programs that address the needs of the local community and the Nation at large.

(d) Develop an institution with excellence in teaching, training, scholarship, entrepreneurship, research, consultancy, community service, among other educational services and products, with emphasis on technology and its development, impact and application within and outside Kenya.)

(c) Key Management

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

- Council
- Accounting officer/ Principal

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Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal/Secretary to Governing Council	Joshua Muniwoki Kalola (Former Principal)
2.	Principal/Secretary to Governing Council	Muhammad Noor Hassan (The current Principal)
.	Deputy Principal, Administration	Abdirahman Kassim Shakul
3.	Deputy Principal, Academics	Ms Margret Wanjiru
4.	Registrar	John Githinji
5.	Examinations Officer	Geoffrey Manono
6.	The Dean of Students	Timothy Nyasani
7.	Finance Office	Vincent Ohana
8.	Procurement Officer	Abdirizack Sheikh

(e) Fiduciary Oversight Arrangements

Name of the Committee	Members
Finance, infrastructure and HRM committee	Shakir Hussein - Chairman David Kivoto - Member Halkano Roba Duba - Member Muhammad H. Noor - Principal
Audit/Risk Management committee	Hassan Absiye - Chairman Salome Mwangi - Member Domnic Kalonzo - Internal Auditor



KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

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

(g) Entity Contacts

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

(h) Entity Bankers

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

(i) Independent Auditors

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




(j) Principal Legal Adviser

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


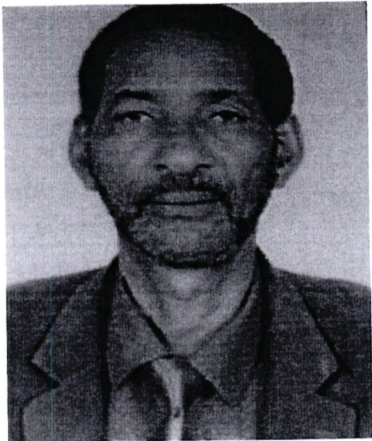
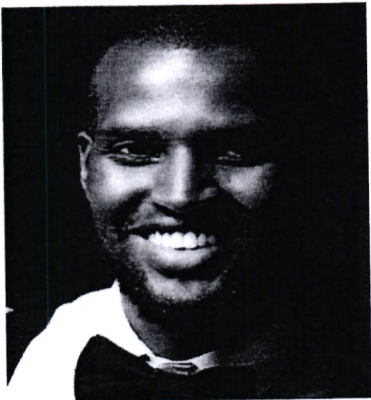
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2. THE COUNCIL MEMBERS

<p>– Council Chairman</p>  <p>MR. MOHAMMED SHEIKH ABDI</p>	<ul style="list-style-type: none"> • 56 yrs Old, Certified project management professional, APM Group (UK), 2013 • Master’s in Business Administration, (HRM & Strategic Management) UoN 2008 • Certified Public Secretary CPS(K) KASNEB 2006 • Bachelor of Arts BA & Econ, Moi University,1991
<p>- Council Member</p>  <p>MR. SHAKIR HUSSEIN MOHAMED</p>	<ul style="list-style-type: none"> • 45 years old, Master of Science (Finance and Investment) from KCA University. • Bachelor of Business Administration-Finance Option from Kenya Methodist University • Certified Public Accountant of Kenya (CPA K)
<p>– Council Member</p>  <p>MS. SALOME CHEMJOR MWANGI</p>	<ul style="list-style-type: none"> • 58 years old, Master of Arts Degree in Project Planning and Management-University of Nairobi. • Bachelors of Science Degree in Agriculture and Human Ecology Extension, Egerton university-Njoro. • Diploma in Agriculture and Home Economics, Bukura College of Agriculture and Certificate in General Agriculture and Home Economics

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<p>- Council Member</p>  <p>MR. DAVID KIVOTO</p>	<ul style="list-style-type: none"> • 55 years old, Has Bs. Technology degree in Education from. • Has Technical Training background with an Higher Diplom in Building and Civil Engineering. • He currently in-charge of Education affairs in Kitui County. • Has rich background in partnership engagements.
<p>- Council Member</p>  <p>MR. HASSAN ABSIYE AHMED</p>	<ul style="list-style-type: none"> • Kenyatta University Graduate in Master of Education degree in Education Administration • Kenyatta University Graduate, Bachelor of Education degree (Early Childhood Education) • Has worked for Teachers Service Commission (TSC) and Kenya Institute of Education (now Kenya Institute of Curriculum Development (KICD) UPT 2019
<p>Council Member</p>  <p>MR, HALKANO ROBA DUBA</p>	<ul style="list-style-type: none"> • Area of specialization, Project Engineering · Graduate Engineer Qualification: BSc Civil Engineering & CPA-II. • Registered with Engineers board of Kenya (EBK), institution of engineers of Kenya (IEK) • And also with the Institution of Engineering Technologists and Technicians of Kenya (IET)

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 <p>MR. JOSHUA MUNNYWOKI Principal (Former Principal)</p>	<ul style="list-style-type: none"> • Mr Joshua Munywoki is the former Principal of North Eastern National Polytechnic and the Secretary to the Governing Council. He has, • Masters Degree in Project & Construction Management • He has a BSc Degree in Building and Civil Engineering.
 <p>MR MUHAMMAD NOOR HASSAN (The current Chief Principal)</p>	<ul style="list-style-type: none"> • Mr Muhammad Noor Hassan is the current Chief Principal of North Eastern National Polytechnic and Secretary to the Governing Council, He has, • Master Degree in Business Administration from Kampala International University. • Bachelors Degree in Education from Moi University (Eldoret)

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3. MANAGEMENT TEAM

Joshua Munywoki Kalola		Former Principal/Secretary To Governing Council
Muhammad Noor Hassan		The Current Chief Principal/Secretary to the Governing Council
Abdirahman Kassim Shakul		Deputy Principal, Administration
Ms Margret Wanjiru		Deputy Principal, Academics
John Githinji		Registrar
Geoffrey Manono		Examinations Officer
Timothy Nyasani		Dean Of Students
Vincent Ohana		Finance Officer
Abdirizack Sheikh		Procurement Officer

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CHAIRMAN'S STATEMENT

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

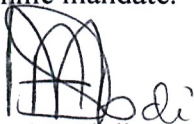
We have continued to collaborate with a number of agencies both public and private sector in our endeavor to grow the institution. Our desire to achieve and deliver on our mandate has seen our drive in reaching out to each and every other partner willing to work with us.

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

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

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

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



Mohamed S Abdi
Chairman/Governing Council

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4. REPORT OF THE PRINCIPAL

Pursuant to Section 83 of the Public Finance Management Act, 2012, I take this opportunity to present the polytechnic's Annual report and financial statements for the period ended 30 June 2020. The report focuses on the Polytechnic's Strategic intent enshrined in our performance contract which include Improvement of physical facilities and infrastructure, curriculum development, acquisition of workshop equipment and ICT infrastructure, advancement of TVET programs by promoting Research & Innovation, Partnership/ linkages and environmental management. Further to this the Polytechnic envisages to strengthen its financial base through promotion of good governance and effective management.

The above strategic issues are part of broad initiatives undertaken by the Polytechnic planning system to impart relevance to current National TVET reforms. This defines the polytechnic's mandate aimed at enhancing quality, competitiveness, creativity and innovativeness in TVET education. This report is premised on involvement on account of analysis of goals, strategic issues, strategic objectives, strategies and activities that the polytechnic intends to pursue in the next three years. The mandate of the Governing Council among other things is to provide apex management towards achieving the polytechnic mandate as per the TVET Act 2013. In the year under review the Polytechnic intends to employ through the PSC Vocational and Technical Trainers 24 new trainers.

The polytechnic has deepened collaboration towards enhancing staff capacity as well as incorporating best international practices. The polytechnic still expects to benefit from KEFEP collaboration through acquisition of ICT- automotive lab and a smart classroom among other things. The Polytechnic is an active player in the research and innovation initiatives.

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

Challenges

The polytechnic emphasizes on the need for adequate staffing for the effective education in all departments. Majority of the departments do not have sufficient staff to handle the trainees. Shortage of trainers is therefore one of the challenges facing the Institution. In order to alleviate the shortage the polytechnic has been hiring part-time staff to teach the trainees. The staff are paid by the polytechnic from its meagre resources. During the 2019/2020 financial year, the polytechnic maintained 17 trainers under the council but the number is likely to increase due to our increased programs.

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

The polytechnic mandate by the TVET Act, 2013 is expanded to ensure that training and research are top in our agenda. In order to effectively deliver on this mandate the polytechnic envisages to enhance capacity and deepen its training skills. Intend local experts with competition skills and expertise leading to low competition culture and this requires equalization funding.



Muhammad Noor Hassan.
Principal/Secretary to Governing Council

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5. REVIEW OF NORTH EASTERN NATIONAL POLYTECHNICS PERFORMANCE FOR THE FINANCIAL YEAR 2019/2020

North Eastern National Polytechnic's strategic pillars within its strategic plan for the FY 2018/19-2022/2023 are as follows.

1. Curriculum Development
2. Physical Facilities and infrastructure
3. Workshop Equipment and ICT facilities
4. Increase Student Enrolment
5. Research and Development
6. Human Resource capacity development in terms of quantity and quality.
7. Financial Sustainability
8. Institutional Governance and management.

The Institution achieved its performance targets set for the financial year 2019/20 period for its eight strategic pillars as indicated in the diagram below.

Strategic Pillar		Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	Curriculum Development	To develop a new curriculum for certificate and diploma	Needs assessment report	<ul style="list-style-type: none"> a) Conduct industry needs assessment b) Curriculum c) Curriculum development d) ICT Integration 	Development of the Curriculum has been done except the integration to the ICT and the introduction of E learning.
Strategic Pillar		Objective	Key Performance Indicators	Activities	Achievements
Pillar 2:	Physical facilities and infrastructure	To improve on physical activities and infrastructure	Facility in use	<ul style="list-style-type: none"> a) Quality needs b) Identify implementation stages c) Quantify financial requirements d) Identify sources of funding e) Tender f) Select contractor g) Contract refurbish h) Certify i) Commission 	<ul style="list-style-type: none"> a) Drive way completed in the FY 2018/19 b) Automotive workshop fully refurbished and working c) Assets tagging and valuation almost complete.
Pillar 3:	Workshop Equipment and ICT facilities	To acquire workshop equipment and modern ICT facilities	Equipment installed and in use	<ul style="list-style-type: none"> a) Quality needs b) Identify implementation stages c) Quantify financial requirements d) Identify sources of funding e) Tender f) Select contractor g) Refurbish h) Certify i) Commission. 	<ul style="list-style-type: none"> a) A smart classroom refurbished, fitted and fully functioning. b) Acquisition of a new internet service provider c) Invitation of bids for a new Finance ERP.

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Pillar 4:	Increase student enrolment	To enhance student enrolment by improving students wellbeing and cultivating dynamic training environment that evolves with market demands	New Course launched	<ul style="list-style-type: none"> a) Carry out needs assessment b) Aggressive publicity campaign c) Enforce student guidance and counselling 	<ul style="list-style-type: none"> a) A fully functioning Students Guidance and Counselling office launched.
Pillar 5:	Research and Development	To advance technical training by promoting research and innovation.		<ul style="list-style-type: none"> a) Operationalise the research and development policy b) Appoint R&D Committee members c) Fund R&D unit 	<ul style="list-style-type: none"> a) No activity has been carried out in this FY due to the Covid 19 Pandemic.
Pillar 6:	Human Resource capacity enhancement	To attract, motivate and retain motivated workforce	Capacity building reports	<ul style="list-style-type: none"> a) Lobby for increased employment by PSC b) Construct more houses for support staff c) Reward outstanding performance d) Salary increment for to support staff. 	<ul style="list-style-type: none"> a) More PSC trainers employed b) Support staff salaries increased according to qualification and years of service.
Pillar 7:	Financial Sustainability	To seek alternative sources of funds Establish income generating activities	<ul style="list-style-type: none"> a) Fees reports b) Signed agreements c) No of proposals written 	<ul style="list-style-type: none"> a) Increase fee collection to 100% b) Acquire an updated ERP c) Hiring out of facilities 	<ul style="list-style-type: none"> a) Substantial revenue generated due to hiring out of our facilities for conference use to KIPPI and NCA parastatals.
Pillar 8:	Institution governance and Management	To promote good governance and effective management	<p>Reports</p> <p>New programs launched.</p>	<ul style="list-style-type: none"> a) Embrace inclusivity in decision making b) Promote merit at functional level c) Promote openness and integrity. 	<ul style="list-style-type: none"> a) New Governing council installed and inaugurated. b) New programs launched

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6. CORPORATE GOVERNANCE STATEMENT

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

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

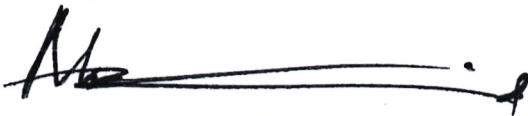
The current student population by the close of the year under review stood at stand at 870 students. We have always endeavoured to ensure that we hit the 1000 mark but this has been a challenge. The total staff population is about 52 trainers, both the PSC employees together with these on contract.

During the year under review, the polytechnic engaged in several regional and national activities such as ball games and sports at national level in Nyeri County, drama and music festivals in Nakuru and TVET fair exhibitions and robotic contests in Mombasa County.

Senior staff during the year underwent several capacity building sessions in Kisumu, Mombasa, and Nairobi to increase their management skills.

Currently, the polytechnic is partnering with KIRDI in the areas of Artisanal Nyir nyir meat processing pilot plant. The plant aims at training local farmers in high-end meat processing technologies.

The polytechnic has been a mentoring institution in the implementation of the up-coming TVET institutions as construction projects. The projects, located in Garissa County are in Lagdera Balambala and Ijara sub-Counties. Other projects are in Mandera North, Rhamu, Elwak, and Tarbaj in Wajir, Tana river and Garbatulla in Isiolo County.



Muhammad Noor Hassan

PRINCIPAL/SECRETARY TO GOVERNING COUNCIL

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7. MANAGEMENT DISCUSSION AND ANALYSIS

The Polytechnic's operational and financial performance

The Covid 19 pandemic has heavily impacted on our revenue since an entire quarter of the financial year from March to June no students reported.

(2) The Council commits to ensure that a proper management structure is in place and to make sure that the structure functions to maintain corporate integrity, reputation and responsibility.

(2) The Council has a commitment to monitor and evaluate the implementation of strategies, policies, and management criteria and plans of North Eastern National Polytechnic.

(3) The Council constantly reviews the viability and financial sustainability of the Polytechnic once every year.

(4) The Council commits to ensure that the North Eastern National Polytechnic complies with all the relevant laws, regulations, governance practices, accounting and auditing standards.

Challenges

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

Polytechnic's compliance with statutory requirements

The polytechnic has no court cases at the moment.as at the quarter the polytechnic had complied with the statutory obligations as far as debt payment to our creditors.

Key projects and investment decisions the Polytechnic is planning/implementing

Most of our projects are financed by partly by our internal generated revenue, and mostly grants from Government and Development partners, borrowings

Major risks facing the Polytechnic

Operational risks in the polytechnic include

- Loss of funds through student document forgery during payment of tuition and examination fee.
Mitigation, Polytechnic intends to procure Student Biometric systems once procured will check the problem.
- Loss of funds through scrupulous suppliers and service providers providing inferior materials and services.

Mitigation, Enhanced inspection and monitoring of both works and services.

- Risk to loss of funds through downtime on internet and LAN systems.
Mitigation, Signed Maintenance service contract to upgrade the equipment.

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- Loss of portable workshop tools and equipment from the workshop stores
Proposal to carry out asset registration and asset tagging to identify tools and equipment from risk of pilfer and theft.

Material areas in statutory/financial obligations

By the close of year in question, the polytechnic had some pending bills as indicated but did not have any loan default or tax default on pension obligations to the exchequer. The polytechnic has a normal loan repayment of the bus, which is almost ending.

The Polytechnic's financial probity and serious governance issues

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

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8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

1. Sustainability strategy and profile -

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

2. Environmental performance

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

3. Employee welfare

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

4. Market place practices-

The Polytechnic is guided by the TVETA Act, the PFM Act 2015 and the Public Procurement and Disposal Act 2015 among other key legislations governing public educational learning institutions. We strive to comply all statutory requirements such as ensuring our books are submitted on time, deducting and remitting of statutory deductions like PAYE, NSSF, NHIF.

5. Community Engagements-

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

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9. REPORT OF THE COUNCIL

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

Principal activities

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

Results

The results of the Polytechnic for the year ended June 30 2020 are set out on page 1 to page 34

COUNCIL

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

Auditors

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

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

10. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

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

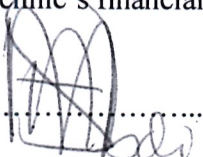
The council members are responsible for the preparation and presentation of the Polytechnic's financial statements, which give a true and fair view of the state of affairs of the Polytechnic for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Polytechnic; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Polytechnic; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The council members accept responsibility for the Polytechnic's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act, 2013. The council members are of the opinion that the Polytechnic's financial statements give a true and fair view of the state of Polytechnic's transactions during the financial year ended June 30, 2020, and of the Polytechnic's financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the Polytechnic, which have been relied upon in the preparation of the Polytechnic's financial statements as well as the adequacy of the systems of internal financial control.

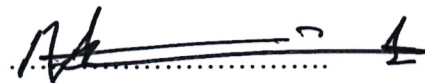
Nothing has come to the attention of the council members to indicate that the Polytechnic will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

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


.....

Chairperson of the Council


.....

Principal

REPUBLIC OF KENYA



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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of North Eastern National Polytechnic set out on pages 1 to 36, which comprise the statement of financial position as at 30 June, 2020 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the North Eastern National Polytechnic as at 30 June, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training Act, 2013.

Basis for Qualified Opinion

1.0 Unsupported Council Allowances

As disclosed in Note 11 to the financial statements, the statement of financial performance reflects a balance of Kshs.1,605,600 on remuneration of Council Members. However, the payments were not sufficiently supported. Further, council meetings were held in Nairobi and not in Garissa therefore spending more on accommodation and traveling. This may have led to a wasteful expenditure contrary to Section 197 of the Public Finance Management Act, 2012 which states "A public officer employed by the national government or a national government entity commits an offence of financial misconduct if, without lawful authority, the officer - (i) incurs wasteful expenditure on behalf of that government or entity;"

Consequently, the validity of the remuneration of Council amounting to Kshs.1,605,600 as at 30 June, 2020 could not be ascertained.

2.0 Unsupported Repair and Maintenance

As disclosed in Note 13 to the financial statements, the statement of financial performance reflects a balance of Kshs.5,252,157 on repair and maintenance. However, included in this balance were payments totaling to Kshs.3,264,679 that were not supported.

In the circumstance, the validity and accuracy of Kshs.5,252,157 on repairs and maintenance as at 30 June, 2020 could not be confirmed.

3.0 General Expenses

As disclosed in Note 14 to the financial statements, the statement of financial performance reflects general expenses of Kshs.26,882,313. However, review of records relating to general expenses revealed the following unsatisfactory matters: -

3.1 Misstated Boarding and Equipment Expenses

Disclosed in Note 14 is a balance of Kshs.2,627,698 incurred on boarding and equipment expenses. However, review of records revealed that payments totaling to Kshs.667,020 were not included in the said balance resulting to misstatement of boarding and equipment.

3.2 Unaccounted for Contingency Expenses

Further, disclosed in Note 14 to the financial statements is a balance of Kshs.4,455,475 incurred on contingency expenses. However, included in this balance were payments amounting to Kshs.938,250 which were not supported.

3.3 Unsupported Development Expenses

Similarly, Note 14 discloses a balance of Kshs.1,788,557 in respect of development expenses. However, included in this balance is an amount of Kshs.757,057 that was not supported.

3.4 Unsupported Local Tours and Travel Expenses

Disclosed in Note 14 is a balance of Kshs.5,399,087 incurred on local tours and travel. However, included in this balance is an amount of Kshs.3,617,840 that was not supported.

3.5 Unsupported Tuition Fees Expenses

Disclosed in Note 14 to the financial statements is an amount of Kshs.3,298,882 incurred on tuition fee expenses. However, included in this balance is an amount of Kshs.2,619,272 which was not supported.

In the circumstances, the accuracy and validity of General expenses balance of Kshs.26,882,313 for the year ended 30 June, 2020 could not be ascertained.

4.0 Property, Plant and Equipment

As disclosed in Note 21 to the financial statements, the statement of financial position reflects non-current assets with a Net Book Value (NBV) of Kshs.569,815,450 as at 30 June, 2020. However, the Management did not provide an updated fixed assets register neither did they provide ownership documents of the land and building and motor vehicles with a net book value of Kshs.540,727,500 and 6,207,500 respectively. Further, the non-current assets decreased by Kshs.4,514,850 from Kshs.574,330,300 to Kshs.569,815,450 as a result of depreciation. However, Management did not provide depreciation policy for review.

Consequently, the accuracy and Validity of property, plant and equipment balance of Kshs.569,815,450 as at 30 June, 2020 could not be confirmed.

5.0 Employment Costs

As disclosed in Note 10 to the financial statements, the statement of financial performance reflects a balance of Kshs.15,325,518 on Employees cost. However, review of records revealed the following unsatisfactory issues:-

5.1 Irregular Recruitment and Engagement of Trainers

Included in the balance of Employee costs is an amount of Kshs.1,035,000 incurred on payment of salaries and wages for eighteen (18) part time trainers. However, no documentary evidence was provided to show how the trainers were recruited and whether they performed their duties.

5.2 Irregular Recruitment and Engagement of Casual Employees

Similarly, included in the balance of Employees cost is an amount of Kshs.2,031,400 incurred on casual wages. However, records in respect of how the temporary employees were hired, the work for which they were hired, reason for their recruitment and terms and conditions of services were not provided.

In the circumstances, the validity and accuracy of Employee costs balance of Kshs.15,325,518 as at 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.137,299,500 and Kshs.69,813,611 respectively resulting to an under-funding of Kshs.67,485,889 or 49% of the budget. The Project expenditure was limited to the amount realized.

Based on the approved estimates, under funding and expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Risk Management Policy and Fraud Prevention Mechanisms

The North Eastern National Polytechnic did not provide a risk management policy and fraud prevention mechanism for review. This is contrary to section 165(1)(a) of the Public Finance Management Act, 2012 (National Government) Regulations which states that each national government entity shall develop risk management strategies, which include fraud prevention mechanism and Treasury Circular No.3/2009 of 23 February, 2009 which requires all heads of public institutions to develop and implement a risk management framework. Management did not explain the reason for failure to comply with the regulations.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional 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 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 Polytechnic's ability to continue to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Polytechnic to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 February, 2022

**NORTH EASTERN NATIONAL POLYTECHNIC
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FOR THE YEAR ENDED 30 JUNE 2020**

12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019-2020	2018-2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government–grants	6	55,345,730	38,440,000
		55,345,730	38,440,000
Revenue from exchange transactions			
Rendering of services- Fees from students	7	9,078,342	13,760,718
Other income	8	5,389,539	3,001,800
Revenue from exchange transactions		14,467,881	16,762,518
Total revenue		69,813,611	55,202,518
Expenses			
Use of goods and services(Electricity Water and Conservancy)	9	1,573,886	2,080,747
Employee costs	10	15,325,518	14,978,075
Remuneration of Council	11	1,605,600	
Depreciation and amortization expense	12	4,514,850	4,514,850
Repairs and maintenance	13	5,252,157	5,321,201
General expenses	14	26,882,313	56,392,295
Grants and Subsidies	15	9,800,970	-
Finance costs	16	-	250,224
Total expenses		64,955,924	83,537,392
Net Surplus for the year (Deficit)		4,858,317	(28,334,874)

The notes set out on pages 6 to 34 form an integral part of the Annual Financial Statements.

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

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020


	Notes	2019-2020	2018-2019
		Kshs.	Kshs
Assets			
Current assets			
Cash and cash equivalents	17	9,195,548	4,779,444
Receivables from exchange transactions	18	8,202,677	2,267,145
Receivables from non-exchange transactions	19	-	11,940,000
Inventories	20	123,780	171,032
Total Current Assets		18,052,886	19,157,621
Non-current assets			
Property, Plant and equipment	21	569,815,450	574,330,300
Total Non-Current Assets		569,815,450	574,330,300
Total assets		587,868,336	593,487,621
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	4,941,108	4,040,811
Current portion of borrowings			210,755
Deferred income	23	-	12,250,000
Total Current Liabilities		4,941,108	16,501,566
Non-current liabilities			
Borrowings	24	-	1,909,384
		-	1,909,384
Total liabilities		4,941,108	18,410,950
Net assets		582,927,228	575,076,671
Accumulated surplus		(18,863,904)	-
Capital Fund		601,791,132	
Total net assets and liabilities		582,927,228	593,487,621

The Financial Statements set out on pages 1 to 33 were signed on behalf of the Polytechnic's Council by:



Chairman of Council/Board of Governors

Date: 2nd December 2021



Finance Officer

Date: 2-12-21



Principal

Date: 2/12/21

TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)/NATIONAL POLYTECHNIC/TEACHER TRAINING COLLEGE

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

15. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2020

	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2018	4,811,462	31,700,000	36,312,653
Net Surplus	(28,334,653)	-	(28,334,653)
Capital/Development grants received during the year	-	40,582,752	40,582,752
At June 30, 2019	(23,722,221)	72,282,752	48,560,531
At July 1, 2019	(23,722,221)	72,282,752	48,560,531
Net Surplus for the year	4,858,317	-	4,858,317
Prior Years adjustments*	-	529,508,380	529,508,380
At June 30, 2020	(18,863,904)	601,791,132	582,927,228

*Prior years adjustments relate to non-current assets included in the financial statements but not recognized under net Assets

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

15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

		2019-20	2018-19
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	6	55,345,730	29,344,443
Rendering of services- Fees from students	7	9,078,342	13,760,718
Other income,	8	5,389,539	3,001,800
Total Receipts		69,813,611	46,106,961
Payments			
Compensation of employees	10	15,325,518	14,978,075
Use of goods and services	9	1,573,886	2,080,747
Remuneration of Council	11	1,605,600	-
Repairs and maintenance	12	5,252,157	5,321,201
General expenses	14	26,882,313	56,392,295
Grants and Subsidies	15	9,800,970	-
Total Payments		60,440,444	78,812,072
Net cash flows from operating activities	25	6,536,243	(32,705,111)
Cash flows from investing activities			
Purchase of property, plant and Equipment		-	-
Decrease in non-current receivables		-	-
Net cash flows used in investing activities		-	(731,000)
Cash flows from financing activities			
Repayment of borrowings	24	2,120,139	(210,470)
Net cash flows used in financing activities			(210,470)
Net increase/(decrease)in cash and cash equivalents		4,416,104	(33,646,581)
Cash and cash equivalents at 1JULY 2019	16	4,779,444	39,603,524
Cash and cash equivalents at 30 JUNE 2020	16	9,195,548	5,956,943

TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET)/NATIONAL POLYTECHNIC/TEACHER TRAINING COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original budget 2019-2020	Adjustments 2019-2020	Final budget 2019-2020	Actual on comparable basis 2019-2020	Performance difference 2019-2020
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers from other Govt entities Govt grants	92,590,000	-	92,590,000	55,345,730	37,244,270
Rendering of services- Fees from students and other income	44,709,500	-	44,709,500	14,467,881	30,241,619
Total income	137,299,500	-	137,299,500	69,813,611	67,485,889
Expenses					
Compensation of employees	14,540,000	-	14,540,000	15,325,518	(785,518)
Use of Goods and services (B.E.S & EWC)	9,300,500	-	9,300,500	1,573,886	7,726,614
Grants and Subsidies	-	-	-	9,800,970	(9,800,970)
General expenses & Repairs and maintenance	113,459,000	-	113,459,000	33,740,070	79,718,930
Total expenditure	137,299,500	-	137,299,500	60,440,444	76,859,056
Surplus (deficit) for the period				9,373,167	9,373,167

Budget notes

- a) We had not received the total amount of Development grants budgeted for.
- b) We had only received a total of 681 students out of the budgeted figure of 1000
- c) More lectures were recruited for the technical courses due to acute shortage
- d) This was due to the less number of students received against the budgeted hence less expenses
- e) Finance cost was not budgeted for in the current budget.
- f) The surplus as shown in the statement of budget comparison is more with Kshs.4,514,850 depreciation since it's not a cash movement.

17. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

North Eastern National Polytechnic is established by and derives its authority and accountability from the Technical and Vocational Education and Training Act, 2013. The Polytechnic is wholly owned by the Government of Kenya and is domiciled in Kenya. The Polytechnic’s principal activity is provision of Technical and Vocational training programmes.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Polytechnic’s accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

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

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012, the Technical and Vocational Education and Training Act, 2013, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

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

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS</p>	<p>Applicable: 1st January 2022:</p>

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

Standard	Effective date and impact:
resulting from IPSAS 41, Financial Instruments	<ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

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

Sale of goods

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

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2019/2020 was not approved by the Council as it was not in place. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded no additional appropriations for the FY 2019/2020.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 17 of these financial statements.

c) Taxes

Current income tax

The entity is exempt from paying income taxes.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (continued)

Sales tax/ Value Added Tax

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

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

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

d) Investment property

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

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

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

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

e) Property, plant and equipment

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

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

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

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

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

g) Intangible assets

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

h) Research and development costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

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

i) Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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.

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

The Polytechnic provides retirement benefits for its employees and directors. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) Foreign currency transactions

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

o) Borrowing costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2020-2019	2019-2018
	KShs	KShs
Unconditional grants		
Operational grant /Capitation	42,798,730	20,140,632
Other grants(Development)	2,547,000	6,051,700
Deferred Capitation grants	-	11,940,000
	45,245,730	38,132,332
Conditional grants		
Grants for Mentored Institutions(TTIs)	10,000,000	38,035,504
Total government grants and subsidies	55,345,730	76,167,836

7 RENDERING OF SERVICES

Description	2019-2020	2018-2019
	KShs	KShs
Tuition fees	2,405,335	4,966,386
Activity fees	111,290	237,670
Library fees	42,670	199,050
Admission fees	408,901	1,577,130
Attachment fees	171,946	562,980
Boarding fees	440,950	1,287,811
Registration fees	154,150	102,790
Contingencies	196,910	265,300
Development levy	101,000	556,290
Electricity, Water and Conservancy fees	192,810	382,980
Insurance fees	90,310	193,100
Internet fees	82,950	169,510
Local Tours and travels	1,852,580	249,790
Medical fees	72,750	266,860
Personal Emoluments fees	824,710	2,339,631
Repairs and Maintenance fees	274,600	385,510
Other fees collections(packages, advanced packages and student council, caution)	22,230	78,430
Higher Education Loans Board Bursary and Loans	1,632,250	-
Total revenue from the rendering of services	9,078,342	13,821,218

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 OTHER INCOME

Description	2019-2020	2018-2019
	KShs	KShs
Income from sale of tender	21,000	68,000
Production income	5,204,939	2,479,590
School based programme	141,600	454,210
Driving	22,000	-
Total other income	5,389,539	3,001,800

9 USE OF GOODS AND SERVICES

Description	2019-2020	2019-2020
	KShs	KShs
Utilities Supplies and Services	1,573,886	2,080,747
Total good and services	1,573,886	2,080,747

10 EMPLOYEE COSTS

	2019-2020	2018-2019
	KShs	KShs
Salaries and wages including (NHIF, PAYE)	14,785,970	14,235,045
NSSF contributions	539,548	435,830
Employee costs	15,325,518	14,670,875

11 REMUNERATION OF COUNCIL

Description	2019-2020	2019-2020
	KShs	KShs
Council Allowances	1,605,600	-
Total Council emoluments	1,605,600	-

12 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018-2019
	KShs	KShs
Property, plant and equipment	4,514,850	4,514,850
Total depreciation and amortization	4,514,850	4,514,850

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 REPAIRS AND MAINTENANCE

Description	2019-20	2018-19
	KShs	KShs
Property, Motor vehicles, machinery	5,252,157	5,321,201
Total repairs and maintenance	5,252,157	5,321,201

14 GENERAL EXPENSES

Description	2019-20	2018-19
	KShs	KShs
Activity expenses	5,364,180	4,526,564
Attachment expenses	205,000	368,000
Boarding and equipment expenses	2,627,698	2,616,299
Contingency expenses	4,455,475	7,227,232
Imprest	130,000	194,000
Insurance	428,655	801,411
Development Expenses	1,788,557	27,091,028
Internet	269,450	313,200
Local tours and travel expenses	5,399,087	8,755,972
Production expenses	1,633,663	1,188,331
Registration expenses	311,000	71,250
School based expenses	624,216	574,105
Tuition fees expenses	3,298,882	2,076,853
Admission Expenses	325,600	588,050
Other general expenses (medical, Student Council)	20,850	-
Total general expenses	26,882,313	56,392,295

15 GRANTS AND SUBSIDIES

Description	2019-2020	2018-2019
	KShs	KShs
Furniture for Mentored Institutions (TTIs)	9,800,970	-
Total grants and subsidies	9,800,970	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 FINANCE COSTS

Description	2019-2020	2019-2020
	KShs	KShs
Borrowings (amortized cost)*	-	210,754
Finance leases (amortized cost)	-	39,470
Total finance costs	-	250,224

17 CASH AND CASH EQUIVALENTS

Description	2019-20	2018-19
	KShs	KShs
Main Account	9,174,140	3,731,106
Development Account	21,408	1,047,340
Total cash and cash equivalents	9,195,548	4,778,446

DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

Financial institution	Account number	2019-2020	2018-2019
		KShs	KShs
a) Main account			
Kenya Commercial bank	110780226	9,396,326	3,731,106
Sub- total		9,396,326	5,327,545
b) Development account			
Kenya Commercial bank	1107469619	21,408	1,047,340
Sub- total		21,408	1,047,340
Grand total		9,195,548	4,778,446

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2019-20	2018-19
	KShs	KShs
Current receivables		
Student debtors	8,202,677	2,267,145
Other exchange debtors		-
Total current receivables	8,202,677	2,267,145
Non-current receivables	-	-
Total	-	-
Current portion transferred to current receivables	-	-
Total non-current receivables	-	-
Total receivables	8,202,677	2,267,145

19 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2019-20	2018-2019
	KShs	KShs
Current receivables		
Transfers from other govt. entities	-	11,940,000
Total current receivables	-	11,940,000

20 INVENTORIES

Description	2019-20	2018-19
	KShs	KShs
Consumable stores	123,780	171,032
Total inventories at the lower of cost and net realizable value	123,780	171,032

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 PROPERTY, PLANT AND EQUIPMENT

Cost	Land and Buildings Kshs	Motor vehicles Kshs	Furniture and fittings Kshs	Computers Kshs	Other Assets (Specify) Kshs	Plant and equipment Kshs	Capital Work in progress Kshs	Total Kshs
At 1 July 2018	551,500,000	7,900,000	5,700,000	2,405,000	-	22,130,000	-	589,635,000
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30 th June 2019	551,500,000	7,900,000	5,700,000	2,405,000	-	22,130,000	-	589,635,000
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30 th June 2020	551,500,000	7,900,000	5,700,000	2,405,000	-	22,130,000	-	589,635,000
Depreciation and impairment	5%	2.5%	5%	7%	-	5%	-	-
At 1 July 2019	8,015,000	1,495,000	1,070,000	391,700	-	4,333,000	-	15,304,700
Depreciation	2,757,500	197,500	285,000	168,350	-	1,106,500	-	4,514,850
At 30 June 2020	10,772,500	1,692,500	1,355,000	560,050	-	5,439,500	-	19,819,550
NBV								
30 th June 2019	543,485	6,405,000	4,630,000	2,013,300	-	17,797,000	-	574,330,300
30 June 2020	540,727,500	6,207,500	4,345,000	1,844,950	-	16,690,500	-	569,815,450

NORTH EASTERN NATIONAL POLYTECHNIC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-20	2018-19
	KShs	KShs
Trade payables	1,243,753	4,040,811
Fees paid in advance	3,697,355	-
Other payables	-	-
Total trade and other payables	4,941,108	4,040,811

23 DEFERRED INCOME

Description	2019-20	2018-19
	KShs	KShs
National government	-	12,250,000
Total deferred income	-	12,250,000

24 BORROWINGS

Description	2019-20	2018/19
	KShs	KShs
Balance at beginning of the period	2,120,139	602,225
Repayments of external borrowings during the year	-	-
Repayments of domestics borrowings during the year	2,120,139	(391,470)
Balance at end of the period	-	210,755

25 CASH GENERATED FROM OPERATIONS

	2019-2020	2018-2019
	Kshs.	Kshs.
Surplus for the year before tax	4,858,317	(28,334,874)
Adjusted for:		
Depreciation	4,514,850	4,514,850
Finance cost	-	250,224
Working Capital adjustments		
Decrease/(Increase) in inventory	47,252	(124,132)
Increase in receivables	(5,935,532)	(2,267,145)
Decrease in Receivables from non-exchange transactions	2,151,089	-
Increase in payables	900,267	3,868,896
Net cash flow from operating activities	6,536,243	(22,092,181)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	1,338,640	1,338,640	-	-
Receivables from non-exchange transactions	12,250,000	12,250,000	12,250,000	-
Bank balances	6,369,451			-
Total	19,958,091	13,588,640	12,250,000	-
At 30 June 2020				
Receivables from exchange transactions	8,202,677	4,901,800	3,300,877	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	9,417,733.91	-	-	-
Total	17,620,410.91	4,901,800	3,300,8776	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

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

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

(ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Trade payables	609,706	540,765	2,890,340	4,040,811
Current portion of borrowings	-	-	210,755	210,755
Provisions	-	-	-	-
Deferred income	-	-	24,500,500	24,500,500
Employee benefit obligation	-	-	-	-
Total	609,706	540,765	27,601,595	28,752,066
At 30 June 2020				
Trade payables	-	2,231,980	2,709,128	4,941,108
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	2,231,980	2,709,128	4,941,108

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. FINANCIAL RISK MANAGEMENT (Continued)

a) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 FINANCIAL RISK MANAGEMENT (Continued)

- (iii) Market risk (Continued)
 - b) Interest rate risk(continued)

Sensitivity analysis

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

27 RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

- i) The National Government;
- ii) The Parent Ministry;

	2019-2020	2018-2019
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt.	55,345,730	54,833,253
Grants from County Govt	-	-
Total	55,345,730	54,833,253
Total	55,345,730	54,833,253

NORTH EASTERN NATIONAL POLYTECHNIC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 EVENTS AFTER THE REPORTING PERIOD

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

29 ULTIMATE AND HOLDING ENTITY

The entity is a Semi- Autonomous Government Agency under the Ministry of Education (State Department for Technical and Vocational Education). Its ultimate parent is the Government of Kenya.

30 Currency

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

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APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Basis for Qualified Opinion					
1.	Rendering of services	The management to acquire a new accounting software which reports on accrual basis	Vincent Ohana-Finance Officer	Not Resolved	30 June 2021
2.	Unsupported Repair and Maintenance	The management has endeavoured to ensure proper documentation of travelling documents to ensure accountability going forward	Vincent Ohana-Finance Officer	Not Resolved	30 June 2021
3.1	Unsupported Boarding and Equipment Expenses	The NENAP management through the Governing council has purposed to abide with all procurement rules going forward to enhance accountability	Abdirizack Sheikh-Procurement Officer	Not Resolved	30 June 2021
3.2	Unaccounted for Contingency Expenses	North Eastern National Polytechnic will ensure that the all documentation regarding travels are properly attached to enhance accountability	Vincent Ohana-Finance Officer	Not Resolved	30 June 2021

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Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3.3	Unsupported Development Expenses	All procurement of items and services will be subjected to competitive bidding to enhance accountability and comply with the PFM Act and the PPOA Act	Abdirizack Sheikh – Procurement Officer	Not Resolved	30 June 2021
3.4	Unsupported Local Tours and Travel Expenses	To ensure accountability, transparency and verifiability, all documentation related with travelling such as travel receipts, attendance registers, request letters will be availed.	Vincent Ohana-Finance Officer	Not Resolved	30 June 2021
3.5	Tuition Fees Expenses	The management has introduced the stores department to ensure proper documentation of goods received through the use of S11 and S13 forms for accountability, transparency and verifiability.	Vincent Ohana-Finance Officer	Not Resolved	30 June 2021
3.6	Unsupported Council Allowances	The Polytechnic has put in place a a Governing council meeting register to record all meetings held by the same for accountability purposes. All minutes regarding the council	Vincent Ohana-Finance Officer	Not Resolved	30 June 2021


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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		meetings to be properly filed.			
3.7	Property, Plant and Equipment	At the time of preparing this report, the Polytechnic had not valued its assets though the process had started. A valuation report has since been released and will be used I subsequent reporting.	Vincent Ohana-Finance Officer.	Not Resolved	30 June 2021
1.1	Budgetary control and Performance (Budgetary Process)	The Ministry of Education took time to appoint a new governing council after the term of the previous one had expired. This led to a vacuum that ensured that there was no valid council in place to ratify official decisions. This has however been rectified by the MOEST appointing a new governing council on 1 st of September 2020.	Vincent Ohana-Finance Officer	Not Resolved	30 June 2021
1.1	Irregular recruitment of trainers	The management will ensure that all future engagements of trainers is done in conformity with our Human Resource Policy Manual.	Vincent Ohana-Finance Officer	Not Resolved	30 June 2021

NORTH EASTERN NATIONAL POLYTECHNIC
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.2	Irregular engagement of casual employees.	The Polytechnic will ensure that all future engagements of casual employees and any other staff is done in strict conformity to employment regulations and our Human resource policy manual	Vincent Ohana-Finance Officer	Not Resolved	30 June 2021
1.3	Uncollected furniture and fittings for Mentored Institutions	Due to the delay in the completion of some of the mentored institutions, the equipment meant for their use could not be disbursed for security reasons. Processes are underway to ensure prompt completion.	Muhammad N. Hassan-Principal.	Not Resolved	30 June 2021
1.4	Lack of Risk Management Policy.	The Polytechnic has put in place Audit and assurance policy to look into issues of risk management and fraud prevention	Muhammad N. Hassan-Principal	Not Resolved	30 June 2021

Finance Officer 

Date...25-3-21.....

NORTH EASTERN NATIONAL POLYTECHNIC
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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

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

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	N/A					

There were no projects carried out by the Polytechnic in the financial year 2019/2020.

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APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from the State Department of Technical and Vocational Education			
	FY 2019/20			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		10/06/2020	10,215,000	2019/2020
		15/05/2020	1,132,000	2019/2020
		15/05/2020	303,800	2019/2020
		15/05/2020	300,000	2019/2020
		18/10/2019	7,710,000	2019/2020
		3/10/2019	11,940,000	2018/2019
		15/07/2019	12,933,750	2018/2019
		Total	44,534,550	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	For Mentored Institutions			-
		27/04/2020	2,000,000	2019/2020
		24/07/2019	10,000,000	2019/2020
		Total	12,000,000	
	Driveway Construction			
		4/07/2019	2,547,250	2018/2019
		Total	2,547,250	

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

Finance Officer
 North Eastern National Polytechnic

Sign 