



Enhancing Accountability

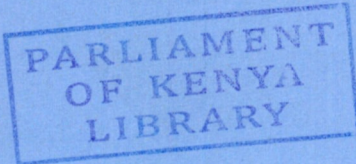
THE NATIONAL ASSEMBLY	
DATE: 06 JUL 2023	
Thursday	
TABLED BY:	Hon. Samuel Chepkong, MP
CLERK-AT THE TABLE:	Joyce Kemeche

THE NATIONAL ASSEMBLY	
DATE: 06 JUL 2023	
TABLED BY:	
CLERK-AT THE TABLE:	

REPORT

OF

THE AUDITOR-GENERAL



ON

MERU NATIONAL POLYTECHNIC

**FOR THE YEAR ENDED
30 JUNE, 2022**

MERU NATIONAL POLYTECHNIC

A blue stamp from The National Assembly. It features the text "THE NATIONAL ASSEMBLY" and "DATE: 06 JUL 2023". There are also fields for "TABLED BY:" and "CLERK-AT-THE-TABLE:" which are currently blank.

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE 2022

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Meru National Polytechnic is a state corporation, under the Ministry of Education domiciled in Kenya and with no subsidiaries.

It was established by the legal notice no. 94 in the year 2016 under the Technical and Vocational Education and Training Act (No. 29 of 2013), after the elevation to the polytechnic status of its former; the Meru Technical Training Institute (MTTI) which was established in the year 1986.

(b) Principal Activities

The principal activity of the Meru National Polytechnic is to offer technical and vocational education and training, the mission and vision are outlined as follows;

Mission

To provide technical and vocational education and training (TVET) for producing dependable and skilled human resource for commerce and industry.

Vision

To be an international Centre of excellence in technical and vocational education and training (TVET)

(c) Key Management

The Meru National Polytechnic day-to-day management is under the following key organs:

- Council
- The chief principal
- Deputy principal-administration and finance
- Deputy principal-academic affairs
- Dean of students
- Registrar-administration and finance
- Registrar-academic affairs

(d) Fiduciary Management

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

No.	Designation	Name
1.	Chief Principal	Eng. Stephen N. Rukaria
2.	Deputy Principal (Admin & Finance)	Mrs. Mercy K. Kiriimi
3.	Deputy Principal (Academic Affairs)	Mr. Joseph W. Ng'ang'a
4.	Dean of Students	Mrs. Hellen Gichovi
5.	Registrar (Admin & Finance)	Mr. Douglas K. Mwiandi
6.	Registrar (Academic Affairs)	Dr. Joshua Mbiijiwe

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(e) Fiduciary Oversight Arrangements

Provided in two tiers;

- Polytechnic council
 Provide overall polytechnic oversight, supported by the nominated council committees as outlined below;
- Polytechnic council committees

Committee	Members
Audit & Risk Management Committee	1. Chairperson - Mr. Julius N. Mosoti 2. Member - Treasury Representative 3. Member - Ms Linda Kiome
Finance, Infrastructure & Human Resource Committee	1. Chairperson - Eng. Callista K. Gitobu 2. Member - Ms Jane Owino Bukachi 3. Member - Mr. Joseph N. Njau 4. Member - Mr. Silas Kinoti Muriithi
Education, Research & Training Committee	1. Chairperson - Dr Winston Ojenge 2. Member – Eng. Callista K. Gitobu 3. Member - Ms Jane Owino Bukachi 4. Member – Mr. Joseph N. Njau

(f) Headquarters

The Meru National Polytechnic
Along Meru-Nanyuki Highway
PO BOX 111-60200, Meru, Kenya

(g) Meru National Polytechnic Contacts

Telephone (254)0793937581
E-mail: info@merunationalpolytechnic.ac.ke
Website: www.merunationalpolytechnic.ac.ke

(h) Meru National Polytechnic Bankers

1. Cooperative Bank of Kenya,
P.O. Box 1328,
Meru-Makutano, Kenya.
2. Kenya Commercial Bank
P.O Box 2755-60200,
Meru – Makutano, Kenya.
3. Equity Bank Ltd
P.O Box 75104,
Meru – Makutano, Kenya.



(i) Independent Auditors




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




(j) Principal Legal Advisor

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


II. The Council/Board of Governors

	PASSPORT	DATE OF BIRTH	QUALIFICATIONS	EXPERIENCE
1.	<p>Prof. JONAH MBOROKI</p>  <p>COUNCIL CHAIRPERSON</p>	1947	Phd. Educational Communication technology	<p>Educationalist from 1972.</p> <ul style="list-style-type: none"> • Consultant for commonwealth of education- African Virtual University CORAT AFRICA. <p>Professor of Education – University of Nairobi.</p>
2.	<p>ENG. CALLISTA KINA GITOBU</p>  <p>COUNCIL MEMBER</p>	1954	Masters in Education Administration.	<p>Former Chief Principal, Member of Council Nyeri Polytechnic, Member of Board of Directors of KUCCPS with over 10 years of experience in academic & administration in public sector</p>







<p>3.</p>	 <p>MR JULIUS MOSOTI NYAMAMBA</p> <p>COUNCIL MEMBER</p>	<p>1962</p>	<p>MBA (Finance, Accounting & Strategic Management)</p>	<p>Many years in private sector as a consultant.</p>
<p>4.</p>	<p>MR. MURIITHI SILAS KINOTI</p>  <p>COUNCIL MEMBER</p>	<p>1961</p>	<p>Masters in planning (Urban & Regional Planning)</p>	<p>Former Commissioner NLC, Former Director IEBRC, Former Director KRB, Former Chairman ISK with Many years of experience in public and private sector</p>
<p>5.</p>	<p>MS JANE OWINO BUKACHI</p>  <p>COUNCIL MEMBER</p>	<p>1983</p>	<p>Master of Laws (LL.M.)</p>	<p>Many years in public and private practice</p>

<p>6.</p>	<p>DR WINSTON OJENGE</p>  <p>COUNCIL MEMBER</p>	<p>1969</p>	<p>PhD. (Computer Science)</p>	<p>Many years in academic, research and innovation in public and private sector.</p>
<p>7.</p>	<p>MR JOSEPH NJENGA NJAU</p>  <p>COUNCIL MEMBER</p>	<p>1967</p>	<p>MA. (Project planning & Management)</p>	<p>Many years in academic & administration in public sector</p>
<p>8.</p>	<p>MS LINDA GAKII KIOME</p>  <p>COUNCIL MEMBER</p>	<p>1984</p>	<p>Bachelor of Laws</p>	<p>Advocate of the high court with over 8 years' experience in public and private practice.</p>

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9.	<p>MR ANDERSON MUTEMBEI</p>  <p>CHIEF PRINCIPAL SECRETARY TO THE COUNCIL</p>	1967	M.Sc. (Business administration finance option)
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III. Management Team

	Manager	Area of responsibility
1.	 Mr Anderson Mutembei M.Sc. (Business administration finance option)	Chief Principal.
2.	 Mrs. Mercy K. Kirima M.sc (Guidance & Counseling)	Deputy Principal (Admin & Finance)
3.	 Mr. Joseph W. Ng'ang'a M.Sc. (Agricultural Entomology)	Deputy Principal (Academic Affairs)
4.	 Mrs. Hellen Isoka (B.Ed)	Dean of students
5.	 Mr Douglas Kimathi (B Ed.)	Registrar (Admin & Finance)
6.	 Dr. Joshua M. Mbiyiwe (Ph.D Educational mgt)	Registrar (Academic Affairs)

IV. Chairperson's Statement

Foreword

It is my great honour to present the annual report of Meru National Polytechnic for the period ended 30th June, 2022. During the year under review Meru National Polytechnic recorded remarkable improvement in its financial and operational performance owing to the coordinated effort of all the key players.

Key activities during the financial year under review:

The following are the key activities that took place during the FY 2021/2022:

Achievements

During the year under review, MERU NATIONAL POLYTECHNIC made various achievements in its performance, which include the following:

1. Increased access to TVET through launch of on-line learning program and construction of new tuition block consisting of thirty-two (32 classes) for over a thousand students
2. Successful mentorship of new TVET institutions to enhance their training capacity.
3. Successful implementation of competency-based education through development of school of agriculture demonstration farm and collaboration with relevant industries.
4. Improved governance and quality through maintenance of accrual financial reporting system and relevant ISO certification
5. Implementation of the 'big 4' agenda as a centre of excellence in construction technology and agricultural technology.
6. Establishment of the Polytechnic as Mount Kenya region ODeL Centre
7. Construction of EASTRIP project and New administration and E-Resource Centre.

Key challenge

The major challenge that Meru National Polytechnic has faced during the FY2021-2022 is untimely release of financial resources to develop required infrastructure. Of key concern is the inadequate budgetary allocation and sometimes unexpected reduction of the development grants thus Inadequate infrastructure.

Further, post Covid-19 pandemic disrupted the whole FY2021/2022 operations.

Failure to disburse capitation quarter four- 2021/2022 by the Ministry of Education

Future outlook

Kenya government has set a clear objective towards achievement of the 'big 4' agenda especially in manufacturing. For example, in Meru National Polytechnic technical courses such as plumbing, electrical installations, building technology; electronics and beauty therapy have gained popularity.

The government is sponsoring students through Kenya Universities and Colleges Central Placement Service (KUCCPS) with Ksh30, 000.00 per annum per student. The Higher Education Loans Board is also providing loans and bursaries to students in technical institutes unlike in the past.

This has led to massive enrolment of students, and is expected to grow exponentially.

Meru National Polytechnic is currently striving to expand its facilities and diversifying its academic programs to take advantage of this situation. This will be enhanced by the implementation of East Africa Skills for Transformational and Regional Integration Program (EASTRIP) which is being funded by the World Bank through the Government of Kenya.

V. Report of the Principal

It is my pleasure to present the Annual Report and Financial Statements of Meru National Polytechnic for the financial year ended 30th June, 2022

NON-FINANCIAL INFORMATION

(a) Academic programmes

During the year under review, Meru National Polytechnic had 8 academic departments. The number of departments and academic programmes existing, during the year under review, were as tabulated below:

Department	Academic programmes					Total
	Short Courses	Artisan	Certificate	Diploma	Higher diploma	
Business Management	0	0	494	773	0	1,267
Mechanical	54	188	157	327	0	726
Building & civil engineering	0	363	412	964	0	1,739
Electrical & Electronics	23	159	324	548	19	1,073
Applied Sciences	0	210	254	120	0	584
Tourism & Hospitality	0	93	467	498	0	1,058
Agriculture	0	38	234	355	0	627
Information Technology	50	0	189	510	0	749
Subtotal	127	1,051	2,531	4,095	19	7823

Student population and students' welfare

Meru National Polytechnic admits students sponsored by the Government (KUCCPS), self-sponsored (SSP) and any other sponsoring bodies. The Polytechnic has on line learning programs to ensure continued students' enrolment for FY2021-2022. This has been achieved through increased e-learning capacity building, acquisition of advanced database servers and expansion of facilities to accommodate more students.

Meru National Polytechnic had a student population of 7823 during the financial year under review. The polytechnic has a student leadership body; Students Congress of Meru National Polytechnic (SCOMP) which work with the management to ensure that all student welfare issues are addressed promptly and in a satisfactory manner

Provision of requisite infrastructure

In an effort to attract and accommodate more students, the Meru national polytechnic management has continued to expand the existing facilities. During the financial year under review, the following projects were undertaken.

- I. New administration and E-resource centre block
- II. CCTV Phase II

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III. Commencement of the EASTRIP Project

Performance contracting (PC)

At the commencement of the year under review, the polytechnic council signed the 2021/2022 performance contracts with the Government of Kenya through the ministry of Education, Science & Technology. The signed contract was cascaded to all the staff by the polytechnic management for inclusiveness. The polytechnic management remained committed during the financial year to ensuring that all operations are concluded within the stipulated legal framework. Owing to the commitment by all the staff, Meru National Polytechnic has year after year recorded impressive results in performance contracting activities and placed 3rd overall in tertiary institutions category.

Strategic Focus of Meru national polytechnic

As a commitment towards realization of its mandate, Meru National Polytechnic during the FY under review continued implementing its strategic plan for the period 2017 to 2022.

The strategic plan has the following key areas:

1. To provide high quality market driven academic programs, attract and retain competent and efficient workforce.
2. To strengthen the polytechnic financial management system
3. To upgrade training equipment and polytechnic physical infrastructure
4. To strengthen the established quality management system and enhance information communication technology (ICT) integration
5. To increase collaborations and partnerships

As we move into the future, we will remain focused on these strategies and other strategies that will be incorporated in the revised Strategic plan for the years 2023-2027 to be able to take advantage of emerging opportunities for business growth and sustainability. The polytechnic council is committed to providing the necessary support to the polytechnic management in implementing the strategic plan for ultimate realization of the polytechnic mandate.

Key challenges

There has been inadequate financial resources to develop the requisite infrastructure. The budgetary allocation by the National Government has been minimal. There has also been unexpected reduction of the development grants leading to interruption of work schedules and even delays in projects completion.

To tackle the problem of small budgetary allocations, the polytechnic has invested in income generating projects in order to supplement funds from the Government of Kenya

Appreciation

I wish to express my sincere and deep gratitude to the ministry of Education, the National Treasury, the polytechnic council and other partners for their continued support and guidance to the polytechnic management, without which the achievement so far made would not have been possible.

My special recognition and gratitude go to the polytechnic management and staff for the tireless effort and dedicated service, which led to the exemplary performance in the academic, administrative and performance contracting activities.

To our valued students, esteemed customers and other stakeholders, we are grateful for choosing Meru National Polytechnic. We appreciate you very much for your steadfast support and contribution towards the success that we have made so far.



Mr. Anderson K Mutembei
Chief Principal

Date 11th February, 2023

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VI. Statement of Performance against Predetermined Objectives

REVENUES

The funds were received as under: -

Capitation	Ksh207,330,000.00
Other institutions	Ksh2,500,000.00

The initial budget was at ksh516, 000,000.00 and no adjustments done.

Fees was estimated at ksh437, 455,000.00 but the actual collected amounted to Ksh479, 289,110.00 the variance being Ksh41, 834,960.00

Sale of goods was budgeted at Ksh7, 500,000.00 but the actual realized amounted to Ksh9, 704,934.00 with a variance of Ksh2, 204,934.00

Gains on disposal, rental income and agency fees was budgeted at ksh21,045,000.00 but ksh8,081,950.00 was realized with a variance of Ksh12,963,050.00

EXPENDITURES

The depreciation amortization budget was at Ksh 95,000,000.00 but the actual expenditure amounted to Ksh 29,828,326.00 with variance of Ksh 65,171,674.00

Compensation to employee costs was budgeted at ksh122, 000,000.00 and the amount spent amounted to Ksh119, 070,603.00 with a variance of Ksh2, 929,397.00

Use of goods and services expense was at ksh9, 020,000.00 and only Ksh8, 149,530.00 was incurred with a variance of Ksh 870,470.00

Repairs and Maintenance budget was at ksh19, 000,000.00 but the actual paid amounted to Ksh15, 326,576.00 with a variance of ksh3, 673,424.00

Remuneration to directors' budget was ksh10, 000,000.00 but actual paid amounted to Ksh9, 764,789.00 with a variance of Ksh235, 211.00

Use of goods of service budget was at 270,000,000.00 but actual incurred amounted to Ksh 325,500,208.00 with a variance of Ksh -55,500,208.00

REVIEW OF MERU NATIONAL POLYTECHNIC PERFORMANCE FOR FY 2021/2022

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the Accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Meru National Polytechnic has six strategic pillars and objectives within its Strategic Plan for the FY 2021/2022 these strategic pillars are as follows:

1. Provision of market driven programs
2. Strengthening the polytechnic financial management systems
3. Upgrading training equipment and physical infrastructure
4. Enhancing a strong and good image of the polytechnic
5. Strengthening the enhanced quality management and information communication technology systems.
6. Increasing collaboration with strategic partners.

Meru National Polytechnic develops its annual work plans based on the above *six* pillars. Assessment of the Council's performance against its annual work plan is done on a quarterly basis. The Meru National Polytechnic achieved its performance targets set for the FY 2020/2021 period for its six strategic pillars, as indicated in the table below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	To provide high quality market driven academic programs.	Developed & approved market driven courses	Introduction of industry need based courses	Competent graduates
Pillar 2:	To strengthen polytechnic financial management systems	Timely & effective financial statements and reports	Acquisition of relevant management information systems	Financial control and compliance with reporting requirements.
Pillar 3:	To upgrade training equipment & polytechnic physical infrastructure	Developed new demonstration farm Shed & newly constructed classrooms	Expansion & renovation of physical infrastructure	Efficient training equipment & increased access to TVET training.

Pillar 4:	To enhance a strong & distinct image of the polytechnic	Prevalence of the best practices in the polytechnic operations	Benchmarking with the best institutions	Adoption of the best practices for seamless operations.
Pillar 5:	To strengthen the enhanced quality management system & enhanced information communication technology (ICT) integration	Ease flow of relevant information	Acquisition of relevant systems & technology	ISO certification & QMS operational manuals
Pillar 6:	To increase collaboration with partners	Developed & operationalization of industrial liaison board	Linking up with industries & developing academic programs based on industry need	Increased on-job trainings

VII. Corporate Governance Statement

Introduction

The Meru National Polytechnic recognizes the importance of applying standards of corporate governance as a key contributor to its long-term success, value and prosperity. This enables effective and efficient decision making and creates an appropriate atmosphere for the council to discharge its duty to promote success, while taking into account the interest of various stakeholders. The polytechnic council has established effective governance through a combination of strong process and structures underpinned by the right values and culture.

Corporate Governance Statement

Good governance entails establishment and enhancement of sustainable value for the stakeholders, through adoption of ethically driven business structure, procedures and processes.

- (i) Meru National Polytechnic Council is at the centre of good governance practice, for protection of long-term interests of all the stakeholders. The council provides leadership, oversight to management, integrity and good judgment in directing polytechnic operations in the best interest of the stakeholders for continued viability and sustainability. The polytechnic council is vested with powers and authority by relevant laws of Kenya to discharge its mandate and effectively fulfil its corporate governance best practices in support of the polytechnic vision and provide world class services that delight customers, create value for money and meet stakeholders' expectations.
- (ii) **Appointment**

Positions of the council that served during the year under review were advertised, and appointments done by the cabinet secretary, ministry of Education.

Induction and capacity building for council members:

Members of the council regularly attend training on corporate governance and other relevant areas to equip them with knowledge that is required to effectively discharge their responsibilities. Induction for new council members is conducted to enhance their understanding of the nature of the polytechnic business and operations. During the year under review, Meru national polytechnic council members attended relevant trainings to help improve their competencies.

- (iii) **Succession plan**

To ensure smooth transition of the polytechnic council, the TVET Act provides that the Cabinet Secretary shall stagger the commencement dates of some members to maintain a proportion of new membership that ensures continuity in the service of the council.

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(iv) Meetings of the polytechnic council

Dates of polytechnic council meetings in the ensuing year are decided in advance and scheduled in a work plan. The council holds its regular meetings on need basis to transact planned business of the polytechnic. However, special meetings of the council may be called when there is business to transact. During the financial year 2021-2022, the council held 4 regular meetings and 2 special meetings. Members of the council receive adequate notice and detailed documents on issues to be discussed in good time, to enable them prepare for the meetings.

The table below gives a summary of the meetings held by the polytechnic council and its committees.

Full council	Names	Total meetings	Attendance by each	
	Prof. Jonah Mboroki	2	2	
	Dr. Cecilia C. Bosuben Ngetich	4	4	
	Eng. Stephen N. Rukaria	6	6	
	Eng. Callista K. Gitobu		6	
	Mr. Julius Mosoti Nyamamba		6	
	Mr. Silas Kinoti		6	
	Ms. Jane Owino Bukachi		6	
	Dr. Winston Ojenge		6	
	Mr. Joseph Njenga Njau		6	
	Ms. Linda Kiome			
Finance & Human Resource	Eng. Callista K. Gitobu		4	4
	Mr. Silas Kinoti			4
	Ms. Jane Owino Bukachi	4		
	Mr. Joseph Njenga Njau	4		
Audit & Risk Management	Ms. Linda Kiome	4	4	
	Mr. Julius Mosoti Nyamamba		4	
Education & Research	Dr. Winston Ojenge	4	4	
	Ms. Jane Owino Bukachi		4	
	Mr. Joseph Njenga Njau		4	

(i) Conflict of interest

“Conflict of interest” appears as an item in the agenda of all polytechnic council meetings. The council has a conflict of interest register for recording any declared conflict of interest. A conflicted member takes leaves during the deliberations of any issues that may lead to conflict of interest.

(ii) Remuneration of Meru National Polytechnic Council

Council members are entitled to sitting allowance for every meeting attended, Daily subsistence allowance and mileage reimbursement where applicable within set limits of the Government for state corporations.

In addition, the chairperson of the polytechnic council is paid a monthly retainer allowance, also at the limits for state corporations.

(iii) Ethical standards

Meru National Polytechnic works towards ensuring that the management and staff conduct themselves with integrity and professionalism in accordance with the approved staff code of conduct, which stipulates expectations for each of them and holds people accountable for their conduct.

Meru National Polytechnic regularly conducts integrity awareness, training, corruption risk assessments and enforcement of corruption prevention measures.

The management has established mechanisms for receiving complaints and making follow up on allegations and reported cases of unethical conduct by conducting an objective analysis and taking appropriate actions to control and discourage unethical behaviour. MERU NATIONAL POLYTECHNIC collaborates with Ethics & Anti-Corruption Commission to entrench a culture of ethics and integrity at the polytechnic.



Mr. Anderson K Mutembei
Chief Principal

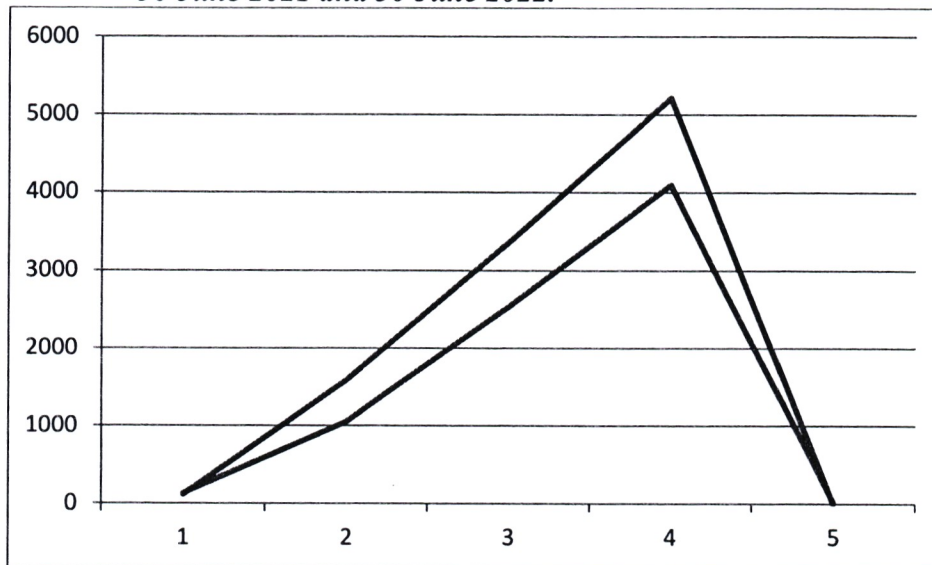
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VIII. Management Discussion and Analysis

During the year under review the polytechnic has been able to achieve the following operational and financial objectives as part of the continual improvement efforts as outlined under its strategic plan.

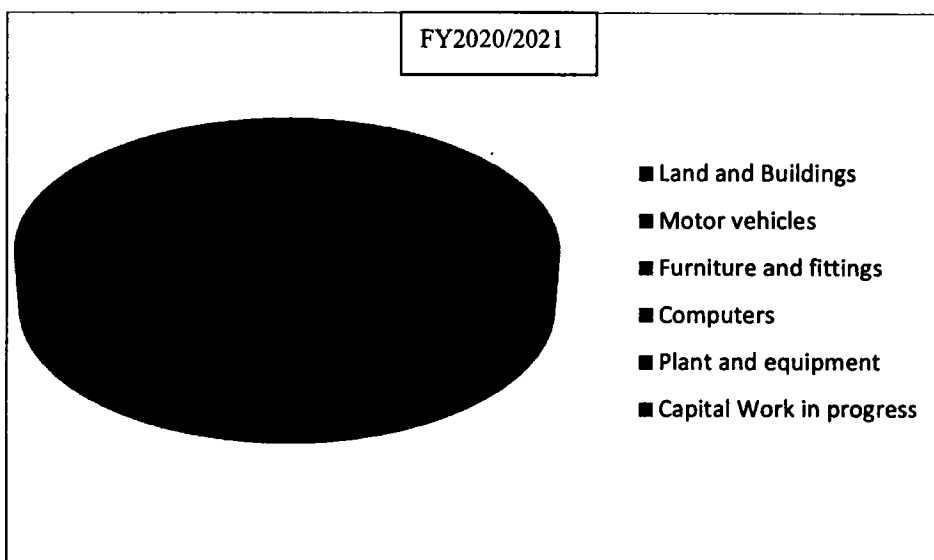
- i. Decreased student enrolment, as depicted comparatively in the following line graph for the financial periods ended 30 June 2021 and 30 June 2022.

Graph 1.1 Meru National Polytechnic student enrolment for the financial years ended 30 June 2021 and 30 June 2022.

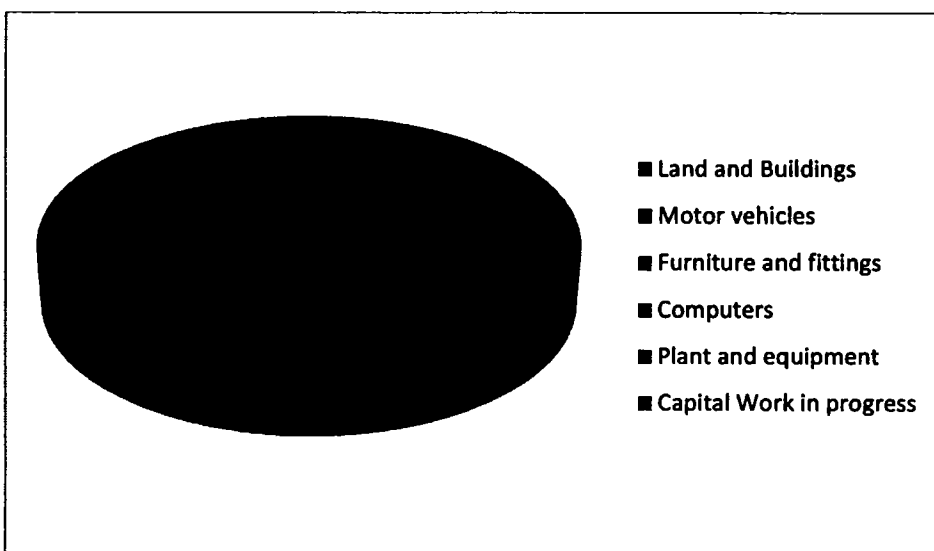


- ii. Improvement and development of new and existing infrastructure and mentored technical and vocational colleges. This is depicted in the pie charts as shown below.

Pie chart 1.2 Meru National Polytechnic property plant and equipment for the financial years ended 30 June 2021 and 30 June 2022.



FY 2021/2022



- iii. Compliance with statutory requirements; the polytechnic has been up to date in its statutory submissions and payment obligations, this include income taxes and agency taxes such as withholding VAT (value added tax) and PAYE (Pay as you earn), employee defined contribution retirement scheme and medical scheme namely NSSF(national social security fund) and NHIF(national hospital insurance fund). Further it has had timely submissions and conformity to stipulated legislature such as PFM Act 2012, on submission of financial reports.

Major risks

Some of the major external risks which may impede the polytechnic in its quest towards a sustainable learning environment and operationalization include:

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	Risk	Impact	Mitigation action
1.	Claw back of development funds	Insufficient funds, for infrastructural development hence strained capacity and delayed projects.	Liaison with Ministry to facilitate projects. Funds injections from Income generating projects.
2.	COVID-19 Pandemic	Disruption of in-house Learning programmes and schedules. Disruption of operations.	Development and launch of E-learning programs.

IX. Environmental and Sustainability Reporting Statement

Meru National Polytechnic exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on six pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

Sustainability strategy and profile

Meru National Polytechnic has instituted income generating projects to enhance sustainability of the institutional financial requirements as well as complementing training capacity to the students and other stakeholders.

Meru National Polytechnic has continually reviewed its programs to focus on requirements of the labour market and partnered with industries in implementing competency-based training curriculum.

Environmental performance

Meru National Polytechnic has a fully-fledged gardening and environmental department that implements our environmental policy geared towards environmental protection and sustainability.

Meru National Polytechnic has installed cylinders for liquefied petroleum gas (LPG) to save trees.

The polytechnic has planted some indigenous trees, and students participate in environmental conservation programs.

The students have been sensitised on keeping the environment clean and the polytechnic has installed disposal waste bins at various points to avoid pollution.

Employee welfare

Meru National Polytechnic has adopted a human resource policy which underpins one of the strategic plan pillars on attracting and retaining competent and qualified staff. Further, it guides on the hiring process, gender ratio, and stakeholders' engagement. The polytechnic engages employees in capacity building programs to enhance employee skills. Meru National Polytechnic has in place Occupational Safety and Health Policy in conformity to OSHA Act of 2007.

Market place practices-

Meru National Polytechnic has put in place deliverables to ensure proper market place practices which are outlined as follows:

a) Responsible competition practice.

The polytechnic is non-partisan and adheres to the set legislation namely PPADA Act 2015, Ethics & Anti-corruption Act 2011 through implementation of the set practices which include regular prequalification of suppliers and regular oversight and training by the Meru National Polytechnic anti-corruption committee.

b) Responsible Supply chain and supplier relations

Meru National Polytechnic is committed to an operational service charter developed and certified through the quality management system (QMS) and has installed numerous suggestion boxes for follow up on customer feedback to ascertain the degree of satisfaction.

c) Responsible marketing and advertisement

Meru National Polytechnic advertises based on approved budget through approved government agencies.

d) Product stewardship

The polytechnic offers courses that are accredited by Technical and Vocational Education Training Authority (TVETA). Further, Meru National Polytechnic has a fully-fledged quality assurance department mandated to ensuring quality delivery in all our programs.

Corporate Social Responsibility / Community Engagements

Meru National Polytechnic undertakes sensitizing the community members on importance of embracing progressive practices, and on dangers of alcohol and drug abuse. Further, the polytechnic every year sets aside a kitty for corporate social responsibility in the budget. This goes a long way in providing foodstuffs, from time to time, to identified children homes or poverty-stricken families in the community. MNP, also creates awareness in the community for the need of female members of the society in the technical courses. The polytechnic has also constructed and keeps on maintaining bus stop waiting shed next to the main gate. Besides, MNP coordinates testing of BMI, cancer screening & awareness, blood sugar, blood pressure, VCT and sensitization on HIV & non-communicable diseases, stress management and mental health to students, staff and their family members on a quarterly basis.

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MNP recognizes trade union and members of staff are free to join any union of their choice. On sports, the polytechnic has various teams which seek for friendly match with neighbouring schools, universities and colleges as and when necessary.

X. Report of the Council/Board of Governors

The Council members submit their report together with the financial statements for the year ended June 30, 2022 which show the state of the Meru National Polytechnic affairs.

Principal activities

The principal activity of the Meru National Polytechnic is to offer technical and vocational education and training

Results

The results of the Meru National Polytechnic for the year ended June 30, 2022 are set out on page 26-60

Council/Board of Governors

The members of the Council who served during the year are shown on page 5.

Auditors

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

By Order of the Meru National Polytechnic Council

By Order of the Board



.....
Secretary of the Board/Council

Date:11/02/2023

XI. Statement of Board of Governors/ Council's Responsibilities

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013 require the council members to prepare financial statements in respect of the Meru National Polytechnic, which give a true and fair view of the state of affairs of the Meru National Polytechnic at the end of the FY2021/2022 and its operating results for the year/period. The council members are also required to ensure that the Meru National Polytechnic keeps proper accounting records which disclose with reasonable accuracy the financial position of the Meru National Polytechnic. The council members are also responsible for safeguarding the assets of the Meru National Polytechnic.

The council members are responsible for the preparation and presentation of the Meru National Polytechnic's financial statements, which give a true and fair view of the state of affairs of the Meru National Polytechnic for and as at the end of the financial year (period) ended on June 30, 2022. 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 Meru National Polytechnic;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the Meru National Polytechnic; selecting and applying appropriate accounting policies; and
- (v) making accounting estimates that are reasonable in the circumstances.


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

The council members are of the opinion that the Meru National Polytechnic's financial statements give a true and fair view of the state of Meru National Polytechnic's transactions during the financial year ended June 30, 2022, and of the Meru National Polytechnic's financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the Meru National Polytechnic, which have been relied upon in the preparation of the Meru National 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 Meru National 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 Meru National Polytechnic's financial statements were approved by the Council on 28th September 2022 and signed on its behalf by:



Prof. Jonah Mboroki

Chairperson of the Board/Council



Mr. Anderson K. Mutembei

Accounting Officer/Principal

REPUBLIC OF KENYA



Enhancing Accountability

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HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MERU NATIONAL POLYTECHNIC FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Meru National Polytechnic set out on pages 1 to 44, which comprise the statement of financial position as at

30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Meru National Polytechnic as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and the Meru National Polytechnic Order, 2016.

Basis for Adverse Opinion

1. Non-Disclosure of Library Books

The statement of financial position reflects Kshs.3,901,102,177 in respect to total assets which excludes unknown value of library books. Further, the Polytechnic does not have a policy guideline on the recognition, measurement and disclosure of library books in the financial statements.

In the circumstances, the accuracy of total assets balance of Kshs.3,901,102,177 could not be confirmed.

2. Non-disclosure of the Un-titled and Unvalued Land

The statement of financial position reflects a balance of Kshs.3,065,261,567 in respect to property, plant and equipment which includes Kshs.2,307,895,032 on land and buildings as disclosed in Note 31 to the financial statements. The balance of Kshs.2,307,895,032 however, excludes unvalued and untitled land measuring 5.933 hectares adjacent to the Polytechnic.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.3,065,261,567 as at 30 June, 2022 could not be confirmed.

3. Unconfirmed Tuition Fees Revenue

The statement of financial performance and Note 10 to the financial statements reflects an amount of Kshs.479,289,111 in respect to rendering of services - fees from students. However, review and analysis of tuition fees data revealed the following:

- i. Tuition fees amounting to Kshs.27,665,501 have no receipt numbers.
- ii. Tuition fees amounting to Kshs.61,407,261 had neither receipt number nor document reference number.
- iii. Fees amounting to Kshs.4,597,262 had duplicate document reference number 118466.

- iv. Debit amounts in the ledger amounting to Kshs.32,670,183 were not supported by relevant documentation and payment vouchers.

In the circumstances, the accuracy of the fees from students amount of Kshs.479,289,111 could not be confirmed.

4. Employee Costs

4.1 Unsupported Employee Costs

The statement of financial performance and Note 16 to the financial statements reflects an amount of Kshs.119,070,603 in respect to employee costs. The payroll provided lacked payroll deduction codes issued by The National Treasury for all discretionary and non-discretionary deductions and ethnicity. Further, the payroll did not capture the amount of the contributions made by the employer towards the employees.

In the circumstances, the accuracy and completeness of the employee costs of Kshs.119,070,603 could not be confirmed.

4.2 Irregularities in the Payroll

The statement of financial performance and Note 16 to the financial statements reflects an amount of Kshs.119,070,603 in respect to employee costs. Review and data analysis conducted on the payroll however, revealed the following;

- i. Eighteen (18) employees with duplicate and/or Missing KRA Pin Numbers.
- ii. Thirteen (13) employees with duplicate National Identity Card Numbers.
- iii. Thirteen (13) employees with duplicate personal numbers.
- iv. Thirteen (13) employees with duplicate Names.
- v. Twelve (12) employees with duplicate account numbers.
- vi. An employee appeared thrice in the payroll with three bank account numbers, two in equity account number 0170190803443 and Cooperative Account number 0111666421.
- vii. Three (3) employees in the payroll who had attained the retirement age.
- viii. Irregularities in the entry of date of birth where some employees are indicated as being born in 2021 and to retire in 2080.
- ix. Twenty-three (23) employees on contract with without end date.

In the circumstances, the accuracy and completeness of the employee costs of Kshs.119,070,603 could not be confirmed.

5. Irregular Payments to Board of Directors

The statement of financial performance and as disclosed in Note 17 to the financial statements reflects an amount of Kshs.9,764,789 in respect to remuneration of directors. The Cabinet Secretary for Education appointed nine (9) persons to the Board of Governors of the Polytechnic for a period of three (3) years through individual appointment letters, a gazette notice was not however, issued contrary to Chapter 1.8.e of Mwongozo guidelines on appointments. Further, review of records provided for audit

revealed none of the nine (9) appointed Board of Directors accepted the appointment in writing contrary to provisions of Chapter 1.8.e of Mwongozo guidelines on appointments.

In the circumstances, the validity and propriety of the director's remuneration of Kshs.9,764,789 could not be confirmed. In addition, the Polytechnic was in breach of the law.

6. Unsupported Fuel Allowance for Directors

The statement of financial performance reflects an amount of Kshs.9,764,789 in respect of remuneration to directors, which includes, Kshs.850,000 being fuel allowance, as disclosed in Note 17 to the financial statements. The Board Members did not however, provide their cars' logbook and did not disclose where they commuted from contrary to the Head of Public Service Circular OP/CAB.9/1A of 11 March, 2020.

In the circumstances, the propriety of expenditure of Kshs.850,000 for the year ended 30 June, 2022 could not be confirmed.

7. Irregular Contract Variations for Mentored Institutions Projects

The statement of financial position reflects a balance Kshs.3,065,261,657 in respect to property, plant and equipment which includes work in progress, additions for the year of Kshs.46,950,919 as disclosed in Note 31 to the financial statements. The additions includes Saku Technical and Vocational College (TVC), Samburu North TVC and Samburu West TVC projects' price variations of Kshs.13,708,623, Kshs.6,626,505 and Kshs.12,832,992, all totaling to Kshs.33,168,120. The variations were not supported with details of extra works and approval by the Accounting Officer contrary to Section 132(1)(b) of the Public Procurement and Asset Disposal Regulations, 2020 which states that all variations shall be submitted through the head of a procurement function to the Accounting Officer for approval.

In the circumstances, the propriety of the overall price variations Kshs.33,168,120 could not be confirmed.

8. Delayed Completion and Unapproved Contract Variations for Mentored Institutions

The statement of financial position reflects Kshs.3,065,261,657 in respect to property, plant and equipment, which includes work in progress additions for the year of Kshs.46,950,919, as disclosed in Note 31 to the financial statements. The additions includes Saku TVC, Samburu North TVC and Samburu West TVC projects who are mentored institutions. Review of the project files for the three (3) mentored institutions however, revealed the following

8.1 Lack of Supporting Records

Relevant documents including title deeds for land, contract agreements, work programs, project drawings, original bid documents for the contractors, monthly meeting minutes, Clerk of works daily log sheets for the works and project material tests results were not provided for audit review.

In the circumstance, it was not possible to confirm whether the project implementation was conducted as specified in the contract agreement, bills of quantities and the drawings.

8.2 Contract Period Variations and Project Delays

The projects were advertised and awarded in September, 2015 for a contract period of 52 weeks, to be completed by September, 2016. As at the time of audit in January, 2023, the three (3) projects were still ongoing, six (6) years after expiry of the contract period. Further, the time extensions were issued by the project engineers without approval by the Accounting Officer contrary Section 139 of the Public Procurement and Asset Disposal Act, 2012.

The project completion has delayed denying the public the intended benefits.

8.3 Poor Supervision

Review of the records revealed that the Clerk of works was not engaged to supervise the works. In the absence of the Clerk of works, the materials used, personnel employed at the site, machineries deployed, concrete mix formulae, performance bonds issued, insurances taken and man hours utilized could not be confirmed. This was contrary to project implementation requirements (TOR) from the Ministry of Education.

In the circumstances, value for money for the work performed on the three projects could not be confirmed.

9. Proposed Construction of Tuition Block

The statement of financial position reflects property, plant and equipment balance of Kshs.3,065,261,567, which includes Kshs.46,950,919 in respect to capital work in progress additions as disclosed in Note 31 to the financial statements. Further, additions includes amount of Kshs.24,946,209 for the construction of tuition block at Meru National Polytechnic awarded to a company at a contract sum of Kshs.89,033,550.

The verification of the project conducted in month of January, 2023 revealed the following;

9.1 Variance in Project Plinth Area

The bills of quantities had a total plinth area of 809 square metres while the actual measured plinth area was approximately 969 square metres resulting to unexplained variance of 160 square metres. The reason, approval and cost implications for the work variation were not provided for audit review.

9.2 Basement Works Variation

The contractor introduced and constructed basement floor measuring approximately 441 square metres at the site without approval from the Accounting Officer contrary to Section 132(1)(b) of Public Procurement and Asset Disposal Regulations, 2020. The reason, approval and cost implications for the work variation were not be provided for audit review.

9.3 Slow Work Progress

The project commenced in the month of December, 2021 with a contract period of 52 weeks to be completed in the month of December, 2022. As at the time of audit in January, 2023, after the lapse of the project completion period, the project was incomplete and the revised completion date and approval for the project extension were not availed for audit review.

In the circumstances, value for money for the projects had not been obtained.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.516,000,000 and Kshs.706,905,995 respectively resulting to over collection of Kshs.190,905,995. Similarly, the Polytechnic expended Kshs.499,490,502 against an approved budget of Kshs.516,000,000 resulting to an under-expenditure of Kshs.16,509,498 or 3% of the budget.

The over collection of Kshs.190,905,994 implies inappropriate budget making process and parameters used.

The under-expenditure affected the planned activities and programs and 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance with Ethnicity and Regional Distribution

Review of the master roll revealed that the Polytechnic had a total of 361 employees out of which 188 or 52% of the employees were from the dominant ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which requires that no public establishment shall have more than one third of its staff from the same community.

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

2. Non-remittance of Value Added Tax

The statement of financial performance and Note 19 to the financial statements reflect amount of Kshs.15,326,576 in respect to repairs and maintenance. Review of the payment vouchers revealed that the Management did not deducted the 16% Value Added Tax on all the payments made to the contractors and the suppliers as required by Section 6 of the Value Added Tax Act.

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

3. Earnings Below the Statutory Minimum

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects employee costs amount of Kshs.119,070,603. Review of the monthly payroll records however, revealed that 7 employees' salary deductions were more than two thirds (2/3) of the basic salary, contrary to Section 19(3) of the Employment Act, 2007 which require that deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages. No explanation from Management was provided for the employee earnings below the statutory minimum.

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

4. Outstanding Audit Fees

The statement of financial position reflects a balance of Kshs.34,980,623 in respect to trade and other payables from exchange transactions, which includes Kshs.600,000 payable to the Office of the Auditor-General, as disclosed in Note 34 to the financial statements. The Management did not explain why the fees was not paid contrary to Section 41(1)(c) of the Public Audit Act, 2015 which states that the funds of the Office of the Auditor-General shall consist of audit fees charged at the rates prescribed by the Auditor-General.

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

5. Failure to Prepare National Treasury Reports on Disaster Related Expenditures

The statement of financial performance reflects an amount of Kshs.325,500,208 in respect to use of goods and service, which includes Kshs.4,003,210 in respect to Covid-19 mitigation expenses, as disclosed in Note 15 to the financial statements. The

disaster related expenditure report to The National Treasury for the Covid-19 mitigation expenses, showing the mitigation, preparedness and recovery from the disaster was however, not prepared as required by The National Treasury Circular No.09/2020 on Mandatory Reporting of Disaster Related Expenditure.

In the circumstances, the Polytechnic did not adhere to the directive of The National Treasury Circular No.09/2020 on Mandatory Reporting of Disaster Related Expenditure.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 May, 2023

XIII. Statement of Financial Performance for the year ended 30 June 2022

	Notes	2021-2022	2020/2021
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	6(a)	209,830,000	260,935,372
Grants from Development Partners	7		
Public contributions and donations	9	0	206,500
Total Revenue from non-exchange transactions		209,830,000	261,141,872
Revenue from exchange transactions			
Rendering of services- Fees from students	10	479,289,111	240,513,040
Sale of goods	11	9,704,934	10,332,812
Rental revenue from facilities and equipment	12	8,076,950	12,120,561
Other income	14	5,000	752,990
Finance Income	13	0	0
Revenue from exchange transactions		497,075,995	263,719,403
Total revenue		706,905,995	524,861,275
Expenses			
Use of goods and services	15	325,500,208	13,206,619
Employee costs	16	119,070,603	107,185,745
Remuneration of directors	17	9,764,789	8,198,176
Depreciation and amortization expense	18	29,828,326	46,104,858
Repairs and maintenance	19	15,326,576	49,597,843
General expenses	19	0	223,445,621
Total expenses		499,490,502	447,738,862
Net Surplus for the year		207,415,493	77,122,413



Chairman of Council/Board

Date:11/02/2023


Finance Officer
ICPAK No:25248

Date:11/02/2023



Principal

Date:11/02/2023

XIV. Statement of Financial Position as at 30th June 2022

	Notes	2021-2022	2020-2021 Restated	2020-2021
		Kshs	Kshs	Kshs
Assets				
Current assets				
Cash and cash equivalents	26	496,178,257	418,943,650	618,943,648
Receivables from exchange transactions	27	361,000	531,000	531,000
Receivables from non-exchange transactions	28	333,430,998	429,381,582	0
Total Current Assets		829,970,256	848,856,232	619,474,648
Non-current assets				
Property, plant and equipment	31	3,065,261,567	3,046,671,385	3,759,312,479
Intangible assets	32	5,870,355	7,337,943	7,337,943
Total Non-current Assets		3,071,131,921	3,054,009,328	3,766,650,422
Total assets		3,901,102,177	3,902,865,560	4,386,125,070
Liabilities				
Current liabilities				
Trade and other payables from exchange transactions	34	34,980,623	16,340,415	16,340,415
Refundable deposits from customers	35	8,360,419	6,797,919	6,797,919
Total Current Liabilities		43,341,042	23,138,334	23,138,334
Total liabilities		43,341,042	23,138,334	23,138,334
Capital and Reserves				
Revaluation Reserves		2,258,271,306	2,258,271,306	2,970,912,400
Accumulated surplus		1,585,195,865	1,607,161,954	1,377,780,372
Capital Fund		14,293,964	14,293,964	14,293,964
Total Capital and Reserves		3,857,761,135	3,879,727,224	4,362,986,736
Total Liabilities and Capital & Reserves		3,901,102,177	3,902,865,558	4,386,125,070



Chairman of Council/Board

Date:11/02/2023



Finance Officer
ICPAK No:25248

Date:11/02/2023



Principal

Date:11/02/2023


XV. Statement of Changes in Net Asset for the year ended 30 June 2022

	Note	Revaluation	Retained earnings	Capital/Development Grants/Fund	Total
Balance b/f as at July 1, 2020			920,133,988	11,033,334	931,167,322
Net Surplus			380,523,972		380,523,972
Capital/Development grants received during the year	6(b)	2,970,912,400		3,260,630	3,260,630
Balance c/d as at June 30, 2021		2,970,912,400	1,300,657,960	14,293,964	1,314,951,924
Balance b/f as at July 1, 2020		2,970,912,400	1,300,657,960	14,293,964	4,285,864,324
Net Surplus			77,122,412		77,122,412
Capital/Development grants received during the year	6(b)			0	0
Balance c/d as at June 30, 2021		2,970,912,400	1,377,780,372	14,293,964	4,362,986,736
Balance b/f as at July 1, 2021		2,970,912,400	1,377,780,372	14,293,964	4,362,986,736
Restated Adjusted Revaluation		-712,641,094			-712,641,094
Net Surplus			207,415,493		207,415,493
Capital/Development grants received during the year	6(b)			0	0
Balance c/d as at June 30, 2022		2,258,271,306	1,585,195,865	14,293,964	3,857,761,135

XVI. Statement of Cash Flows for the year ended 30 June 2022

		2021-2022	2020-2021 Restated	2020-2021
	Note	Kshs	Kshs	Kshs
Cash flows from operating activities				
Receipts				
Transfers from other Government entities/Govt. grants	6	209,830,000		261,141,87
Rendering of services- Fees from students	10	479,289,111		240,513,04
Increase/Decrease in receivables	43	(95,980,584)		-531,00
Increase in payables	43	-18,640,208		600,00
Sale of goods	11	9,704,934		10,332,81
Rental revenue from facilities and equipment	12	8,076,950		12,120,56
Other income, rentals and agency fees	14	5,000		752,99
Finance Income	13	0		
Total Receipts		592,285,203		524,930,27
Payments				
Use of goods and services	15	325,500,208		13,206,61
Employee costs	16	119,070,603		107,185,74
Other payments	17&19	25,091,365		281,241,64
Total Payments		469,662,176		401,634,00
Net cash flows from operating activities		122,623,027		123,296,27
Cash flows from investing activities				
Purchase of property, plant, equipment and intangible assets	31	-46,950,919		-98,548,23
Net cash flows used in investing activities		-46,950,919		-98,548,23
Cash flows from financing activities				
Increase in refundable deposits		1,562,500		1,669,00
Net cash flows used in financing activities		1,562,500		1,669,00
Net increase/(decrease) in cash and cash equivalents		77,234,608		26,417,03
Cash and cash equivalents at 1 July 2021		418,943,648		592,526,61
Cash and cash equivalents at 30 June 2022	26	496,178,256		618,943,64
EASTRIP Project				
Cash and cash equivalents as per the Balance Sheet	26	496,178,257	418,943,648	618,943,64

EASTRIP Project reported independently



Chairman of Council/Board

Date: 11/02/2023



Finance Officer

ICPAK No: 25428

Date: 11/02/2023



Principal

Date: 11/02/2023

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XVII. Statement of Comparison of Budget & Actual amounts for the year ended 30 June 2022

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		Utilization Difference	
	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs	2021-2022	%
Revenue												
Transfers from other Government entities Governmentt grants	50,000,000				50,000,000		209,830,000	-159,830,000			420	
Rendering of services- Fees from students	437,455,000				437,455,000		479,289,111	-41,834,110			110	
Sale of goods	7,500,000				7,500,000		9,704,935	-2,204,934			129	
Gains on disposal, rental income and agency fees	21,045,000				21,045,000		8,081,950	12,963,050			38	
Total income	516,000,000		0		516,000,000		706,905,995	-190,905,994			137	
Expenses												
Depreciation and amortization expense	95,000,000				95,000,000		29,828,326	65,171,674			31	
Employee costs	122,000,000				122,000,000		119,070,603	2,929,397			98	

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Repairs and Maintenance	19,000,000		19,000,000	15,326,576	3,673,424	81
Remuneration of directors	10,000,000		10,000,000	9,764,789	235,211	98
Use of goods and services	270,000,000		270,000,000	325,500,208	-55,500,208	121
Total expenditure	516,000,000	0	516,000,000	499,490,502	16,509,498	97
Surplus for the period	0	0	0	207,415,493		

Budget Notes:

Difference between budgeted and actual amount is due to transfers from Government(Capitation) which was not budgeted.

XVIII. Notes to the Financial Statements

1. GENERAL INFORMATION

Meru National Polytechnic is established by and derives its authority and accountability from TVET Act. The Meru National Polytechnic is semi-autonomous institution wholly owned by the Government of Kenya and is domiciled in Kenya. The Meru National Polytechnic's principal activity is to offer technical and vocational education and training.

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 Meru National 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 the notes.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the TVET Act, 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)

1. Adoption of New and Revised Standards

ii. Relevant new standards and amendments to published standards effective for the year ended 30 June 2022.

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

iii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: 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: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's

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Standard	Effective date and impact:
	<p>cash flows and the objective for which the asset is held;</p> <ul style="list-style-type: none"> • 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 2023</p> <p>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> <p>(a) The nature of such social benefits provided by the Entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p>

Standard	Effective date and impact:
	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>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.</p>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be</p>

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Standard	Effective date and impact:
	presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

- iv. **Early adoption of standards**
- v. The Meru National Polytechnic did not early – adopt any new or amended standards in year 2022.

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

ii) Revenue from exchange transactions

Rendering of services

The Meru National Polytechnic recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to 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 Meru National Polytechnic.

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.

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 2021/2022 was approved by the Council or Board on ~~xxxx~~. 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 additional appropriations of ~~xxxx~~ on the FY 2021/2022 budget following the Council/ Board's approval.

The Meru National Polytechnic'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 (cash and accrual), 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 VII of these financial statements.

c) Taxes

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.

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

4 Summary of Significant Accounting Policies (Continued)

i) Financial instruments

Financial assets

Initial recognition and measurement

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

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

Loans and borrowing

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

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

j) Inventories

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

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

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

4 Summary of Significant Accounting Policies (Continued)

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.

k) Provisions

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

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

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

Notes to the Financial Statements (Continued)

Contingent liabilities

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

Contingent assets

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

4 Summary of Significant Accounting Policies (Continued)

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates

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

n) Employee benefits

Retirement benefit plans

The Meru National 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.

o) 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.

p) 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.

4 Summary of Significant Accounting Policies (Continued)

q) Related parties

The Meru National Polytechnic 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 Meru National Polytechnic, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

r) Service concession arrangements

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

s) 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.

t) Comparative figures

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

u) 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, 2022.

3. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Meru National Polytechnic'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 Meru National Polytechnic based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Meru National Polytechnic. 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 Meru National Polytechnic
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

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

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.

(Include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

Notes to the Financial Statements (Continued)

6. Transfers from other National Government entities

Description	2021-2022	2021-2022
	KShs	KShs
Unconditional grants		
Operational grant		
Conditional grants		
Other mentorship TTI grants	2,500,000	10,355,000
Student capitation	207,330,000	250,580,372
Total Government grants and subsidies	209,830,000	260,935,372

6(b)

Transfers From National Government Ministries

Description	2021-2022	2020-2021
	KShs	KShs
Conditional grants		
Development grant	0	0
Total Government grants and subsidies	0	0

7. Grants from Donors and Development Partners

Description	2021-2022	2020-2021 Restated	2020-2021
	KShs		KShs
World Bank grants	0	0	200,000,000
Total grants from development partners	0		200,000,000

Donor Receipts wrongly included in the FS

Reconciliations of grants from donors and development partners

	2021-2022	2020-2021
	KShs	KShs
Balance unspent at beginning of year	0	
Current year receipts		0
Conditions to be met – remain liabilities	0	0

8. Transfers from Other Levels of Government

Description	2021-2022	2020-2021
	KShs	KShs
	0	0
Transfer from County XX		
Transfer from XX University	0	0
Transfer from XX Institute	0	0
Total Transfers	0	0

9. Public Contributions and Donations

Description	2021-2022	2020-2021
	KShs	KShs
Local Donations	0	206,500
Total public contributions and donations	0	206,500

10. Rendering of Services

Description	2021-2022	2020-2021
	KShs	KShs
Tuition fees	477,481,111	238,844,040
Registration fees	0	1,669,000
Graduation	1,808,000	
Total Rendering of Services	479,289,111	240,513,040

11. Sale of Goods

Description	2021-2022	2020-2021
	KShs	KShs
Sale of farm produce	8,054,204	10,332,812
Other – Kitchen sales	1,650,730	
Total Sale of goods	9,704,934	10,332,812

12. Rental revenue from facilities and equipment.

Description	2021-2022	2020-2021
	KShs	KShs
Straight-lined operating lease receipts		
Hire of facilities, conference package and meals	8,076,950	12,120,561
Total rentals	8,076,950	12,120,561

13. Finance Income

Description	2021-2022	2020-2021
	Kshs	Kshs
Cash investments and fixed deposits	0	0
Interest income from treasury bills	0	0
Interest income from treasury bonds	0	0
Interest from outstanding debtors	0	0
Total finance income	0	0

14. OTHER INCOME

Description	2021-2022	2020-2021
	KShs	KShs
Income from sale of tender	0	3,000
Income from disposal of assets	5,000	749,990
Total other income	5,000	752,990

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15. Use of Goods and Services

Description	2021-2022	2020-2021
	KShs	KShs
Security	7,119,971	6,448,999
Subscriptions	860,731	716,140
Water	146,970	50,480
Professional services	21,828	5,991,000
Advertising	1,565,681	600,524
Audit fees	600,000	600,000
Admin cost	8,634,719	8,849,918
Conferences and delegations	4,954,835	687,536
Consumables	40,828,448	47,560,362
Electricity	7,413,656	7,797,202
Fuel and oil	7,814,041	3,489,694
Licences & Permits	18,300	0
Insurance	778,388	1,533,149
Rent expenses	15,384,720	19,370,000
COVID 19 mitigation	4,003,210	9,725,604
Telecommunication	3,562,868	3,014,679
Training expenses – students	193,051,741	116,697,850
Travel and Daily subsistence allowances	26,342,979	0
Other - Bank charges	293,447	304,733
Other - Staff development	2,103,675	3,214,371
Total	325,500,208	236,652,240

16. Employee Costs

Description	2021-2022	2020-2021
	KShs	KShs
Salaries and wages	119,070,603	83,291,397
Travel, motor car, accommodation, subsistence and other allowances	0	23,894,348
Total Employee costs	119,070,603	107,185,745

17. Remuneration of Directors

Description	2021-2022	2020-2021
	KShs	KShs
Directors emoluments	9,764,789	8,198,176
Total director emoluments	9,764,789	8,198,176

18. Depreciation and Amortization Expense

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant and equipment	28,360,737	44,270,372
Intangible assets	1,467,589	1,834,486
Total depreciation and amortization	29,828,326	46,104,858

19 Repairs and Maintenance

Description	2021-2022	2020-2021
	KShs	KShs
Property	7,423,248	47,007,316
Equipment and machinery	6,691,443	987,736
Vehicles	1,211,885	1,553,291
Furniture and fittings		49,500
Computers and accessories		
Total Repairs and Maintenance	15,326,576	49,597,843

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20. Contracted Services

Description	2021-2022 KShs	2020-2021 KShs
Actuarial valuations	0	0
Investment valuations	0	0
Property valuations	0	0
Total contracted services	0	0

21. Grants and Subsidies

Description	2021-2022 KShs	2020-2021 KShs
Community Development	0	0
Education Initiatives and Programs	0	0
Social Development	0	0
Community Trust	0	0
Sporting Bodies	0	0
Total Grants and Subsidies	0	0

22. Finance Costs

Description	2021-2022 KShs	2020-2021 KShs
Borrowings (Amortized Cost)*	0	0
Finance Leases (Amortized Cost)	0	0
Unwinding of Discount	0	0
Interest on Bank Overdrafts	0	0
Interest on Loans from Commercial Banks	0	0
Total Finance Costs	0	0

(*Borrowing costs that relate to interest expense on acquisition of non- current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)

23. Gain On Sale of Assets

Description	2021-2022	2020-2021
	KShs	KShs
Property, Plant and Equipment	0	0
Intangible Assets	0	0
Other Assets not capitalised	0	0
Total Gain On Sale of Assets	0	0

24. Unrealized Gain on Fair Value Investments

Description	2021-2022	2020-2021
	KShs	KShs
Investments at Fair Value	0	0
Total Gain	0	0

25. Impairment Loss

Description	2021-2022	2020-2021
	KShs	KShs
Property, Plant and Equipment	0	0
Intangible Assets	0	0
Total Impairment Loss	0	0

26. Cash and Cash Equivalents

Description	2021-2022	2020-2021 restated	2020-2021
	KShs		KShs
Current account	486,756,015	418,943,650	618,916,272
Others: M-pesa	9,416,751		0
Others: Cash in hand	5,491		27,378
Total cash and cash equivalents	496,178,257	418,943,650	618,943,650

Cash and cash equivalents is restated to remove EASTRIP balance of 200,000,000 reported separately.

Notes to the Financial Statements (Continued)

26 (a). Detailed Analysis of Cash and Cash Equivalents

Financial institution	Account number	2021-2022	2020-2021 Restated	2020-2021
		KShs	Kshs	KShs
a) Current account				
Equity Bank (k) ltd - Development a/c	140292473814	12,126,140	12,652,579	12,652,579
Equity Bank (k) ltd - Farm a/c	1040297152680	1,321,059	2,847,816	2,847,816
Equity Bank (k) ltd - Production a/c	1040262403577	50,618,347	9,247,452	9,247,452
Equity Bank (k) ltd - Operations a/c	140292473819	136,309,118	46,220,156	46,220,156
Equity Bank (k) ltd – EASTRIP a/c	1040279407282	0	0	200,000,000
Cooperative Bank - Operations a/c	1129075143100	102,171,544	274,471,350	274,471,350
Kenya Commercial Bank - Operations a/c	1197847472	111,074,087	39,942,353	39,942,353
Equity Bank (k) ltd - Fee collection a/c	1040275976049	38,649,313	25,407,966	25,407,966
Equity Bank (k) ltd - Saku tti a/c	140262845510	1,176,444	68,563	68,563
Cooperative Bank - Tigania East TTI a/c	1139525972700	0	392,987	392,987
Equity Bank (k) ltd - Moyale tti a/c	140269121212	6,266,344	1,711,810	1,711,810
Equity Bank (k) ltd - Samburu West a/c	1040262845840	19,310,187	2,500,884	2,500,884
Equity Bank (k) ltd - Samburu North tti a/c	140269120998	7,733,432	1,350,904	1,350,904
Equity Bank (k) ltd - Samburu tti a/c	1040262403565	0	2,101,452	2,101,452
c) Others(specify)				
Cash		5,491	27,378	27,378
Mpesa		9,416,751	0	0
Sub- total		496,178,257	418,943,650	618,943,648
Grand total		496,178,257	418,943,650	618,943,648
EASTRIP project reported independently				

Notes to the Financial Statements (Continued)

27. Receivables from Exchange transactions

27(a) Current Receivables from Exchange transactions

Description	2021-2022	2020-2021
	KShs	KShs
Current receivables		
Salary advance	361,000	531,000
Total receivables from exchange transactions	361,000	531,000

27(b) Long- term Receivables from Exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Non-Current Receivables		
Refundable Deposits	0	0
Advance Payments	0	0
Public Organizations	0	0
Less: Impairment Allowance	0	0
Total	0	0
Current Portion Transferred To Current Receivables	0	0
Total Non-Current Receivables	0	0
Total Receivables	0	0

27 (c) Reconciliation for impairment Allowance on Receivables from Exchange Transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
At the beginning of the year	0	0
Provisions during the year	0	0
Recovered during the year	0	0
Write offs during the year	0	0
At the end of the year	0	0

28. Receivables from Non-Exchange Transactions

Description	2021-2022 Kshs	2020-2021 Restated Kshs	2020-2021 Kshs
Current Receivables			
Student Debtors	333,430,998.00	429,581,582	0
Rent Debtors	0	0	0
Consultancy Debtors	0	0	0
Other Exchange Debtors	0	0	0
Less: Impairment Allowance	(0)	(0)	0
Total Current Receivables	333,430,998.00	429,581,582.00	0

Student debtors previously omitted now restated

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

Description	2021-2022 Kshs	2020-2021 Kshs
At the beginning of the year	0	0
Additional provisions during the year	0	0
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	0	0

29. Inventories

Description	2021-2022 Kshs	2020-2021 Kshs
Consumable stores	0	0
Maintenance stores	0	0
Health Unit stores	0	0
Electrical stores	0	0
Cleaning Materials stores	0	0
Catering stores	0	0
Total Inventories at lower of Cost and Net Realizable Value	0	0

Notes to the Financial Statements (Continued)

30. Investments

Description	2021-2022	2020-2021
	Kshs	Kshs
a) Investment in Treasury Bills and Bonds		
Financial Institution		
CBK	0	0
CBK	0	0
Sub- Total	0	0
b) Investment with Financial Institutions/ Banks	0	0
Bank X	0	0
Bank Y	0	0
Sub- Total	0	0
c) Equity Investments (Specify)	0	0
Equity/ Shares in Company Xxx	0	0
Sub- Total	0	0
Grand Total	0	0

d) Shareholding in other entities

For investments in equity share listed under note 30 (c) above, list down the equity investments under the following categories:

Name of Entity where Investment is Held	No. of Shares			Nominal Value of Shares	Fair Value of Shares	Carrying Value of Shares
	Direct Shareholding	Indirect Shareholding	Effective Shareholding			
	%	%	%	Kshs	Kshs	Kshs
Entity A	0	0	0	0	0	0
Entity B	0	0	0	0	0	0
	0	0	0	0	0	0

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Notes to the Financial Statements (Continued)

31. Property, Plant and Equipment

	Land and Buildings		Motor vehicles		Furniture and fittings		Computers		Plant and equipment		Capital Work in progress		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost														
Total Assets during the period ended 30th June 2020	283,902,791	13,362,406	15,978,534	33,520,314	26,185,414	381,823,044	754,772,503							
Depreciation and impairment														
Depreciation charge during the year ended 30th June 2020	-	3,340,602	1,997,317	10,056,094	3,273,177	-	18,667,189							
NBV As at 30th June 2020	283,902,791	10,021,805	13,981,217	23,464,220	22,912,237	381,823,044	736,105,314							
Additions during the period ended 30th June 2021	52,395,032	9,781,045	1,098,586	2,711,807	9,330,374	21,248,293	96,565,137							
Adjustment- Valuations & Revaluations	2,255,500,000	40,500,000	44,799,800		78,612,600	551,500,000	2,970,912,400							
Total Assets during the period ended 30th June 2021	2,591,797,823	60,302,850	59,879,603	26,176,027	110,855,211	954,571,337	3,803,582,851							
Depreciation and impairment														
Depreciation charge during the year ended 30th June 2021	0	15,075,712	7,484,950	7,852,808	13,856,901	0	44,270,372							
NBV As at 30th June 2021	2,591,797,823	45,227,137	52,394,653	18,323,219	96,998,310	954,571,337	3,759,312,479							
Adjustment- Valuations & Revaluations	-283,902,791	-10,021,805	-13,981,217		-22,912,237	-381,823,044	712,641,094							
NBV As at 30th June 2021 restated	2,307,895,032	35,205,332	38,413,436	18,323,219	74,086,073	572,748,293	3,046,671,385							
Additions during the period ended 30th June 2022	0	0	0	0	0	46,950,919	46,950,919							
Total Assets during the period ended 30th June 2022	2,307,895,032	35,205,332	38,413,436	18,323,219	74,086,073	619,699,212	3,093,622,304							
Depreciation and impairment														
Depreciation charge during the year ended 30th June 2021	0	8,801,333	4,801,680	5,496,966	9,260,759	0	28,360,737							
NBV As at 30th June 2022	2,307,895,032	26,403,999	33,611,757	12,826,253	64,825,314	619,699,212	3,065,261,567							

Opening book value restated to correct overstatement of revaluation

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Notes to the Financial Statements (Continued)

CAPITAL WORK IN PROGRESS INCLUDE CAPITAL EXPENDITURE AMOUNTS IN MENTORSHIP PROJECTS AS OUTLINED BELOW

MENTORED PROJECT	EXPENDED AMOUNT DURING THE YEAR
TUITION BLOCK	24,946,209
MOYALE TVC	
IGEMBE SOUTH TVC	
MANYATTA TVC	
SAKU TVC	4,185,476
SAMBURU NORTH TVC	14,129,738
SAMBURU TVC	
SAMBURU WEST TVC	3,689,496
TIGANIA EAST	
TOTAL	46,950,919

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Notes to the Financial Statements (Continued)

32. Intangible Asset - Software

Description	2021-2022	2020-2021
	KShs	KShs
Cost		
At beginning of the year	7,337,943	7,189,329
Additions		1,983,100
Cost end of the year	7,337,943	9,172,429
Amortization and impairment		
At beginning of the year		
Amortization	1,467,589	1,834,486
Amortization at end of the year	1,467,589	1,834,486
Less :Impairment loss		
At end of the year	0	0
NBV As at 30TH JUNE 2020	5,870,355	7,337,943

33. Investment Property

Description	2021-2022	2020-2021
	KShs	KShs
At beginning of the year	0	0
Additions	0	0
Disposal during the year	0	0
Depreciation	0	0
Impairment	0	0
At end of the year	0	0

(This note applies to investment property held at cost. For investment property held at fair value, changes in fair value should go through the statement of financial performance).

34. Trade and Other Payables from Exchange Transactions

Description	2021-2022	2020-2021
	KShs	KShs
At beginning of the year	16,340,415	15,740,415
Trade payables - provision for audit fees	600,000	600,000
Fees paid in advance	17,978,188	
Third-party payments (Student clubs)	0	0
Other payables - Student welfare	62,020	0
Total trade and other payables	34,980,623	16,340,415

35. Refundable Deposits from Customers/Students

Description	2021-2022	2020-2021
	KShs	KShs
At beginning of the year	6,797,919	5,128,919
Caution money	1,562,500	1,669,000
Total deposits	8,360,419	6,797,919

36. Current Provisions

Description	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018
	KShs	KShs	KShs	KShs	KShs
Balance at The Beginning Of The Year	0	0	0	0	0
Additional Provisions	0	0	0	0	0
Provision Utilised	0	0	0	0	0
Change Due To Discount And Time Value For Money	0	0	0	0	0
Transfers From Non -Current Provisions	0	0	0	0	0
Total Provisions	0	0	0	0	0

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37. Finance Lease Obligation

Description	2021-2022	2020-2021
	Kshs	Kshs
At the start of the year	0	0
Discount interest on Lease Liability	0	0
Paid during the year	0	0
At end of the year	0	0

Maturity Analysis

Period	Amount
	Kshs
Year 1	0
Year 2	0
Year 3	0
Year 4	0
Year 5 and Onwards	0
Less: Unearned Interest	0
	0

Notes to the Financial Statements (Continued)

Analysed as:

Description	Amount
	Kshs
Current	0
Non- Current	0
Total	0

38. Deferred Income

Description	2021-2022 Kshs	2020-2021 Kshs
National Government	0	0
International Funding Bodies	0	0
Public Contributions and Donations	0	0
Total Deferred Income	0	0

The deferred income movement is as follows:

Description	National government Kshs	International Funding / Aid Kshs	Public contributions and donations Kshs	Total Kshs
Balance brought forward	0	0	0	0
Additions during the year	0	0	0	0
Transfers to capital fund	0	0	0	0
Transfers to income statement	0	0	0	0
Other transfers	0	0	0	0
Balance carried forward	0	0	0	0

Analysed as:

Description	Amount Kshs
Current	xxx
Non- Current	xxx
Total	xxx

Notes to the Financial Statements (Continued)

39. Employee Benefit Obligations

Description	Defined system plans Kshs	Post- employ- ment benefits Kshs	Other Provision Kshs	2021- 2022 Kshs	2020- 2021 Kshs
Current Benefit Obligation	0	0	0	0	0
Non-Current Benefit	0	0	0	0	0

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Obligation					
Total Employee Benefits Obligation	0	0	0	0	0

Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all full-time employees from July 1, 20xx. The scheme is administered by xxx while xxx are the custodians of the scheme. The scheme is based on xxx percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at xxx June xxx by xxx actuarial valuers on this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

Description	2021-2022	2020-2021
	KSh	KSh
Discount Rates	0	0
Future Salary Increases	0	0
Future Pension Increases	0	0
Mortality (Pre- Retirement)	0	0
Mortality (Post- Retirement)	0	0
Withdrawals	0	0
Ill Health	0	0
Retirement	No. years	No. years

Notes to the Financial Statements (Continued)

Recognition of Retirement Benefit Asset/ Liability

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

Description	2021-2022	2020-2021
	KSh	KSh
The return on defined plan assets	0	0
Actuarial gains/ losses arising from changes in demographic assumptions	0	0
Actuarial Gains/ Losses Arising From changes In Financial Assumptions	0	0
Actuarial gains and losses arising from experience adjustments	0	0
Others (<i>specify</i>)	0	0
Adjustments for restrictions on the defined benefit asset	0	0

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Remeasurement of the net defined benefit liability (asset)	0	0
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b) Amounts recognised in the Statement of Financial Position

Description	2021-2022 Kshs.	2020-2021 Kshs.
Present value of defined benefit obligations(a)	0	0
Fair value of plan assets(b)	0	0
Funded status(=a-b)	0	0
Restrictions on asset recognised	0	0
Others	0	0
Net asset or liability arising from defined benefit obligation	0	0

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. Nil per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by - Pension Fund. Employees contribute xx% while employers contribute xx% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

Notes to The Financial Statements (Continued)

40. Non-Current Provisions

Description	Long Term Provisions		Other Provisions		
	Long Term Provisions	Other Provisions	Other Provisions	Other Provisions	Other Provisions
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Balance at the beginning of the year	0	0	0	0	0
Additional Provisions	0	0	0	0	0
Provision utilised	0	0	0	0	0
Change due to discount and time value for money	0	0	0	0	0
Less: Current portion	0	0	0	0	0
Total deferred income	0	0	0	0	0

(NB: The current portion deducted in this note should tie to line on current portion transferred from non-current provisions under note 34)

41. Borrowings

Description	2021-2022	2020-2021
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	KShs	KShs
Balance at beginning of the year	0	0
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the year	0	0
Repayments of domestic borrowings during the year	0	0
Balance at end of the year	0	0

41 a) Analysis of External and Domestic Borrowings

Description	2021-2022	2020-2021
	KShs	KShs
External borrowings		
Dollar denominated loan from 'xx organization'	0	0
Sterling pound denominated loan from 'yyy organization'	0	0
Euro denominated loan from zzz organization'	0	0
Domestic borrowings	0	0
Kenya shilling loan	0	0
Total balance at end of the year	0	0

Notes to the Financial Statements (Continued)

41 b) Breakdown of Long and Short-Term Borrowings

Description	2021-2022	2020-2021
	KShs	KShs
Short Term Borrowings(Current Portion)	0	0
Long Term Borrowings	0	0
Total	0	0

(NB: the total of this statement should tie to note 42 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

42. Service Concession Arrangements

Description	2021-2022	2020-2021
	KShs	KShs
Fair value of service concession assets recognized under PPE	0	0
Accumulated depreciation to date	0	0

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Net carrying amount	0	0
Service concession liability at beginning of the year	0	0
Service concession revenue recognized	0	0
Service concession liability at end of the year	0	0

43. Cash Generated from Operations

Description	2021-2022	2020-2021
	KShs	KShs
Surplus for the year before tax	207,415,493	77,122,413
Adjusted for:		
Development grants	0	0
Depreciation	29,828,326	46,104,858
Increase/Decrease in receivables	-95,980,584	-531,000
Increase in payables	-18,640,208	600,000
Net cash flow from operating activities	122,623,027	123,296,271

Notes to the Financial Statements (Continued)

The Meru National Polytechnic also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Meru National Polytechnic's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 400.00 per employee per month.

9. Events After The Reporting Period

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

10. Ultimate And Holding Meru National Polytechnic

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

11. Currency

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

**Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2022**

**XIX. Appendices
Appendix 1: Implementation Status of Auditor-General Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference Number on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe (If it is not clear you expect the issue to be resolved)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Meru National Polytechnic responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

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Name
Accounting Officer
(Ag Chief Principal)
Date

**Meru National Polytechnic
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Appendix II: Projects Implemented by (The Meru National Polytechnic)

Projects

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

1									
2									

Status of Projects completion

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

1									
2									
3									