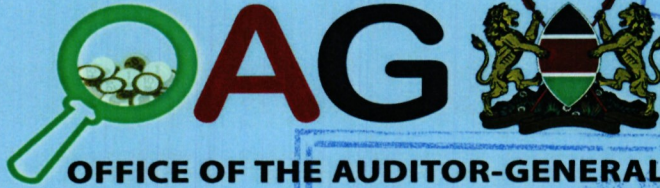


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Enhancing Accountability

THE NATIONAL ASSEMBLY

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REPORT

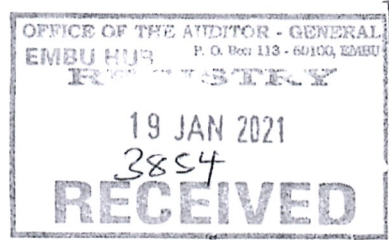
OF

THE AUDITOR-GENERAL

ON

MERU NATIONAL POLYTECHNIC

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



MERU NATIONAL POLYTECHNIC



ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

MERU NATIONAL POLYTECHNIC

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

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KEY MERU NATIONAL POLYTECHNIC 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 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Principal	Mr. Geoffrey M.C. Rukunja
2.	Deputy Principal (Admin & Finance)	Mrs. Hannah Wahome
3.	Deputy Principal (Academic Affairs)	Eng. Stephen Rukaria
4.	Dean of Students	Mr. Paul Mbaabu
5.	Registrar	Mr. Joseph Waweru

(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 Mosoti 2. Member - Treasury Representative 3. Member - Ms Linda Kiome
Finance, Infrastructure & Human Resource Committee	1. Chairperson - Eng. Callista Gitobu 2. Member - Mr. Ramji Patel 3. Member - Ms Jane Owino 4. Member - Mr. Nelson Gitau
Education, Research & Training Committee	1. Chairperson - Dr. Winston Ojenge 2. Member - Engineer Callista Gitobu 3. Member - Mrs Jane Owino Bukachi 4. Member - Mr. Nelson Gitau

KEY MERU NATIONAL POLYTECHNIC INFORMATION AND MANAGEMENT (Continued)

(f) Headquarters

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

(g) Meru National Polytechnic Contacts

Telephone (254)0742428095
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.
4. Standard Chartered Bank,
P.O BOX 109,
Meru, Kenya.
5. Housing Finance Corporation,
P.O BOX 956-60200,
Meru, 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




MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

THE COUNCIL

	PASSPORT	DATE OF BIRTH	QUALIFICATIONS	EXPERIENCE
1.	<p>MR. GEOFFREY.M.C.RUKUNJA</p>  <p>CHIEF PRINCIPAL SECRETARY TO THE COUNCIL</p>	1958	MBA (HRM Option) (Non- Member ICPSK)	Chief principal with over 20 years' experience in academic & administration in the public sector
2.	<p>DR. CECILIA C. BOSUBEN NGETICH</p>  <p>COUNCIL CHAIRPERSON</p>	1962	MBA (HRM Option) Doctor of Technology (Honorarium)	Public servant and house representative with over 10 years' experience in academic & administration in public sector.
3.	<p>ENGINEER CALLISTA KINA GITIBU</p>  <p>COUNCIL MEMBER</p>	1954	Masters in Education Administration.	Former principal and member of council Nyeri polytechnic for 3 years. KUCCPS members of board of director with over 10 years' experience in academics & administration in the public sector.




MERU NATIONAL POLYTECHNIC

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






4.	MR JULIUS MOSOTI NYAMAMBA  COUNCIL MEMBER	1962	MBA (Finance, Accounting & Strategic Management)	Lead consultant in management consultancy with over 16 years' experience in finance, audit ,corporate governance and risk management..
5.	MR.PATEL RAMJI  COUNCIL MEMBER	1963	B.sc (Quantity surveying)	Managing director mafuko industries with over 30 years' experience in the private sector as an industrialist.
6.	MRS JANE OWINO BUKACHI  COUNCIL MEMBER	1983	Master of Laws (LL.M.)	Advocate of the high court with over 10 years' experience in public and private practice.

MERU NATIONAL POLYTECHNIC

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

7.	<p>MS LINDA GAKII KIOME</p>  <p>COUNCIL MEMBER</p>	1984	Bachelor of Laws	Advocate of the high court with over 8 years' experience in public and private practice.
8.	<p>DR WINSTON OJENGE</p>  <p>COUNCIL MEMBER</p>	1969	PhD. (Computer Science)	Lecturer with over 10 years' experience in academic, research and innovation in public and private sector.
9.	<p>MR NELSON GITAU</p>  <p>COUNCIL MEMBER</p>	1964	MBA. (Project Management)	Deputy director ,TVET with over 10 years' experience as a public servant in academic & administration.

MANAGEMENT TEAM

	Manager	Area of responsibility
1.	 <p>Mr. Geoffrey MC Rukunja. MBA (HRM Option)</p>	Chief Principal.
2.	 <p>Mrs. Hannah Kimemia Wahome M.Ed</p>	Deputy Principal (Admin & Finance)
3.	 <p>Eng. Stephen Rukaria Bsc. (Civil Engineering)</p>	Deputy Principal (Academic Affairs)
4.	 <p>Mr. Paul Mbaabu M.Sc. (Procurement)</p>	Dean of Students
5.	 <p>Mr. Joseph Waweru M.Sc. (Agricultural Entomology)</p>	Registrar

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

CHAIRPERSON'S STATEMENT

Foreword

It is my great honour to present the annual report of Meru National Polytechnic for the period ended 30th June, 2020. 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 2019/2020:

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.

Key challenge

The major challenge that Meru National Polytechnic has faced during the FY2019-2020 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. Further, the unforeseen Covid-19 pandemic disrupted the last quarter operations.

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 plumbing, electrical installations, building technology; electronics and beauty therapy have gained popularity. The government is also 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.

MERU NATIONAL POLYTECHNIC

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

Appreciation

I wish to express my sincere appreciation and gratitude to the Government of Kenya through the ministry of education and the National Treasury, for the support accorded to Meru National Polytechnic during the year under review. Further, I wish to convey my appreciation to my colleagues who served in the polytechnic council during the year, and the management for their invaluable contribution and dedication in guiding the polytechnic towards achieving the results so far made.



.....
DR. CECILIA C. BOSUBEN NGETICH

CHAIRPERSON

MERU NATIONAL POLYTECHNIC COUNCIL

Date..28th August 2020.

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

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, 2020

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	654	1308	0	1962
Mechanical	73	243	190	346	0	852
Building & civil engineering	0	431	426	1039	0	1896
Electrical & Electronics	37	448	404	628	0	1517
Applied Sciences	0	152	397	186	0	735
Tourism & Hospitality	0	259	735	586	0	1580
Agriculture	0	50	295	482	0	827
Information Technology	0	0	261	639	0	900
Subtotal	110	1583	3362	5214	0	10269

Student population and students' welfare

Meru National Polytechnic admits both Government sponsored (KUCCPS) and self-sponsored (SSP) students. Up to the mid of the financial year 2019-2020, before the onset of Covid-19, the polytechnic had a student population of 10269 students. The Polytechnic has started on line program to ensure continued students' enrolment for FY2020-2021. This will be achieved through increased e-learning capacity building and also through expansion of facilities to accommodate more students. Meru National Polytechnic has a student leadership body which work with the polytechnic 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) Completed projects

1. New tuition block
2. E-learning programs
3. Demonstration farm

Performance contracting (PC)

At the commencement of the year under review, the polytechnic council signed the 2019-2020 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.

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 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

This 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.

MERU NATIONAL POLYTECHNIC

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

Appreciation

I wish to express my sincere and deep gratitude to the ministry of Education Science & Technology, 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. Stephen Rukaria

Chief Principal

Date..28th August 2020...

REVIEW OF MERU NATIONAL POLYTECHNIC PERFORMANCE FOR FY 2019/2020

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 2019/2020 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 2019/2020 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 & newly constructed classrooms	Expansion & renovation of physical infrastructure	Efficient training equipment & increased access to TVET training.

MERU NATIONAL POLYTECHNIC**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

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

CORPORATE GOVERNANCE STATEMENT

Introduction

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.

MERU NATIONAL POLYTECHNIC COUNCIL

- (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 Science and Technology.

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.

- (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 quarterly 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 2019-2020, the council held 13 regular meetings and 10 special meetings.

MERU NATIONAL POLYTECHNIC

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

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

OLD COUNCIL		FY 2019/2020	
Full council	Names	Total meetings	Attendance by each
	Mrs Josephine N.Mbaya	5	5
	Mr.Geoffrey M.C.Rukunja		5
	Mr.Julius M.M'Inoti		3
	Mrs. Eunice Munyi		4
	Mr.Ramji D.Patel		3
	County director		3
	Mr.Jamaa Abdile		3
	Dr.Mary K.Nkari		5
	Finance & Human Resource		Mrs.Josephine N.Mbaya
Mr.Geoffrey M.C.Rukunja		4	
Dr.Mary K.Nkari		4	
Mr.Julius M.M'Inoti		4	
Mr.Ramji D. Patel		4	
Audit & Risk Management	Mrs.Eunice Munyi	3	3
	Mr.Jamaa Abdile		3
	Ministry representative		3
Education & Research	Mr.Geoffrey M.C.Rukunja	3	3
	Mrs.Josephine N.Mbaya		3
	Dr.Mary N.Nkari		3
	County director TVET		3
	Mr.Ramji D.Patel		3

NEW COUNCIL			
Full council	Names	Total meetings	Attendance by each
	Dr.Cecilia C. Bosuben Ngetich	8	8
	Mr.Geoffrey M.C.Rukunja		8
	Engineer Callista K. Gitobu		8
	Mr.Julius Mosoti Nyamamba		8
	Mr.Patel D.Ramji		2
	Mrs.Jane Owino Bukachi		8
	Ms.Linda Gakii Kiome		8
	Dr. Winston Ojenge		8
	Mr.Nelson Gitau		8
	Finance & Human Resource		Engineer Callista K.Gitobu
Mr.Patel D.Ramji		1	
Mrs.Jane Owino Bukachi		1	
Dr. Winston Ojenge		1	
Mr.Nelson Gitau		1	
Audit & Risk Management	Mr.Julius Mosoti Nyamamba	1	1
	Ms. Linda Gakii Kiome		1

MERU NATIONAL POLYTECHNIC

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

Education & Research	Dr. Winston Ojenge	1	1
	Mr. Nelson Gitau		1
	Mrs. Jane Owino Bukachi		1
	Engineer Callista K. Gitobu		1
	Mr. Patel D. Ramji		1

(v) 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.

(vi) Remuneration of Meru National Polytechnic Council

Council members are entitled to sitting allowance for every meeting attended 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.

(vii) 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. Stephen Rukaria
Chief Principal

Date.....28th August 2020...

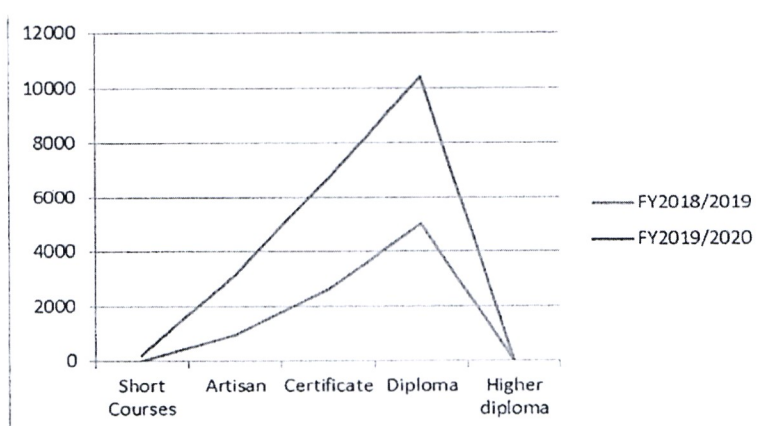
MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

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.

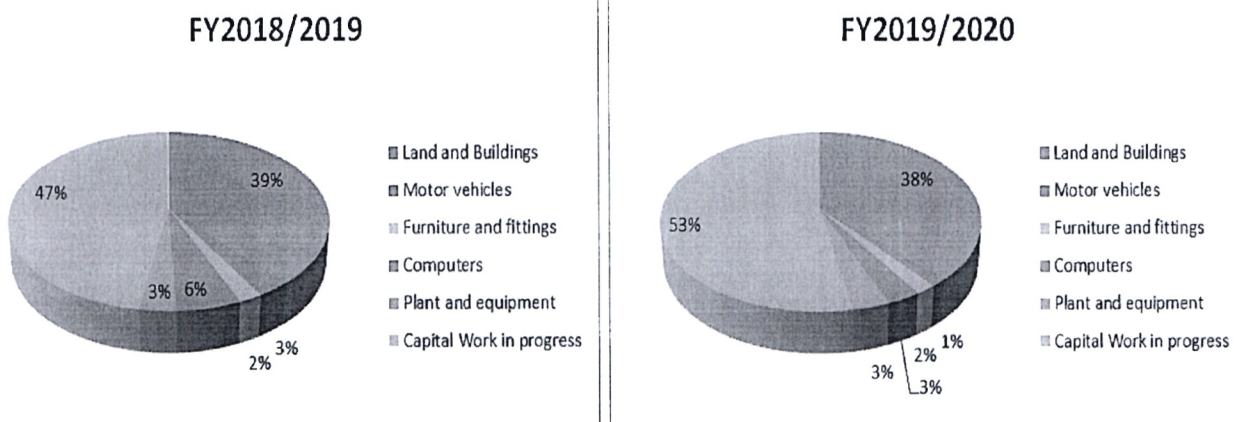
- i. Increased student enrolment, to facilitate access to technical and vocational training; as depicted comparatively in following line graph for the financial periods ended 30 June 2019 and 30 June 2020.

Graph 1.1 Meru National Polytechnic student enrolment for the financial years ended 30 June 2019 and 30 June 2020.



- 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 2019 and 30 June 2020.



- 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

MERU NATIONAL POLYTECHNIC**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

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:

	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.

MERU NATIONAL POLYTECHNIC

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

1. 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.

2. 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 occasionally students participate in cleaning of the streets of Meru town.

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

3. 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.

4. 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 PPOA 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.

5. 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. Meru National Polytechnic, 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, Meru National Polytechnic 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.

Meru National Polytechnic 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.

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

I. REPORT OF THE COUNCIL

The Council members submit their report together with the financial statements for the year ended June 30, 2020 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, 2020 are set out on page 24-60

COUNCIL

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



DR. CECILIA C. BOSUBEN NGETICH
Council Chairperson

Date: 28th August 2020

II. STATEMENT OF THE COUNCIL MEMBERS' 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 financial year/period and its operating results for that 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, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The council members accept responsibility for the 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, 2020, 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 August 2020 and signed on its behalf by:



Chairperson of the Council



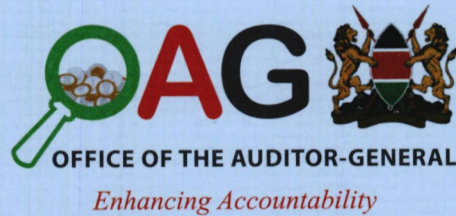
Chief Principal

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

REPORT OF THE INDEPENDENT AUDITORS ON MERU NATIONAL POLYTECHNIC

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Meru National Polytechnic set out on pages 1 to 31, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Meru National Polytechnic as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Meru National Polytechnic Order, 2016 and the Technical and Vocational Education and Training Act, 2013.

Basis for Qualified Opinion

1.0 Understated Cash and Cash Equivalents - Stale Cheques

The statement of financial position as at 30 June, 2020 reflects Kshs.592,526,615 in respect to cash and cash equivalents as disclosed in Note 20(a) to the financial statements. The balance includes Kshs.335,775,030 in respect to operations bank account. Included in the Kshs.335,775,030 is Kshs.618,983 in respect to unrepresented cheques which further includes Kshs.11,900 in respect to stale cheques that had not been replaced or reversed in the cash book as at 30 June, 2020 and therefore understating the cash and cash equivalent for the year under review by the same amount.

In the circumstances, the accuracy and validity of Kshs.335,775,030 in respect to cash and cash equivalents balances as at 30 June, 2020 could not be ascertained.

2.0 Unsupported Value of Property, Plant and Equipment

The statement of financial position reflects Kshs.736,105,315 in respect to property, plant and equipment as disclosed in Note 21 to the financial statements. As reported

in the previous year, included in the balance is Kshs.303,418,407 in respect to net book value of property, plant and equipment's as at 30 June, 2017 whose valuation records were not provided for audit review.

In the circumstances, the accuracy, completeness and valuation of the Polytechnic's fixed assets balance of Kshs.736,105,315 as at 30 June, 2020 could not be ascertained.

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

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects Kshs.1,091,552,724 in respect to approved revenue budget for the year ended 30 June, 2020 and actual revenue of Kshs.818,676,870 resulting revenue short fall of Kshs.272,875,854 or 24%. Similarly, the statement reflects approved expenditure budget of Kshs.1,091,552,724 and actual expenditure of Kshs.584,895,658 resulting in under-expenditure of Kshs.506,657,066 or 53%. Further, the statement reflects an over expenditure of Kshs.44,617,260 with respect to general expenses which lack necessary approval.

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

2.0 Presentation of Financial Statements

The finance officer did not indicate his Institute of Certified Public Accountants of Kenya (ICPAK) membership number contrary to Public Sector Accounting Standards Board (PSASB) template issued in June, 2020.

In the circumstances, the presentation of the Polytechnic's financial statements for the year ended 30 June, 2020 does not comply with the PSASB prescribed format.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for conclusion on Lawfulness and Effectiveness in use of public resources section of my report, I confirm that,

nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Non-Compliance with the Law on Ethnic Composition

The statement of financial performance for the year ended 30 June, 2020 reflects Kshs.110,194,686 in respect to employee costs as disclosed in Note 15 to the financial statements. A review of human resource records revealed that the management of Meru National Polytechnic recruited five (5) additional employees in the financial year under review. However, four (4) employees or 80% of the total recruited staff came from the dominant community 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 ethnic community.

In the circumstances, the Polytechnic is in breach of the law.

2.0 Training Expenses-Students

The statement of financial performance for the year ended 30 June, 2020 also reflects general expenses of Kshs.257,217,109 as disclosed in Note 19 to the financial statements. Included in the expenditure is Kshs.191,204,100 in respect to training expenses-students which further includes Kshs 1,376,055 paid to National Industrial Training Authority (NITA) for levy arrears out of which Kshs.1,027,455 (75%) was in respect to penalties for failure to remit NITA levies from 2007 up to 2019. The expenditure could have been avoided if the Polytechnic paid the levies on time. No justification was given by the management why the levies were not paid on time.

Further, review of records availed for audit revealed that included in the Kshs.191,204,100 is Kshs.4,659,459 spent on payments for KNEC exams practical materials and uniforms for students undertaking food and beverage course. The Kshs.4,659,459 comprised of Kshs.1,604,450, Kshs.1,518,154 and Kshs.1,536,855 paid to three companies using the request for quotations method of procurement. However, the amount involved in each procurement was above the threshold provided in the legal notice No 103 of 2013 of Kshs.1,500,000 for a class B procuring entity.

In the circumstances, the value for money for Kshs.1,027,455 and Kshs.4,659,459 expenditures in respect of penalties and KNEC exam practical, material and uniforms for students could not be ascertained and the Polytechnic is in breach of law with regard to procurement of KNEC exam practical materials and uniforms.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me

to believe that internal controls, risk management and overall governance were not effective.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Polytechnic's ability to continue to sustain its services, disclosing as applicable, matters related to sustainability of services and using the 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 Meru National Polytechnic's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 Polytechnic's policies and procedures may deteriorate.


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

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

08 February, 2022

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

	Notes	2019/2020	2018/2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	6(a)	232,244,950	138,921,515
Grants from Development Partners	7	200,000,000	
Public contributions and donations	8	15,000	0
Total Revenue from non-exchange transactions		432,259,950	138,921,515
Revenue from exchange transactions			
Rendering of services- Fees from students	9	364,412,482	727,656,694
Sale of goods	10	7,540,007	13,232,470
Rental revenue from facilities and equipment	11	14,182,832	36,887,075
Other income	12	281,359	134,740
Finance Income	13	0	37,726
Revenue from exchange transactions		386,416,680	777,948,705
Total revenue		818,676,870	916,870,220
Expenses			
Use of goods and services	14	7,617,716	9,363,687
Employee costs	15	110,194,686	50,040,418
Remuneration of directors	16	5,873,516	5,577,574
Depreciation and amortization expense	17	20,464,521	21,156,777
Repairs and maintenance	18	36,785,350	17,926,169
General expenses	19	257,217,109	429,677,999
Total expenses		438,152,898	533,742,624
Net Surplus for the year		380,523,972	383,127,596

The notes set out on pages -26- to -60- form an integral part of the Annual Financial Statements of the Meru national polytechnic.

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

IV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

	Notes	2019/2020	2018/2019
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	20	592,526,615	168,071,037
Receivables from exchange transactions	23	0	303,140
Receivables from non-exchange transactions	24	0	171,680,300
Total Current Assets		592,526,615	340,054,477
Non-current assets			
Property, plant and equipment	21	736,105,315	587,565,222
Intangible assets	22	7,189,329	8,986,661
Total Non-current Assets		743,294,644	596,551,883
Total assets		1,335,821,259	936,606,360
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	25	15,740,415	1,813,619
Refundable deposits from customers	26	5,128,919	3,625,419
Total Current Liabilities		20,869,334	5,439,038
Total liabilities		20,869,334	5,439,038
Capital and Reserves			
Accumulated surplus		1,300,657,960	920,133,988
Capital Fund		14,293,964	11,033,334
Total Capital and Reserves		1,314,951,924	931,167,322
Total Liabilities and Capital & Reserves		1,335,821,258	936,606,360

The Financial Statements set out on pages -21- to -49- were signed on behalf of the Institute Council by



Chairman of Council

Date..28th August 2020..



Finance Officer

Date..28th August 2020.



Principal

Date...28th August 2020.

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

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

	Note	Retained earnings	Capital/ Development Grants/Fund	Total
Balance b/f as at July 1, 2018		537,006,392	7,772,704	544,779,096
Net Surplus		383,127,596		383,127,596
Capital/Development grants received during the year	6(b)		3,260,630	3,260,630
Balance c/d as at June 30, 2019		920,133,988	11,033,334	931,167,322
Balance b/f as at July 1, 2019		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)		3,260,630	3,260,630
Balance c/d as at June 30, 2020		1,300,657,960	14,293,964	1,314,951,924

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

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

		2019/2020	2018/2019
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	6-8	435,520,820	142,182,145
Rendering of services- Fees from students	9	364,412,482	727,656,694
Increase/Decrease in receivables		171,983,440	(171,983,440)
Increase in payables		13,926,796	
Sale of goods	10	7,540,007	13,232,470
Rental revenue from facilities and equipment	11	14,182,832	36,887,075
Other income, rentals and agency fees	12	281,359	134,740
Finance Income	13	0	37,726
Total Receipts		1,007,847,736	748,147,410
Payments			
Use of goods and services	14	7,617,716	9,363,687
Compensation of employees	15	110,194,686	50,040,418
Other payments		299,875,975	453,181,742
Total Payments		417,688,377	512,585,847
Net cash flows from operating activities		590,159,359	235,561,563
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	21	(167,207,281)	(152,306,119)
Net cash flows used in investing activities		(167,207,281)	(152,306,119)
Cash flows from financing activities			
Increase in refundable deposits		1,503,500	2,017,697
Net cash flows used in financing activities		1,503,500	2,017,697
Net increase/(decrease) in cash and cash equivalents		424,455,578	85,273,141
Cash and cash equivalents at 1 July 2018		168,071,037	82,797,896
Cash and cash equivalents at 30 June 2019	20	592,526,615	168,071,037
Cash and cash equivalents as per the Balance Sheet		592,526,615	168,071,037

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

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

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs
Revenue										
Transfers from other Govt entities Govt grants		559,796,375			559,796,375		432,244,950		127,551,425	
Public contributions and donations		-			-		15,000		(15,000)	
Rendering of services- Fees from students		486,256,349			486,256,349		364,412,722		121,843,627	
Sale of goods		10,500,000			10,500,000		7,540,007		2,959,993	
Gains on disposal, rental income and agency fees		35,000,000			35,000,000		14,464,191		20,535,809	
Total income		1,091,552,724		-	1,091,552,724		818,676,870		272,875,854	
Expenses										
Development Projects (Capital Expenditure)		709,354,325			709,354,325		167,207,281		542,147,044	
Compensation of employees		112,584,500			112,584,500		110,194,686		2,389,814	
Use of Goods and services		9,491,000			9,491,000		7,617,716		1,873,284	
Finance costs		-			-		-		-	
Rent paid		3,806,700			3,806,700		3,069,000		737,700	
Remuneration of directors		10,000,000			10,000,000		5,873,516		4,126,484	
General expenses		246,316,199			246,316,199		290,933,459		(44,617,260)	
Grants and subsidies paid										
Total expenditure		1,091,552,724		-	1,091,552,724		584,895,658		506,657,066	
Surplus for the period		(0)		-	(0)		233,781,212		(233,781,212)	

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020

VIII. 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.

**MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

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

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

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Standard	Effective date and impact:
	(c) The impact of such social benefits provided on the Meru National Polytechnic's financial performance, financial position and cash flows.

iii. Early adoption of standards

The Meru National Polytechnic did not early – adopt any new or amended standards in year 2020.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the 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

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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 2019/2020 was approved by the Council on July 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations were added to the original budget by the Meru National Polytechnic upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Meru National Polytechnic recorded additional appropriations on the FY 2019/2020 budget following the Council 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (continued)

Sales tax/ Value Added Tax

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

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

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

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 3 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 Meru National Polytechnic recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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f) Depreciation and impairment of property, plant and equipment

Depreciation is calculated using the straight line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item, is depreciated separately.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

Typically the estimated useful life of different classes of property, plant and equipment are as follows:

- Land and buildings capital expenditures are entitled to an investment deduction of 100% hence the depreciation rate of 0%.
- Computer Software is depreciated at an annual rate of 20% over a period of 5 years.

CLASS I	CLASS II	CLASS III	CLASS IV
37.5%	30%	25%	12.5%
Heavy Lorries, trucks and tractors <i>(Over 3 tonnes).</i>	Computers, photocopiers & scanners	Motor vehicles, motor bikes, light trucks and lorries <i>(Under 3 tonnes).</i>	Furniture and fittings, Plant and equipment.

g) Leases

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

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

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

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Meru National Polytechnic. Operating

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lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

h) 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

i) Research and development costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) 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 Meru National Polytechnic determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

The Meru National Polytechnic assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset 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 that can be reliably estimated. Evidence of impairment may include the following indicators:

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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.

i) Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Meru National Polytechnic.

j) Provisions

Provisions are recognized when 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 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

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

l) 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.

m) Employee benefits

Retirement benefit plans

The Meru National Polytechnic provides retirement benefits for its employees under the National Social Security Fund (NSSF) statutory deduction at the end of each payroll period.

n) Foreign currency transactions

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

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

The Meru National Polytechnic regards a related party as a person or an Meru National Polytechnic 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 CEO/principal and senior managers.

q) 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.

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

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5 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.

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

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6 (a) TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2019-2020	2018-2019
	KShs	KShs
Unconditional grants		
Operational grant		12,250,500
Conditional grants		
Other mentorship tti grants	36,902,501	43,266,515
Student capitation	195,342,449	83,404,500
Total Government grants and subsidies	232,244,950	138,921,515

6 (b) TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2019-2020	2018-2019
	KShs	KShs
Conditional grants		
Development grant	3,260,630	3,260,630
Total Government grants and subsidies	3,260,630	3,260,630

7 GRANTS FROM DONORS AND DEVELOPMENT PARTNERS

Description	2019-2020	2018-2019
	KShs	KShs
World Bank grants	200,000,000	
Total grants from development partners	200,000,000	

Reconciliations of grants from donors and development partners

	2019-2020	2018-2019
	KShs	KShs
Balance unspent at beginning of year	0	
Current year receipts	200,000,000	
Conditions to be met – remain liabilities	200,000,000	

8 PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2019-2020	2018-2019
	KShs	KShs
Local Donations	15,000	0
Total public contributions and donations	15,000	0

9 RENDERING OF SERVICES

Description	2019-2020	2018-2019
	KShs	KShs
Tuition fees	363,222,082	545,069,153
Tuition fees - NYS	0	171,680,300
Examination fees	803,640	9,199,141
Registration fees	387,000	1,708,100
Total Rendering of Services	364,412,722	727,656,694

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 SALE OF GOODS

Description	2019-2020	2018-2019
	KShs	KShs
Sale of farm produce	7,540,007	6,766,582
Other – Kitchen sales		6,465,888
Total Sale of goods	7,540,007	13,232,470

11 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2019-2020	2018-2019
	KShs	KShs
Straight-lined operating lease receipts		54,500
Contingent rentals	14,182,832	36,832,575
Total rentals	14,182,832	36,887,075

12 OTHER INCOME

Description	2019-2020	2018-2019
	KShs	KShs
Income from sale of tender	0	3,000
Income from disposal of assets	281,359	131,740
Total other income	281,359	134,740

13 FINANCE INCOME

Description	2019-2020	2018-2019
	KShs	KShs
Cash investments and fixed deposits	0	37,726
Total other income	0	37,726

14 USE OF GOODS AND SERVICES

Description	2019-2020	2018-2019
	KShs	KShs
Security	5,102,091	6,055,687
Subscriptions	828,655	0
Water	318,970	0
Professional services	1,368,000	3,308,000
Total good and services	7,617,716	9,363,687

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 EMPLOYEE COSTS

Description	2019-2020	2018-2019
	KShs	KShs
Salaries and wages	95,668,804	45,367,293
Travel, motor car, accommodation, subsistence and other allowances	14,525,882	4,673,125
Total Employee costs	110,194,686	50,040,418

16 REMUNERATION OF DIRECTORS

Description	2019-2020	2018-2019
	KShs	KShs
Directors emoluments	5,873,516	5,577,574
Total director emoluments	5,873,516	5,577,574

17 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018-2019
	KShs	KShs
Property, plant and equipment	18,667,189	18,910,112
Intangible assets	1,797,332	2,246,665
Total depreciation and amortization	20,464,521	21,156,777

18 REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	KShs	KShs
Property	30,670,962	17,926,169
Equipment and machinery	2,522,985	
Vehicles	1,534,904	
Furniture and fittings	978,794	
Computers and accessories	1,077,705	
Total Repairs and Maintenance	36,785,350	17,926,169

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 GENERAL EXPENSES

Description	2019-2020	2018-2019
	KShs	KShs
Advertising	5,677,504	11,581,708
Audit fees	600,000	600,000
Admin cost	8,466,207	3,179,928
Conferences and delegations	562,170	2,798,674
Consumables	25,823,924	29,010,748
Electricity	6,938,295	9,896,822
Fuel and oil	6,823,813	7,514,413
Insurance	947,975	2,586,632
Rent expenses	3,069,000	
COVID 19 mitigation	1,547,802	
Telecommunication	2,804,186	2,022,876
Training expenses – students	191,204,100	350,913,328
Other - Bank charges	320,916	195,573
Other - Staff development	2,431,218	9,377,297
Total general expenses	257,217,109	429,677,999

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	KShs	KShs
Current account	592,526,615	168,071,037
Total cash and cash equivalents	592,526,615	168,071,037

20 (a). DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

Financial institution	Account number	2019-2020	2018-2019
		KShs	KShs
a) Current account			
Equity Bank (k) ltd - Development a/c	140292473814	20,280,901	2,460,403
Equity Bank (k) ltd - Farm a/c	1040297152680	281,597	1,281,773
Equity Bank (k) ltd - Production a/c	1040262403577	5,163,407	6,483,393
Equity Bank (k) ltd - Operations a/c	140292473819	335,775,030	112,774,951
Equity Bank (k) ltd – EASTRIP a/c	1040279407282	200,000,000	
Standard Chartered Bank	102062031800	132,313	145,393
Housing Finance Bank	704-000-0867	60	327,211
Cooperative Bank - Operations a/c	1129075143100	7,860,750	9,426,125
Kenya Commercial Bank - Operations a/c	1197847472	1,200,412	2,256,863
Kenya Commercial Bank -	119872731	120	688,412
Kenya Commercial Bank -	1201310776	120	88,170
Equity Bank (k) ltd - Fee collection a/c	1040275976049	1,957,590	1,418,122
Equity Bank (k) ltd - Saku tti a/c	140262845510	8,738,592	8,738,592
Equity Bank (k) ltd - Moyale tti a/c	140269121212	3,711,930	8,128,271
Equity Bank (k) ltd - Samburu West a/c	1040262845840	1,000,884	0
Cooperative Bank of Kenya - Tigania East tti a/c	1139525972700	2,252,280	4,233,991
Equity Bank (k) ltd - Samburu North tti a/c	140269120998	1,405	7,601,244
Equity Bank (k) ltd - Samburu tti a/c	1040262403565	4,161,820	1,146,859
Equity Bank (k) ltd - Chuka tti a/c	140262845461	0	0
Equity Bank (k) ltd – Economic stimulus a/c	0140296297789	0	31,499
b) Call deposit			
Equity Bank (k) ltd	1040264403400	0	1,522
c) Others(specify)			
Cash		7,407	838,243
Sub- total		592,526,615	168,071,037
Grand total		592,526,615	168,071,037

**MERU NATIONAL POLYTECHNIC
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)
21 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														
NBV As at 30th June 2018	164,195,694	7,148,523	8,358,164	14,681,788	12,326,917	258,691,455	465,402,541							
Additions during the period ended 30th June 2019	70,083,865	10,668,018	3,975,585	20,059,924	7,607,031	28,678,370	141,072,793							
Total Assets during the period ended 30th June 2019	234,279,559	17,816,541	12,333,749	34,741,712	19,933,948	287,369,825	606,475,334							
Depreciation and impairment														
Depreciation charge during the year ended 30th June 2019	0	4,454,135	1,541,719	10,422,514	2,491,744	0	18,910,112							
NBV As at 30th June 2019	234,279,559	13,362,406	10,792,030	24,319,198	17,442,204	287,369,825	587,565,222							
Additions during the period ended 30th June 2020	49,623,232	0	5,186,504	9,201,116	8,743,210	94,453,219	167,207,281							
Total Assets during the period ended 30th June 2020	283,902,791	13,362,406	15,978,534	33,520,314	26,185,415	381,823,044	754,772,504							
Depreciation and impairment														
Depreciation charge during the year ended 30th June 2020	0	3,340,601	1,997,317	10,056,094	3,273,177	0	18,667,189							
NBV As at 30th June 2020	283,902,791	10,021,804	13,981,218	23,464,220	22,912,238	381,823,044	736,105,315							

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

MENTORED PROJECT	EXPENDED AMOUNT DURING THE YEAR
TUITION BLOCK	65,715,087
MOYALE TVC	8,299,877
IGEMBE SOUTH TVC	1,981,896
MANYATTA TVC	1,981,896
SAKU TVC	64,200
SAMBURU NORTH TVC	7,780,100
SAMBURU TVC	4,029,909
SAMBURU WEST TVC	979,000
TIGANIA EAST	3,621,254
TOTAL	94,453,219

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 INTANGIBLE ASSET - SOFTWARE

Description	2019-2020	2018-2019
	KShs	KShs
Cost		
At beginning of the year	8,986,661	
Additions	0	11,233,326
Cost end of the year	8,986,661	11,233,326
Amortization and impairment		
At beginning of the year		
Amortization	1,797,332	2,246,665
Amortization at end of the year	1,797,332	2,246,665
Less :Impairment loss		
At end of the year	0	0
NBV As at 30TH JUNE 2020	7,189,329	8,986,661

23 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
Current receivables		
Salary advance	0	303,140
Total receivables from exchange transactions	0	303,140

24 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
Current receivables		
Balance b/f	171,680,300	
Debtors	62,724,100	
Paid during the year	(234,404,400)	
Transfers from other govt. entities – National Youth Service	0	171,680,300
Total receivables from non-exchange transactions	0	171,680,300

25 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
At beginning of the year	1,813,619	1,213,619
Trade payables - provision for audit fees	600,000	600,000
Fees paid in advance	13,060,796	
Third-party payments (Student clubs)	140,000	
Other payables - Student welfare	126,000	
Total trade and other payables	15,740,415	1,813,619

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2019-2020	2018-2019
	KShs	KShs
At beginning of the year	3,625,419	2,207,722
Caution money	1,503,500	1,417,697
Total deposits	5,128,919	3,625,419

27 CASH GENERATED FROM OPERATIONS

Description	2019-2020	2018-2019
	KShs	KShs
Surplus for the year before tax	380,523,972	383,127,596
Adjusted for:		
Development grants	3,260,630	3,260,630
Depreciation	20,464,521	21,156,777
Increase/Decrease in receivables	171,983,440	171,983,440
Increase in payables	13,926,796	-
Net cash flow from operating activities	590,159,359	235,561,563

28 FINANCIAL RISK MANAGEMENT

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

The Meru National Polytechnic's financial risk management objectives and policies are detailed below:

(i) Credit risk

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

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

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

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FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

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

The Meru National Polytechnic has significant concentration of credit risk on amounts due from 2020.

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

(ii) Liquidity risk management

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

(iii) Market risk

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

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

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

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

iv) Interest rate risk

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

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FINANCIAL RISK MANAGEMENT (Continued)

Management of interest rate risk

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

Sensitivity analysis

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

v) **Capital Risk Management**

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

Description	2019-2020	2018-2019
	KShs	KShs
Retained earnings	1,300,657,960	920,133,988
Capital reserve	14,293,964	11,033,334
Total funds	1,314,951,924	931,167,322
Total borrowings	0	0
Less: cash and bank balances	592,526,615	168,071,037
Net debt/(excess cash and cash equivalents)	1,907,478,539	1,099,238,359
Gearing	0%	0%

MERU NATIONAL POLYTECHNIC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

- i) Ministry of Education;
- ii) Technical And Vocational Education and Training Authority (TVETA);
- iii) Key management;
- iv) Polytechnic Council;

Description	2019-2020	2018-2019
	KShs	KShs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	363,221,842	142,182,145
Grants from Development partners – World Bank	200,000,000	
Total	563,221,842	142,182,145
b) Key management compensation		
Directors' emoluments	5,873,516	5,577,574
Total	569,095,358	147,759,719

MERU NATIONAL POLYTECHNIC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 EVENTS AFTER THE REPORTING PERIOD

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

31 ULTIMATE AND HOLDING MERU NATIONAL POLYTECHNIC

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

32 CURRENCY

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

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
NOTE YET ISSUED					



DR. CECILIA C. BOSUBEN NGETICH
Chairperson of the Council
 Date...28th August 2020...

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	NONE					
2						

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	N/A						
2							
3							

MERU NATIONAL POLYTECHNIC
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APPENDIX III: INTER- ENTITY TRANSFERS

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


MERU NATIONAL POLYTECHNIC NAME:			
Break down of Transfers from the State Department of TVET Ministry of Education.			
FY 2019/2020			
a	Recurrent Grants		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
	Student tuition capitation grants	12/07/2019	51,807,449
	Student tuition capitation grants	18/10/2019	52,777,500
	Student tuition capitation grants	11/06/2020	90,757,500
	Student tuition capitation grants	11/07/2019	8,604,629
	Samburu TVC Student tuition capitation grants	18/05/2020	735,000.00
	Total		204,682,078
b	Development Grants		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
	Development Grants	10/07/2019	3,260,630
	Total		3,260,630.00
c	Other mentorship project grants		
	Equipping TVC's with furniture	10/07/2019	10,000,000
	Other mentorship project grants	28/10/2019	2,352,600
	Other mentorship project grants	27/04/2020	1,000,000
	Other mentorship project grants	27/04/2020	1,000,000
	Other mentorship project grants	27/04/2020	1,000,000
	Other mentorship project grants	02/06/2020	1,219,400
	Other mentorship project grants	30/06/2020	8,738,592
	Other mentorship project grants	30/06/2020	2,252,280
	Total		27,562,872
	Total		235,505,580

Finance Manager
 Meru National Polytechnic

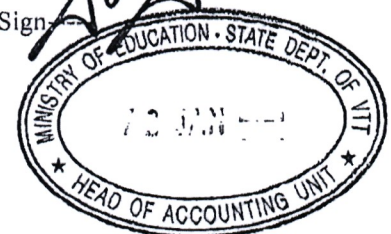
Head of Accounting Unit
 Ministry of Education



Sign ---



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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized	Total Transfers during the Year
	as per bank statement				
Ministry of Education	12/07/2019	Student tuition capitation grants	51,807,449	51,807,449	51,807,449
Ministry of Education	18/10/2019	Student tuition capitation grants	52,777,500	52,777,500	52,777,500
Ministry of Education	11/06/2020	Student tuition capitation grants	90,757,500	90,757,500	90,757,500
Ministry of Education	11/07/2019	Student tuition capitation grants	8,604,629	8,604,629	8,604,629
Ministry of Education	18/05/2020	Samburu TVC Student tuition capitation grants	735,000.00	735,000.00	735,000.00
Ministry of Education	10/07/2019	Development	3,260,630	3,260,630	3,260,630
Ministry of Education	10/07/2019	Equipping TVC's with furniture	10,000,000	10,000,000	10,000,000
Ministry of Education	28/10/2019	Other mentorship project grants	2,352,600	2,352,600	2,352,600
Ministry of Education	27/04/2020	Other mentorship project grants	1,000,000	1,000,000	1,000,000
Ministry of Education	27/04/2020	Other mentorship project grants	1,000,000	1,000,000	1,000,000
Ministry of Education	27/04/2020	Other mentorship project grants	1,000,000	1,000,000	1,000,000
Ministry of Education	02/06/2020	Other mentorship project grants	1,219,400	1,219,400	1,219,400
Ministry of Education	30/06/2020	Other mentorship project grants	8,738,592	8,738,592	8,738,592
Ministry of Education	30/06/2020	Other mentorship project grants	2,252,280	2,252,280	2,252,280
TOTAL			235,505,580	235,505,580	235,505,580