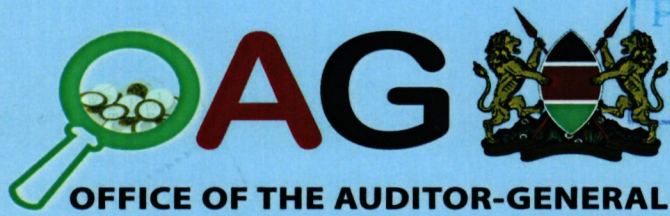



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THE AUDITOR-GENERAL

ON

THE ELDORET NATIONAL POLYTECHNIC

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



THE ELDORET 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)- Accrual.

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KEY ELDORET NATIONAL POLYTECHNIC INFORMATION AND MANAGEMENT

A. Background information

The Eldoret National Polytechnic was established as per the legal notice No. 120 in the Kenya Gazette Supplement No. 30 dated 8TH May 1987 under the Education Act (Cap. 211) conferring the Minister then to make an order establishing the Board of Governors of The Eldoret Polytechnic referred to as -THE EDUCATION (BOARD OF GOVERNORS) (ELDORET POLYTECHNIC), ORDER, 1987. Subsequent to this order, the institution changed status as per Kenya Gazette Legal Notice No.114 dated 22nd August, 2014 for THE TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING ACT (no. 29 of 2013) which states;

IN EXERCISE of the powers conferred by section 26 (2) of the Technical and Vocational Education and Training Act, 2013, the Cabinet Secretary for Education Science and Technology makes the following Order: - THE ELDORET NATIONAL POLYTECHNIC ORDER, 2014 hence recognizing the GOVERNING COUNCIL as responsible for the general policy and strategic direction of The Eldoret National Polytechnic.

B. Principal Activities

i. Vision

The Vision of The Eldoret National Polytechnic is to be a center of excellence in technical advancement.

ii. Mission

The mission of The Eldoret National Polytechnic is to produce human capital and advance technology through innovative training for a dynamic economy.

iii. Core Values

At The Eldoret National Polytechnic, we are committed to the following values:

- a) Customer Focus,
- b) Creativity & Innovation,
- c) Integrity,
- d) Professionalism,
- e) Team Work.

The following are objectives and functions;

- 1) To restructure the Governing organs including Governing Council and management committee to be compatible with a degree awarding institution with appropriate industrial cluster;
- 2) To establish and maintain effective and strategic leadership that is able to formulate policies and monitor the achievement of institutional vision, mission and objectives;
- 3) To establish and encourage democratic governance and management of the institution;
- 4) To promote and adopt principle of good corporate governance and achieve high quality of work, image and culture to ISO 9001-2015 standards;

- 5) To strengthen guidance and counselling and public relations office;
- 6) To attract and retain highly qualified competent and motivated human resource for the institution;
- 7) To develop human resource capacity and capability that is able to provide an excellent service delivery in teaching and research for the institution;
- 8) To develop and upgrade teaching/learning facilities and equipment up-to the required international standards;
- 9) To develop quality ICT infrastructure for learning, research, effective and efficient institutional management information systems;
- 10) To develop high quality academic and research programs that are market driven so as to contribute towards training of competent innovative graduates;
- 11) To restructure and broaden resource base of the growing institution by diversifying sources of income and improving the resource management system;
- 12) To harmonize admission criteria to meet quality assurance standards; and
- 13) To promote and establish collaboration, linkages and networking with other institutions.

C. KEY MANAGEMENT TEAM





The entities day to day management is under the following key organs:

- The governing council members
- Accounting officer/ The chief principal.
- Deputy Principal Administration
- Deputy Principal Academics
- Registrar
- Dean of students and
- Finance officer

D. FIDUCIARY MANAGEMENT TEAM

NO	DESIGNATION	NAME
1	Chief Principal	Josphat Sawe
2	James Mwangi	Deputy Principal-Academics
3	Emanuel Meres	Deputy Principal-Administration
4	John Gitau	Registrar
5	Benjamin Maiyo	Dean of Students
6	Richard Sang	Finance Officer

E. FIDUCIARY OVERSIGHT ARRANGEMENTS

Name of the Committee	Members
 Finance, administration and general-purpose committee	<ol style="list-style-type: none"> 1. Diana Phanice Muyoka Lukosi (Chairperson) 2. Dr. Paul K. Murgor 3. CPA Patrick Stom 4. Gichuru Mutulili 5. Josphat K. Sawe (Secretary)
 Audit Risk & Governance committee	<ol style="list-style-type: none"> 1. Victoria Chepseba (Chairperson) 2. Victoria Chepseba 3. Dr. Paul K. Murgor 4. CPA Patrick Stom 5. Eng. Claude Busieney 6. ZachariaKoech (Secretary)
 Infrastructure, Equipment & Management system committee	<ol style="list-style-type: none"> 1. Dr. Paul K. Murgor (Chairman) 2. Prof. Peter Okemwa 3. Eng. Claude Busieney 4. Dr. Wesley Mutai 5. Josphat K. Sawe (Secretary)
 Education, Research & Training committee	<ol style="list-style-type: none"> 1. Prof. Peter Okemwa (Chairman) 2. Dr. Wesley Mutai 3. Diana PhaniceMuyokaLukosi 4. Gichuru Mutulili 5. Josphat K. Sawe(Secretary)

- F) Headquarters & address
P.O. Box 4461 code 30100

Kisumu Road

Eldoret, KENYA
- G) Contacts
Telephone: (254) 708212633,

(054) 714871685

E-mail:
eldopoly@africaonline.co.ke

Website: www.tenp.ac.ke
- H) Bankers
National Bank of Kenya Ltd
Eldoret Branch
P.O. Box 3111 code 30100
Eldoret, Kenya
Co-operative Bank of Kenya Ltd
P.O. Box 2948 code 30100
Eldoret, Kenya
- I) Independent Auditors
Auditor General
Kenya National Audit Office
Anniversary Towers, University
Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya
- J) Principal Legal Adviser
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112 City Square 00200
Nairobi, Kenya

THE GOVERNING COUNCIL MEMBERS

Prof. Mabel Imbuga, BSc.,MSc.,PhD., MBA, EBS, Hon DSC Cardiff Met



Chairperson, Governing Council

key profession/academic qualifications

Prof. Imbuga was born on 7th July, 1951. She is currently the Chairperson of the Governing Council of the polytechnic. She has wealth of experience of corporate & public Education administration having worked in Public Universities as a Vice Chancellor of Jomo Kenyatta University of Agriculture & Technology. She is a Professor of Biochemistry with over 35 years of teaching, Scholarly and leadership experience. She is a graduate in Bsc. (Hon) from University of Nairobi (1975), a Masters graduate in MSc. (Biochemistry) from the University of Nairobi (1980), PhD. Biochemistry from the University of Nairobi (1988) and MBA (Strategic Management) from ESAMI (2008).

Dr. Paul K. Murgor, PhD,MBA,BSc, Dip(Egerton)- Member of the Governing Council

Dr. Murgor was born on 5th November, 1965. He is currently the Chairman for Infra-Structure, Equipment & Management System. He is a highly accomplished and dedicated professional with over 20 years' diverse experience. He is the current Managing Director of Eldoret Water & Sanitation. Previously worked for different organizations both in private and public corporations like Mumias Sugar Company, New KCC Ltd amongst others. He has a PhD in Business Administration (Strategic Management) and Master's Degree in Business Administration both from the University of Nairobi and a Bachelor Science in Business Administration (Marketing) from United States International University (USIU-A). He also has a post graduate Diploma from Egerton University.



Diana Phanice M. Lukosi, B.A, EMBA, M.A-Member of the Governing Council



Diana was born on 10th September, 1976. She is currently the chair person for Finance, Administration & General-purpose committee. Her experience is in the field of Tax and administration. She is the Director of Training & Certifications at Kenya Association of Project Managers and a lecturer at Africa Nazarene University. She has been a director a Rift Valley Water Service Board, Senior Tax Auditor, Senior Revenue Officer and Senior Policy Analyst at Kenya Revenue Authority. She has a master of arts degree from the University of Nairobi (2011) and also a M.A administration (Finance) from JKUAT (2010). She is a graduate in B.A from the University of Nairobi (2000) and CPA 2.

Victoria J. Chepseba, LLB(Hons)-Moi University-Member of the Governing Council

Victoria was born on 9th December, 1976. She is a member of the Infrastructure committee of the polytechnic's Governing Council and an active member of LSK in good standing. She is also an Advocate of the High Court of Kenya with effect from 18/11/2004. She is currently in legal practice and also a Diocesan chancellor at the ACK Diocese of Eldoret and a board member in various institutions including Konza Technopolis Development Authority. Victoria is a holder of Bachelor of Law from Moi University and also currently pursuing her masters in Child and Family law at the same university. She is also a holder of a diploma in Business Administration the Eldoret National Polytechnic



Dr. Wesley K. Mutai, PhD,MPhil, Bed-Member of the Governing Council

Wesley was born on 28th December, 1967. He has a wealth of experience in Education Technology. At the moment, he is a lecturer at Moi University in the Department of Technology Education. He has been a lecturer in Public tertiary institutions namely Masinde Muliro University of science & Technology, Egerton University and Eldoret Polytechnic. He is a holder of PhD from the university of Eldoret (2018), a Master's degree in Technology Education from Moi University (2003) and a graduate degree in Technology Education from Moi University (1992). He is a member of Institute of Engineers & Technologists (IET).



Peter was born in 1961. He is a member of the Infrastructure committee of the Governing Council and he is currently an associate professor in the department of Technology Education at the University of Eldoret. He has a PhD in manufacturing and automation from the University of Shanghai Jiao Tong, China. He attained his masters' degree in engineering from Tsinghua University, China. Professor did his diploma in mechanical Engineering and graduated from Kenya Polytechnic after attaining his diploma in Technical Education from Kenya Technical Training College



Prof. Peter Okemwa, PhD.-Member of the Governing Council

Patrick MbehiStom, Msc(Finance-JKUAT), Member ICPAK-Member of the Governing Council



- ✓ **Alternate Representative of the PS, The National Treasury**
- ✓ **Member of the Governing Council**

Mr Patrick Mbehi Stom was born on 6.4.1981. He is an accountant and a financial analyst. He works in the department of Government Investment and Public Enterprises at The National Treasury. He holds a Master's of Science degree in Finance from Jomo Kenyatta University of Technology, Bachelor degree in Business Administration (Accounting option) from Moi University, Certified Public Accountants of Kenya, Certified Securities and Investment Analysts Part II. Mr. Stom is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) with wealth of experience in Public Sector Financial Management. He has undertaken several work improvement skills, development training, workshops and seminars on management and governance.

**Josphat K. Sawe-Med(Baraton), Bed(CUEA), Diploma(Education)-Chief Principal/ Secretary
Governing Council**

Josphat was born on 12th December, 1958. He is the chief executive officer of the polytechnic serving as the principal and secretary to the Governing Council. He has a wealth of experience in Educational Administration Management having served as a principal in various institutions. He has been a deputy principal, head of department at Primary teacher training college and a teacher in high school. He has a master's degree in Educational Administration from the University of East Africa, Baraton. He attained his Bachelor's degree in Education from Catholic University and also has a diploma in Education.



MANAGEMENT TEAM

The Eldoret National Polytechnic annual report and financial statements for the year ended 30th June, 2020



Mr. Josphat k. Sawe-
Chief Principal/ Chief
Executive Officer



Mr. Benjamin Maiyo
Dean of Students



Mr. Emmanuel Meres-
Deputy
Principal(Administration)



Mr. James Mwangi
Deputy Principal –
Academics



Mr. John Gitau,
Registrar



Mr. Richard Sang
Finance Officer

REPORT FROM THE GOVERNING COUNCIL CHAIR PERSON

I am delighted to present this financial report for the year ended 30th June, 2020.

As a team we undertake and commit ourselves to provide unparalleled leadership to this institution so that the vision of the institution of being a center of excellence in technological advancement may be attained. Being a dynamic and progressive institution, the Polytechnic needs a lot of financial and material support from the Government and other stakeholders at this critical period of having been elevated to a National Polytechnic status in order to realize its academic and physical infrastructure development.

Indeed, the Governing Council of Eldoret National Polytechnic is committed to providing new appropriate facilities and improving existing ones to facilitate effective learning and teaching. In the financial year under review, we worked very hard towards accomplishing this duty. For instance, we succeeded in enhancing physical facilities in the institution to cater for the increasing number of students which stand at over 13,000 currently.

With the help of the Ministry of Education, Science and Technology, we have successfully natured and handed over Ziwa, Endebess and Turkana East Technical Training Institutes. We have also completed construction works on the Science laboratory hospitality department complex, Kitchen Annex, Ablution, Changing Rooms and a field Podium here in main campus. All these are to enhance public access to technological training.

I take this opportunity once again to thank The Ministry of Education, Science and Technology for funding our activities to ensure our continued progress during the year under review. I also appreciate our sponsors and other stakeholders who chose

The Eldoret National Polytechnic annual report and financial statements for the year ended 30th June, 2020

to partner with us in different ways during this year. The unwavering support, patience and understanding exhibited by our staff, students and the suppliers of services and goods during times of challenges along the way are highly appreciated by the Governing Council. Similarly, the immense contributions and the support I received from the previous members of the Council is invaluable and highly appreciated.

I also thank the Principal for his robust leadership and guidance to the Polytechnic during the year. The passion and positive attitude we all exhibited during the year gives us hope and courage that we are all ready and prepared to face the future as a prospective Centre of Excellence in the region with confidence as we look forward to another successful year.



Prof. Mabel Imbuga

Chair Person, Governing Council

Date: 30th September, 2020

REPORT FROM THE CHIEF EXECUTIVE OFFICER

As a Polytechnic, the institution is well placed to provide adequate and relevant knowledge to its graduates that will enable them to contribute towards the attainment of our country's Vision 2030, Strategic Development Goals, Medium Term Programme 3 strategic objectives and supporting the drive in realizing the objectives of the National Government's 'Big Four' agenda. In furtherance of our mandate therefore, we have committed ourselves to consistently and regularly review, improve and consolidate our academic programs in several ways that will ensure their competitiveness in terms of quality and relevance. With the guidance of the Governing Council, we worked hard in setting up structures and policies aimed at guiding the institution in the right strategic direction. We have been able to attain and comply with the ISO 9001-2015 certifications. We also collaborated with a Canadian institution namely Algonquin College who have donated equipment worth Ksh. 24 M. Under my leadership and the overall direction of the Polytechnic's Governing Council we were able also to be in the forefront in ensuring that financial resources were utilized efficiently and effectively for optimum output. Despite the many challenges brought about by economic constraints, the Polytechnic nevertheless continued to discharge its mandate of teaching, research and outreach.

**“
In furtherance of our mandate therefore, we have
committed ourselves to consistently and regularly review,
improve and consolidate our academic programs in several
ways that will ensure their competitiveness in terms of quality
and relevance”**

The sources of funding to the Polytechnic at the end of this financial year i.e 30 June, 2020, were internally generated revenue (Appropriations-In-Aid) from fees of **Ksh. 544,000,301**. No Exchequer Recurrent grants were remitted during the year out of the expected

Ksh. 105,000,000. The recurrent expenditure totaled **Ksh. 509,909,605**, therefore the Polytechnic closed the year with a surplus of **Kshs. 34,090,696**.

The Eldoret National Polytechnic annual report and financial statements for the year ended 30th June, 2020

The Eldoret National Polytechnic being a national institution desires to enhance its visibility, performance, and competitiveness in the tertiary education sector in the face of stiff competition. To do so, however the Polytechnic requires a lot of support from the National Government and other stakeholders in this crucial transitional stage to a National Polytechnic in terms of funding, material support and other contributions. We shall continue to appeal for such support for several years to come.

On behalf of the Polytechnic Governing Council and Management, I take this opportunity to thank the National Government for its unequivocal support by recruiting additional trainers during the quarter under review. I also appreciate the financial, material and moral support of our collaborators, partners and friends during the period. It is because of the co-operation with the National Government through the Ministry of Education, other stake holders and more importantly guidance of the Governing Council steered by the able Chairperson of the Council as well as the mutual cooperation of the Management team, all staff and our students that we ended the quarter within an environment of peace and stability. I wish to register my gratitude to them all.

I look forward to their continued support in the next new financial year and the subsequent periods ahead.



Mr. Josphat K.Sawe

CHIEF PRINCIPAL/Secretary, Governing Council

Date: 30th September, 2020

REVIEW OF THE ELDORET NATIONAL POLYTECHNIC PERFORMANCE FOR FYR 2019/2020

This long-term master plan is anchored on three major pillars with ten core foundations. The pillars include Political, Social and Economic pillars. The first seven of these foundations are closely linked to the economic and social pillars. These are: macroeconomic stability for long-term development; enhanced equity and wealth creation opportunities for the poor; infrastructure; energy; Science, Technology and Innovation (STI); land reform; and human resource development. Underpinning these seven socioeconomic foundations are three further foundations that are closely linked to the political pillar of Vision 2030, namely: public service reforms; enhanced security; and Governance Reforms.

Medium Term Plans (MTPs)

Various Medium Term Plans (MTPs) have been formulated. To date MTP1, and MTP2 has lapsed. Currently the GOK is implementing MTP3 which will run up to year 2022. These MTPs and Big Four agenda act as an avenue of achieving vision 2030 effectively.

The Big Four agenda

The Big Four agenda intend to focus more on policies and projects that directly impact the life of the ordinary citizen. Big four vision evolves around issues that directly affect the common man such as cost of living, jobs, shelter and health care. Big Four pillars include food security, manufacturing, housing and universal health care.

Food security:

The key to achieving food security is prioritizing projects with immediate positive and sustainable impact on food production. Besides resuscitating large scale irrigation projects, smallholder farmers should also be supported as they constitute the bulk of the food production ecosystem. In addition, fiscal reforms to spur agricultural productivity and efficiency are critical. To enhance food security GOK intends to provide incentives in grain storage facilities, irrigation, water harvesting, value addition to agricultural products and also lay down policies and legislative framework that will enhance food production.

Manufacturing:

Secondary and tertiary level of production does not only improve the standard of living but also provides employment to citizens. The GOK intends to increase production in manufacturing sector to 20% by year 2022. To achieve these vision, it intends expand various industries such as Textile processing, Leather tanning, production of Construction materials, Agro-processing in tea sugar, dairy and crop value addition, Oil, gas mining;

exploration and extraction Iron and steel; ICT- phone, laptops, television assembly plant; Fish processing; among others.

Housing:

The proposed reduction of corporate tax to 15 per cent for developers who put up a minimum of 100 housing units per annum appears aimed at encouraging private investment in affordable housing. Construction of one million affordable housing units by 2022 under the housing pillar of the Big Four requires Public-Private Partnership (PPP). The government alone cannot meet this target. The formation of the Kenya Mortgage Refinance Company is now underway to provide a vehicle for long-term financing of the housing sector.

Universal health care:

GOK intends to ensure Universal Health Care (UHC) will be available to all her citizens by the year 2022. That is, ensuring all Kenyans access affordable, quality healthcare. GOK has made recommendable strides in enhancing use of NHIF, availability of safe water and sanitation, health workers, food and nutrition throughout the country. To achieve these agenda must begin building a pool of human capital with adequate knowledge and skills in health services provision like doctor, nurses, and community workers among others.

CORPORATE GOVERNANCE STATEMENT

The Eldoret National Polytechnic is committed to good corporate governance, which promotes the long-term interests of the Government of Kenya and any other stakeholder, strengthens Governing Council and management accountability and helps build public trust in the Polytechnic.

The Governing Council is appointed by the Government of Kenya through the Cabinet Secretary, Ministry of Education, science and technology to oversee their interest in the long-term health and the overall success of the business and its financial strength in order to discharge its mandate in training. The Governing Council serves as the ultimate decision-making body of the Polytechnic, except for those matters reserved to or shared with the Government of Kenya. The Governing Council selects and oversees the members of senior management, who are charged by the Governing Council with conducting the business of the Polytechnic in line with the Technical, Vocational, Education & Training

Act of 2013 and the constitution of the Republic of Kenya.

The Governing Council has established Corporate Governance Guidelines which provide a framework for the effective governance of the Polytechnic. The guidelines address matters such as the Governing Council's Vision and mission, overall strategy, members' responsibilities, Governing Council committee structure, recommendation of the Chief Executive Officer, Over-sighting the performance and evaluation of management. The Governing Council regularly reviews developments in corporate governance and updates the Corporate Governance Guidelines and other governance materials as it deems necessary and appropriate.

The Polytechnic's corporate governance materials, including the Corporate Governance Guidelines, the Polytechnic's legal order, the terms and reference for each Governing Council committee, the Polytechnic's Codes of Business Conduct, information about how to report concerns about the Polytechnic and the Polytechnic's public policy engagement and technological contributions policy, can be accessed by visiting the polytechnic's website: www.tenp.ac.ke.

MANAGEMENT DISCUSSION AND ANALYSIS

The Eldoret National polytechnic operational and financial performance

The polytechnic realized A.I.A of **Ksh 544,000,301**. During the period the recurrent expenditure stood at **Ksh 509,909,605**, therefore the polytechnic closed the quarter with a surplus of **Ksh 34,090,696**. The surplus was attributed to the consistent remission of student capitation during the financial period.

However, the polytechnic has been getting support from the national government on staffing and other projects

The Eldoret National Polytechnic compliance with statutory requirement

The Eldoret National Polytechnic has complied with all statutory requirements which include prompt remittance of NSSF, NHIF, PAYE, Withholding taxes pension schemes funds and NITA levies.

Key projects and investment decisions The Eldoret National Polytechnic is planning or implementing.

The following are on-going projects at the Eldoret National Polytechnic funded using grants from the national government and internally generated funds (A.I.A).

WORK IN PROGRESS SUMMARY AS AT 30.6.2020

	PROJECT NAME	Ksh
1	FABRICATED LECTURE ROOMS	10,875,663
2	APPLIED SCIENCE LAB (PHASE 2)	12,906,776
3	CCTV	230,000
4	CCTV	790,041
	Total expenditure	24,802,479

RISKS FACING THE ELDORET NATIONAL POLYTECHNIC

The Eldoret National Polytechnic being a national institution desires to enhance its visibility, performance, and competitiveness in the tertiary education sector in the face of competition from newly established Technical Institutions and private institutes. However, we strive a niche market share in the TIVET Sector. To do so however the polytechnic requires a lot of support from the Government and other stakeholders in the crucial stage in terms of funding, material support and other contributions. The challenges include the decrease in exchequer grants and student capitation levels and non-remittance of the same. This will highly likely lead to failure to honour obligations when they fall due. Such a scenario would expose the institution to litigations. The other risk is the ever-increasing debt levels which requires concerted efforts to avoid such debts turning into delinquent or bad debts. These includes fees receivables (debtors) and other receivables totalling **Ksh 256,161,905**.

Recently, the institution has faced a major risk of reduced revenue as a result of challenges brought by the Covid-19 pandemic.

Material arrears in statutory/financial obligations.

The Eldoret National Polytechnic is a law-abiding institution and is committed to its core mandates hence it has no statutory or tax default to date. The college rolled out a staff pension scheme in July 2018 as per the law and has complied as per the provisions of retirement benefits Act.2016 and the revised retirement benefits Act No. 3 of 1997.

The Eldoret National Polytechnic financial probity and serious governance issues

The Eldoret National Polytechnic has no financial probity and serious governance issues among the governing council members or the top management in so far as conflict of interest are concerned.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Eldoret National Polytechnics strategy for social responsibility includes a commitment to pursue change across the following priority areas:

- **Research with impact**

Our research is making a positive difference to society, addressing the major challenges of the 21st century.

- **Socially responsible graduates**

Our graduates are learning to exercise ethical, social and environmental responsibility.

- **Engaging our communities**

Our events and activities are harnessing our knowledge, resources and visitor attractions for the benefit of our communities.

- **Responsible processes**

Our processes are balancing efficiency with opportunities to create social and environmental benefit.

- **Environmental sustainability**

Our research, teaching and activities are guided by our commitment to environmental sustainability.

We also have a number of Technological areas for our research, teaching, community engagement and processes, allowing us to focus and measure our efforts in making a difference to society.

The Eldoret National Polytechnic annual report and financial statements for the year ended 30th June, 2020

REPORT OF THE GOVERNING COUNCIL

The Governing Council submits their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the *The Eldoret National Polytechnic's* affairs.

Principal activities

The principal activities of the The Eldoret National Polytechnic are;

- (a) Provide directly, or in collaboration with other institutions of higher learning, facilities for technical trainers in technological, professional, scientific education;
- (b) Participate in technological innovation as well as in the discovery, transmission and enhancement of knowledge and to stimulate the intellectual life in the economic, social cultural, scientific, and technological development;
- (c) Contribute to industrial and technological development of Kenya in collaboration with industry and other organizations through transfer of technology;
- (d) Examine and make proposals for new diploma courses and subjects of study, institutes, departments, resource and research and innovation;
- (e) Promote and establish a culture of innovation in engineering and technology, and technology transfer amongst staff and students;
- (f) Develop an institution with excellence in teaching, training, scholarship, entrepreneurship, research, consultancy, community service, among other educational services and products, with emphasis on technology and its development, impact and application within and outside Kenya.
- (g) provide a multi-level system of post-secondary school education and training programs relevant to the needs of the community covering a wide range of fields and levels with provision for recognition of prior learning and flexibility of transition between programs;
- (h) Provide high quality educational, research, residential, commercial, cultural, social, recreational, sporting and other facilities;
- (i) Advance knowledge and its practical application by research and other means, the dissemination of outcomes of research by various means, and the commercial exploitation of search results;
- (j) Promote critical enquiry within the polytechnic and in the general community;
- (k) Participate in commercial ventures and activities;
- (l) Foster the general welfare of all staff and students;
- (m) Provide opportunities for development and further training for staff of the National Polytechnic;

The Eldoret National Polytechnic annual report and financial statements for the year ended 30th June, 2020

(n) Develop and provide educational, cultural, professional technical and vocational services to the community and in particular the fostering of corporate social responsibility;

(o) Provide programs, products and services in ways that reflect the principles of equity and social justice;

(p) Facilitate student mobility between different programs at different technical training institutions, national polytechnics and other National Polytechnics;

(q) Conduct examinations for and grant such academic awards as provided under this Order;

(r) Collaborate with recognized universities for the conduct and award of degree programs in technology.

(2) The National Polytechnic shall have powers to grant higher diplomas, diplomas, certificates, or other academic qualifications which may, for the time being, be authorized by the Academic Policy of the National Polytechnic.

(3) Subject to Technical, Vocational, Education & Training Order, the National Polytechnic may award scholarships, bursaries and prizes and make other awards which may be provided for by the Academic Policy.

Results

The results of the The Eldoret National Polytechnic for the year ended June 30, 2020 are set out on page 1 to 5

Governing Council

The members of the Governing Council who served during the year are shown on page v-x in accordance with the appointments made then by the Cabinet Secretary, Ministry of Education, Science & Technology.

Auditors

The Auditor General is responsible for the statutory audit of the *The Eldoret National Polytechnic* in accordance with Article 229 of the constitution of Kenya, public Audit Act 2015 and the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf. No other auditors were appointed.

By Order of the Governing Council



Prof. Mabel Imbuga

Chair Person, Governing Council

Date: 30th September, 2020

STATEMENT OF GOVERNING COUNCIL'S RESPONSIBILITIES

The Technical, Vocational, Education & Training Act 2013, require the Council to prepare financial statements in respect of *The Eldoret National Polytechnic*, which give a true and fair view of the state of affairs of the *Polytechnic* at the end of the financial year/period and the operating results of the *Polytechnic* for that year/period. The Council are also required to ensure that the *Polytechnic* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Polytechnic*. The Council are also responsible for safeguarding the assets of the *The Eldoret National Polytechnic*.

The Council is responsible for the preparation and presentation of the *The Eldoret National Polytechnic's* financial statements, which give a true and fair view of the state of affairs of the *The Eldoret National Polytechnic* for and as at the end of the financial year (period) ended on June 30, 2019. 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 Eldoret 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 Eldoret National Polytechnic*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accepts responsibility for *The Eldoret 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) Accrual, and in the manner required by the Public Finance Management Act, 2012 and the State Corporations Act. The Council are of the opinion that *The Eldoret National Polytechnic's* financial statements give a true and fair view of the state of *The Eldoret National Polytechnic's* transactions during the financial year ended June 30, 2020, and of *The Eldoret National Polytechnic's* financial position as at that date. The Council further confirm the completeness of the accounting records maintained for *The Eldoret National Polytechnic*, which have been relied upon in the preparation of *The Eldoret 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 to indicate that the *The Eldoret National Polytechnic* will not remain a going concern for at least the next twelve months from the date of this statement.

The Eldoret National Polytechnic annual report and financial statements for the year ended 30th June, 2020

Approval of the financial statements

The *Eldoret National Polytechnic's* financial statements were approved by the Governing Council on 30th September, 2020 and signed on its behalf by



Prof. Mabel Imbuga

**Chair Person, Governing Council
Governing Council**

Date: 30th September, 2020



Mr. Josphat K. Sawe

**CHIEF PRINCIPAL/Secretary,
Governing Council**

Date: 30th September, 2020

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NAIROBI

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of The Eldoret National Polytechnic set out on pages 28 to 54, which of 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 Eldoret 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 Technical and Vocational and Training Act, 2013.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

1.1. Misstatement of Comparative Balances

The statement of financial performance reflects administration and central services comparative figure of Kshs.290,580,162. However, Note 11 reflects a figure of Kshs.312,651,706 for the same item resulting to a variance of Kshs.22,071,544.

In addition, Note 11 to the financial statements reflects comparative balances in respect to travelling, transport and accommodation expenses amount of Kshs.29,316,029 and tuition and related expenses amount of Kshs.43,780,252. However, the audited financial statements for the year ended 30 June, 2019 reflects travelling, transport and accommodation expenses figure of Kshs.34,309,971 and tuition and related expenses amount of Kshs.30,016,832 resulting in a variance of Kshs.4,993,942 and Kshs.13,763,420 respectively.

Report of the Auditor-General on Eldoret National Polytechnic for the year ended 30 June, 2020

Further, the statement of financial performance reflects marketing and expenses comparative figure of Kshs.14,600,182. However, Note 13 reflects marketing expense of Kshs.12,914,344 resulting to unexplained and unreconciled variance of Kshs.1,685,838.

1.2. Arithmetic Error in the Notes to the Financial Statements

Note 11 to the financial statements reflects administration and central services comparative figure of Kshs.312,651,706. However, summation of the balances indicates a total of Kshs.303,882,236 resulting in a variance of Kshs.8,769,470.

1.3. Unsupported Prior Year Adjustment

The statement of cash flow statement reflects prior year adjustment figure of Kshs.3,028,799 which has not been explained in the notes to the financial statements.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be ascertained

1.4. Errors in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects a budget income amount of Kshs.592,057,837. However, the budgeted expenditure reflects a total of Kshs.573,057,837 resulting to a budget variance of Kshs.19,000,000.

Further, summation of the final budget figures for tuition fees and other incomes has been wrongly reflected in the statement as a nil balance instead of a total of Kshs.487,057,837.

2. Non-Maintenance Fixed Assets Register

The statement of financial position as at 30 June, 2020 reflects property, plant and equipment figure of Kshs.5,110,095,115 comprising of land, building, work in progress, plant and equipment, furniture and fittings and motor vehicles whose total cost amounts to Kshs.5,362,619,422 as disclosed in Note 18 to the financial statements. However, there was no evidence to indicate that the Management kept and maintained a fixed assets register. This is contrary to Regulation 143(1) of the Public Finance Management (National Government) Regulation, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

In the circumstances, the existence, location and value of the Polytechnic's property plant and equipment could not be confirmed.

3. Unsupported Rental Revenue

The statement of financial performance for the year ended 30 June, 2020 reflects rental revenue from facilities and equipment figure of Kshs.979,566. The rent was

earned from members of staff housed by the Institution as disclosed in Note 5 to the financial statements. However, valuation reports and the lease agreements between the staff and the Management were not provided for audit review. Further, the Institution does not have a register of all rental housing units.

Consequently, the accuracy and completeness of rental revenue from facilities and equipment figure of Kshs.979,566 for the year ended 30 June, 2020 could not be confirmed.

4. Unsupported Journal Entries

The statement of financial performance reflects repairs and maintenance figure of Kshs.29,347,932 as disclosed in Note 10 to the financial statements which includes an amount of Kshs.24,661,763 relating to journal entries made in the repairs and maintenance account. However, the entries were not supported by journal vouchers, sufficient explanations and documentations. In addition, no documentary evidence was provided for audit review to indicate that the entries were authorized by the accounting officer as required by Regulation 103(1,2) of Public Finance Management - (National Government) Regulations 2015.

Consequently, the accuracy of repairs maintenance expenditure totaling to Kshs.29,347,932 for the year ended 30 June, 2020 could not be confirmed.

5. Unsupported Outstanding Advances

The statement of financial position as at 30 June, 2020 reflects receivables from exchange transactions figure of Kshs.256,161,905 which includes advances from production unit staff figure of Kshs.17,701,119 as disclosed in Note 15 to the financial statements. However, aging analysis of staff advances and evidence of the measures put in place to ensure full recovery of advances were not provided for audit review. Further, The Management had not made any provisions for bad and doubtful debts in the financial statements.

Consequently, the accuracy of advances to production unit staff amounting to Kshs.17,701,119 as at 30 June, 2020 could not be confirmed and public funds may be lost if the staff advances are not recovered.

6. Unreceipted Deposits and Transfers

The statement of financial position reflects trade and other payables from exchange transactions figure of Kshs.205,023,820 as disclosed in Note 19 to the financial statements. This amount includes bursaries receipts figure of Kshs.36,558,222, bank deposits of Kshs.16,670,884 and student smart card collections of Kshs.5,053,535 all totalling to Kshs.58,282,641 that had not been receipted and posted to the relevant revenue streams.

Consequently, the completeness and accuracy of the trade and other payables from exchange transactions figure of Kshs.205,023,820 as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Eldoret 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 to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a revenue budget of Kshs.592,057,837. However, actual receipts amounted to Kshs.544,000,302 which includes unbudgeted for funds amounting to Kshs.9,993,933 resulting to an underfunding of Kshs.48,057,535 or 8% of total revenue budget. Similarly, the Polytechnic had an approved expenditure budget of Kshs.623,014,337 which comprised of development vote budget of Kshs.49,956,500 and recurrent vote budget of Kshs.573,057,637. However, the Polytechnic expended a total of Kshs.555,391,341 resulting to an under expenditure amounting to Kshs.67,622,996 or 11% of the budget.

The underfunding and under expenditure may have affected the implementation of approved projects or programmes and therefore denies the intended beneficiaries the benefits accruing from completed project.

2. Unresolved Prior Year Matters

There were issues raised in the audit report for 2018/2019 financial year. However, no report or recommendations from Eldoret National Polytechnic Management and oversight bodies were submitted for audit verification. Further, the issues remain unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require accounting officers designated for national government entities to try to resolve any issues resulting from an audit that remain outstanding.

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. Non-Compliance with the Financial Reporting Template

The financial statements for the year ended 30 June, 2020 were prepared in accordance IPSAS (Accrual Basis) Financial Reporting framework and applicable government legislations and regulations. However, following anomalies were noted;

- i. Statement of adoption of new revised and revised standards in not included in the financial statements.
- ii. Financial risk management and related party transactions have not been included in the financial statements.
- iii. The following annexes are not included in the financial statements: progress on follow up on audit recommendations, project implementation status, inter entity transfers and reconciliation of transfers from other entities.
- iv. The report of the governing council erroneously indicates that the results of Institution are shown on Pages 1-5 instead of Pages 21-25. Further, the report indicates that particulars of governing council members is on Page v-x instead of Page 1-5.
- v. The statement of financial position reflects note XIII in respect of revaluation reserves, accumulated surplus, GOK exchequer grants and donated non-current assets. However, the corresponding notes was not included in the notes to the financial statements.

Consequently, the financial statements were not prepared in accordance with TVET financial reporting template approved by the Public Sector Accounting Standards Board.

2. Employees with Net Earnings of Less than a Third of Basic Salaries

The statement of financial performance for the year ended 30 June, 2020 reflects compensation of employees' figure of Kshs.197,038,420 which includes an amount of Kshs.138,183,484 relating to basic salaries of permanent employees. Examination of

the payroll for the year ended 30 June, 2020 revealed instances of employees of Polytechnic receiving net salaries which is less than a third of their respective basic salaries contrary to Section 19(3) of the Employment Act, 2007.

Consequently, the Management is in breach of the law and there is risk of staff suffering from pecuniary embarrassment as they may not be able to meet their financial obligations.

3. Failure to Observe One Third Rule on Staff Composition

Audit review of personnel records revealed that during the year ended 30 June, 2020, the Polytechnic had a total staff of 296 and 11 council members. However, the Council had six (6) members or 55% who were from the dominant community. Further, four (4) senior management staff or 67% were from the dominant community while 235 of other permanent staff or 81% were from the dominant community contrary to section 7 (1) and (2) of National Cohesion and Integration Act, 2008 that advocates for diversity in recruitment.

Consequently, the Management of the Polytechnic is in breach of the Law.

4. Non-Submission of Monthly Financial and Non-Financial Budgetary Report

During the year under review, the Polytechnic had an approved budget of Kshs.623,014,337 which comprised of development vote budget of Kshs.49,956,500 and recurrent vote budget of Kshs.573,057,637. However, there was no evidence availed for audit review to indicate that management prepared and submitted monthly financial and non-financial budgetary reports to the National Treasury with copies to the Controller of Budget and the Auditor-General contrary to Regulation 55(1) of the Public Finance Management (National Government) Regulations, 2015 which requires an Accounting Officer of a national government entity to submit, not later than the tenth day of each month, monthly financial and non-financial budgetary reports to the National Treasury with copies to the Controller of Budget and the Auditor-General.

Consequently, the Management is in beach of the law.

5. Failure to Open a Project Bank Account

The statement of financial position reflects payables from exchange transactions figure of Kshs.205,023,820 which includes Ministry of Education outstanding grant amount of Kshs.3,542,029 as disclosed in Note 19 to the financial statements for the completion of the construction of Bomet Technical Training Institute; a project which the Management was undertaking on behalf of The Ministry of Education. However, the Management did not open a separate bank account for the project. This is contrary to Regulation 76(1) of the Public Finance Management (National Government) Regulations, 2015. Further, Management did not maintain a separate deposit bank

account and deposit ledger to account for the retention funds deducted from the contractors' payments.

Consequently, the Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Inventory Management Policy

The statement of financial position as at 30 June, 2020 reflects inventory amounting to Kshs.3,035,835. However, the Polytechnic did not have an inventory management policy to provide formal guidance on the management of inventory contrary to Section 165(1) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer shall ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

Consequently, the Institution is likely to incur stock losses and unaccountability of inventories due to lack of an inventory management policy.

2. Data Centre Environment and Outdated Student Management System Server

Audit review of Institution's information and communication technology systems revealed that the Institution uses a multifunctional student management system with a web portal to provide transparent and comprehensive information about study progress and includes a library management system. The system also controls applications and student registration processes. The Institution also runs Gigasoft, a

proprietary enterprise resource planning (ERP) system. However, the following observations were made:

- i. The Institution is using an outdated server to run the student management system.
- ii. The Institution does not have a back-up server on standby to mitigate against hardware failure of the student management system server.
- iii. The ICT Data Centre room lacks: access control system to restrict and monitor access to the server room, a backup air conditioning equipment, an environmental monitoring system to monitor the humidity and temperature in the Data Centre.
- iv. The existing closed-circuit television (CCTV) system has also not been extended to the Data Centre.
- v. A backup uninterruptible power supply (UPS) device exists in the Data Centre but has not been installed and connected to the server cabinets.

Consequently, there is a risk of data loss or prolonged downtimes in the event of a disaster or equipment hardware failure.

3. Non-Adoption of Valuation Report on Property, Plant and Equipment

The statement of financial position as at 30 June, 2020 reflects property plant and equipment figure of Kshs.5,110,095,115, whose cost figure is Kshs.5,362,619,422 as disclosed in Note 18 to the financial statements. According to interim valuation report dated 26 February, 2019, referenced No. LANDS/GEN/SW/1803 valuation was done on fixed and loose assets of the Polytechnic by registered a valuer. However, two (2) years after receiving the valuation reports, the Council has not adopted the report for implementation and it is not known when the report will be adopted.

4. Lack of an Approved Policy on Income Generating Activities

The statement of financial performance reflects other income figure of Kshs.9,014,367 comprising of farm income, rental of physical facilities and services, guest house and conferences fees and disposal of obsolete assets as disclosed in Note 6 to the financial statements.

However, the Management does not have an approved policy for income generating activities (IGUs) contrary to Section 11(2)(b) of The Eldoret National Polytechnic Order, 2014 which states that the functions of the Board shall include assisting the principal in the day to day management of the National Polytechnic and shall, in this respect, be responsible for making proposals to the Council and the Academic Board on policies that have application across the entire Institution.

Consequently, the Management may not effectively and efficiently manage the income from income generating activities without an approved policy.

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 sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the National Government is aware of the intention to terminate the Polytechnic or to cease operations.

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

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

Those charged with governance are responsible for overseeing the Polytechnic's financial reporting process, reviewing the effectiveness of how 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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Polytechnic's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Polytechnic's ability to 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 the 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

17 February, 2022

STATEMENT OF FINANCIAL PERFORMANCE AS AT 30th June, 2020

	NOTE	2020 Kshs.	2019 Kshs.
Revenue from non-exchange transactions			
Exchequer grants	3	-	-
		-	-
Revenue from exchange transactions			
Tuition fees & Other incomes	4	534,006,369	547,038,922
Rental revenue from facilities and equipment	5	979,566	1,162,320
Other income	6	9,014,367	9,722,032
		544,000,301	557,923,273
Total revenue		544,000,301	557,923,273
Expenses			
Employee costs	7	197,038,420	171,963,183
Remuneration of Governing Council members	8	9,068,418	6,337,368
Depreciation and amortization expense	9	39,657,805	29,505,066
Repairs and maintenance	10	29,347,932	37,457,611
Administration & Central service expenses	11	218,796,872	290,580,162
Rents	12	10,410,800	9,506,000
Marketing expenses	13	10,013,644	14,600,182
Provisions	22	(4,424,285)	9,644,438
Finance Cost	25	0	-
Total Expenses		509,909,605	569,594,010
Other gains/(losses)			
Gain on sale of assets			
Surplus before tax		34,090,696	(11,670,737)
Taxation			
Deficit for the period		34,090,696	(11,670,737)

The notes set out on pages 18 to 54 form an integral part of the annual financial statement

STATEMENT OF FINANCIAL POSITION AS AT 30th June, 2020

Assets	NOTES	2020	2019
		Ksh	Ksh
Current assets			
Cash and cash equivalents	14	137,830,546	30,749,104
Receivables from exchange transactions	15	256,161,905	358,939,341
Inventories	16	3,035,835	2,627,273
		397,028,286	392,315,718
Non-current assets			
Biological assets	17	6,886,700	8,351,900
Property, plant and equipment	18	5,110,095,115	5,083,299,985
		5,116,981,815	5,091,651,885
Total assets		5,514,010,101	5,483,967,603
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	19	205,023,820	238,843,237
Bank Overdraft	20	-	-
Refundable deposits from customers-caution money	21	13,661,834	11,108,081
Provisions	23	6,114,130	10,538,415
		224,799,785	260,489,733
Non-current liabilities			
		224,799,785	260,489,733
Total liabilities		224,799,785	260,489,733
Net assets		5,289,210,316	5,223,477,870
Revaluation Reserves	XIII	4,823,274,029	4,823,274,029
Accumulated surplus/Deficit	XIII	7,718,502	(26,372,194)
G.O.K Exchequer grants	XIII	403,916,571	396,274,821
Donated Assets (MOEST)	XIII	54,301,215	30,301,215
Total net assets and liabilities		5,289,210,317	5,223,477,871

The Annual Financial Statements set out on pages 19 to 54 were signed on behalf of the polytechnic's Governing Council by:

STATEMENT OF CHANGES IN NET ASSETS-AS AT 30th June, 2020

	Revenue reserve Kshs	Revaluation reserve Kshs	G.O.K grants Kshs	Donated Assets Kshs	Total Kshs
Balance as at 30 JUNE 2018	(14,701,457)	922,167,330	392,453,946	30,301,215	1,330,221,034
Balance as at 1st JULY 2018	(14,701,457)	922,167,330	392,453,946	30,301,215	1,330,221,034
Surplus/(deficit) for the period	(11,670,737)	-	-	-	(11,670,737)
Prior year adjustment	-	-	-	-	-
Exchequer grant	-	-	3,820,875	-	3,820,875
Revaluation of Biological assets	-	537,400	-	-	537,400
Revaluation of assets	-	3,900,569,299	-	-	3,900,569,299
Balance as at 30 JUNE 2019	(26,372,194)	4,823,274,029	396,274,821	30,301,215	5,223,477,871
Balance as at 1st JULY 2019	(26,372,194)	4,823,274,029	396,274,821	30,301,215	5,223,477,871
Surplus/(deficit) for the period	34,090,696	-	-	-	34,090,696
Prior year adjustment	-	-	-	-	-
Exchequer grant	-	-	7,641,750	-	7,641,750
Revaluation of Biological assets	-	-	-	-	-
Donor Grants in kind (Assets)	-	-	-	24,000,000	24,000,000
Balance as at 30 JUNE 2020	7,718,502	4,823,274,029	403,916,571	54,301,215	5,289,210,317

STATEMENT OF CASH FLOWS AS AT 30th June, 2020

	Note No.	2020 Ksh	2019 Ksh
Surplus/Deficit for the year		34,090,696	(11,670,737)
Adjustments for non-cash income and expenses			
Prior year ledger adjustments		3,028,799	-
Adjustments for :-			
Realised income from revaluation of Biological Assets			537,400.00
Depreciation	18	39,657,805	29,505,066
		76,777,300	18,371,729
CHANGES IN WORKING CAPITAL			
Changes in Inventories	16	(408,562)	54,168,243
Changes in biological assets	17	1,465,200	734,600
Changes in Accounts Receivable	15	102,777,436	(156,417,204)
Changes in Accounts Payable	19	(33,819,417)	65,967,249
Changes in refundable deposits from customers	21	2,553,753	5,317,762
Changes in Provisions	24	(4,424,284)	9,064,438
		68,144,126	(21,164,912)
Net Inflows/Outflows from Operating Activities		144,921,426	(2,793,183)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Non-currents assets	18	(45,481,735)	(35,092,545)
Adjustment for Transfers (Projects Inter bank accounts)		-	-
Net cash flows from investing activities		(45,481,735)	(35,092,545)
CASH FLOWS FROM FINANCING ACTIVITIES			
Government Development Grants	xiii	7,641,750	3,820,875
Asset Financing Term loan (NBK)/Repayment	23	-	-
Net cash flows from financing activities		7,641,750	3,820,875
Net increase/decrease in cash and cash equivalents		107,081,440	(34,064,853)
Cash and cash equivalents at the beginning of the year	14	30,749,106	64,813,959
Bank overdraft at the beginning of the year	20	-	-
		30,749,106	64,813,959
Cash and cash equivalents at the end of the year:	14	137,830,546	30,749,106

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 30th June, 2020

		Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	Note	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
Revenue						
Exchequer operations grants	3	105,000,000	-	105,000,000	-	(105,000,000)
Tuition fees & other incomes	4	487,057,837	-	-	534,006,369	534,006,369
Total income		592,057,837	-	105,000,000	534,006,369	429,006,369
Expenses						
Employee costs	7	239,101,486	-	239,101,486	197,038,420	42,063,066
Remuneration of Governing Council members	8	15,000,000	-	15,000,000	9,068,418	5,931,583
Depreciation and amortization expense	9	-	-	-	39,657,805	(39,657,805)
Repairs and maintenance	10	29,699,932	-	29,699,932	29,347,932	352,000
Administration & Central service expenses	11	261,766,419	-	261,766,419	218,796,872	42,969,547
Rents	12	16,800,000	-	16,800,000	10,410,800	6,389,200
Marketing expenses	13	10,690,000	-	10,690,000	10,013,644	676,356
Provisions	22	-	-	-	(4,424,285)	4,424,285
Finance Cost	25	-	-	-	-	-
Total expenditure		573,057,837	-	573,057,837	509,909,605	63,148,232
Surplus/Deficit for the period		19,000,000			24,096,764	492,154,601

NOTES TO THE FINANCIAL STATEMENTS No(s) 3 – 24

GENERAL INFORMATION

The Eldoret National Polytechnic is established by and derives its authority and accountability from TIVET Act of 2013, and the PFM Act 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya the entities principal activity is to produce human capital and advance technology through innovative training for a dynamic economy.

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION – IPSAS 1

The Eldoret National Polytechnic's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Eldoret National Polytechnic and all values are rounded to the nearest shilling (Ksh0.00). The accounting policies have been consistently applied to all the years presented.

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

Summary of significant accounting policies

a) Revenue recognition

i. Revenue from non-exchange transactions – IPSAS 23

Fees, taxes and fines

The Eldoret National Polytechnic recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to The Eldoret National Polytechnic and the fair value of the asset can be measured reliably.

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 Eldoret National Polytechnic and can be measured reliably.

ii. Revenue from exchange transactions – IPSAS 9

Rendering of services

The Eldoret 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 labor hours incurred to date as a percentage of total estimated labor 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 Eldoret National Polytechnic.

Interest income

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

Rental income

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

b) Budget information – IPSAS 24

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

c) Taxes – IAS 12

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where The Eldoret National Polytechnic operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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 – IPSAS 16

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 30-year period.

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 derecognition.

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

e) Property, plant and equipment – IPSAS 17

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 Eldoret 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.

f) Leases

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

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

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

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

g) Intangible assets – IPSAS 31

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 Eldoret National Polytechnic expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when The Eldoret 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.

h) Financial Instruments – IPSAS 29

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

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

ii. 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 Eldoret 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 – IPSAS 12

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

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

- Raw materials: purchase cost using the weighted average cost method

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- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

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

i) Provisions – IPSAS 19

Provisions are recognized when The Eldoret 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 Eldoret 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.

While preparing the financial statements, The Eldoret National Polytechnic provided 5% as a provision on uncollectible fees and was charged to performance. It is the policy of the polytechnic NOT to provide any provision on other debtors e.g. House Rent, Advances etc. as they are deemed to be collected at an arm's length.

Contingent liabilities

The Eldoret 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. In this light then, a contingent liability for KSh. 3,960,000 was disclosed in 2013/2014 which regards to a civil case No. 362 of 2013 between the polytechnic and Ekatchware company for the supply of a management information system. The case has not been dispensed of to date and it would be coming up in the month of October 2019 for conclusion. No other contingent liability was probable in the recent year 2018/2019.

Contingent assets

The Eldoret 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 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.

j) Nature and purpose of reserves

The Eldoret National Polytechnic creates and maintains reserves in terms of specific requirements. The Eldoret National Polytechnic to state the reserves maintained and appropriate policies adopted.

1. Changes in accounting policies and estimates – IPSAS 3

The Eldoret 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.

k) Employee benefits – IPSAS 25

Retirement benefit plans

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

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

l) Foreign currency transactions – IPSAS 4

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.

m) Borrowing costs – IPSAS 5

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.

n) Related parties – IPSAS 20

The Eldoret National Polytechnic regards a related party as a person or an officer/member with the ability to exert control individually or jointly, or to exercise significant influence over The Eldoret National Polytechnic, or vice versa. Members of key management are regarded as related parties and comprise the Chairman, the Chief executive officer(principal), Governing Council members, top management members and any other officer working for the polytechnic.

o) Service concession arrangements – IPSAS 32

The Eldoret 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 Eldoret 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 Eldoret National Polytechnic also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

p) 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

As a point of disclosure, the polytechnic operated a bank account at Kenya Commercial Bank at Eldoret West Branch, account No. 1159276706 solely for funds used in construction works in Turkana East undertaken on behalf of the Ministry of Education.

q) Comparative figures

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

r) Subsequent events – IPSAS 14

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.

s) SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of The Eldoret 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 Eldoret 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 Eldoret National Polytechnic. Such changes are reflected in the assumptions when they occur.

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 Eldoret National Polytechnic
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 24.

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.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of on-going programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred

t) Fixed assets and depreciation –IPSAS 17

Fixed assets are stated at cost or valuation, less accumulated depreciation. Depreciation is calculated on the straight-line basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives. Assets acquired during the year are depreciated from the date of acquisition.

The annual depreciation rates of assets in use are as follows: -

Assets	Rate (p.a)
Buildings	2%
Furniture, plant and equipment	12.5%
Motor vehicles	25 %
Computers	33.3 %

Freehold land is not depreciated as it is deemed to have an infinite life.

v)Agriculture – IPSAS 27

Biological assets were dealt as per IPSAS 27 which outlines the accounting treatment for agricultural activity, the biological transformation and harvest of biological assets and conversion into agricultural produce. Biological assets were measured at fair value less costs to sell unless fair value measurement is unreliable. In regard to agricultural produce, we presumed that the fair value could be determined reliably by the Farm Manager who is also a member of Agricultural Society of Kenya as stated in basis of valuations given below.

In the fore-going the biological assets in the financial statements were dealt with in consideration of the following assumptions:

- Agricultural activity means the management by the polytechnic of the biological transformation and harvest of biological assets
- Conversion into agricultural produce or into additional biological assets for sale or for distribution at no charge or for a nominal charge.
- Agricultural produce means the harvested product of the polytechnic's biological assets.
- Biological asset means a living animal or plant.
- Harvest means the detachment of produce from a biological asset or the cessation of a biological asset's life processes.
- Costs to sell mean the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

Recognition

A biological asset or agriculture produce was recognized only when

- a) The entity controls the asset as a result of past events
- b) It is probable that future economic benefits will flow to the entity
- c) The fair value or cost of the asset can be measured reliably

Basis for valuation

All farm biological assets are valued based on market rates by an expert from the Government of Kenya Department concerned with Agriculture & Livestock. Apart from market rates, valuation for all the farm biological assets is based on the following factors:

Dairy cows

All the cows were valued differently based on:

1. Age- Older cows in a higher lactation stage will have a lower value than a cow in its first lactation. An in-calf heifer that has never given but before will have the highest value than any cow in the herd. Younger cows also have a lower value.
2. Sex: Bull cows in the same age are valued differently from heifer cows in the same age.

3. Registration: All our female cows are registered with Kenya Stud Book and all have registration certificates. Registered cows are valued highly.
4. Pedigree: The institution cows have been bred and upgraded for many years using artificial insemination. Their pedigree information and records is well known through continued record keeping. They are superior breeds with high milk production. Pedigree cows have a higher value than other cows.
5. Pure breeds: These are cows whose ancestors or pedigree information is the same. The cows are pure Ayrshire's without any mix of other blood. This means their lineage is known therefore an added value.

Doper Sheep

The doper sheep are valued based on the following:

1. Sex: females have a higher value than the males
2. Age: Female sheep that have been weaned and have already been served or in lamb for the first time fetch the highest price than older or younger females.
3. Pure breeds: Sheep that have been bred selectively from pedigree rams will also be valued higher than those bred randomly.

Pigs (Large White)

Pigs are valued based on:

- Age
- Breed
- Sex
- Condition e.g. whether lactating, dry or in gilt (pregnant)
- Live weight

Poultry

The poultry is valued based on the following:

- Age
- Indigenous vs Hybrid: Hybrid chicken is valued higher than indigenous chicken.

Crops

Crops are valued based on the following:

- Growth stage
- Acreage planted
- Inputs applied

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3. Exchequer Recurrent grants	2020	2019
	Kshs.	Kshs.
Disbursements	-	-
Total	<u>-</u>	<u>-</u>

4. Tuition fees and other related income	2020	2019
	Kshs.	Kshs.
Tuition fees	311,285,943	337,360,094
Application fees	1,992,430	4,007,025
Attachment fees	6,457,723	10,958,485
Registration fees	1,435,400	3,193,700
Maintenance	5,190,448	4,837,420
Electricity, Water & Conservancy	8,344,714	8,136,320
Local Travel & Transport	8,343,600	7,129,160
Library levy	8,440,575	8,105,766
Internet Levy	8,351,465	8,007,195
Hostel & Catering	4,079,379	4,912,201
Tender fees and other misc. incomes	-	368,371
Medical fees	20,891,050	20,215,400
Personal Emoluments	63,278,866	60,641,510
Graduation Income	1,990,040	1,679,960
Sports	41,807,000	40,396,850
Driving school income	945,985	1,524,745
Research and Development	1,500	51,000
Practicals fees	41,170,250	25,513,720
Total	<u>534,006,369</u>	<u>547,038,922</u>

5. Rental revenue from facilities and equipment	2020	2019
	Kshs.	Kshs.
Staff quarters rent	979,566	1,162,320
Total	<u>979,566</u>	<u>1,162,320</u>

6. Other income	2020	2019
	Kshs.	Kshs.
Receipts from sale of farm produce/other incomes	3,499,008	3,308,371
Rental of physical facilities and services	3,125,634	5,443,262
Guest House & Conferences	2,020,524	970,399
Disposal of inserviceable/Obsolete assets	369,200	-
Total	<u>9,014,367</u>	<u>9,722,032</u>

7. Employee costs	2020	2019
	Kshs.	Kshs.
Basic Salary	138,183,484	111,536,091
Other Allowances(Hse,leave & DIT Levy)	17,167,957	23,539,225
Gratuity Costs	2,596,349	13,559,823
Commuter	9,785,293	13,714,000
Staff Training & Development	-	-
Medical allowances	1,922,829	2,705,910
Salary Arrears	58,424	671,280
Part time teaching claims(Facilitators)	27,284,084	6,236,855
Passage & Leave Allowance	40,000	-
Total	197,038,420	171,963,183

8. Remuneration of Governing Council	2020	2019
	Kshs.	Kshs.
Governing Council Expenses	9,068,418	6,337,368
Total	9,068,418	6,337,368

9. Depreciation and amortization expense	2020	2019
	Kshs.	Kshs.
Plant and equipment	13,599,772	9,080,466
Buildings	16,488,451	14,948,202
Computers, Printers and Copiers	3,547,702	1,311,706
Furniture and fittings	5,938,247	4,081,059
Motor vehicles	83,633	83,633
Total	39,657,805	29,505,066

10. Repairs and maintenance	2020	2019
	Kshs.	Kshs.
Property and equipment Repairs & maintenance	29,347,932	37,457,611
Total	29,347,932	37,457,611

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11. Administrative and Central service costs	2020	2019
	Ksh	Ksh
Medical Expenses	2,821,890	12,976,874
Travelling, Transport & Accom. Exp.	32,271,532	29,316,029
Telephone Expenses	2,121,900	3,035,977
Electricity, Water & Conservancy	12,707,287	17,887,787
Graduation Expenses	5,296,311	8,038,072
Insurance Expenses(Assets covers)	3,639,089	5,497,103
Insurance Expenses(Student Life covers)	496,233	-
Postage	157,725	82,390
Bank Charges	244,488	464,856
Administrative costs	25,227,601	5,339,357
Fees, Commissions & Honoraria	14,930,340	15,533,385
Establishment costs	-	3,917,080
Hostel and Catering Expenses	18,217,842	50,577,562
Attachment Expenses	2,564,750	3,267,450
Tuition and related Expenses	36,662,745	43,780,252
Sports	28,156,714	44,992,151
Rental and Hire of teaching Equipment and facilities	1,069,850	11,972,765
Subscription Charges- KUCCPS,	-	6,180,000
Fuel oil & lubricants	7,107,461	14,322,261
Driving school Expenses	84,350	93,920
Tivet Fairs, Research & Development	2,121,790	12,019,829
Performance, Evaluation & Monitoring	1,821,888	3,764,440
Contracted Professional expenses	3,589,363	2,169,349
Outsourced Legal fees	2,492,507	5,721,860
Revaluation loss for biological assets	1,492,900	1,272,000
Student union expenses	-	1,457,000
Farm expenses	13,500,317	8,971,955
Total	218,796,872	312,651,706

12. Rent Expenses	2020	2019
	Ksh	Ksh
Rent expense-town Campus	7,609,600	7,656,000
Rent expense- GABA campus	2,801,200	1,850,000
Total	10,410,800	9,506,000

13. Marketing Expenses	2020	2019
	Kshs.	Kshs.
Advertising & Publicity	10,013,644	12,914,344
Total	10,013,644	12,914,344

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14. Cash and Bank Balances

	2020	2019
	Kshs.	Kshs.
Cash-on-hand and in transit	433,748	3,929,195
Bank	137,396,798	26,819,909
Short-term deposits	-	-
Total cash and cash equivalents	137,830,546	30,749,104

Detailed analysis of the cash and cash equivalents

14 (a) Banks

Name of the Bank	Bank Account Number	2020	2019
		Kshs.	Kshs.
National Bank of Kenya -Eldoret	01021027668101	78,178,006	2,250,532
National Bank of Kenya -Eldoret	01021027668102	589,252	5,402,915
National Bank of Kenya -Eldoret	01021027668103	508,881	322,010
National Bank of Kenya -Eldoret	01021027668104	1,405,126	538,421
National Bank of Kenya -Eldoret	01021027668105	1,377,220	6,971,946
National Bank of Kenya -Eldoret	01021027668106	15,498,637	20,025
National Bank of Kenya -Eldoret	0124027668100	39,398,482	3,581,474
Co-operative Bank of Kenya	01129441884400	441,194	7,732,585
Total		137,396,798	26,819,909

Cash on hand and in transit

Form of cash holding e.g liquid cash, Mpesa, Mobicash, e.t.c

	2020	2019
	Kshs.	Kshs.
Hard Currency	27,873	82,375
Money Orders & cheques	-	-
M-Pesa (Pay Bill No. (304250)	295,971	3,267,082
M-Pesa (Pay Bill No. 632451)	109,904	579,738
Total	433,748	3,929,195

14. (C) Net Bank Balances

	2020	2019
	Kshs.	Kshs.
Total	137,830,546	30,749,104

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15. Receivables from exchange transactions	2020	2019
Current Receivables:	Kshs.	Kshs.
Amounts falling due within one year:-		
Students debtors	221,706,036	321,791,731
Sundry debtors	8,960,997	8,355,728
House Rent debtors	3,081,995	2,966,051
Staff P.U Advances	17,701,119	19,147,166
Staff salary advances	1,286,124	1,399,124
Staff Imprests	1,795,014	3,648,920
Sports	130,621	130,621
Rental facility deposit	1,500,000	1,500,000
Total	256,161,905	358,939,341

16. Inventories	2020	2019
	Kshs.	Kshs.
Inventory Farm Stores(Stock)	-	-
Inventory Central Stores(Stock)	3,035,835	2,627,273
Total	3,035,835	2,627,273

17. Biological assets	2020	2019
Group A	Kshs.	Kshs.
Maize in Field	-	-
Fodder in Field	-	-
Vegetables	30,000	30,000
Silage	900,000	1,200,000
Maize in store	-	-
livestock	5,839,000	6,920,000
Pigs	-	-
Poultry	89,700	201,900
Avocado Plants	28,000	
Total	6,886,700	8,351,900

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PROPERTY, PLANT AND EQUIPMENT MOVEMENT SCHEDULE FOR QUARTER 1-4: FY-2019-2020.

	Land	Buildings	W.I.P	Plant and Equipment	Computers, Printers & Copiers	Furniture & Fittings	Motor Vehicles	Total
Depreciation Rate	-	0.02	-	0.125	0.333	0.125	0.25	
COST/VALUATION	KShs	KShs.	KShs.	KShs	KShs.	KShs.	KShs	KShs.
Bal. as at 1st July,2017	520,000,000	455,958,255	176,623,034	72,223,726	46,843,211	20,548,552	22,369,560	1,314,566,338
Additions	-	-	32,413,628	420,000	3,459,957	9,644,720	-	45,938,305
Disposals	-	-	-	-	-	-	-	-
Bal as at 30 June,2018	520,000,000	562,703,026	102,291,891	72,643,726	50,303,168	30,193,272	22,369,560	1,360,504,643
Bal. as at 1st July,2018	520,000,000	562,703,026	102,291,891	72,643,726	50,303,168	30,193,272	22,369,560	1,360,504,643
Additions			28,698,289		3,939,056	2,455,200		35,092,545
Disposals								-
Donations (moest)								-
Transfer/adjustments		55,288,295	(55,288,295)					-
Revaluations during the year	3,770,816,000	129,418,768					334,531	3,900,569,299
Bal as at 30 June,2019	4,290,816,000	747,410,089	75,701,885	72,643,726	54,242,224	32,648,472	22,704,091	5,296,166,487
Bal. as at 1st July,2019	4,290,816,000	747,410,089	75,701,885	72,643,726	54,242,224	32,648,472	22,704,091	5,296,166,487
Additions	-	-	24,802,479	2,567,006	3,254,747	14,857,503	-	45,481,735
Disposals	-	-	-	-	-	-	-	-
Donations	-	-	-	24,000,000	-	-	-	24,000,000
Transfer/adjustments	-	77,012,456	(89,628,702)	9,587,446	-	-	-	(3,028,800)
Revaluations during the year	-	-	-	-	-	-	-	-
Bal as at 30 June,2020	4,290,816,000	824,422,545	10,875,662	108,798,178	57,496,971	47,505,975	22,704,091	5,362,619,422
DEPRECIATION								
Accum. At 30June 2018	-	(55,166,321)	-	(49,716,970)	(41,998,206)	(14,313,155)	(22,166,786)	(183,361,437)
At 1st July 2018	-	(55,166,321)	-	(49,716,970)	(41,998,206)	(14,313,155)	(22,166,786)	(183,361,437)
Depreciation charged (18/19)	-	(14,948,202)	-	(9,080,466)	(1,311,706)	(4,081,059)	(83,633)	(29,505,065)
Impairment	-	-	-	-	-	-	-	-
Accum. As At 30June 2019	-	(70,114,523)	-	(58,797,436)	(43,309,911)	(18,394,214)	(22,250,419)	(212,866,502)
At 1st July 2019	-	(70,114,523)	-	(58,797,436)	(43,309,911)	(18,394,214)	(22,250,419)	(212,866,502)
Depreciation charged (19/20)	-	(16,488,451)	-	(13,599,772)	(3,547,702)	(5,938,247)	(83,633)	(39,657,805)
Impairment	-	-	-	-	-	-	-	-
Accum. As At 30June 2020	-	(86,602,974)	-	(72,397,208)	(46,857,613)	(24,332,460)	(22,334,052)	(252,524,307)
NBV At 30 June 2020	4,290,816,000	737,819,571	10,875,662	36,400,970	10,639,358	23,173,515	370,039	5,110,095,115
NBV At 30 June 2019	4,290,816,000	677,295,566	75,701,885	13,846,290	10,932,313	14,254,259	453,672	5,083,299,984

NB: Depreciation on computers was done on the additional computers for the financial years 2019/20,2018/2019 & 2017/2018 while Motor Vehicles were charged at the revalued amount for the year 2018/2019.

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19. Trade and Other Payables	2020	2019
Amounts falling due within one year:-	Kshs.	Kshs.
Trade Creditors	57,578,762	65,880,177
Salaries June 2018	-	-
Staff P.U Creditors	13,423,748	14,264,893
Examination Fund	62,779,543	3,324,218
Miscellaneous students & other deposits	714,205	1,070,930
Prepaid fees	-	-
Prepaid staff house rent	-	-
CDF & other Bursaries	36,558,222	112,328,397
Unreceipted Bank deposits	16,670,884	17,582,567
CCTV Project payable(Solvit Security Solutions)	2,217,006	-
Retention accounts:	-	-
Pako contractors	187,245	523,865
Nekims Merchants & contractors	3,823,343	3,823,343
Harmo Engineering & Building co. ltd	1,234,989	2,574,272
Eldo-Rotsa constr. Co. (Kitchen Annex)	-	1,498,936
Muga Electricals	106,321	-
Bowls Plumbers Ltd-Mechanical	-	430,634
Solvit solution & security	-	790,040
Andimass Electr. Co ltd	46,421	125,350
Retentions Fabricated Lecture rooms payable(Bareu)	468,270	-
Retentions Fabricated Lecture Rooms (Soltrak)	619,296	-
Amounts falling due without one year:-	-	-
Equity student smart card	5,053,535	5,050,035
MOE Grant Bomet	3,542,029	9,575,582
Total	205,023,820	238,843,237

20. Bank Overdrafts	2020	2019
	Kshs.	Kshs.
College Fund A/C-NBK No.01021027668101	-	-
Co-operative Bank of Kenya No.01129441884400	-	-
College Fund A/C-NBK No.01021027668102	-	-
Farm Account no.01021027668103	-	-
Total	-	-

21. Refundable deposits from customers	2020	2019
	Kshs.	Kshs.
Student Union	5,162,745	3,138,262
Caution Money	8,499,089	7,969,819
Total	13,661,834	11,108,081

22. Provisions during the period	2020	2019
	Kshs.	Kshs.
Provision for accrued Audit fees during the year	580,000	580,000
Provision for uncollectible fees debtors(Reductin in the year)	(5,004,285)	9,064,438
Total	(4,424,285)	9,644,438

NB: Fees Debtors gross	221,706,036	321,791,731
5% Provision	11,085,302	16,089,587
additional change to charge (11,085302-16,089,587)	(5,004,285)	9,064,437

23. Current Provisions for the year ended 30.6.2020

	Fees & Audit	Fees & Audit
	Kshs.	Kshs.
Balance at the beginning of the year	10,538,415	1,473,977
Additional provisions raised(Reduced)	(4,424,285)	9,644,438
Provision paid	-	(580,000)
Balance as at 30 June 2019	6,114,130	10,538,415

Summary of the Provisions in Note 23

Unpaid Audit fees(17/18 Sh.580,000/= +18/19 Sh. 580,000/= + 19/20 Sh. 580,000/=)	1,740,000
Accumulated Provision on doubtful fees @ 5% GL: 60100	4,374,130
TOTAL	6,114,130

