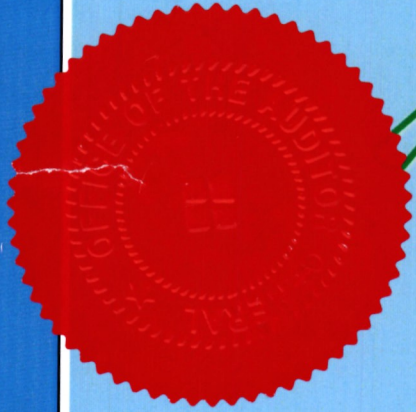


REPUBLIC OF KENYA




OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

 THE NATIONAL ASSEMBLY OF PAPERS LAID	
DATE:	10 FEB 2022
	DAY: <u>THUR</u>
TABLED BY:	<u>LDM</u>
CLERK AT THE TABLE:	<u>B-Inzofu</u>

PARLIAMENT OF KENYA LIBRARY

THE AUDITOR-GENERAL

ON

MERU NATIONAL POLYTECHNIC

FOR THE YEAR ENDED
30 JUNE, 2019





MERU NATIONAL POLYTECHNIC



ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30TH JUNE 2019**

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

MERU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

Table of Contents

KEY MERU NATIONAL POLYTECHNIC INFORMATION AND MANAGEMENT	2
KEY MERU NATIONAL POLYTECHNIC INFORMATION AND MANAGEMENT (Continued).....	4
THE COUNCIL	5
MANAGEMENT TEAM	7
CHAIRMAN'S STATEMENT.....	8
REPORT OF THE PRINCIPAL.....	9
CORPORATE GOVERNANCE STATEMENT.....	11
I. REPORT OF THE COUNCIL	14
II. STATEMENT OF THE COUNCIL MEMBERS' RESPONSIBILITIES.....	15
III. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2019	16
IV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019	17
V. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2019	18
VI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 TH JUNE 2019	19
VII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 TH JUNE 2019	20
VIII. NOTES TO THE FINANCIAL STATEMENTS	21
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	45
APPENDIX II: PROJECTS IMPLEMENTED BY THE MERU NATIONAL POLYTECHNIC	46
APPENDIX III: INTER-MERU NATIONAL POLYTECHNIC TRANSFERS	47
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES	48

MERU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

KEY MERU NATIONAL POLYTECHNIC INFORMATION AND MANAGEMENT

(a) Background information

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

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

(b) Principal Activities

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

Mission

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

Vision

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

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Principal	Mr. Geoffrey M.C. Rukunja
2.	Deputy Principal (Admin & Finance)	Mrs. Elizabeth Laichena
3.	Deputy Principal (Academic Affairs)	Mr. Anderson M. Kigige
4.	Dean of Students	Mrs. Lucy K. Mutembei
5.	Registrar	Mr. George Muiruri Muthee

MERU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

(e) Fiduciary Oversight Arrangements

Provided in two tiers;

- Polytechnic council

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

- Polytechnic council committees

Committee	Members
Audit & Risk Management Committee	1.Chairperson - Mrs. Eunice Munyi 2.Member - Mr.Jamaa Abdille 3.Member - Treasury Representative
Finance, Infrastructure & Human Resource Committee	1.Chairperson - Mr.Julius Mbaabu M'Inoti 2.Member - Dr.Rev. Mary Nkari 3.Member - Mr. Ramji Devshi Patel 4.Member - Mr. Geoffrey M.C. Rukunja
Education, Research & Training Committee	1.Chairperson - Dr.Rev. Mary Nkari 2.Member - Mr. Peter Kaume 3.Member - Mr. Geoffrey M.C. Rukunja 4.Member - Mr. Julius Mbaabu M'Inoti

MERU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

KEY MERU NATIONAL POLYTECHNIC INFORMATION AND MANAGEMENT (Continued)

(f) Headquarters

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

(g) Meru National Polytechnic Contacts

Telephone (254)0742428095
E-mail: info@merunationalpolytechnic.ac.ke
Website: www.merunationalpolytechnic.ac.ke

(h) Meru National Polytechnic Bankers

- | | |
|--|--|
| 1. Cooperative Bank of Kenya,
P.O. Box 1328,
Meru, Kenya. | 4. Standard Chartered Bank,
P.O BOX 109,
Meru – Makutano, Kenya. |
| 2. Kenya Commercial Bank
P.O BOX 2755-60200,
Meru – Makutano, Kenya. | 5. Housing Finance Corporation,
P.O BOX 956-60200,
Meru, Kenya. |
| 3. Equity Bank Ltd
P.O BOX 75104,
Meru – Makutano, Kenya. | |

(i) Independent Auditors

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




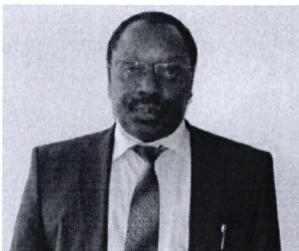
(j) Principal Legal Adviser

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

MERU NATIONAL POLYTECHNIC




ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

THE COUNCIL

	PASSPORT	DATE OF BIRTH	QUALIFICATIONS	EXPERIENCE
1.	MR. GEOFFREY.M.C.RUKUNJA  Chief Principal	1958	MBA (HRM Option)	Many years in academic & administration in public sector
2.	MRS.JOSEPHINE N. MBAYA  Council Chairperson	1956	MBA(Entrepreneurship)	Many years in public and private sector
3.	DR.MARY NKARI  Council Member	1962	PhD.	Many years in academic both private and public sector
4.	MR.JULIUS MBAABU M'INOTI  Council Member	1962	LLB(Hons)	Many years in public and private practice

MERU NATIONAL POLYTECHNIC






ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

5.	<p>MR.PATEL RAMJI</p>  <p>Council Member</p>	1963	Bsc (Quantity surveying)	Many years in private sector as an industrialist
6.	<p>MRS. MUNYI EUNICE</p>  <p>Council Member</p>	1959	MBA(Finance)	Many years in private and public sector
7.	<p>MR.JAMAA ABDILLE</p>  <p>Council Member</p>		Bsc(IT)	Many years in private sector
8.	<p>MINISTRY REPRESENTATIVE MR. PETER THIANGICU KAUME</p>	1972	M.Ed (Planning)	

MERU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

MANAGEMENT TEAM

	Manager	Area of responsibility
1.	 <p>Mr. Geoffrey MC Rukunja. MBA (HRM Option)</p>	Chief Principal.
2.	 <p>Mrs. Elizabeth Laichena. MBA (Economics)</p>	Deputy Principal (Admin & Finance)
3.	 <p>Mr. Anderson Mutembei Kigige. MBA (Mathematics)</p>	Deputy Principal (Academic Affairs)
4.	 <p>Mrs. Lucy K. Mutembei. MBA (HRM Option)</p>	Dean of Students
5.	 <p>Mr. George Muiruri Muthee B.Ed.</p>	Registrar

MERU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

CHAIRMAN'S STATEMENT

Foreword

It is my great honour to present annual report of Meru National Polytechnic (MNP) for the period ended 30th June, 2019. During the year under review MNP recorded remarkable improvement in its financial and operational performance owing to the coordinated effort of all the key players.

Key activities during the financial year under review:

The following are key activities that took place during the FY 2018/2019:

Achievements

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

1. Growth of student population from 6500 To 8661
2. Good governance which made the polytechnic to remain calm without any incidence of unrest.
3. Africa –techno challenge(MNP ranked number 3)
4. Award of East Africa Skills for Transformational and Regional Integration Program(EASTRIP) on going
5. Successful mentorship of new technical and vocational colleges' construction.

Key challenge

The major challenge that Meru National Polytechnic has faced since inception is inadequate financial resources to develop required infrastructure. Of key concern is the inadequate budgetary allocation, and sometimes unexpected reduction of the allocated funds.

Future outlook

Kenya government has set a clear objective towards achievement of the 'big 4' agenda. For example, in manufacturing, Meru National Polytechnic technical courses such plumbing, electrical installations, building technology; electronics and beauty therapy have gained popularity. The government is also sponsoring students through Kenya Universities and Colleges Central Placement Service (KUCCPS) with Ksh30, 000.00 per annum per student. The Higher Education Loans Board is also providing loans and bursaries to students in technical institutes unlike in the past.

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

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

Appreciation

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



Mrs. Josephine N. Mbaya

CHAIRPERSON-MERU NATIONAL POLYTECHNIC COUNCIL

Date..19/03/2020

MERU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

REPORT OF THE PRINCIPAL

It is my pleasure to present the Annual Report and Financial Statements of Meru National Polytechnic (MNP) for the financial year ended 30th June, 2019

NON-FINANCIAL INFORMATION

(a) Academic programmes

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

Department	Academic programmes			
	Artisan	Certificate	Diploma	Higher diploma
Business Management	0	565	1464	12
Mechanical	153	207	302	0
Building & civil engineering	286	382	969	5
Electrical & Electronics	305	310	569	4
Applied Sciences	62	277	187	0
Fashion & Design	125	459	507	0
Agriculture	37	247	508	0
Information Technology	0	207	512	0

Student population and students' welfare

Meru National Polytechnic admits both Government sponsored (KUCCPS) and self-sponsored (SSP) students. Up to the end of the financial year 2018-2019, the polytechnic had a student population of 8661 students. The number is expected to rise to 10000 students by the end of the FY2019-2020. This will be achieved through increased marketing and also through expansion of facilities to accommodate more students.

Meru National Polytechnic has a student leadership body which work with the polytechnic management to ensure that all student welfare issues are addressed promptly and in a satisfactory manner

Provision of requisite infrastructure

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

(i) Completed projects

1. CCTV Installations
2. New Furniture
3. New Electrical Extension
4. Cabro blocks phase iv
5. New conference Hall
6. New Farm House

Performance contracting (PC)

At the commencement of the year under review, the polytechnic council signed the 2018-2019 performance contracts with the Government of Kenya through the ministry of Education, Science & Technology the signed contract was cascaded to all the staff by the polytechnic management for inclusiveness. The polytechnic management remained committed during the financial year to ensuring that all operations are concluded within the stipulated legal framework. Owing to the commitment by all

MERU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

staff, Meru National Polytechnic has year after year recorded impressive results in performance contracting activities.

Strategic Focus of MNP

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

The strategic plan has the following key areas:

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

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

Key challenges

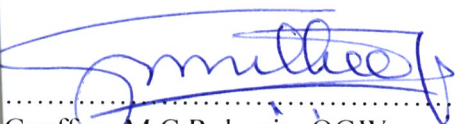
This has been inadequate financial resources to develop the requisite infrastructure. The budgetary allocation by the National Government has been minimal. There has also been unexpected reduction of the development grants leading to interruption of work schedules and even delays in projects completion. To tackle the problem of small budgetary allocations, the polytechnic has invested in production units, farm produce, expansion and diversification of existing programmes in order to supplement funds from the Government of Kenya.

Appreciation

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

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

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



Geoffrey M.C.Rukunja, OGW

Chief Principal

Date.....

19/03/2020



MERU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

CORPORATE GOVERNANCE STATEMENT

Introduction

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

Corporate Governance Statement

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

MNP COUNCIL

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

Positions of the council that served during the year under review were advertised, and appointment done by the cabinet secretary, ministry of Education Science and Technology. **Induction and capacity building for council members:**

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

- (iii) **Succession plan**

Meru National Polytechnic runs business through committees. As part of succession planning, council members are assigned more than one committees to expose them to various operations of the polytechnic. In addition, induction and other trainings are designed to cover a wide range of topics relevant to the polytechnic governance.

- (iv) **Meetings of the polytechnic council**

Dates of polytechnic council meetings in the ensuing year are decided in advance and scheduled in a work plan. The council holds its regular meetings on quarterly basis to transact planned business of the polytechnic. However, special meetings of the council may be called when there is business to transact. During the financial year 2018-2019, the council held 19 regular meetings and 9 special meetings. Members of the council receive adequate notice and detailed documents on issues to be discussed in good time, to enable them prepare for the meetings.

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

MERU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

FY 2018/2019

Full council	Names	Total meetings	Attendance by each
	Mrs Josephine N.Mbaya	19	19
	Geoffrey M.C.Rukunja		8
	Mr.Julius M.M'Inoti		19
	Mrs. Eunice Munyi		19
	Mr.Ramji D.Patel		12
	County director		18
	Mr.Jamaa Abdile		17
Finance & Human Resource	Mrs.Josephine N.Mbaya	3	3
	Geoffrey M.C.Rukunja		3
	Dr.Mary K.Nkari		3
	Mr.Julius M.M'Inoti		3
	Mr.Ramji D. Patel		2
Audit & Risk	Mrs.Eunice Munyi	3	2
	Mr.Jamaa Abdile		3
	Ministry representative		3
Education & Research	Geoffrey M.C.Rukunja	3	3
	Mrs..Josephine N.Mbaya		3
	Dr.Mary N.Nkari		3
	County director TVET		3
	Mr.Ramji D.Patel		3

(v) Conflict of interest

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

(vi) Remuneration of MNP Council

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

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

MERU NATIONAL POLYTECHNIC

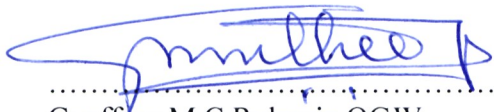
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

(vii) Ethical standards

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

MNP regularly conduct integrity awareness, training, corruption risk assessments and enforcement of corruption prevention measures.

The management has established mechanisms for receiving complaints and making follow up on allegations and reported cases of unethical conduct. Objective analysis is done and appropriate action instituted to control and discourage unethical behaviour. MNP collaborates with Ethics & Anti-Corruption Commission to entrench a culture of ethics and integrity at the polytechnic



.....
Geoffrey M.C.Rukunja,OGW
Chief Principal

Date... 19/03/2020



MERU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

I. REPORT OF THE COUNCIL

The Council members submit their report together with the financial statements for the year ended June 30, 2019 which show the state of the Meru National Polytechnic affairs.

Principal activities

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

Results

The results of the Meru National Polytechnic for the year ended June 30 are set out on page 16-48

COUNCIL

The members of the Council who served during the year are shown on page 6.

Auditors

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

By Order of the Meru National Polytechnic Council



Mrs Josephine N. Mbaya

Council Chairperson

Date: 19/03/2020

MERU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

II. STATEMENT OF THE COUNCIL MEMBERS' RESPONSIBILITIES

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

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

The council members accept responsibility for the Meru National Polytechnic's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act, and the TVET Act) – entities should quote applicable legislation as indicated under). The council members are of the opinion that the Meru National Polytechnic's financial statements give a true and fair view of the state of Meru National Polytechnic's transactions during the financial year ended June 30, 2019, and of the Meru National Polytechnic's financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the Meru National Polytechnic, which have been relied upon in the preparation of the Meru National Polytechnic's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Meru National Polytechnic's financial statements were approved by the Council on 19th March 2020 and signed on its behalf by:



Council Member



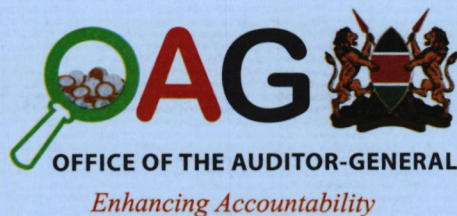
Council Member



Council Member

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MERU NATIONAL POLYTECHNIC FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Meru National Polytechnic set out on pages 16 to 48, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Meru National Polytechnic as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Technical and Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0 Variances Between Financial Statements Balances and Notes to the Financial Statements

The financial statements for the year ended 30 June, 2019 reflects balances that are at variance with the respective notes to the financial statements as detailed below:

Items	Note	Amount in the Note (Kshs.)	Amount in the Financial Statements (Kshs.)
Grants from National Government	29	145,442,775	138,921,515
Net Surplus for the year	27	386,388,226	383,127,596
Retained Earnings/Accumulated Surplus	28(iv)	923,394,618	920,133,988
Cash and Bank Balances	28(iv)	171,331,667	168,071,037

In the circumstances, the accuracy of the financial statements for the year ended 30 June, 2019 could not be ascertained.

2.0 Inaccuracies in the Statement of Changes in Net Assets

The statement of changes in net assets reflects Kshs.11,033,334 in respect to development grants. However, review of the records from the Ministry of Education revealed an amount of Kshs.94,214,142 resulting in an unexplained and unreconciled variance of Kshs.83,180,808.

In the circumstances, the accuracy of the Kshs.11,033,334 in respect to development grants balance for the year ended 30 June, 2019 could not be confirmed.

3.0 Inaccuracies in Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 20 to the financial statements reflects Kshs.168,0701,037 in respect to cash and cash equivalents. This includes adjusted cashbook balances of Kshs.121,718,747 in three (3) cashbooks. However, the bank reconciliation reflects Kshs.8,927,747 in respect to the adjusted cashbook balances for the three (3) cashbooks resulting in an unexplained and unreconciled variance of Kshs.112,794,045. Further, certificates of bank balances confirmation for two bank accounts were not provided for audit.

In the circumstance, the accuracy and fair statement of the cash and cash equivalent of Kshs.168,071,037 as at 30 June, 2019 could not be ascertained.

4.0 Lack of Valuation Records

The statement of financial position and as disclosed in Note 21 to the financial statements reflects Kshs.587,565,222 in respect to property, plant and equipment. This includes Kshs.303,418,407 in respect to net book value of property, plant and equipment's as at 30 June, 2017 whose valuation records were not availed for audit review.

In the circumstances, the accuracy, completeness and valuation of the property, plant and equipment balance of Kshs.587,565,222 as at 30 June, 2019 could not be ascertained.

5.0 Inaccuracies in Government of Kenya (GOK) Grants

The statement of financial performance and as disclosed in Note 6 to financial statements reflects Kshs.138,921,515 and Kshs.3,260,630 in respect to GOK recurrent and development grants respectively amounting to Kshs.142,182,145. However, records from the Ministry of Education reflects Kshs.104,259,629 and Kshs.6,521,260 both amounting to Kshs.110,780,889 resulting to unexplained and unreconciled variances of Kshs.31,401,256.

In the circumstances, the accuracy of the Kshs.142,182,145 in respect to GOK grants for the year ended 30 June, 2019 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Meru National Polytechnic Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical

requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.421,261,949 and Kshs.920,130,850 respectively resulting to over realization of revenue of Kshs.498,868,901 of the budget. Similarly, the Polytechnic incurred expenditure of Kshs.686,048,743 against an approved budget of Kshs.421,261,949 resulting to an over expenditure of Kshs.264,786,794 of the budget.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non-Compliance with Law on Ethnic Composition

The Polytechnic recruited twenty-nine (29) additional employees in the financial year under review. However, twenty-six (26) employees or 90% of the total recruited staff came from the dominant community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which requires that no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstance, the Polytechnic is 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, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 Meru National Polytechnic's ability to continue to sustain its services, disclosing as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Polytechnic or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with Meru National 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 Meru National Polytechnic's ability to continue to sustain its services. If I conclude

that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause Meru National 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 Meru National Polytechnic to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 December, 2021

MERU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

II. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2019

	Notes	2018/2019	2017/2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	6(a)	138,921,515	68,756,070
Public contributions and donations	7	0	70,816
Total Revenue from non-exchange transactions		138,921,515	68,826,886
Revenue from exchange transactions			
Rendering of services- Fees from students	8	727,656,694	385,600,557
Sale of goods	9	13,232,470	14,420,397
Rental revenue from facilities and equipment	10	36,887,075	6,304,814
Finance Income	11	37,726	764,534
Other income	12	134,740	427,925
Revenue from exchange transactions		777,948,705	407,518,227
Total revenue		916,870,220	476,345,113
Expenses			
Use of goods and services	13	9,363,687	3,131,361
Employee costs	14	50,040,418	79,202,829
Remuneration of directors	15	5,577,574	4,468,041
Depreciation and amortization expense	16	21,156,777	11,630,047
Repairs and maintenance	17	17,926,169	16,372,523
Contracted services	18	0	1,764,000
General expenses	19	429,677,999	192,945,471
Total expenses		533,742,624	309,514,272
Net Surplus for the year		383,127,596	166,830,841

The notes set out on pages -21- to -43- form an integral part of the Annual Financial Statements of the Meru national polytechnic.

MERU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

IV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	Notes	2018/2019	2017/2018
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	20	168,071,037	82,797,896
Receivables from exchange transactions	23	303,140	
Receivables from non-exchange transactions	24	171,680,300	
Total Current Assets		340,054,477	82,797,896
Non-current assets			
Property, plant and equipment	21	587,565,222	465,402,541
Intangible assets	22	8,986,661	
Total Non-current Assets		596,551,883	465,402,541
Total assets		936,606,360	548,200,437
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	25	1,813,619	1,213,619
Refundable deposits from customers	26	3,625,419	2,207,722
Total Current Liabilities		5,439,038	3,421,341
Total liabilities		5,439,038	3,421,341
Capital and Reserves			
Accumulated surplus		920,133,988	537,006,392
Capital Fund		11,033,334	7,772,704
Total Capital and Reserves		931,167,322	544,779,096
Total Liabilities and Capital & Reserves		936,606,360	548,200,437

The Financial Statements set out on pages -16- to -48- were signed on behalf of the Institute Council by



Chairman of Council

Date... 19/03/2020



Finance Officer

ICPAK No:
Date... 19/03/2020



Principal



V. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2019

	Note	Retained earnings	Capital/ Development Grants/Fund	Total
Balance b/f as at July 1, 2017		370,175,551	2,900,294	373,075,845
Total comprehensive income		166,830,841		166,830,841
Capital/Development grants received during the year			4,872,410	4,872,410
Balance c/d as at June 30, 2018		537,006,392	7,772,704	544,779,096
Balance b/f as at July 1, 2018		537,006,392	7,772,704	544,779,096
Total comprehensive income		383,127,596		383,127,596
Capital/Development grants received during the year	6(b)		3,260,630	3,260,630
Balance c/d as at June 30, 2019		920,133,988	11,033,334	931,167,322

MERU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

VI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2019

		2018/2019	2017/2018
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	6	142,182,145	73,628,480
Rendering of services- Fees from students	8	727,656,694	385,600,557
Increase in receivables		(171,983,440)	
Sale of goods	9	13,232,470	14,420,397
Rental revenue from facilities and equipment	10	36,887,075	6,304,814
Other income, rentals and agency fees	11	134,740	498,741
Finance Income	12	37,726	764,534
Total Receipts		748,147,410	481,217,523
Payments			
Compensation of employees	14	50,040,418	79,202,829
Use of goods and services	13	9,363,687	3,131,361
Other payments		453,181,742	215,550,035
Grants and subsidies paid			
Total Payments		512,585,847	297,884,225
Net cash flows from operating activities		235,561,563	183,333,298
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	21	(152,306,119)	(173,614,182)
Net cash flows used in investing activities		(152,306,119)	(173,614,182)
Cash flows from financing activities			
Increase in refundable deposits		2,017,697	1,822,250
Net cash flows used in financing activities		2,017,697	1,822,250
Net increase/(decrease) in cash and cash equivalents		85,273,141	(26,045,243)
Cash and cash equivalents at 1 July 2018		82,797,896	71,256,530
Cash and cash equivalents at 30 June 2019		168,071,037	82,797,896
Cash and cash equivalents as per the Balance Sheet		168,071,037	82,797,896

VII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2019

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2017-2018	Kshs	2017-2018	Kshs	2017-2018	Kshs	2017-2018	Kshs	2017-2018	Kshs
Revenue										
Transfers from other Govt entities Govt grants	106,818,252				106,818,252		142,182,145		(35,363,893)	
Public contributions and donations										
Rendering of services- Fees from students	234,295,000				234,295,000		727,656,694		(493,361,694)	
Sale of goods	2,500,000				2,500,000		13,232,470		(10,732,470)	
Finance Income	1,200,000				1,200,000		37,726		1,162,274	
Consultancy Income										
Gains on disposal, rental income and agency fees	76,448,697				76,448,697		37,021,815		39,426,882	
Total income	421,261,949				421,261,949		920,130,850		(498,868,901)	
Expenses										
Development Projects (Capital Expenditure)	121,368,000				121,368,000		173,462,896		(52,094,896)	
Compensation of employees	61,346,800				61,346,800		50,040,418		11,306,382	
Use of Goods and services	3,432,000				3,432,000		9,363,687		(5,931,687)	
Finance costs										
Rent paid										
Remuneration of directors	4,500,000				4,500,000		5,577,574		(1,077,574)	
General expenses	162,279,930				162,279,930		447,604,168		(285,324,238)	
Grants and subsidies paid	68,335,219				68,335,219				68,335,219	
Total expenditure	421,261,949				421,261,949		686,048,743		(264,786,794)	
Surplus for the period							234,082,107		(234,082,107)	

Budget notes

1. Increase in revenue attributable to increased student enrolment.
2. Development projects completed up to 80% within the financial year.

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

VIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the TVET Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

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

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

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

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

Standard	Effective date and impact:
	National Polytechnic's financial performance, financial position and cash flows.

iii. Early adoption of standards

The Meru National Polytechnic did not early – adopt any new or amended standards in year 2019.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2018/2019 was approved by the Council on July 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Meru National Polytechnic upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Meru National Polytechnic recorded additional appropriations on the FY 2018/2019 budget following the Council approval.

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

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

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

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (continued)

Sales tax/ Value Added Tax

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

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

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

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 3 years.

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

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

e) Property, plant and equipment

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

f) Depreciation and impairment of property, plant and equipment

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

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

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

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

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

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

g) Leases

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

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

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

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

h) Intangible assets

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

i) Research and development costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

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

Impairment of financial assets

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

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Meru National Polytechnic determines the classification of its financial liabilities at initial recognition.

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

Loans and borrowing

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

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

i) Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

The Meru National Polytechnic provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Meru National Polytechnic pays fixed contributions into a separate Meru 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.

n) Foreign currency transactions

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

o) Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

6 (a) TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

	2018-2019	2017-2018
	KShs	KShs
Unconditional grants		
Operational grant	12,250,500	50,250,000
Conditional grants		
Other mentorship tti grants	43,266,515	18,506,070
Student capitation	83,404,500	
Total Government grants and subsidies	138,921,515	68,756,070

6 (b) TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

	2018-2019	2017-2018
	KShs	KShs
Conditional grants		
Development grant	3,260,630	4,872,410
Total Government grants and subsidies	3,260,630	4,872,410

7 PUBLIC CONTRIBUTIONS AND DONATIONS

	2018-2019	2017-2018
	KShs	KShs
Local Donations		70,816
Total public contributions and donations		70,816

8 RENDERING OF SERVICES

	2018-2019	2017-2018
	KShs	KShs
Tuition fees	545,069,153	367,575,231
Tuition fees - NYS	171,680,300	
Activity fees	0	937,020
Examination fees	9,199,141	13,932,506
Registration fees	1,708,100	3,155,800
Total Rendering of Services	727,656,694	385,600,557

9 SALE OF GOODS

	2018-2019	2017-2018
	KShs	KShs
Sale of farm produce	6,766,582	7,032,583
Other – Kitchen sales	6,465,888	7,387,814
Total Sale of goods	13,232,470	14,420,397

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

	2018-2019	2017-2018
	KShs	KShs
Straight-lined operating lease receipts	54,500	59,400
Contingent rentals	36,832,575	6,245,414
Total rentals	36,887,075	6,304,814

11 OTHER INCOME

Description	2018-2019	2017-2018
	KShs	KShs
Income from sale of tender	3,000	7,000
Services concession income		250,785
Income from disposal of assets	131,740	170,140
Total other income	134,740	427,925

12 FINANCE INCOME

	2018-2019	2017-2018
	KShs	KShs
Cash investments and fixed deposits	37,726	764,534
Total other income	37,726	764,534

13 USE OF GOODS AND SERVICES

	2018-2019	2017-2018
	KShs	KShs
Security	6,055,687	3,131,361
Professional services	3,308,000	
Total good and services	9,363,687	3,131,361

14 EMPLOYEE COSTS

	2018-2019	2017-2018
	KShs	KShs
Salaries and wages	45,367,293	64,469,640
Travel, motor car, accommodation, subsistence and other allowances	4,673,125	14,733,189
Total Employee costs	50,040,418	79,202,829

15 REMUNERATION OF DIRECTORS

	2018-2019	2017-2018
	KShs	KShs
Directors emoluments	5,577,574	4,468,041
Total director emoluments	5,577,574	4,468,041

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 DEPRECIATION AND AMORTIZATION EXPENSE

	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	18,910,112	11,630,047
Intangible assets	2,246,665	
Total depreciation and amortization	21,156,777	11,630,047

17 REPAIRS AND MAINTENANCE

	2018-2019	2017-2018
	KShs	KShs
Property	17,926,169	3,300
Equipment and machinery		16,369,223
Total Repairs and Maintenance	17,926,169	16,372,523

18 CONTRACTED SERVICES

	2018-2019	2017-2018
	KShs	KShs
Other contracted services - sustainability growth plan		1,764,000
Total Contracted Services		1,764,000

19 GENERAL EXPENSES

	2018-2019	2017-2018
	KShs	KShs
Advertising	11,581,708	7,261,788
Audit fees	600,000	600,000
Admin cost	3,179,928	24,988,405
Conferences and delegations	2,798,674	5,469,249
Consumables	29,010,748	32,165,728
Electricity	9,896,822	8,437,856
Fuel and oil	7,514,413	8,166,464
Insurance	2,586,632	185,624
Licenses and permits		
Telecommunication	2,022,876	2,613,957
Training expenses – students	350,913,328	100,118,342
Other - Bank charges	195,573	524,388
Other - Staff development	9,377,297	2,413,670
Total general expenses	429,677,999	192,945,471

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 CASH AND CASH EQUIVALENTS

	2018-2019	2017-2018
	KShs	KShs
Current account	168,071,037	82,797,896
Total cash and cash equivalents	168,071,037	82,797,896

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

Financial institution	Account number	2018-2019	2017-2018
		KShs	KShs
a) Current account			
Equity Bank (k) ltd - Development a/c	140292473814	2,460,403	3,124,360
Equity Bank (k) ltd - Farm a/c	1040297152680	1,281,773	1,570,441
Equity Bank (k) ltd - Production a/c	1040262403577	6,483,393	882,098
Equity Bank (k) ltd - Operations a/c	140292473819	112,774,951	33,352,631
Standard Chartered Bank	102062031800	145,393	158,343
Housing Finance Bank	704-000-0867	327,211	1,528,462
Cooperative Bank - Operations a/c	1129075143100	9,426,125	10,797,378
Kenya Commercial Bank - Operations a/c	1197847472	2,256,863	10,002,777
Kenya Commercial Bank -	119872731	688,412	
Kenya Commercial Bank -	1201310776	88,170	1,510,223
Equity Bank (k) ltd - Fee collection a/c	1040275976049	1,418,122	4,884,680
Equity Bank (k) ltd - Saku tti a/c	140262845510	8,738,592	8,738,812
Equity Bank (k) ltd - Moyale tti a/c	140269121212	8,128,271	2,754,809
Equity Bank (k) ltd - Samburu West a/c	1040262845840	0	977,984
Cooperative Bank of Kenya - Tigania East tti a/c	1139525972700	4,233,991	119,809
Equity Bank (k) ltd - Samburu North tti a/c	140269120998	7,601,244	889,489
Equity Bank (k) ltd - Samburu tti a/c	1040262403565	1,146,859	1,146,859
Equity Bank (k) ltd - Chuka tti a/c	140262845461	0	325,480
Equity Bank (k) ltd – Economic stimulus a/c	0140296297789	31,499	31,499
b) Call deposit			
Equity Bank (k) ltd	1040264403400	1,522	1,762
c) Others(specify)			
Cash		838,243	0
Sub- total		168,071,037	82,797,896
Grand total			

**MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
21 PROPERTY, PLANT AND EQUIPMENT**

Cost	Land and Buildings		Motor vehicles		Furniture and fittings		Computers		Plant and equipment		Capital Work in progress		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
NBV As at 30th June 2017	70,364,454	0				6,582,466	19,324,781		6,803,890		200,342,816		303,418,407	
Additions during the period ended 30th June 2018	93,831,240		9,531,364		2,969,721	1,649,202		7,284,015		58,348,639			173,614,181	
Total Assets during the period ended 30th June 2018	164,195,694		9,531,364		9,552,187	20,973,983		14,087,905		258,691,455			477,032,588	
Depreciation and impairment														
Depreciation charge during the year ended 30th June 2018	0		2,382,841		1,194,023	6,292,195		1,760,988		0			11,630,047	
NBV As at 30th June 2018	164,195,694		7,148,523		8,358,164	14,681,788		12,326,917		258,691,455			465,402,541	
Additions during the period ended 30th June 2019	70,083,865		10,668,018		3,975,585	20,059,924		7,607,031		28,678,370			141,072,793	
Total Assets during the period ended 30th June 2019	234,279,559		17,816,541		12,333,749	34,741,712		19,933,948		287,369,825			606,475,334	
Depreciation and impairment														
Depreciation charge during the year ended 30th June 2019	0		4,454,135		1,541,719	10,422,514		2,491,744		0			18,910,112	
NBV As at 30th June 2019	234,279,559		13,362,406		10,792,030	24,319,198		17,442,204		287,369,825			587,565,222	

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

MENTORED PROJECT	EXPENDED AMOUNT DURING THE YEAR
MOYALE TECHNICAL TRAINING INSTITUTE	11,530,754
TIGANIA EAST TECHNICAL TRAINING INSTITUTE	9,896,926
SAMBURU NORTH TECHNICAL TRAINING INSTITUTE	7,250,690

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 INTANGIBLE ASSET - SOFTWARE

	2018-2019	2017-2018
	KShs	KShs
Cost		
At beginning of the year		
Additions	11,233,326	0
Cost end of the year	11,233,326	0
Amortization and impairment		
At beginning of the year		
Amortization	2,246,665	0
Amortization at end of the year	2,246,665	0
Less :Impairment loss		
At end of the year	0	0
NBV As at 30th June 2019	8,986,661	0

23 RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Salary advance	303,140	
Total receivables from exchange transactions	303,140	

24 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Transfers from other govt. entities – National Youth Service	171,680,300	
Total receivables from non-exchange transactions	171,680,300	

25 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2018-2019	2017-2018
	KShs	KShs
Balance b/f as at 1 st July 2017	1,213,619	613,619
Trade payables – Provision for audit fees	600,000	600,000
Total trade and other payables	1,813,619	1,213,619

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

	2018-2019	2017-2018
	KShs	KShs
Balance b/f	2,207,722	985,472
Caution money	1,417,697	1,222,250
Total deposits	3,625,419	2,207,722

27 CASH GENERATED FROM OPERATIONS

	2018-2019	2017-2018
	KShs	KShs
Surplus for the year before tax	386,388,226	166,830,841
Adjusted for:		
Development grants	3,260,630	4,872,410
Depreciation	21,156,777	11,630,047
Net cash flow from operating activities	410,805,633	183,333,298

28 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019
FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (continued)

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

The Meru National Polytechnic has significant concentration of credit risk on amounts due from 2018

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

(ii) Liquidity risk management

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

(iii) Market risk

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

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

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

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

a) Interest rate risk

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

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019
FINANCIAL RISK MANAGEMENT (Continued)

Management of interest rate risk

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

(iii) Market risk (Continued)

b) Interest rate risk(continued)

Sensitivity analysis

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

iv) **Capital Risk Management**

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

	2018-2019	2017-2018
	Kshs	Kshs
Retained earnings	923,394,618	537,006,392
Capital reserve	11,033,334	7,772,704
Total funds	934,427,952	544,779,096
Total borrowings		
Less: cash and bank balances	171,331,667	82,797,896
Net debt/(excess cash and cash equivalents)		
Gearing	0%	0%

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

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

	2018-2019	2017-2018
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	145,442,775	79,189,906
Grants from County Government		
Donations in kind		
Less: Transfers to Tharaka technical training on handing over.		(5,561,426)
Total	145,442,775	73,628,480
b) Key management compensation		
Directors' emoluments	5,577,574	4,468,041
Total	151,020,349	78,096,521

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 EVENTS AFTER THE REPORTING PERIOD

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

31 ULTIMATE AND HOLDING MERU NATIONAL POLYTECHNIC

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

32 CURRENCY

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

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

Mrs. Josephine N. Mbaya
Chairperson of the Council



Date.....19/03/2020.....

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

APPENDIX II: PROJECTS IMPLEMENTED BY THE MERU NATIONAL POLYTECHNIC

Projects

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

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

Status of Projects completion

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

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

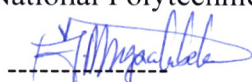
APPENDIX III: INTER-MERU NATIONAL POLYTECHNIC TRANSFERS

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

MERU NATIONAL POLYTECHNIC NAME:			
Break down of Transfers from the State Department of TVET Ministry of Education.			
FY 2017/2019			
a	Recurrent Grants		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u> <u>Indicate the FY to which the amounts relate</u>
	Student tuition capitation grants	15/11/2018	83,404,500.00 2019/2018
	Operational grant	05/10/2018	12,250,500.00 2019/2018
		Total	95,655,000.00
b	Development Grants		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u> <u>Indicate the FY to which the amounts relate</u>
	Development Grants	15/10/2018	1,630,315.00 2019/2018
	Development Grants	11/03/2019	1,630,315.00 2019/2018
		Total	3,260,630.00
c	Other mentorship project grants		
	Other mentorship project grants	08/10/2018	1,078,893.00 2019/2018
	Other mentorship project grants	08/10/2018	500,000.00 2019/2018
	Other mentorship project grants	08/10/2018	500,000.00 2019/2018
	Other mentorship project grants	08/10/2018	500,000.00 2019/2018
	Other mentorship project grants	08/10/2018	2,802,670.00 2019/2018
	Other mentorship project grants	08/10/2018	13,964,235.00 2019/2018
	Other mentorship project grants	27/06/2019	3,884,016.00 2019/2018
	Other mentorship project grants	27/06/2019	1,000,000.00 2019/2018
	Other mentorship project grants	27/06/2019	1,000,000.00 2019/2018
	Other mentorship project grants	12/02/2019	500,000.00 2019/2018
	Other mentorship project grants	12/02/2019	500,000.00 2019/2018
	Other mentorship project grants	29/01/2019	11,210,678.00 2019/2018
	Other mentorship project grants	25/01/2019	5,826,023.00 2019/2018
		Total	43,266,515
		Total	142,182,145

Finance Manager
 Meru National Polytechnic

Sign



Head of Accounting Unit
 Ministry of Education

Sign-----

MERU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Recurrent/Development/Others	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized	Total Transfers during the Year
	as per bank statement					
Ministry of Education	15/11/2018	Student tuition capitation grants		83,404,500.00	83,404,500.00	83,404,500.00
Ministry of Education	5/10/2018	Operational grant		12,250,500.00	12,250,500.00	12,250,500.00
Ministry of Education	15/10/2018	Development Grants		1,630,315.00	1,630,315.00	1,630,315.00
Ministry of Education	11/03/2019	Development Grants		1,630,315.00	1,630,315.00	1,630,315.00
Ministry of Education	8/10/2018	Other mentorship project grants		1,078,893.00	1,078,893.00	1,078,893.00
Ministry of Education	8/10/2018	Other mentorship project grants		500,000.00	500,000.00	500,000.00
Ministry of Education	8/10/2018	Other mentorship project grants		500,000.00	500,000.00	500,000.00
Ministry of Education	8/10/2018	Other mentorship project grants		500,000.00	500,000.00	500,000.00
Ministry of Education	8/10/2018	Other mentorship project grants		2,802,670.00	2,802,670.00	2,802,670.00
Ministry of Education	8/10/2018	Other mentorship project grants		13,964,235.00	13,964,235.00	13,964,235.00
Ministry of Education	27/06/2019	Other mentorship project grants		3,884,016.00	3,884,016.00	3,884,016.00
Ministry of Education	27/06/2019	Other mentorship project grants		1,000,000.00	1,000,000.00	1,000,000.00
Ministry of Education	27/06/2019	Other mentorship project grants		1,000,000.00	1,000,000.00	1,000,000.00
Ministry of Education	12/02/2019	Other mentorship project grants		500,000.00	500,000.00	500,000.00
Ministry of Education	12/02/2019	Other mentorship project grants		500,000.00	500,000.00	500,000.00
Ministry of Education	29/01/2019	Other mentorship project grants		11,210,678.00	11,210,678.00	11,210,678.00
Ministry of Education	25/01/2019	Other mentorship project grants		5,826,023.00	5,826,023.00	5,826,023.00
TOTAL				142,182,145	142,182,145	142,182,145